SMALL BUSINESS' INVOLVEMENT IN SOCIETAL CAUSES:
AN EMPIRICAL INVESTIGATION OF
SOCIAL RESPONSIBILITY
SELF-INTEREST PERSPECTIVES

by

JACQUELYN WARWICK

Submitted to the Small Business Administration
August 9, 1993
Order Number: SBA-89-2241
ABSTRACT

Although there have been a number of studies on corporate social responsibility and the motives underlying corporate contributions to societal causes (business considerations vs. altruism), there is a dearth of studies focusing on business' contributions to and involvement in societal causes in the context of small businesses. This dissertation focuses on factors influencing a small business' propensity to contribute to societal causes. A model delineating the relationship between a business' propensity to contribute to societal causes and (i) personal characteristics of the small business owner, (ii) the characteristics of the small business organization, (iii) the characteristics of the primary beneficiary of the cause to which a small business is requested to contribute, and (iv) the outcomes of a small business' prior involvement in societal causes is presented and empirically tested. The findings reported are based on a mail survey of a national sample of 241 small businesses. LISREL, MRA and ANOVA were used to test the hypothesized relationships. The findings are supportive of significant differences between value-oriented and profit-oriented small business owners with respect to the anticipated benefits and visibility to the business that could result from involvement in societal activities. Two organizational factors - size of the business and resource availability -
were found to influence the propensity of a small business to contribute to societal causes. The study findings also suggest that most small businesses do not take into account the potential opportunity for their business to achieve business related objectives through tie-ins with societal causes.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>CHAPTER</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>1</td>
</tr>
<tr>
<td>INTRODUCTION: SMALL BUSINESS' PARTICIPATION IN SOCIETAL CAUSES</td>
<td>1</td>
</tr>
<tr>
<td>Purpose of the Study</td>
<td>8</td>
</tr>
<tr>
<td>Justification for the Study</td>
<td>8</td>
</tr>
<tr>
<td>Organization of the Dissertation</td>
<td>12</td>
</tr>
<tr>
<td>II</td>
<td>14</td>
</tr>
<tr>
<td>AN OVERVIEW OF RELEVANT LITERATURE</td>
<td>14</td>
</tr>
<tr>
<td>Theoretical Perspectives</td>
<td>14</td>
</tr>
<tr>
<td>Participating in Societal Causes: Key Constructs and Variables</td>
<td>23</td>
</tr>
<tr>
<td>Arguments Against a Business Becoming Involved in Societal Causes</td>
<td>83</td>
</tr>
<tr>
<td>Empirical Studies on Social Responsibility of Businesses</td>
<td>93</td>
</tr>
<tr>
<td>III</td>
<td>104</td>
</tr>
<tr>
<td>A CONCEPTUAL MODEL AND HYPOTHESES OF SMALL BUSINESS' PROPENSITY TO PARTICIPATE IN SOCIETAL CAUSES</td>
<td>104</td>
</tr>
<tr>
<td>Factors Affecting a Small Business' Responsiveness to Societal Causes</td>
<td>104</td>
</tr>
<tr>
<td>IV</td>
<td>143</td>
</tr>
<tr>
<td>RESEARCH DESIGN AND METHODOLOGY</td>
<td>143</td>
</tr>
<tr>
<td>Sample</td>
<td>143</td>
</tr>
<tr>
<td>Data Collection Procedure</td>
<td>145</td>
</tr>
<tr>
<td>Questionnaire Design</td>
<td>145</td>
</tr>
<tr>
<td>Operationalization of Constructs</td>
<td>148</td>
</tr>
<tr>
<td>Data Analysis Procedures</td>
<td>155</td>
</tr>
<tr>
<td>V</td>
<td>163</td>
</tr>
<tr>
<td>RESULTS AND DISCUSSION</td>
<td>163</td>
</tr>
<tr>
<td>Analysis of Responses and Sample Characteristics</td>
<td>163</td>
</tr>
<tr>
<td>Reliability and Validity Issues</td>
<td>167</td>
</tr>
<tr>
<td>Model Analysis</td>
<td>174</td>
</tr>
<tr>
<td>ANOVA Results</td>
<td>206</td>
</tr>
<tr>
<td>Summary</td>
<td>207</td>
</tr>
<tr>
<td>VI</td>
<td>210</td>
</tr>
<tr>
<td>SUMMARY, IMPLICATIONS AND DIRECTIONS FOR FUTURE RESEARCH</td>
<td>210</td>
</tr>
<tr>
<td>Summary of Findings</td>
<td>210</td>
</tr>
<tr>
<td>Limitations</td>
<td>220</td>
</tr>
<tr>
<td>Implications for Small Business Owners</td>
<td>222</td>
</tr>
<tr>
<td>Section</td>
<td>Page</td>
</tr>
<tr>
<td>----------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Implications for Non-Profit Organizations</td>
<td>223</td>
</tr>
<tr>
<td>Directions for Future Research</td>
<td>224</td>
</tr>
<tr>
<td>Conclusion</td>
<td>226</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>228</td>
</tr>
<tr>
<td>APPENDIX A</td>
<td>246</td>
</tr>
<tr>
<td>Cover Letter</td>
<td>246</td>
</tr>
<tr>
<td>Follow-up Letter</td>
<td>247</td>
</tr>
<tr>
<td>Instrument</td>
<td>248</td>
</tr>
<tr>
<td>APPENDIX B</td>
<td>259</td>
</tr>
<tr>
<td>Profile of Early and Late Respondents</td>
<td>259</td>
</tr>
<tr>
<td>APPENDIX C</td>
<td>261</td>
</tr>
<tr>
<td>Respondent Demographics</td>
<td>261</td>
</tr>
<tr>
<td>VITA</td>
<td>264</td>
</tr>
<tr>
<td>TABLE</td>
<td>Description</td>
</tr>
<tr>
<td>---------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>1.1</td>
<td>Statistical Business Size Categories</td>
</tr>
<tr>
<td></td>
<td>A. Employment (Number of Employees)</td>
</tr>
<tr>
<td></td>
<td>B. Revenues or Assets (In Dollars)</td>
</tr>
<tr>
<td>2.1</td>
<td>Potential Areas of Social Responsibility of a Business</td>
</tr>
<tr>
<td>2.2</td>
<td>Summary of Empirical Research</td>
</tr>
<tr>
<td>3.1</td>
<td>Summary of Hypotheses</td>
</tr>
<tr>
<td>4.1</td>
<td>Description of Measures</td>
</tr>
<tr>
<td>5.1</td>
<td>Reliability Analysis Results</td>
</tr>
<tr>
<td>5.2</td>
<td>Correlation Matrix</td>
</tr>
<tr>
<td>5.3</td>
<td>Mean Scores for Profit and Value-Oriented Small Business for Factors Affecting Propensity to Participate in Societal Causes</td>
</tr>
<tr>
<td>5.4</td>
<td>z-Transformed Correlations and $X^2$ Results: Strength of Relationship</td>
</tr>
<tr>
<td>5.5</td>
<td>Moderated Regression Analysis: Form of Relationship</td>
</tr>
<tr>
<td>5.6</td>
<td>$X^2$ Test for Homogeneity of Correlations Between Pairs of Variables for Different Potential Beneficiaries</td>
</tr>
<tr>
<td>5.7</td>
<td>Confirmatory Factor Analysis: Modification and Residual Indices</td>
</tr>
<tr>
<td>5.8</td>
<td>Variance-Covariance Matrix for Structural Model</td>
</tr>
<tr>
<td>5.9</td>
<td>A. Goodness-of-Fit Indices for A priori Structural Model</td>
</tr>
<tr>
<td></td>
<td>B. Goodness-of-Fit Indices for Respecified Structural Model</td>
</tr>
<tr>
<td>5.10</td>
<td>ANOVA Results</td>
</tr>
<tr>
<td>6.1</td>
<td>Summary of Hypotheses, Analysis Technique Used and Results</td>
</tr>
</tbody>
</table>
### LIST OF FIGURES

<table>
<thead>
<tr>
<th>FIGURE</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Factors Affecting a Small Business' Propensity to Participate in Societal Causes: Full Model</td>
<td>105</td>
</tr>
<tr>
<td>3.2</td>
<td>Factors Affecting A Small Business' Propensity to Participate in Societal Causes: Full Model and Hypotheses</td>
<td>137</td>
</tr>
<tr>
<td>3.3</td>
<td>Factors Affecting A Small Business' Propensity To Participate In Societal Causes: Partial Model and Hypotheses</td>
<td>142</td>
</tr>
<tr>
<td>4.1</td>
<td>Structural Model: Factors Affecting a Small Business' Propensity to Participate in Societal Causes</td>
<td>158</td>
</tr>
<tr>
<td>5.1</td>
<td>Confirmatory Factor Analysis: Measurement Model</td>
<td>192</td>
</tr>
<tr>
<td>5.2</td>
<td>Results of A priori Model</td>
<td>195</td>
</tr>
<tr>
<td>5.3</td>
<td>Results of Respecified Model</td>
<td>200</td>
</tr>
</tbody>
</table>
CHAPTER I
INTRODUCTION: SMALL BUSINESS' PARTICIPATION IN
SOCIETAL CAUSES

Governmental cutbacks have forced many organizations to seek aid from more businesses, both large and small. This then becomes one more financial decision that must be faced by small businesses at a time when recession and higher business taxes are cutting into the resources of companies across the country.

If taken at face value, contributing to a societal cause may appear to be simply an altruistic act on the part of a business. However, if the owner evaluates each request as a marketing opportunity it has the potential of not only being an altruistic act, but an investment into the continuing future of the business. Therefore, small business owners must evaluate participating in local, quasi-local and national causes by looking at a broad spectrum of issues.

Typically, a local cause (i.e., community activities) has been portrayed as a social obligation of a small business. This concept is not new but has evolved over the years as society acknowledges that businesses help in shaping the community. For a small business to become enmeshed in the community is not a difficult task. A small

The format and style of this dissertation follows the guidelines of the Journal of Marketing.
business can become involved in a multitude of ways. For instance, for years, parents across the country have solicited the sponsorship of small businesses in children's sporting activities; teenagers and school children have solicited small businesses to help subsidize the cost of school newspapers and annuals; and civic-minded individuals have solicited small businesses to help subsidize cultural events and contribute to local and national fund raising activities within the community.

The dual identity of business leaders as entrepreneurs and community leaders is an important characteristic of our national life, dating back to the early days of the nation. Even in the mid-19th century, many thought that business leaders who did not assist the city in which they were located lacked both community spirit and business sense (Vizza, Allen and Keller 1986).

Then, as now, many felt that the health of business and society were intertwined. It was felt that it was both prudent and consistent with good business practice to be knowledgeable of, and concerned about, the problems confronting the communities in which a company did business (Vizza, Allen and Keller 1986).

As a business begins to analyze the composition of the community, it finds a complex, psychological, and social mechanism (Miller 1961), which is composed of different types of individuals and groups. Each has a different
perception of the problems and concerns of the community. Therefore, each individual or group has a different perception of what a small business should contribute to the community.

Just as the community has different perspectives, small business owners also have their own perspectives on the value of community service. Some businesses may interpret involvement in community projects as a waste of company time and resources. While some small businesses may be inclined to participate in community activities occasionally or not at all, others may view it as a positive and rewarding experience. While some continually increase the amount of attention they give to community projects for altruistic reasons, others may be involved in the community because the owner realizes that, if handled properly, community service can be an effective marketing tool.

Against this backdrop, this dissertation will delve into factors that small business owners consider important in evaluating whether or not to contribute financial and/or nonfinancial resources to an activity that, at first glance, may appear removed from their primary goal of generating a profit. Thus, building on social exchange theory, identity theory, and symbolic interaction, this dissertation proposes a model outlining the relationships between a number of explanatory variables and a small business' propensity to participate in societal causes.
However, before a small business' participation can be evaluated it must be determined what constitutes a small business. Even though there is a plethora of research conducted concerning small businesses, there appears to be no specific definition for determining when a business should be classified as "small". In this study the standards set by the Small Business Administration for determining a small business will be used.

**Small Business**

There is no standard size-related definition for what constitutes a small business (*The State of Small Business: A Report of the President* 1989). The definition of a small business may depend on the policy issue, the question being analyzed, or the industry being studied. However, small business is broadly defined in the *U.S. Small Business Guide to Government* (1980, p. 2) as first, independently owned and operated, and, second, not dominant in its field.

To narrow the definition, size must be addressed. Many standards of size are used when referring to a small business. To help alleviate the confusion over business size, on May 18, 1982 the Office of Management and Budget set statistical standards which provide the common size of business categories to be followed by statistical agencies. The *Federal Register* (1982, p. 21362) reports: "The standard was formulated as part of a government-wide effort to assist the Small Business Administration in developing a small
business data base." This is the first government-wide standardization of business size statistical data. The statistical business size categories presented in Table 1.1 will be used to classify reporting businesses by employment (number of employees), revenues (sales, receipts, shipments, etc.), or assets. The State of Small Business: A Report of the President (1989, p. 18) provides a more detailed employment breakdown:

- under 20 employees, a very small business;
- 20-99, a small business;
- 100-499, a medium-sized business;
- over 500, a large business.

These size breaks are consistent with standard business employment, asset, and receipt size classes established by the Office of Management and Budget, which is to be used when publishing business data and will therefore be used for this study.

Social Responsibility

The increased attention to social issues has resulted in a multitude of definitions for social responsibility (Hollander 1967; Storey 1982; Storey 1983). Therefore it is important to determine the context in which this study is using the terminology "social responsibility."

A global definition which underlies this study is proposed by Davis and Blomstrom (1971): "Social responsibility refers to a person considering the widest
### TABLE 1.1

**Statistical Business Size Categories**

**A: Employment (Number of Employees)**

<table>
<thead>
<tr>
<th>Employment (Number of Employees)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>(none)</td>
</tr>
<tr>
<td>1</td>
<td>under 5</td>
</tr>
<tr>
<td>5</td>
<td>under 10</td>
</tr>
<tr>
<td>10</td>
<td>under 20</td>
</tr>
<tr>
<td>20</td>
<td>under 50</td>
</tr>
<tr>
<td>50</td>
<td>under 100</td>
</tr>
<tr>
<td>100</td>
<td>under 250</td>
</tr>
<tr>
<td>250</td>
<td>under 500</td>
</tr>
<tr>
<td>500</td>
<td>under 1,000</td>
</tr>
<tr>
<td>1,000</td>
<td>under 2,500</td>
</tr>
<tr>
<td>2,500</td>
<td>under 5,000</td>
</tr>
<tr>
<td>5,000</td>
<td>under 10,000</td>
</tr>
<tr>
<td>10,000</td>
<td>or more</td>
</tr>
</tbody>
</table>

**B: Revenues or Assets (In Dollars)**

<table>
<thead>
<tr>
<th>Revenues or Assets (In Dollars)</th>
<th>Category</th>
</tr>
</thead>
<tbody>
<tr>
<td>under</td>
<td>25,000</td>
</tr>
<tr>
<td>25,000</td>
<td>under 50,000</td>
</tr>
<tr>
<td>50,000</td>
<td>under 100,000</td>
</tr>
<tr>
<td>100,000</td>
<td>under 250,000</td>
</tr>
<tr>
<td>250,000</td>
<td>under 500,000</td>
</tr>
<tr>
<td>500,000</td>
<td>under 1 million</td>
</tr>
<tr>
<td>1 million</td>
<td>under 2.5 million</td>
</tr>
<tr>
<td>2.5 million</td>
<td>under 5 million</td>
</tr>
<tr>
<td>5 million</td>
<td>under 10 million</td>
</tr>
<tr>
<td>10 million</td>
<td>under 25 million</td>
</tr>
<tr>
<td>25 million</td>
<td>under 50 million</td>
</tr>
<tr>
<td>50 million</td>
<td>under 100 million</td>
</tr>
<tr>
<td>100 million</td>
<td>under 250 million</td>
</tr>
<tr>
<td>250 million</td>
<td>under 500 million</td>
</tr>
<tr>
<td>500 million</td>
<td>under 1 billion</td>
</tr>
<tr>
<td>1 billion</td>
<td>under 2.5 billion</td>
</tr>
<tr>
<td>2.5 billion</td>
<td>or more 5 billion</td>
</tr>
<tr>
<td>5 billion</td>
<td>or more</td>
</tr>
</tbody>
</table>

possible effect that a decision could have on society as a whole" (p. 85). Yet, when considering a small business weighing the possibility of becoming involved in a societal cause, a more specific definition is needed. Social responsibility then is defined as: "A managerial obligation to take action that will protect and improve not only the interests of the organization but also the welfare of society as a whole" (Davis and Blomstrom 1975, p. 94).

Societal Cause

Finally, the term societal cause must be defined. In general, there is consensus that the donation process is a type of "prosocial behavior" which is considered to be behavior that is valued by the individual's society (Burnett and Wood 1988). A subcategory of prosocial behavior is "helping behavior." Helping behavior consists of voluntary acts performed with the intent to provide some benefit to another person, that may or may not require personal contact with the recipient, and may or may not involve anticipation of external rewards (Dovidio 1984). A societal cause can be classified in these same terms and can be regarded as a type of helping behavior.

Business owners who have a tendency to allow their business to display "helping behavior" may also conduct their operations with a strong sensitivity and concern for human values. These types of businesses develop certain views regarding obligations they have toward helping their
host community and the nation at large. Therefore, for this study, a societal cause will be any local, quasi-local, or national activity which helps these businesses meet their obligations. This study will particularly evaluate local activities which address the concerns of the community—these include the health, education, safety, housing, recreation, culture, and welfare of its individual citizens (Attwood 1976).

**Purpose of the Study**

The purpose of this dissertation is to examine how the following factors influence a small business' propensity to participate in/contribute to societal causes:

1. Personal characteristics of the owner of a small business.
2. Characteristics of the small business.
3. Characteristics of the societal cause to which a small business is requested to contribute.
4. Outcomes of a small business' prior involvement in/contributions to a societal cause.

Toward this end, a model delineating the factors influencing a small business' propensity to participate in societal causes is developed and empirically tested.

**Justification for the Study**

A business grows and evolves from within a pluralistic society. Consequently, there are many autonomous and semi-autonomous groups through which differing degrees of societal power can be diffused. This suggests that in many
instances, businesses can have a strong impact on the actions in society and that, in turn, society can have a powerful influence on a business (Steiner 1975).

The power of societal influence can be seen by the reactions of a business to its social responsibility. In the past, the main function of a business was viewed to be to generate a profit; considering social responsibility was regarded as irrelevant to the functions of American corporations (Giovanisci 1976). If the corporation had a public relations department, the executive in charge was often considered overly idealistic or negligent in his professional responsibility (Giovanisci 1976).

This concept has changed over time and corporations are increasingly more cognizant of the fact that social responsibility will play a role in the future of the business. Corporations are becoming more formalized from within through the creation of departments which deal with the issue of corporate social responsibility that transcends mere public relations (Van Auken and Ireland 1982). Businesses examined by Giovanisci (1976) and Adams (1985) which extend the company’s involvement in social responsibility are:

1. Levi Strauss which developed a Board Level Committee consisting of top level officers to oversee the functions of the Levi Strauss Foundation.

2. Atlantic Richfield Company developed a department (originally titled Public Affairs Operations and currently titled the Public Affairs Department)
which deals with issues of corporate social responsibility.

3. New York City Bank which created a department delineated to deal strictly with contributions.

4. Bank of America created a social policy department headed by a senior vice-president which is charged with the overall responsibility for coordinating, administering and monitoring socially-oriented programs and activities throughout the bank.

These departments are still continuing to define the role of social responsibility within the business.

Although some companies perform more social activities than others, most retailers and wholesalers assert that there is value in giving a fair share back to the community by supporting an assortment of causes (Linsen 1988). This suggests that industry has become, not only the producer of goods and services, but also the producer of a way of life and the means of social relations between people (Chrisman and Carroll 1984; Gvishiani 1974; Mescon and Tilson 1987; Stroup, Neubert and Anderson 1987). Yet, there are no agreed upon guidelines for determining the social responsibilities for any one business; each firm must decide for itself what deeds it wants to accomplish and what impact they will have on the community (Steiner 1975). This idea is not unique, however; for centuries, the morality and societal impact of business activities have been scrutinized by both secular and religious authorities (Epstein 1987).

Scholars from a number of disciplines have contributed significantly to the development of useful conceptual
categories for assessing the totality of business performance (non-financial and financial) and asserting corporate leadership in the area of social responsibility or what has been termed "management of values" (Epstein 1987). Yet the social responsibility of a small business and its participation in societal causes has not been formally explored, even though the contributions of small businesses to societal causes can take a variety of forms. The State of Small Business: A Report of the President (1989) presents a partial list of societal causes including:

1. Sponsorship of teams
2. Scholarships and prizes
3. Recreational facilities and programs
4. Civic buildings, celebrations and programs
5. The American Red Cross
6. Environmental improvements

Overall, the process of donating resources to individuals or institutions remains a phenomenon poorly understood within the framework of small business. There is a lack of knowledge on how the small business person perceives this process.

Taking note of small business' contributions to societal causes and the dearth of published research in this area, it is hoped that this study will provide insights into the determinants of a small business' involvement in/contribution to societal causes. Also, that this study
will provide insights into the extent to which small businesses' contributions to societal causes are influenced by altruistic considerations versus such business considerations as enhancing a business' image, sales and profitability.

**Organization of the Dissertation**

The remainder of the dissertation is organized as follows. The second chapter provides an overview of important theoretical perspectives and key constructs central to the study. It also provides arguments against businesses becoming involved in societal causes as well as a discussion of empirical studies which focus on the social responsibility of small businesses. The third chapter presents a model delineating the effects of the characteristics of the small business organization, the personal characteristics of the owner of the small business, and the characteristics of the societal cause to which a small business is requested to contribute with hypotheses and literature support for the hypotheses. The fourth chapter discusses the sample to be used in the study, the data collection procedure, operationalization of the constructs, and the LISREL VII structural equation model used for analysis. The fifth chapter presents the response rate, demographic profile of the respondents and the analysis of non-response bias. It discusses the reliability and validity of the instrument and presents the results of
the hypotheses tests and the study's findings. The final chapter provides a summary of the findings as well as the limitations and the implications for small business owners and not-for-profit organizations. The chapter concludes with the recommendations for future research and closing remarks.
CHAPTER II
AN OVERVIEW OF RELEVANT LITERATURE

This chapter is divided into four sections. The first section focuses on theoretical perspectives on the social responsibility of a business to society. The second section reviews the constructs and variables central to becoming socially active in the community. The third section reviews the arguments against a business becoming involved in community activities and its lack of social accountability to society. The fourth section discusses the limitations of empirical studies focusing on the social responsibility of a business.

Theoretical Perspectives

The donation literature can be characterized as disjointed and void of theoretical underpinnings. What exists is primarily descriptive; it suggests strategies to more effectively reach particular target groups (Burnett and Wood 1988). The strategy concerning the donation process for a small business is unlike the strategy that evolves for a typical market exchange. A market exchange usually involves a product offered in exchange for a payment (Fine 1981). A social exchange entails asking a person to react to a social concern (Bagozzi 1978). This situation involves a different set of emotions and values than a market exchange. A social exchange asks a person to consider his/her basic human value mechanism and respond in
a manner that will maintain his/her self-image. For a small business owner, this means giving something tangible (e.g., cash, in-kind contributions) or intangible (e.g., owner/employee time) for possibly very little in return (Burnett and Wood 1988).

A small business responding to the social needs of the community or society at large may be analyzed by delving into two aspects of participation: (1) the benefits and expected results of using company resources to participate in societal causes; and, (2) the personal characteristics and background of the owner and employee(s) and their effect on the choices which involve the business in societal causes.

Some businesses may participate in societal causes guided by a classical economic view. From this perspective, a business is deemed to be acting in a socially responsible fashion if it strives to utilize, as efficiently as possible, the resources at its disposal. In so doing, businesses will be distributing the goods and services that society wants, at prices consumers are willing to pay. In the view of classical economic theory, if this is done properly, business people will maximize their profits (Steiner 1975). Today, however, perspectives on socially responsible actions have been broadened far beyond this boundary.

This broadening began to occur in marketing with the
discussion of the social exchange theory (Arndt 1978; Bagozzi 1975; Bagozzi 1978; Bagozzi 1979; Ekeh 1974; Ferrell and Zey-Ferrell 1977; Kotler 1972; Lazer and Kelley 1973). This literature indicates that social thinking begins with the recognition that all choices made have consequences. Small business owners are acknowledging these consequences as they begin to utilize company resources to better society. In helping society, businesses see the promise of social accreditation in addition to increased profits.

Another body of work which helps understand human behavior in a business context is identity theory, which specifies symbolic interactionism. Identity theory views "self" as the product of society. This theory organizes behavior by recognizing that the self is defined by a network of social interactions (Stryker 1987). Symbolic interactionism also recognizes that in a world in which societies are highly differentiated, each person's identity can be equivalently differentiated (Stryker 1987). Thus, each owner will have his/her own identity that will help differentiate the business from other businesses. This identity will also help define the extent to which the small business will become involved in the community.

Social Exchange Theory

Economic exchanges deal with transactions involving the transfer of tangible entities between two parties.
Such exchanges are limited to the buying and selling of material goods and services. Homans (1958) and Blau (1964) were among the first to maintain that social relationships were another type of exchange, whereby individuals offer or donate, then accept or reject, material or non-material entities. Blau (1968) sees strong similarities between economic and social exchange and feels that both are part of a general phenomenon of exchange. Building on the works of Bagozzi (1978), Burnett and Wood (1988, p. 6) delineated a series of common characteristics that exist in all social interactions, including the following:

1. The parties in an exchange usually share some values or have mutual interests.

2. The dyad will invariably contain instances of social influence by one or both parties (e.g., promises, threats, flattery, guilt).

3. Forces in the situation may constrain or shape the nature of the relationship and its outcome (e.g., socio-economic restrictions, third parties).

4. The characteristics of the actors may affect the course of an exchange or certain aspects of the relationship (e.g., resources, personality, individual needs).

5. Normative variables may play a decisive role in dyadic relations (e.g., rules, procedures, codes of conduct).

6. Dyadic relations ebb and flow with the actions and purposive behavior of the parties.

7. The final outcome of a relationship is uncertain and depends on the offers, counter offers, and mutual adjustments made by the parties in an ongoing process of interpretation, evaluation, decision making and exchange.
8. Reinforcement to re-engage in exchange is influenced by the scheduling of reward and/or the length of deprivation of that same reward (Rubin 1973).

Burnett and Wood (1988, p. 6) also make several broad statements regarding major exchange theory tenets that relate to the process of social exchange:

1. The focus is upon human interaction occurring in terms of exchange.

2. Individuals attempt to maximize rewards and minimize costs in their exchanges so as to obtain the most profitable outcomes.

3. People in open-ended situations seek out partners with whom they anticipate rewarding interactions. The individual must calculate the degree to which the attributes of potential partners are attractive. Also, the degree to which the partners would find the individual attractive must be considered.

Social consequences should be attended to both directly and indirectly in determining economic exchange. This concept recognizes that social activity can lead to economic rewards and that businesses should attempt to create such a favorable situation (Chrisman and Carroll 1984). However, economic gain should not be the only criterion on which to base a socially responsible decision.

Friedman (1962), Kinsley (1987), Levitt (1958), and Rostow (1959) contend that mixing social with economic responsibilities represents a direct conflict of interest inasmuch as socially responsible behavior is in direct conflict with the private organizational goal of making a profit. In a counter-argument, Orr (1978, p. 5) states: "A
possible flaw in this thinking is the underlying assumption that socially responsible behavior must have a negative impact on profit." Research indicates that socially responsible actions can actually increase profits (Chrisman and Archer 1984; Eilbirt and Parket 1973; Holmes 1976; Sturdivant and Ginter 1977).

Although profits can be actualized from socially responsible acts, the expectation is that social benefits rendered will yield returns characterized not only by economic transactions but also social ones (Blau 1968). Thus, companies hope to gain the respect of their peers in industry and commerce, as well as to make a genuine contribution to the community in which they operate (Skae 1983).

Trust is also an element of importance when making a social contribution to the community. Social exchange requires trusting others, whereas the immediate transfer of goods with a formal contract that can be enforced obviates such trust in economic exchange. In a social exchange, one party supplies benefits to another; although there is a general expectation of reciprocation, the exact nature of the return may be left unspecified (Homans 1961).

Given this situation, social exchange relations usually evolve slowly, starting with minor transactions in which little trust is required since little risk is involved. This also allows for all parties to prove their
trustworthiness, enabling them to expand their relation and engage in major transactions (Fry 1977; Homans 1961). This process of social exchange leads to the trust required in a self-generating fashion (Adams 1985; Blau 1968; Rosebush 1987).

Identity Theory

Social exchange does not attempt to explain "self" or individual differences in human behavior. Identity theory, through the use of symbolic interactionism, addresses this issue.

Identity theory defines "self" as a structure of identities reflecting roles played in differentiated networks of interaction, and postulates that the multiple identities involved will be organized in a hierarchy of salience. The theory states that the role-related choices people make are a function of the relative salience of their identities (Stryker 1987). When they make identity role-related business choices, owners and employees develop a hierarchy within a framework of bottom-line consciousness (Cross 1974) and the responsibility to participate in civic activities (Durocher and Glynn 1984). Relative salience of identities can change from one situation to another and may be different for the owner and the employee. While a small business owner may place the involvement of social activities high on the hierarchy of needs to accomplish based on the family, he/she may place these same activities
low on the hierarchy of needs when company involvement is necessary.

Research indicates that people join organizations that permit them to play out roles associated with salient identities. Organizations that people join also affect relative salience identities (Chatman 1989; Serpe and Stryker 1984). Research in this area portrays two scenarios. First, a worker who identifies with the needs of the community would identify more strongly with a business which was highly visible in committing to community activities. This worker would be strongly persuaded to join the company. Second, if this worker could not find a company with this commitment, the worker would eventually join a company that did not participate in social activity. After a period of time elapsed, the worker’s salient identities could shift to more evenly match that of the company.

This entire commitment, identity, salience-role behavior process is conditioned by the larger social structure affecting objective possibilities for entering or remaining in particular kinds of networks of social relationships. In this way, the larger social structure becomes an integral part of symbolic interactionist-based theorizing (Stryker 1987).

Symbolic Interactionism

Emphasizing how individuals acquire values and how
they define a reward and/or a cost is the premise of symbolic interactionism within the area of social donation (Burnett and Wood 1988). Thus, participation in socially responsible activities varies by individuals and companies so that each response may be unique (Mahoney 1979). Individuals also learn to interpret and value certain items and skills differently through interaction with their social environment (Burnett and Wood 1988; Chatman 1989). No matter what the response, the reactions are usually deeply rooted in basic human values (Mahoney 1979). Therefore, when dealing with individual giving, even though it may involve a company, symbolic interactionism should be addressed (Burnett and Wood 1988).

Symbolic interactionism views human groups as consisting of human beings engaging in an action. The action consists of the numerous activities that individuals perform in their life as they encounter one another and as they deal with the succession of situations confronting them. The individual may act singly, collectively, or on behalf of, or as a representative of, some organization or group of others (Blumer 1969) such as a business owner or employee acting on behalf of the company.

Symbolic interactionism rests on three premises (Blumer 1969):

1. Human beings act toward things on the basis of the meanings that these things have for them. Such things would include individual independence or honesty; activities of others, such as their
2. The meaning of such things is derived from, or arises out of, the social interaction one has with others.

3. These meanings are handled in, and modified through, an interpretative process used by the person in dealing with the things he/she encounters.

When a joint action is involved, each participant necessarily occupies a different position and acts from that position (Mead 1968). Joint actions must be initiated, and, once started, a joint action may be interrupted or abandoned (Blumer 1969). This happens since individuals must take into account the demands, expectations, prohibitions, and threats as they arise in the situation taking place (Rose 1962).

Since the 1960s, consumers have increasingly expected more social involvement by businesses. The public expects more community actions on the part of the individual small business owner (Davis and Frederick 1984). Since this is known within the business community, the small business owner will piece together and guide the company’s actions by taking into account society’s view, and interpreting the differences in this view from his/her own view of the prospective action under consideration (Rose 1962).

Participating in Societal Causes:

Key Constructs and Variables

The marketing practices of a small business can be
different from those of a large corporation. There are at least three fundamental reasons why these differences might be anticipated (Davis, Hills and LaForge 1985, p. 32).

1. Small enterprises typically develop and implement marketing strategies under severe resource constraints. Modest marketing budgets limit the small firm throughout the marketing task.

2. Small firms typically lack specialized marketing expertise and often have difficulty in even trying to purchase this expertise. This hinders their ability to develop and implement sophisticated marketing strategies.

3. Small businesses often have different marketing objectives than large businesses. While both large and small companies strive toward maximizing sales, market share, and/or profit, small enterprises are more likely to have objectives to ensure a controlled growth level or, in some cases, to even limit growth to maintain the current character of the enterprise. Different objectives often lead to different strategies.

These three basic differences would indicate that not only the marketing strategy may be viewed differently by small business but that the concerns governing the strategies are viewed differently. The concerns of a small business participating in a societal cause and using it as a marketing device would be different from those involved for a large corporation.

The strategy and issues can be markedly different since, when reviewing the characteristics of a small business, the decision falls to a single entrepreneur or a small group of investors who own, manage, and control the entire business (Nelson 1978). Although the decision maker
perceives becoming involved in a societal cause as a potential marketing activity, he/she also may see it as a dispersement of funds coming from his/her own pocket.

A large corporation can have different people or groups who deal strictly with the social obligations of the corporation (i.e., an executive specifically in charge of the social responsibility of the organization, a permanent Board Committee/Management Committee which oversees areas of social responsibility) (McAdam 1977). This group views the company becoming involved in community activities as a dispersement of corporate funds and not as an outlay of resources that can affect their own personal well-being.

Although a small business might have a group who meet and go through a process similar to that of the corporation, it is more plausible that (without going systematically through any process) the owner makes the decision for company involvement by him/herself with no justification needed. Marketing ramifications of the activity may be a consideration, but with the lack of expertise, limited resources, and differing objectives of that of a large corporation, the decision to become involved in a societal cause may be determined on a different basis.

This study will look at factors which seem, either implicitly or explicitly, to be considered before a small business becomes involved in any societal cause. These
include the:

1. Profit/value orientation of the small business owner
2. Anticipated benefits of participating
3. Visibility of business participation
4. Primary beneficiary of the activity
5. Result of prior involvement in community activities
6. Amount of resources requested of the business
7. Availability of resources
8. Size of the business
9. Age of the business
10. Community expectation of participation

Likelihood of Participating in a Societal Cause

During the industrial revolution in the nineteenth century, businesses operated virtually unencumbered by government and public pressure. The prevalent concept of business responsibility was purely economic, where profit maximization was the solitary goal (Chrisman and Carroll 1984). Since that time, the concept of the social responsibility of business has changed and the likelihood of participating in a societal cause has increased. This increase comes from an expanded understanding of the importance of social accountability and the comprehension that becoming socially responsible can benefit a business.

Community involvement and social responsibility as a business concept first appeared in the 1920s (Fischer and
During its early formation, community service was known as community affairs, civic participation, social betterment (Giovanisci 1976), and civic rent (Levinson 1967). This implies a relationship between the firm and the local community in which it operates (Fischer and Groeneveld 1976). By 1950, a business could no longer adhere strictly to an economic role (Fischer and Groeneveld 1976). The public was becoming more sharply aware of social concerns. This changing awareness was reflected in the extensive social demands made on businesses (Davis 1973). Thus, it was becoming more and more obvious that companies were not only producing goods and services, they were also producing a way of life and the means of social relations between people (Gvishiani 1974). This meant that a business could not leave the social side of its activities largely unattended (Davis 1973).

Although businesses were becoming more involved with the social concerns of the community, the '70s brought an increase in government involvement and a myriad of socially motivated laws and regulations (Chrisman and Carroll 1984). Thus, the role of business was once again redefined. Businesses were legally forced to consider the social consequences of economic activities, as well as to engage in actions for purely social reasons (Chrisman and Carroll 1984). This brought about a modification in the attitudes
held by business people about the society in which they operate. Consequently business decision-making today is a mixture of altruism, self-interest and good citizenship. Illustrative of this mixture is the Fred Lazarus Jr. Memorial Award for Community Service awarded annually since 1974 for innovative community service by a retailer (Williams 1984).

Although there are government regulations to monitor the social responsibilities of the larger corporations, most smaller companies monitor their own social responsibilities within the community and within society as a whole. The owner must become convinced that the company's interests will be served if it takes an active role in meeting the social needs of their community or society (Baroody 1983).

Owners decide what societal causes they want to perform; this makes social responsibility for the smaller firms more subjective. Despite their subjectivity, small business owners must have a well-defined position in this vital area. An element of subjective judgment is involved in an owner's decision to advance beyond mere adherence to principles of customer satisfaction, profit maximization, and law. For owners to attempt to act in the public interest, thus to take the first step of the social exchange theory, they first must decide what the public interest is (Bagozzi 1978; Gaski 1985).
Defining a business' position globally in society, as well as within a community is important since most small and medium-sized businesses give birth to and anchor a community. Therefore, it is up to community members to support their local businesses as well as for the businesses to help support the local community. There must be a sense of wanting to work together (Hart 1987; Nelson 1978; Schell 1983). In discussing a business trying to meet the needs of the community, David Rockefeller, former president of Chase Manhattan Bank stated:

"I don't think one has to go to the extremes. I don't feel that a business can do everything for the community that they'd like to, nor do I feel that it's wise to go all out 100 percent for the highest profits disregarding the best interests of the community. A business must find some kind of a middle ground" (Cross 1974, p. 10).

If a small business owner expects to be a significant factor in the welfare of the community, the owner must expect to spend time in activities that have nothing directly to do with the business (Heald 1970; Wingate and Helfant 1977). Community service will involve the business in the very fabric of the community and will build goodwill for the firm. Therefore, community service can be considered a natural expansion into local neighborhoods. Its effectiveness can be evaluated based on awareness, involvement and exposure for the business (Kane 1985).

With the expansion into the community comes the
realization that the company's customers are also members of civic or fraternal organizations, parents of students in the local schools, as well as members of a local church (Miller 1961). All this shows an overlapping of community activities; it also indicates that even the smallest enterprise should be concerned with building and maintaining acceptance and respect from its various publics. An owner begins this process by building a strong foundation of business integrity, which will heighten its credibility (Moore 1989).

A small business owner begins building this foundation by realizing the obligations he/she has to the local community (Collins 1987; Sorbet 1979; Stahl 1986). Such obligations would include operating within the letter and spirit of the laws and regulations of the community (zoning regulations and the environmental standards), as well as actively supporting community activities (Attwood 1976; Low 1976). Table 2.1 indicates the types of social responsibility a community could expect of a business which accepts its perceived social obligation and actively supports the community and society as a whole.

From an obligations standpoint, while the deeds may be noteworthy, it would be better if the business received some credit for them (Hathaway 1984). Research conducted by Eilbirt and Parket (1973) indicates that some business people feel that actively supporting community events
TABLE 2.1
Potential Areas of Social Responsibility of a Business

A. Responsibility to Local/National Nonprofit Organizations
- Children's activities
- Health organizations
- Education
- Community and civic groups
- Lodges
- Social and church groups
- Sports groups
- Public television
- Homeless
- Food bank
- Schools

Examples-
- Special Olympics
- United Cerebral Palsy
- Muscular Dystrophy Association
- National Easter Seals
- United Way
- American Heart Association
- American Cancer Society
- YMCA
- Boy Scouts of America
- Girl Scouts
- 4-H Club
- U.S. Cross-Country Ski Team
- Olympics
- Rotary Club
- Kiwanis
- Community Chest
- Church choir
- Fund raisers: walk-a-thon, bike-a-thon, raffle
- Local children's sports clubs
  (soccer, baseball, etc.)
- Local athletic scholarships
- School projects (activities, newspaper, annual)

B. Responsibility to Culture and the Arts
- Visual and performing arts programs in local areas
- Museum exhibitions
- Orchestras and symphonies
- Chamber ensemble concerts
- Performing arts centers
- Local art festivals
- Local music festivals
- Summer camps encouraging the arts
### TABLE 2.1 (Continued)

<table>
<thead>
<tr>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>-Museum of Art</td>
</tr>
<tr>
<td>-Metropolitan Opera</td>
</tr>
<tr>
<td>-Smithsonian Institution</td>
</tr>
<tr>
<td>-Community art and music festivals</td>
</tr>
</tbody>
</table>

**C. Responsibility to Employees**
- Community development/improvement
- Generate jobs
- Employee welfare
- Equal employment opportunity programs for minorities, women, the handicapped, and veterans
- Services to employees
- Advance training and education
- Inform employees of rulings and actions by government
- Health hazards
- Occupational safety
- Fair wages

**Examples—**
- Daycare centers
- Provide jobs for the handicapped, veterans, minorities, and women
- On-the-job training
- Medical assistance
- Contribute to education
- Employment training

**D. Responsibility to the Consumer**
- Consumer satisfaction
- Provide quality products and services
- Customer service
- Customer information and education
- Price policy

**Examples—**
- Form consumer affairs department
- Quality control
- Fair prices
- Clear explanation of credit
- Clear explanation of sale price

**E. Product/Service Responsibility to the Consumer**
- Legal sales practices
- Accurate advertising
- Product quality
- Safety
- Safe design
- Product performance
TABLE 2.1 (Continued)

-Service policy
-Product life expectancy
-Product choice
-Customer relations
-Ethical behavior

Examples-
-Provide a safe product
-Adequate consumer information on product
-Guarantees/warranties
-Public service announcements
-Educational programs to inform public about products/services

F. **Product/Service Responsibility to the Environment**
- Acquisition of raw materials
- Product processing
- Transportation
- Meet government regulations
- Resources devoted to pollution control
- Monitor standards
- Keep employees mindful of environmental problems
- Disposal of production wastes
- Product safety
- Raw material purchases

Examples-
- Environmental research and development
- New environmentally conscious packaging
- New environmentally conscious products
- Sponsor package recycling programs
- Sponsor cleanup programs

G. **Responsibility to the Environment**
- Environmental protection
- Maintain/improve the environment
- Product impact on the environment
- Reduce/eliminate pollution
- Resource conservation
- Efficient use of resources
- Work for standards for environmental control through legislature
- Urban renewal

Examples-
- Provide opportunities for community to improve the environment
- Conduct research to improve methods of waste disposal
### TABLE 2.1 (Continued)

- Improve air and water quality
- Public service announcements

#### H. Responsibility to Government
- Specific input to public policy through research and analysis
- Participation and development of business/government programs
- Political contributions
- Help draft laws
- Pay local, state and federal taxes

Examples-
- Cooperate with government agencies to help in solving the problems affecting the industry
- Assist state government by providing facts and statistics

#### I. Responsibility to Shareholders
- Provide a reasonable return to investors
- Growth and survival

Example-
- Provide/increase profit for shareholders
increase sales. Of the companies surveyed, 75 percent maintained that becoming involved in socially responsible programs is an effective way to increase sales. Other research (e.g., *Mutual Benefit and Life* 1984; Eilbirt and Parket 1973; Parket and Eilbirt 1975; and *Fueloil and Oil Heat* 1977) also revealed a relationship between social involvement and sales gains.

In spite of the research, some business people do not believe their businesses are becoming known for the good deeds they perform (Hathaway 1984). Other studies suggest that, although the benefits from doing good deeds might not be realized immediately, the company will eventually gain a reputation for helping out (Collins 1987). This will enhance the image of the firm and eventually draw in more supportive customers (*Nation's Business* 1989).

A firm may argue that there are really no fixed criteria for determining appropriate socially responsible activities for involvement (Sethi 1972). Therefore, to increase the chances of customer awareness, small business owners are taking the time to determine what they want to get out of the community activity. It is vital that the community project be on target for the firm. It is also important that the time and money spent on the project reap the reward of customer awareness, as well as other benefits for the business (*Small Marketers Aids No. 150* 1979).
The Profit-Oriented versus Value-Oriented Owner

Fewer than eighty percent of businesses which open remain in operation three years later. Yet, in examining business success and failure, there seems to be no set of characteristics or personality traits to account for the prosperity or deterioration of a business (Peacock 1986).

Although there are no set of characteristics for success, major policies and practices of small companies are shaped by the owner. The small business owner makes the policy, sets the example and the direction. It is the owner who must lead (Miller 1961; Rice and Hamilton 1979).

In regard to leading, there is a growing awareness of business leaders that running a company for the sake of profits alone is not enough (Modic 1988). Increasingly, business and industry leaders are embracing the mantle of civic responsibility (Modic 1988). It is the owner's personality factors that serve to determine the type of civic responsibility the business will pursue (Smith 1974).

Through symbolic interactionism it can be seen that some of these personality factors are formed partially through the interactions of the owner within the realm of the social and physical environment that surround him/her (Burnett and Wood 1988). Identity theory would further suggest that as the personality factors are shaped through the process of symbolic interactionism, a hierarchy of identities are developed that conform and personalize each
individual. Thus, as each business owner grows, this hierarchy of identities becomes a basis for future business decisions.

From identity theory comes a viable notion of the "ideal" owner-- one who consistently has the ability to make a reasonable decision, who perceives a situation or task clearly and without prejudice, and is willing to take a reasonable risk if required (Peacock 1986). "Ideal types"-- those particular types of individuals who have standard actions and motives and specific meanings associated with these actions and motives-- were first constructed by Schutz (1973) and Weber (1958). From this premise, Wilson (1980) investigated "ideal types" in conjunction with small business owners. Two distinct types of small business owners emerged--the profit-oriented owner (Type P owner) and the value-oriented owner (Type V owner).

**Profit-oriented owner (Type P business owner).** Type P business owners see fulfilling their social responsibility as a means to insure their continued survival and profitability, if indeed they choose to fulfill their social responsibilities at all (Wilson 1980). For the profit-oriented firm considering social investment for the first time, maximizing short-run social benefits is not nearly as important as making any investment in the social area which yields some societal benefit while achieving significant outcomes for the firm. If a significant
outcome is achieved, then further investment would be expected in the future. On the other hand, if the community service yields only societal benefits, and little or no tangible reward for the firm, further interest in community service would not be expected (Fry 1977). Thus, Fry is suggesting, as does social exchange theory, that reinforcement to re-engage in exchange is influenced by how soon the reward will be received and/or the length of deprivation of that reward (Rubin 1973).

**Value-oriented owner (Type V business owner).** Type V individuals are concerned about other values in addition to profitability. These individuals recognize that the good of society is just as important to them as making money (Wilson 1980). They invest (donate) in some cause without concern for the probability of achieving desirable results. They give to some cause "because it is a good cause" rather than because of any benefits that will supposedly be achieved (Fry 1977). Of particular importance is the recognition that the strongest motivating force for giving to an altruistic cause or organization for the value-oriented firm is the very deep-seated need to help others (Rushton 1980).

Type V personalities are more altruistic by nature. They are more empathetic to the feelings and sufferings of others and are able to see the world from their emotional perspective. They have internalized personal rules of
justice, social responsibility, and modes of moral reasoning, judgement, and knowledge (Burnett and Wood 1988).

Economists have examined altruism and have adopted people's mutual concern as a basis for explaining private transfers (Cox and DeFina 1986). They have studied altruism by presuming that self-interest guides people’s actions (Becker 1974). That is, each individual always tries to get the most satisfaction from his or her own actions. For some, happiness comes only from self-interest--from goods and services purchased for their own use. But for others, labeled "altruists," pleasure also arises from the happiness experienced by others (Cox and DeFina 1986).

What this suggests is that when a type V owner believes that socially responsible activities are important--not necessarily essential--the probabilities are higher that activities of this type will be undertaken (Adams 1985; Farhoumand 1984; Miller 1961; Miller and Toulouse 1986; Parket and Eilbirt 1975; Sturdivant and Ginter 1977). The owner, as a self-conscious ethical decision-maker, may arrive at this opinion as a result of personal conviction (Stewart 1984), or may be persuaded by the 'practical' arguments--better public relations, employee morale, and business self-defense.

A major complication stems from peers who are
constantly seeking support for a particular cause important to them. The small business owner is forced to deal with a wide variety of decision areas simultaneously (Rice and Hamilton 1979). Considering the extremely broad decision responsibility and the necessity of dealing with highly varied and often concurrent decisions, the small business owner is forced to sharply limit the depth of analysis in all areas (Rice and Hamilton 1979).

**Anticipated Benefits**

Most small business owners feel a sense of commitment to become involved in their communities. Yet all owners do not realize that community activities can strengthen their company (Mutual Benefit Life 1984). In many situations, being proactive in regards to an upcoming community activity may ensure business owners some degree of internal as well as external benefits (Bitner, Nyquist and Booms 1985). Consequently, for many businesses the underlying strategy is to become involved in community activities that will reward them for their efforts (Mescon and Tilson 1987).

The goal is to contribute to activities that will help a business achieve a competitive edge. Becoming involved in community activities can become a tool through which a business can achieve its own social and economic goals while responding to the needs of the community (Mescon and Tilson 1987). It can become a new competitive edge for
those business owners seeking the most benefits from their workers and the community (Vizza, Allen and Keller 1986).

**Employee productivity.** Identity theory suggests that prospective employees who have studied the companies where they would like to work recognize the extent to which the company is involved in social activities (Giacalone and Ashworth 1988). Therefore, the prospective employees would be prepared to become involved in social activities. Since they are prepared, involving the employees in social activities should lead to a higher quality of labor (Davis 1973). However, there is a concern that businesses which become actively involved in employee volunteerism dilute the business' capacity for high productivity, thereby lowering the efficiency of the worker. This dilution could lead to higher prices for the consumer (Farhoumand 1984).

Although social activities could lead to higher prices, owners indicate that social responsibility is important. A report by Mutual Benefit Life (1983) reports that 57% of the owners perceived some benefit to the company from employee involvement in volunteerism, with 46% believing that employee involvement increases productivity, and 6% believing that the activities help improve job skills.

**Employee morale.** As a company grows, the skepticism by employees that their jobs are unimportant escalates. This lowers both morale and levels of job satisfaction.
(Scott et al. 1986). Thus, the first responsibility of an owner is to improve employees' attitude about the job they must perform (Miller 1961).

One means of improving employees' attitudes is to enlist them in a company-sponsored community project. For this type of activity to succeed, the owner needs the confidence of his/her employees (Collins and Ganotis 1973; Miller 1961). To gain this confidence, the owner must determine, prior to the ultimate decision, which social goals the employees view as worthwhile (Collins and Ganotis 1973). If employees feel their input is important, the owner will gain insight into projects in which the employees would be willing to participate.

Owners feel that employee morale is a key benefit of company involvement in volunteerism (Mutual Benefit Life 1983) since employees utilize their specific talents and skills. This participation leads to a feeling of individual importance as well as company recognition (Modic 1988). If participating in community activities make employees more content and personally satisfied, then the company benefits (Mutual Benefit Life 1984). Research conducted by Mutual Benefit Life indicates that companies can see improvements in their employees once employees became more involved in the community. The improvements mentioned most often were increased teamwork, improvement in the general atmosphere of the workplace, and ease of
hiring quality workers. Because of this, owners are motivating employees to participate more actively in community affairs (Business and Society Review 1975).

**Long-run/short-run profit.** Conceptually, social responsibilities may refer to the business person's actions taken for reasons at least partially beyond the firm's direct economic interest yet being desirable to society as a whole (Steiner 1972). However, the first social responsibility of a business is completely economic in nature. This social responsibility is to produce goods and services that society wants and to sell them at a profit (Carroll 1979; Gunness 1974; Janssen 1985).

It has been argued that profit should be the only social obligation of a business (Friedman 1970; Levitt 1958; Rostow 1959). Research conducted by Chrisman and Archer (1984), Parket and Eilbirt (1975) and Sturdivant and Ginter (1977) indicates that there is a positive relationship between involvement in social activities and making a profit. Other studies conducted by Eilbirt and Parket (1973), and published in Fueloil and Oil Heat (1989) and Mutual Benefit and Life (1984), indicate a positive relationship between social activity and sales. Farhoumand (1984) found little correlation between profit and participating in socially responsible activities. One possible reason for these different findings was suggested by Bowman and Haire (1975). Their research indicates an
inverted U-shaped performance curve, in which the highest performing firms were found in the middle. This implies that participating in some social activities is better than participating in little or none. But it also indicates that participation in still more social activities tends to be associated with a smaller return.

A small business owner may not be able to judge if a community activity will cause a change in profits. Under these circumstances, the best the owner can accomplish is not to become involved in an action which could reduce both short- and/or long-run profits. They might, however, take an action that reduces short-run profits if they believed that eventually there would be an increase in profits in the long run (Steiner 1972).

Within a small business context, it may not just be a decision concerning short-run/long-run profit. The idea of similar products and services being sold must also be considered. When products/services and prices are similar or even possibly identical between competitors, consumers may base their buying behavior on their attitude toward the store itself (Mescon and Tilson 1987). Participation in social activities may cause a positive reaction toward the business by the consumer.

This positive reaction should be weighed against the likelihood of higher costs since a business must maintain economic legitimacy. Taking action in the public interest
is likely to require an expenditure of resources. Some of this expenditure will be absorbed in lower profits, yet some may have to be passed on in the form of higher prices (Gaski 1985). If profits are affected too much or prices raised too high, a marginal business could be driven out of the industry (Farhoumand 1984). Thus a company would not benefit in the long-run by participating in community services, if, in the short-run, it went out of business due to higher prices (Stroup, Neubert and Anderson 1987). The small businessperson must find a middle ground to this issue (Cross 1974).

Growth. Most businesses place major emphasis on growth and profits (Luthan and Hodgetts 1969). Owners recognize that every small business owes part of its growth and success to its civic spirit. Although an indirect path, in the long-run the social involvement of the company provides growth for both the company and the community (Low 1976). A business behaving in a manner contrary to community expectations will not grow (Chrisman and Archer 1984). Therefore, as a whole, business' social philosophy supports the practice of becoming involved in those social activities which encourage growth of the firm (Farhoumand 1984).

Survival. Society expects business to accomplish a variety of social goods. The firm must accomplish these if it expects to continue in the long-run since the betterment
of the community will be better for the business (Davis 1973; Miller 1961; Orr 1978). Actions taken in the name of social responsibility should enhance the long-run economic strength of the business (Davis 1973; Steiner 1976; Varadarajan and Menon 1988) while promoting consumer recognition and appreciation for the company's community spirit (Aldag and Jackson 1975). Research by Holmes (1976) indicates that 61% of the companies surveyed thought that responding to the community increased the chances of survival for the firm. Along with this, most business owners realize that behaving in a manner which the majority of society disapproves will considerably lessen its chances of long-term survival (Chrisman and Archer 1984; Van Auken and Ireland 1982).

**Consumer awareness.** A small business will want to make the community aware of what the firm has to offer, since some businesses feel that becoming involved will turn members of the community into loyal customers (Aldag and Jackson 1975; Wilson 1980). This is important since identity theory indicates that members of the community usually associate with specific groups and these groups shop at the same locations (Wingate and Helfant 1977).

A business can create awareness by participating in different community activities which involve local businesses such as politics, service or volunteer groups, religious and educational activities (Miller 1961).
Participating in any of these can provide an excellent forum for telling the company's story. If the business serves the ultimate consumer, the social activity can provide contacts and leads for the development of more customers. If the business is a manufacturing establishment, it affords an opportunity to build firm relations with the various publics in the community and gives the public an understanding of the operation (Miller 1961).

Employees help by participating and bringing awareness of the company to consumers. Yet, for maximum benefit, the owner must also become involved since the owner is a peer of the local businesspeople who are the mainstay of many community efforts. Word of the company's involvement will spread from these local businesspeople as well as from the other participants and volunteers of the activity (Linsen 1988). This can help the business reach a population it might otherwise not have been able to reach (Delano 1983). Thus, becoming involved in community efforts can bring to the business not only consumer awareness but also show the willingness of the firm to become involved in the community (Adams 1985; Kane 1985).

Consumer loyalty. Consumers agree businesses, both large and small, have similar responsibilities, and that if these responsibilities are met, patronage will follow (Chrisman and Fry 1982). One of the responsibilities that
should stimulate patronage, thereby maintaining the integrity of the business, is being socially active in the community. Research by Holmes (1976) indicates that 38% of the businesses who engage in socially responsible actions do so because they feel that it will help maintain customer loyalty. Other research (Wilson 1980) indicates that community involvement could be a factor in what makes a repeat customer, as well as helps promote the reputation of the firm.

**Better community environment.** Redford (1987) notes the view of many businesses (that the quest for profit can thrive at the expense of humanistic and environmental values) is not working. Business people are realizing that they must deal with the life in the community, both as individual businesses and as the entire business community (Hart 1987). They are also beginning to believe that they have a responsibility to make the world a better place by having been there (Modic 1988).

The public is also beginning to stress businesses' responsibility for protecting the environment (Low 1976; Robin and Reidenbach 1987). Society knows that businesses need to promote the economic health of their business but also feel that they need to promote the social and cultural health of the community (Aldag and Jackson 1975; Modic 1988) to preserve an environment in which a profit is possible (Orr 1978). The net effect of promoting this
social and cultural environment is to improve the quality of life as defined by society in the broadest possible way (Farhoumand 1984; Steiner 1976).

The U.S. Chamber of Commerce views the area of social action in four levels. The first is conforming to existing legal requirements in fulfilling the economic function; second, meeting recognized public expectations and social demands; third, anticipating new social demands and preparing in advance to meet them; and fourth, serving as leaders in setting new standards of business social performance (Chamber of Commerce of the United States 1971). This concept rationalizes that society expects business to accomplish a variety of social goods and it must accomplish these goods if it expects to profit in the long run (Farhoumand 1984). The social power of a small business is limited when compared to a corporation. A small business cannot be expected to vigorously participate in all the areas of social activism that a corporation could, since this could seriously jeopardize its survival (Van Auken and Ireland 1982). Yet Holmes’ (1976) research indicates 89% of the companies surveyed think they should become involved in community activities because they think that it will strengthen the social system in which they live.

Thus, it would appear that owners of small businesses know that the opportunities for expansion are tied up with
the growth of the community in which they are located. Therefore, they know that they must pay "civic rent" (Levinson 1967). This rent can be paid by participating in local clubs and other organizations that work to build the community (Levinson 1967). A business which joins clubs and neighborhood efforts to improve the community should expect that it would be well thought of by community leaders, business people and local residents of the community, which, in turn, could lead to long-run legitimacy (Durocher and Glynn 1984; Linsen 1988).

**Gain respect from peers in industry.** Owners are anxious to prove to the public, and to their industry, not only that their methods are efficient, but that their enterprise is socially useful (Bowman 1958). Social usefulness is represented by a willingness to participate in the community. A problem may arise because such giving implicitly represents higher expectations of social responsibility for that particular firm (McElroy and Siegfried 1986). In some cities, to avoid over-extending a small business' responsibilities, businesses compare giving decisions on an informal basis, while in other cities more formal clubs meet to exchange information about support (McElroy and Siegfried 1986). This helps to insure that a small business' contribution, relative to those of other firms in the community, serves to meet the business' social obligation. From this, a company hopes to gain the respect
of their peers in the industry and commerce, as well as to
make a genuine contribution to the community in which it
operates (Skae 1983).

**Image of the business.** Corporate executives
anticipate a positive outcome from the social exchanges of
their firm. Almost all executives believe that corporate
reputation and goodwill would be enhanced through social
endeavors (Holmes 1976).

The conviction that a small business can also have a
positive outcome from social exchange and that a favorable
public image can result has become widespread and is an
important reason for giving (Adams 1985; Davis 1973; Heald
1970; Low 1976; McElroy and Siegfried 1986; Mescon and
Tilson 1987).

Civic leadership heightens credibility (Moore 1989).
It is the responsibility of the owner, or that of
management, to cultivate this credibility by promoting
local community acceptance, respect, and confidence (Miller
1961). Owners can elevate their status as well as that of
the business by participating in civic events (Moore 1989).
This indicates that the value of public approval of a
business has become increasingly more apparent (Heald
1970). Thus, if the business has heightened its reputation
for helping out, people will want to help support the
establishment (Nation's Business 1989).

The activity should help the business by projecting
the desired business image, character, or personality of the business. It should generate customer traffic and emphasize the particular or unusual strengths, services, and customer benefits of the business (Park and Chapin-Park 1978). All this should ultimately increase company profits.

The social activity in which a small business owner chooses to become involved should be tied to a program for the overall promotion of the business. There should be complete consistency between the social activity chosen and the image the owner wants to project (Garvey 1977). This social activity should keep the business’ name as well as its products and/or services before the public (Sorbet 1979).

Keeping the public aware of the social activities in which the company is involved may determine to a large degree the success or failure of spreading the knowledge that the company is participating in community activities (Bitner, Nyquist and Booms 1985). The activity should create, in the minds of consumers, the image that the business is trying to project about its products, its services and its policies (Sorbet 1979).

Visibility of Participation

This issue relates to the public becoming aware of the community projects in which the business is involved. Businesses may perceive voluntary and mandatory societal
expectations and may react to them with the community never realizing that the business has been involved. At the same time, the company may not recognize its community efforts as an investment which can help gain a competitive edge (Stroup, Neubert and Anderson 1987). Yet choosing the appropriate projects can contribute to the competitive advantage of the business (Mescon and Tilson 1987; Stroup, Neubert and Anderson 1987). A small business must choose wisely by participating in community activities that will not produce a negative impact within the business area, thereby putting it at a competitive disadvantage (Steiner 1975).

**Sponsorship.** Every small business receives requests and solicitations for sponsoring activities by all types of organizations including social groups, schools, churches, and fraternal societies (Riso 1977). Small business owners can use the sponsoring of these programs, in addition to traditional advertising techniques, to reach existing as well as potential customers (Park and Chapin-Park 1978). Gardner and Shuman (1987, p. 11) define sponsorships as "investments in causes or events to support business or marketing objectives which are usually not made through traditional media-buying channels." Broadly, this encompasses projects regarded as being worthwhile and having desirable economic, social, educational or cultural objectives (Skae 1983). Other objectives are: select
problems that rank high in society’s concerns; concentrate in areas where impact and visibility are high; and minimize the public’s view that the business is sponsoring an event for purely self-serving purposes (Hathaway 1984).

Established firms become known within the circles of the community for having a specific group of community members who patronize their business. These patrons could be the well-to-do, penny pinchers, office workers, or suburbanites (Wingate and Helfant 1977). Identity theory postulates that social solidarity furnishes these groups with a communication network which reinforces common values and symbols leading to a tradition of participating in group activities such as continually using the same establishment (Warland, Herrmann and Moore 1984).

From this, the company image begins to form. The owner should keep this image in mind, as well as the class of customers that helped develop this image, when deciding on the activities in which to participate. This will help continue a suitable mind-set about the business (Gardner and Shuman 1987; Wingate and Helfant 1977).

There is an abundance and diversity of activities that need sponsoring in every community. These worthy causes provide all sizes of companies with an ample selection of sponsorships that would accommodate any number of consumers (Incentive Marketing 1986). By surveying their customers, small business owners can identify the social areas of
interest in their community and target these causes just as the larger businesses do. The small business owner can then incorporate these activities into the strategic planning process of the business (Steiner 1976).

Cause-related marketing. In today's ever-tightening economy, the small businessperson must struggle for recognition. Cause-related marketing can help with this struggle (Garvey 1977). Cause-related marketing has been defined by Varadarajan and Menon (1988, p. 60), as "the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives." It is viewed by businesses as a marketing strategy, not a channel for charitable giving (Caesar 1986).

Cause-related marketing can be used locally, regionally or nationally in tandem with sales promotion tools such as cents-off coupons and refund offers to motivate customers to engage in an exchange relationship with the business. Thus, the business contributing to a designated cause is directly linked to customers engaging in revenue-producing transactions with the business (Varadarajan and Menon 1988). If multiple small businesses have the same reputation and the same quality products or services, these cause-related benefits can sway a consumer
to purchase at a particular business (Neiman 1987).

Large corporations use cause-related marketing to project a favorable image. Small business owners can project the image of their business in the same manner. The owner must try to create an image which will help promote the overall company (Garvey 1977). Cause-related marketing can help project this image.

Cause-related marketing is basically not altruistic. It is a marketing program with two objectives: first to build business, and then to help worthy causes (Caesar 1986). If a firm acts in the public interest simply to avoid adverse public reaction or regulation or in the hope that it will be rewarded for its conduct with greater patronage (i.e., from a socially conscious market segment), this is no more than a marketing tactic (Gaski 1985).

Cause-related marketing is actually a case of marketing diversification in which a new product, socially responsible conduct, is being offered to a new market, the public or the socially conscious segment (Gaski 1985). In this way it is attempting to elicit a desired response (patronage or no regulation) from a specific target market. Yet cause related-marketing must be used carefully. If not handled properly, top executives can offend civic leaders, stockholders, customers, employees, and even the recipients of their benevolence (Adams 1985).

Is cause-related marketing really a good thing? The
representatives of the corporate and non-profit sectors suggest three main considerations behind the debate: the ethical question, the consideration of its impact on traditional corporate giving, and cause-related marketing's impact on the goals and purposes of nonprofit organizations (Caesar 1986). These are three issues which need to be addressed before any size company becomes involved in cause-related marketing.

Scott Paper Company, Philadelphia, considered these and decided to use the cause-related marketing idea. After trying this tactic, the corporation found that becoming involved in a cause-related campaign is better for the organization than donating money. The company receives more exposure and the promotion becomes more fully integrated. Also, the campaign can involve more people, everyone from the salesperson to the consumer (Incentive Marketing 1986).

**Primary Beneficiary of Activity**

A business must become immersed in its community. It is up to the owner of the business to decide whether the activities in which the business becomes involved will be at the local or national level.

**Local community involvement.** The public wants business people to become involved in the community (Chrisman and Fry 1982). Although society realizes the customer must be the major priority of a small business, it
designates community involvement as the issue that should be of the second most important interest of a small business (Chrisman and Fry 1982). This community involvement should begin with local causes which support the needs of the community. Local causes will be more familiar to the business and easier to monitor (Koch 1973).

Although the community is important, society realizes that small companies cannot champion the arts and be on the forefront of social activism, simply because the small business community has limited economic muscle and managerial skills (Van Auken and Ireland 1982). Thus, small businesses are likely to limit social involvement to local projects and those of small dimensions, with social involvement largely a factor of the personal attitudes of the owner (Davis and Blomstrom 1971).

The basic levels of civic welfare appear to be higher in cities dominated by small businesses with little or no large corporate assistance. There is higher expenditures for public facilities such as libraries, schools, and police and fire department programs (Caesar 1986; Eilbirt and Parket 1973; Nelson 1978; Pickle and Friedlander 1967; Wingate and Helfant 1977). Businesses also become involved in activities such as art festivals and orchestras (Skae 1983), churches and fraternity societies (Riso 1977), high school yearbooks, and team uniforms (Fueloil and Oil Heat 1989).
Local service clubs and volunteer organizations are among the most important community-relations contacts for the small business operator (Miller 1961). Owners of small businesses would do well to consider these various service and volunteer organizations within the community. This is especially so for a new business, since participation in community events helps get the name of the business before the public. When the business’ name is heard often enough by the public, it ceases to be new and becomes established within the community (Park and Chapin-Park 1978). There are many community organizations (e.g., Rotary, Kiwanis, Lions Club) which small business owners and employees can join to stay in touch with the community (Dickson 1971; Miller 1961).

**Quasi-local or national causes within the community.** When the American economy is in trouble, social responsibility is less crucial to many people (Shapiro 1974). However, the public always expects some level of social response. As an example, the public expects businesses to protect the natural environment (Chrisman and Fry 1982). Although this is a realistic expectation, a number of public opinion polls have shown that many public expectations of business social actions are well beyond reality. For instance, one poll showed that sixty-eight percent of the respondents expected business to take the leadership in reducing the threat of war (Harris 1973). For any business, small or
large, this may be unrealistic.

Many small businesses do try to become involved to some degree in quasi-local causes (i.e., only a portion of the contribution is being used in the local community and the remainder is channeled to the organizations' national headquarters for use as it sees appropriate) as well as national causes (i.e., all of the contribution is channeled to the organizations' national headquarters for use as it sees appropriate). When this tactic is taken, owners often try to participate in those projects that will gain them the most exposure to enhance their business. They do this by carefully choosing major newsworthy events (Gardner and Shuman 1987; Garvey 1977). An example is Deihl's, a flower shop in Pennsylvania, that donated money for each bunch of flowers sold to the Liberty-Ellis Island Foundation (Caesar 1986). Other causes in which small businesses may become involved are: political activities (Pickle and Friedlander 1967), the Olympics (Gardner and Shuman 1987), the Special Olympics, The United Way, and the American Heart Association (Linsen 1988). These causes can be pursued at the national level or at the local chapter level.

Whether in national or local events, small businesses can become overly involved in social activities. The small business owner should develop a company policy designating the type of social activities in which the business will participate. If the policy is clearly stated, the
employees can handle many of the routine requests for help with community projects and monetary donations (Park and Chapin-Park 1978). This prevents the small business owner from directing company time to so many outside activities that the business is jeopardized (Dickson 1971).

Results of Prior Involvement

With each exchange comes consequences (Alderson 1958; Bagozzi 1979; Burnett and Wood 1988). Whether an economic or social exchange, people anticipate the consequences of their actions and conduct their behaviors toward these preferred anticipated consequences (Blalock and Wilken 1979). If the business owner has had prior experience, he/she knows basically what consequences to expect. Yet even though prior experience leads to specific expectations, once the exchange has been completed these expectations may or may not be met.

If this is a new experience for the small business owner, he/she will enter into the principal exchange with uncertainty. Over time, however, as a positive reward is received by either party, the owner will begin to establish some trust in the relationship (Houston and Gassenheimer 1987). Social exchange theory supports this, indicating that the support to re-engage in an exchange is influenced by the expectation of a reward and/or the length of deprivation of that same reward (Burnett and Wood 1988). While at least one participant in the exchange continues to
attain a reward, trust is strengthened and a pattern of behavior is established (Houston and Gassenheimer 1987). This pattern is derived from an established set of behavioral expectations from both parties involved. Each party has a set of expectations concerning the other because of the manner in which they behaved previously, or because they subscribe to a code of behavior compatible with both (Houston and Gassenheimer 1987). The goal is to develop trust between social exchange partners that leads to a long-term relationship (Kotler and Zaltman 1971).

Social exchange theory also indicates that dyadic relationships alternate with the actions and behavior of the parties involved (Burnett and Wood 1988). Actions and behavior can be distinguished as an end in itself or as a means to an end (Alderson 1958, Bagozzi 1979). Thus, the value of the exchange can be the end result or the value can be in just performing the task itself (Houston and Gassenheimer 1987).

Value from performing the task comes when a small business becomes committed to a project which betters the community yet provides little or no fanfare for those involved. Value as an end result can come when the exchange involves a cause-related promotional activity in which a small business would realize a direct economic value. Based on past experiences such as these, a small business owner must decide on which exchanges are
acceptable so that negotiations may begin and a contract be established. However, not all negotiations will result in a contract and subsequent exchange; some attempts at exchange will fail (Houston and Gassenheimer 1987).

Once a relationship has begun, it will usually continue until one of the parties perceives the relationship as unacceptable (Bagozzi 1979). This could happen when the small business owner begins to expect repayment from a social investment and repayment does not come in as acceptable a form as it has in the past. This can create a "social distance" between parties, causing cooperation and interdependence to dissolve (Houston and Gassenheimer 1987).

To help alleviate the problem of expecting too much in an exchange relationship, a business owner continually evaluates past community activity experiences. The more positive the past experience with community activities, the more likely the business will be to increase its future social commitment. At the same time, there will be a gradual withdrawing from the activities which were not as satisfying to the business (Paluszek 1974).

**Amount of Resources Requested**

Social exchange theory indicates that the final outcome of a relationship is uncertain and depends on proposals and mutual modifications made by the parties in an ongoing process of evaluation and decision-making in the
exchange (Burnett and Wood 1988). For the small business owner, a major factor in determining the outcome of the exchange depends on the quantity and type of resources requested by the organization. This request is based on the perceptions of the organization as to what resources the business can provide. Thus, when the request is made, the small business may deny the request or may make a counter offer suggesting resources the firm is willing to contribute.

Superior performance comes from successful implementation of a strategy that matches organizational skills and resources with opportunities in ways that create a competitive advantage (Hofer and Schendel 1978). Thus, the small business owner must determine which resources to relinquish that would match the skills and resources of the organization while providing the best organizational strategic fit. The adequacy of the fit between the firm’s activities and the selected strategy will determine the impact of the firm’s social activity on its long term survival and economic performance (Meznar, Chrisman, and Carroll 1990).

Social exchange theory also proposes that a business owner attempts to maximize rewards and minimize costs in his/her social exchanges (Burnett and Wood 1988). Providing minimal costs for the small business owner can be done by strategically formulating a contribution plan.
This plan would set criteria for selecting appropriate activities and delineate the maximum quantity of resources available for each activity. By committing resources in this way, minimal company resources would be consumed (Adams 1985). This would assist the owner in receiving the maximum value for the least amount of resources. This is especially important if the business is growing, since organizational leaders will come to expect more from a growing business (Adams 1985).

**Availability of Resources**

American business has become more involved with noneconomic aspects of society as seen by an increase in the allocation of resources for solving social problems and achieving social goals (Churchill 1977). This implies that both corporations and small businesses are becoming more sensitive to what resources they have available to contribute to the quality of life within society (Bolton 1971).

*Economic exchange* deals with transactions limited to the buying and selling of goods or resources and depends largely on the decisions of the consumer. *Social exchange* deals with the type and amount of resources allocated to social activities which shape the nature of the relationship and is based largely on the decisions of the business owner. These decisions involve strategic maneuvering, since owners of small businesses usually have
limited resources which are available for distribution to social causes (Chrisman and Archer 1984; Chrisman and Fry 1982; Delano 1983; Gomolka 1978). Thus, when deciding which resources to contribute, it is important that the potential project be strategically evaluated (Small Marketers Aids No. 150, 1979). Evaluation should involve determining the extent of consumer awareness generated by participating in these activities.

The business owner usually realizes that risk of failure accompanies the commitment of resources (Davis 1973). For instance, it is conceivable that a small business donates trophies for a community activity, but the recipients, as well as the audience, perceive the trophies to be small and cheap, thereby assuming the company is small and cheap. This could lead to a weakening of the company's image. Because of this, some owners feel that it is safer to stay within the company's sphere of competence (Giovanisci 1976), meet the economic expectations of society, and not delve into the social areas of the community (Davis 1973).

Although failure can be the outcome, the owner must evaluate the prospects for success from participating in social activities. Participation in social activities can enhance a business' profitability as well as its perceived image by current and prospective customers (Small Marketers Aids No. 150 1979). Continued participation in social
activities can gradually reinforce a positive attitude on the part of the consumer (Bowman 1958). Thus, the resources the owner has available and is willing to donate to the community should reinforce the community's image of the company. These decisions influence the number and kinds of deeds performed by the owner and the employees as well as the continuously evolving image of the firm (Gardenswartz and Rowe 1982).

**Owner time and commitment.** Included in the resources the company has available to offer is owner/employee time and commitment. The decisions the small business owner makes about how company time is spent has both objective and subjective consequences. The success of a small business depends largely upon careful planning (Zuker 1983) and decision-making (Small Marketers Aids No. 150 1979). Time management experts agree that owners are successful when they think about long-range goals and objectives and then design strategies to accomplish them (Zuker 1983).

Developing the business strategy for a firm takes a great deal of time, especially for the owner who is lacking in technical expertise (Cohn and Lindberg 1974). This process can vary greatly among firms with small organizations tending to have inexplicit, intuitively derived strategies that reside mainly in the minds of the owners (Cohn and Lindberg 1974; Miller and Toulouse 1986).

Thus, for the already overworked owner, a suggestion
that they devote time to keeping in touch with the social environment will often elicit no more than a numb assent, expressing the conviction that there is barely enough time for survival, much less for speculative social investment (Cohn and Lindberg 1974). This is especially true for those business owners who feel they are too busy or that their firms are too small to begin to build any type of community relations (Miller 1961). What these owners do not fully realize is that they have community relations whether they want to or not, since small businesses are a major potential resource for nonprofit organizations. The only variable is whether the owner’s participation, or lack of participation, results in good or bad community relations (Miller 1961).

For many small business owners, community relations is of upper most importance and it is considered a necessity to court public favor and support (Heald 1970). These owners are often the movers and shakers within their individual communities. Modic (1988, p. 63) defines movers and shakers as "owners who, in addition to running their own companies, devote time and energy (as well as their company’s resources) to improving the civic and social climates of their community."

Although not all small business owners are movers and shakers, research is providing evidence that the small business owner responds to nonprofit organizations. A
study conducted by Mutual Benefit Life (1984) indicates that 89 percent of the small businesses across the United States participate in community activities. Another report (Fueloil and Oil Heat 1989) indicates that owners feel, to be effective in their community, they should spend an average of 2.6 hours of a 40 hour work week away from the office and participating in community projects. In this way owners are making use of their own personal resource: their talent and skill (Koch 1973; Miller 1961; Moore 1989).

Yet there are many frustrating problems that confront the small business owner when dealing with involvement in the community (Park and Chapin-Park 1978). These problems have to do with demands on the firm’s limited resources—time and money. Scarcely a day will pass without some solicitor attempting to separate the business owner from the company’s time or money (Park and Chapin-park 1978). When this happens, owners must evaluate the organization to ensure that they are promoting sound community relations (Miller 1961) before resources can be relegated to any social action. This is why some owners remain leery of the notion that the private sector should take more responsibility for meeting social needs (Baroody 1983).

**Employee time and commitment.** When a business "buys" a person’s talents, it also purchases in a real sense the individual’s values, which shape the direction
through which these talents will be expressed (Sturdivant and Ginter 1977). New employee orientation or other introduction to a company provides cues as to the behavior expected of the employees. This introduction should actually begin prior to the actual hiring and socialization process. It should begin during the process of recruitment and selection (Giacalone and Ashworth 1988).

Prospective employees who have done their homework are typically aware of what a company is looking for in its recruitment. Identity theory indicates that the prospective employee attempts to determine whether his/her profile is consistent with the company’s. For example, is the question of community involvement mentioned in the interview by either party? If this is a requirement, the company should actively express its concern for such behavior during the recruitment and selection stage. Community involvement should be discussed since people join companies that permit them to play out roles associated with designated salient identities (Stryker 1987). If the company asserts commitment to such standards, the company will attract those candidates whose commitment draws them to this type of activity (Giacalone and Ashworth 1988).

Most small companies do not encourage their employees to volunteer. Among the small percentage of companies that do, only half believe their programs are successful (Mutual Benefit Life 1983). However, those businesses involved in
employee volunteerism are beginning to realize that the entire organization must be involved in order for the company to maximize its social contribution (Gunness 1974; Paluszek 1974). For this to happen, owners have the responsibility of making sure they create the conditions and environment for people to be able to volunteer in the community (Hart 1987; Williams 1984) and utilize employee talent and skill (Delano 1983; Koch 1973; Moore 1989). A survey conducted in the fueloil industry indicates that nearly three quarters of the companies urge their employees and associates to get involved in the community (Fueloil and Oil Heat 1989). While a national survey shows that a majority of small business executives serve as volunteers, only about one-third of the small firms reported any type of formal system to promote employee volunteerism (Nation’s Business 1989).

As indicated by the Mutual Benefit Life survey (1984), small companies that deal directly with the public, such as retail, financial, and other service businesses, are more likely than other small firms to support an employee volunteer program. This is seemingly because they perceive more tangible benefits from such activity than construction or manufacturing companies (Nation’s Business 1989). Companies should not overlook what their employees can do for the community as individuals. Every company should provide its employees with opportunities for participation
in community life (Koch 1973). Companies that participate in this type of program indicate that volunteering improves employee morale, boosts the company's image in the community, and shows other businesses the positive aspects of volunteerism (Nation's Business 1989).

In small business organizations, the employees are an influential group of people (Scott et al. 1986). The ability of small businesses to operate more on a human scale is important to employees within the firm (Fischer and Groeneveld 1976). One way to do this is to increase satisfaction at work by enhancing the job and giving it greater importance. This can be accomplished by broadening its connection with wider issues such as community activities, thus building a broader basis for work importance (Cohn and Lindberg 1974).

Another aspect of work importance is becoming more involved within the organization. Identity theory suggests that organizational membership can often shape and modify people's values (Whyte 1959). Work experiences can shape and align employee values with the values of their leaders. This is the case particularly if employees perceive their leader to be considerate, competent, and successful (Chatman 1989; Weiss 1978). If there is a gap between top management's attitude and their employee's attitude, there is likely to be a gap between social policy and implementation of that policy. If employee attitudes are
determined prior to policy decision, policy makers may choose to pursue social goals that employees view as worthwhile (Collins and Ganotis 1973).

Other company resources. To quote Richard Gerstenberg (1973), former Chairman of General Motors: "The most successful business in the years ahead will be the one that not only offers quality products at competitive prices, but also succeeds in matching its resources to society's changing demands." A company can enhance its image and meet societal demands by contributing a variety of resources to a community project. These include:

- cash (Dickson 1971; Koch 1973; Park and Chapin-Park 1978),
- merchandise (Park and Chapin-Park 1978),
- surplus equipment and supplies (Koch 1973; Skae 1983),
- services (Koch 1973),
- meeting rooms (Koch 1973).

Size of the Business

In any given community, small businesses outnumber larger ones, yet the resources available to the former are limited. Individuals are becoming more aware of these limitations and are becoming more realistic in their expectations of small businesses (Chrisman and Fry 1982). Small businesses are also becoming more aware of the expectations of society. It is important to investigate the level of social commitment that the public expects from
small businesses as well as from larger companies (Chrisman and Fry 1982). Research shows that the issue of size and expectations in the community is an issue not yet resolved.

**Size.** Studies have shown that society feels there should be the same level of social commitment regardless of size (Cohn and Lindberg 1974; Hart 1987; Low 1976; Peacock 1986; Roth 1982). Companies and corporations--small, medium, and large--are anchors to every community. They are very important, and what they do determines the style and shape of their community (Hart 1987). Although small firms usually are not the cause of a particular social problem, their greater visibility results in more immediate and damaging negative feedback than experienced by larger firms. This is true even though the smaller firm does not possess the equivalent power to remedy the situation (Chrisman and Archer 1984).

Although small businesses may not possess the same power as a large company, research conducted by Chrisman and Fry (1982) provides support for the contention that small businesses do possess and exhibit a high degree of social responsiveness. Furthermore, being socially responsive appears necessary to ensure long-run legitimacy of the business. Just as a business must maintain economic legitimacy, a business must also preserve its social legitimacy. If any business behaves in a manner unacceptable to the bulk of society, its chances of
long-term survival are considerably lessened (Chrisman and Archer 1984).

Most retailers and wholesalers believe in the theory of social exchange. They believe in giving back to their communities by supporting a variety of causes. Where civic affairs are concerned, many feel that independents are better equipped than chains to take the lead because they identify more with their communities. The owner is of the community and a peer of the local business people. Consequently, the owner is involved with the people who are usually the backbone of civic efforts (Linsen 1988).

Therefore, taking a proactive role by actively participating in community affairs and helping to plan and build for the future of the community will help insure success for the owner of a small business (Miller 1961).

In the eyes of the public today, all businesses have increasing responsibility for protecting the environment (Low 1976). Those who are interested in social commitment for all segments of society would want small businesses to be held as accountable as large ones. They would petition for a company’s disclosure of the various types of environmental and social activities in which the firm is involved (Roth 1982). A firm’s contributions relative to those of other companies in the community serves to meet the firm’s social obligation as well as provide social affirmation for those in the community.
Because giving represents a willingness to meet social responsibilities, contributions from certain corporations serves to signify endorsement of the recipient organization and implicitly increases expectations for donations from other firms. Executives admit that because of their regard for their firms' public image in the community, they often respond to these expectations. Because of this, firms within cities compare giving decisions on an informal basis and, in some cities, more formal clubs meet to exchange information about philanthropic support (McElroy and Siegfried 1986).

Other studies indicate that all is not expected to be the same for small and large companies. These studies suggest that as the size of the enterprise increases, its social responsibility increases (Chrisman and Fry 1982; Eilbirt and Parket 1973; Fischer and Groeneveld 1976; Fry and Hock 1976; Gomolka 1975; Gomolka 1978; Heald 1970; Parket and Eilbirt 1975; Shetty 1979; Van Auken and Ireland 1982).

The original concept of "business social responsibility" has expanded over time. As businesses began to grow and move away from the one store/one town mentality and expanded into large corporations, the concept of what was socially expected changed. This is because larger firms have a greater impact and therefore more influence on society merely because they employ more
people, have more products and volume, consume more resources, and dispense more waste (Fischer and Groeneveld 1976; Steiner 1975). Larger companies also have more public visibility, economic power, and extensive involvement with numerous special interest groups (Van Auken and Ireland 1982).

Large businesses were found to be more involved in contributions to the arts and ecological activities (Gomolka 1978; Van Auken and Ireland 1982), affirming the oft-stated conclusion that small businesses lack adequate profit levels and necessary expertise to support such activities. Lower degrees of involvement in consumer-oriented activities may reflect lower perceived environmental pressure because of their low visibility and the types of industries of a large majority of small businesses.

Fund raisers impose social pressure on firms most likely to give: namely, those with high sales revenues relative to the level of business activity of other firms. Within a community, executives of companies that generate a great amount of business activity perceive greater social obligation. Similarly, an executive will receive more pressure to support philanthropies in a smaller community, in which the firm is relatively larger and more visible (McElroy and Siegfried 1986).

Eilbirt and Parket (1973) contend that giant firms may
simply be, or feel themselves to be, targets of society. As a result, these large firms find it necessary, because of their dominance, to establish social responsibility credentials. It has been noted that the larger the company, the greater the tendency to report social responsibility (Fry and Hock 1976). An indication of this is that the larger the company the more annual report space is allocated to social responsibility activities (Fry and Hock 1976). This allotment explains these social activities to shareholders who do not appear to object to such operations (Parket and Eilbirt 1975).

Age of the Business

There are many characteristics that might shed direct light on the proprietor's ability to distribute the firm's resources properly (Chuta and Liedholm 1985). Of these, the number of years the small business owner has been in operation should provide an indication of the ability of the owner to run the firm. This ability includes making proper decisions concerning business participation in societal causes.

Age. The number of years in operation will provide an indication of the ability of the owner to run the company (Chuta and Liedholm 1985; Gomolka 1975). For those that survive, the community power structure is considered a major factor, since it creates a supportive climate for entrepreneurs in the community (Schell 1983). Social
exchange theory suggests that the community and society as a whole would react favorably to a small business that recognizes its social responsibility to society and becomes involved in social activities. As the business matures, the small business owner becomes more secure and stable within the business community and much more prepared to contribute resources of the company toward community activities.

The limited research done addressing the issue of the age of a business and the social responsibility with which it participates indicates that there is a significant relationship between the age of the business and participation in specific social activities (Gomolka 1975). The businesses with the longest tenure tended to engage in environmental activities (i.e., urban renewal) while businesses with the shortest tenure tended to engage in social responsibilities to the consumer (i.e., fair pricing policy) (Gomolka 1975). In another study, Gomolka (1978) found that although firms that have been in business the longest tend to be more involved with socially responsible activities (i.e., contribution to arts, contributions to education, minority hiring, civil rights, consumer complaints answered, truth in advertising, and fair prices) there is no straightforward relationship between business social involvement and company age.
Community Expectations of Participation

For a business, a sense of social responsibility means seeking to placate the demands of numerous groups which make up our society (Van Auken and Ireland 1982). From this sense of social responsibility comes the process of social exchange. Social exchange involves two or more parties who supply viable benefits to one another. It has important functions: socialization, sharing of goals and orientations, communication, and establishing adequate relationships with the environment (Levy and Zaltman 1975). An appropriate blending of these functions into the social and economic performance of business will strengthen the business and the community while permitting a business to respond much better to the aspirations of people in society (Steiner 1975).

For a fuller understanding of social exchange, an orientation toward all parties in the exchange process is needed (Levy and Zaltman 1975). One of the parties in the exchange process is the small business owner. All people have a responsibility to contribute to the community in which they reside (Stahl 1986). Business owners are no exception. Since social responsibilities will vary with individual companies (Steiner 1972), each owner must decide the extent of social obligation required for his/her business.

A business owner may argue that there are really no
fixed criteria for determining what is socially responsible behavior. There are no fixed criteria for how much responsibility would be acceptable to the community or specific special-interest groups at any given time (Sethi 1972). Consequently, social responsibility becomes whatever public expectations are in the community in which the business resides. This then would suggest that it is not the "real" social needs that are important to the community; it is the "perceived" social needs that are important (Sethi 1972). Therefore, to be effective, a firm must begin to recognize the public's perception of a business' social responsibility within the community.

Although social responsibility would rarely be the exclusive reason for a business decision, it can be a factor influencing the decision-making process (Farhoumand 1984). Including this aspect in the decision process can help a small business obtain capital and credit since outside suppliers and customers deem the business as behaving 'properly' and 'reliably' (Scott et al. 1986). The other party which needs to be examined in this social exchange dyad is the community in which the small business operates. Since the small business community has limited economic muscle, society does not expect all small businesses to champion the arts or be on the forefront of social activism (Van Auken and Ireland 1982). Yet they do have an image to maintain (Business Plan for Retailers
1979). Not maintaining this image may indicate social irresponsibility. Social irresponsibility occurs when public expectations for proper business conduct are skillfully ignored or violated (Van Auken and Ireland 1982). Businesses have a social contract with the community. The community will judge any business action with social implications to appraise how well the contract is being fulfilled (Roth 1982). This appraisal can be made regardless of the underlying reasons the business had for pursuing the action taken.

Within the generalized reciprocal relationship the roles and expectations for individuals are well defined and each contributes according to his or her position (Houston and Gassenheimer 1987). It may not be this simple for the small business owner. It has been stated that some exchanges emerge out of compulsion, coercion, or habit (Bagozzi 1979). Public opinion can also sway the small business owner and is very powerful (Popper 1962). Thus, many exchanges are the result of a social response to the norms or the expectations of others (Bagozzi 1979). Responding to the norms of the community may reduce the influence of public opinion but does not secure freedom from the direct pressure of public opinion (Popper 1962). Public opinion can come from the community as it examines what some businesses are doing for the community. This activity implicitly increases expectations from the
community as to what other businesses should be doing. Company leaders admit that they often respond to charitable organizations just to meet these expectations (McElroy and Siegfried 1986). Others indicate that they become committed to activities in which the customer directly indicates that they would like them to become involved (Linsen 1988). In either scenario, it can produce social expectations which, when not satisfied, may lead to hostility toward the business (Keim 1978).

Small businesses realize that it is important to meet the economic expectations of society (Davis 1973) and seem to be in touch with these expectations (Chrisman and Fry 1982). Thus, the small business owner takes note of community expectations before making a decision.

Arguments Against a Business Becoming Involved in Societal Causes

The business literature has characterized the concept of social responsibility as a controversy in which most of the public agrees that a business does have a social responsibility yet few can agree as to the nature or extent of these responsibilities (Holmes 1976). In the "classical" view, prevalent in the 1960's, the only social responsibility expected of a private enterprise was to produce goods and services efficiently (Steiner 1972).

Although the classical view is still held by many in business today (Kinsley 1987), we have since seen a shift
to the "public" view. This view of social responsibility recognizes that large corporations exercise enormous amounts of power over the lives of all members of society. As a result, a business should operate in harmony with the public interest (Holmes 1976). Similar to the "social marketing concept" (Kotler and Zaltman 1971), this view holds that a marketer should act in accordance with the public interest for no other reason than it is the right thing to do (Gaski 1985). For this view to be maximized, a corporation would only fulfill its total social responsibility when everyone in the corporation participates in social actions and it becomes an ordinary part of doing business (Paluszek 1974).

This notion is probably almost universally regarded as morally unassailable and a long overdue, progressive development in marketing (Gaski 1985). However, there is some disapproval. A fundamental objection to the public view is that businesses have no right to determine what is in the public interest nor do they have the competence to do so (Gaski 1985).

Many business leaders agree with this objection and remain leery of the notion that the private sector should take responsibility for meeting social needs (Baroody 1983). Though apprehensive about its social role, all business leaders realize that if companies have a social obligation, the responsibilities of a corporation differ
from those of a small business (Van Auken and Ireland 1982). Each company, therefore, must think carefully about its own social responsibility (Steiner 1972).

In its simplest form, the social responsibility of a small business can be defined as delivering quality products and services to society in such a way as to not damage any party (Van Auken and Ireland 1982). For many small businesses social responsibility has not expanded beyond this parameter because the social power of a small business is so limited when compared to that of bigger corporations. To expect stronger social activism from a small business could seriously jeopardize its survival (Van Auken and Ireland 1982).

There are many issues involved when discussing the question of social responsibility in business. There are also many objections to why businesses should not be involved in social responsibility. Some of the major objections are:

1. Lack of social skills.
2. Lack of profit maximization.
3. No business orientation in altruistic values.
4. Lack of accountability.

Each of these objections will now be discussed.

Lack of social skills. Business owners must become experts at profitably satisfying customers. They are not experts qualified to define and act in the public interest,
and do not feel "at home" when they become involved in social matters (Davis 1973). Thus, because of the owner's uncertainty and lack of expertise, when the business tries to act in the public interest, poor results are likely to be the outcome (Gaski 1985).

The public has a role to play too. It has the social responsibility to be aware of, and understand, the socioeconomic process of a business. The public needs to evaluate and understand the differences between the needs and the capabilities of a small business and corporation. It should evaluate and weigh the limitations within a small business and what a small business is trying to achieve within these limitations (Stroup, Neubert and Anderson 1987).

An understanding of these limitations could bring the public back to the classical view of the '60s: i.e., that the proper role of a business is to produce the best product at the lowest price. This would once again leave to individuals and to the political system such matters as support for the arts and how much is spent on defense (Kinsley 1987). Thus, the mantle of social responsibility would again be placed on the individuals in the community.

Departure from profit maximization objective. The most prevalent argument against businesses assuming social responsibility is the classical economic doctrine of profit maximization. According to this point of view, a business'
function is an economic one, and economic values are the sole criterion used to measure success (Davis 1973). The rule of capitalism is that something is good for a business only if it pays; otherwise it is alien and impermissible (Levitt 1958). Thus, the primary goal and motivating force for a business is to make as large a profit as it can (Davis 1973; Holmes 1976) and this in itself will maximize societal benefits (Friedman 1970; Levitt 1958; Rostow 1959).

A study conducted by Abouzeid and Weaver (1978) indicates that capitalism is still functioning within corporations. Financial goals such as profits, return on investments and earnings per share were the most important corporate goals. Even so, the idea of being socially responsible to the community appears to be gaining support, with 20% of the firms identifying social responsibility as one of their four most important corporate goals.

Corporate research conducted by Shetty (1979) also concluded that non-economic goals are subordinate to profitability, growth and market share. Although non-economic goals appeared to be subordinate, the research also indicated that companies which had sales of one billion dollars or more included social responsibility in their corporate goal structure. However, for the smaller firms, market share and financial stability were still the more frequently mentioned goals. This research would
indicate that, although it can be considered important, social responsibility is not the dominant goal for the smaller profit-seeking business firm (Van Auken and Ireland 1982).

Although not a direct goal for business, Moskowitz (1975) argues that social awareness in a corporation will enable it to surpass its competitors and lead to higher stock prices. In a study performed in 1972 he tested for a positive relationship between social responsibility and corporate worth. Moskowitz correlated corporate worth of 14 firms as measured by stock prices and corporate responsibility. Moskowitz found that during the first six months of 1972 the stock values of these 14 socially responsible firms were up over other, less socially active corporations. However, in 1975 Vance re-evaluated these socially responsible corporations and found that all but one of these firms had performance records considerably worse than that of the other Fortune 500 firms. Eleven of the 14 socially responsible companies lost more than half of their stock market valuation while the national indices dropped only about one-third. Although it is obvious that more than social responsibility goes into the stock prices of firms, the inference, on the basis of this single yardstick, is that socially responsible firms are not good investment risks (Vance 1975).

For the corporation to invest in the social matters of
the community, the firm must develop the role of the "societal marketer." The societal marketer goes beyond profitable customer satisfaction and attempts to serve the best interest of society (Gaski 1985). While conventional marketers can be assumed to operate within the boundaries of law and regulation, societal marketers exceed this minimum standard and take socially beneficial action even if it necessitates some compromise of customer satisfaction and profit (Gaski 1985).

Not seen as a conventional marketer, David Rockefeller, former president of Chase Manhattan Bank, gained a reputation for being the man behind one of the most socially responsible institutions in the country. In 1973, he was considered by many businesspeople as becoming too involved in social matters (in excess of $300 million in 1973) which compromised the bank's profit position (Cross 1974). This involvement resulted in loss of financial ground to its competitor, Citibank.

David Rockefeller may be leading the way for the idea that a business has social responsibilities even though there may be no clear connection between current social action and long-range profits (Steiner 1972). Even so, there are many companies which decide not to participate in public service projects because it is hard to show a direct relationship between a company's bottom line and its active involvement in community affairs (Delano 1983).
Milton Friedman indicated in much of his work in the 1960's that if no profit relationship could be uncovered, it was a good idea to stay out of community affairs. He advocated that social responsibility be handled as an investment. His basic argument is that a social program which does not add to bottom-line profit should not be implemented; in fact, he would consider such an unprofitable investment as an inappropriate use of corporate funds in a free-enterprise society (Stroup, Neubert and Anderson 1987). This is especially true if taking action in the public interest is going to lead to higher costs because of the required expenditure of resources. Some of this expenditure would be absorbed in lower profits, but not all (Gaski 1985). Some would be passed on in higher prices (Gaski 1985).

To avoid the possible problem of lower profits for the company and/or higher prices for the consumer, many corporate executives feel that philanthropic diligence is required from within the firm. Social considerations are becoming an integral part of a well-managed company, rather than an ad hoc reaction to passing fads. The social programs are becoming professionally run; this involves a set of strategic plans, goals, and objectives, which are reviewed regularly. Guidelines are being determined to decide how much money will be allocated to a project. Criteria for making and evaluating grants are evolving and
either in-house staff or competent consultants are being sought for their expertise in this area (Mescon and Tilson 1987).

No business orientation in altruistic values. Major policies and practices of corporations are shaped by a relatively small number of top managers (Sturdivant 1977). Social programs are part of the practices being incorporated into companies across the country. Research indicates that seventy-five percent of the top managers of the 96 companies who responded from the "Roster of the Country's Biggest Corporations" indicated that these socially responsible programs are effective, only ten percent felt they were not (Eilbirt and Parket 1973).

Managers view these socially responsible programs through the prism of their own personal values (Sturdivant 1977). Therefore, managers and owners of businesses who are more altruistic in nature are more easily convinced that their business should become involved in community affairs. Even though more easily convinced, many who participate in these activities realize that there may be no potential value in doing so. James Shannon, director of the General Mills Foundation, which annually contributes a substantial 2 percent of company profits to various organizations, considers it "a vain hope" that people will buy the company’s products because of the firm’s altruistic values (Neiman 1987).
Lack of accountability. Accountability should always go with social responsibility (Davis 1973), yet social responsibility cannot be analyzed on the order of a balance sheet or profit and loss statement. There are no accounting techniques, analytical tools, or statistical methods which will objectively differentiate companies that are socially responsible from those that are not (Parket and Eilbirt 1975). Therefore, many believe that it would be unwise to give business people responsibility for areas where they are not accountable (Davis 1973).

One of the difficult tasks in raising the empirical issue of the relationship between social responsibility and profits is the construction of an appropriate scale to measure the amount and worth of a firm's activities in the area of social responsibility. It is hard to find a detailed examination of what portion of an activity should be delegated to responsible behavior, and the marginal cost and benefit of such an activity (Bowman and Haire 1975). As social considerations increase in importance in business operations, the need for social cost and social benefit analysis also increases. Equating social costs with socially relevant actions can be the beginning of "an arithmetic of quality" and a step towards a more comprehensive and ideal system of social measurement (Churchill 1977).

The development of a suitable means of measurement and
appraisal has been hampered by controversy over the nature of the subject and by the subjective nature of such measurements. Though there is a lack of mutual agreement on how to obtain accurate measurements, numerous progressive corporations and firms are trying to evaluate their social impact and appraise their social endeavors (Carroll 1977).

Empirical Studies on Social Responsibility of Businesses

Obtaining research information useful to small businesses is difficult. A perpetual problem is that a great deal of the research is conducted privately for large corporations. This means that the data collected is retained within the walls of the business for which it was collected and will not benefit others doing research in a similar field. It will also not benefit other companies within the industry, large or small.

This does not mean that all data is withheld by large corporations. Many times they will release non-tactical research results such as socially responsible information. This information may include data such as the total number of hours the corporation donated to different non-profit organizations, the number of executives and employees that are involved in volunteering their services to non-profit organizations, etc. This information will be released in forms such as annual reports, since it shows compassion and responsible behavior on the part of the corporation.
Although released, a great deal of this information is not useful to a small business since the smaller business cannot become as deeply involved in socially responsible activities as a larger corporation. Even so, socially responsible research is available and has been gathered and reviewed for both large and small businesses.

The research conducted for this dissertation found that the majority of papers and articles which discuss social responsibility were of a conceptual nature. Of those not of a conceptual nature, only nineteen were used for reporting empirical results. Since these papers were used to support or deny the benefits of social responsibility in business, their limitations should be discussed.

Of the nineteen papers reviewed, there appears to be no theoretical base addressing the issues. Thus, the guiding hypotheses for the studies were not obtained from an explicitly stated theory.

Table 2.2 provides a chronological review of these empirical studies, including their limitations. Some of the more important aspects of these research efforts will be briefly examined.

Social Responsibility and Company Benefits

Although Bowman and Haire's study (1975) found an inverted U-shaped social responsible performance curve in which the highest performing firms were found in the middle
## TABLE 3.3
### Summary of Empirical Research

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Sample Description</th>
<th>Findings</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elbirt and Parket (1973)</td>
<td>96 companies from 1971 Forbes &quot;Roster of the Country's Biggest Corporations&quot;</td>
<td>A positive relationship between sales and participating in social activities</td>
<td>Skewed returned sample.</td>
</tr>
<tr>
<td>Bowen and Haire (1975)</td>
<td>92 food-processing firms selected from the 1973 Moody's Industrial Manual</td>
<td>Inverted U-shaped social responsible performance curve was found in which the highest performing firms were found in the middle of the curve.</td>
<td>No tests of significance; information used was gathered from annual reports; findings are limited to one industry; skewed sample size.</td>
</tr>
<tr>
<td>Parket and Elbirt (1975)</td>
<td>The 1973 Fortune &quot;Top 500&quot; industrial corporations - top 80 firms ranked as most socially responsible</td>
<td>The firms deemed most socially active were more profitable.</td>
<td>Profitability measured over short-term (1 year); no tests of significance.</td>
</tr>
<tr>
<td>Vance (1975)</td>
<td>Pre-existing surveys - 45 corporations and 50 corporations</td>
<td>A negative correlation between corporate social responsibility and increasing stock prices.</td>
<td>Performance measured over short-term (1 year); small sample size; stock market prices only measurement criterion used; socially active biased sample.</td>
</tr>
<tr>
<td>Holmes (1976)</td>
<td>192 companies selected from the 1974 Fortune 500 Directory</td>
<td>97% reported that social activities enhanced corporate reputation and goodwill. 9% reported a negative relationship between social activity and short term profit, and 13% indicated a positive relationship between social activity and long-term profit.</td>
<td>Stratification used to choose sample was not used in study; no test for significance.</td>
</tr>
<tr>
<td>Sturdivant and Ginter (1977)</td>
<td>23 companies with a total of 130 questionnaires within the companies; sample taken from Moskowitz's classified best and worst socially responsible companies</td>
<td>The best and honorable mentioned socially responsible firms outperformed their worst industry counterparts. Economic performance was significantly different between these companies and their worst counterparts.</td>
<td>Used t-test with a small sample size; skewed sample.</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Sample</td>
<td>Findings</td>
<td>Limitations</td>
</tr>
<tr>
<td>-----------</td>
<td>---------</td>
<td>----------</td>
<td>-------------</td>
</tr>
<tr>
<td>Abouzaid and Weaver (1978)</td>
<td>220 Texas-based companies with sales over $10M reported in 1973 Standard &amp; Poors</td>
<td>Social responsibility was not one of the four important corporate goals.</td>
<td>Social responsibility loosely defined.</td>
</tr>
<tr>
<td>Shetty (1979)</td>
<td>82 industrial and non-industrial firms listed in 1977 Business Week</td>
<td>Firms with sales of over $10B included social responsibility as one of five major corporate goals. Firms with lower sales listed all economic goals.</td>
<td>Corporations do not define the term social responsibility when listing it as a corporate goal.</td>
</tr>
<tr>
<td>Wilson (1980)</td>
<td>180 owners or managers of small businesses with fewer than 25 employees</td>
<td>12% of owners/managers who have a value-oriented business personality are involved in greater social activities. 88% of owners/managers who have a profit-oriented business personality are less involved in social activities.</td>
<td>Exploratory research; no confirmed profit/value business personality measurement.</td>
</tr>
<tr>
<td>Chrisman and Fry (1982)</td>
<td>In 1981, 85 non-business and 51 business people were selected; half through a random sample and half through Bradley University's Small Business Institute</td>
<td>Business owners understand their social responsibility better than the public and are more critical of their actions than the public.</td>
<td>Findings limited to one city.</td>
</tr>
<tr>
<td>Mutual Benefit Life (1983)</td>
<td>300 national firms with sales greater than $100M and 300 firms of all sizes in six major metropolitan cities</td>
<td>Key differences in attitudes toward volunteerism between Fortune 500 and smaller companies. Image and employee morale are key benefits of employee involvement in volunteerism.</td>
<td>Business-sponsored report; selected results.</td>
</tr>
</tbody>
</table>
Autho¢(s)  

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Sample</th>
<th>Findings</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farhoun and (1984)</td>
<td>10 small firms in San Diego, California representing ten Standard Industrial Classification (SIC) codes</td>
<td>Weak correlation between profits and social activities.</td>
<td>Small sample size; sample drawn from one city can not generalize results.</td>
</tr>
<tr>
<td>Mutual Benefit Life (1984)</td>
<td>Random sample of firms with 1-200 employees in 32 metropolitan areas and 391 firms from four major metropolitan cities</td>
<td>A positive relationship between increased sales and social activity of the firm. Becoming socially active increases the image of the firm and employee morale.</td>
<td>Number of firms in sample size not reported; business-sponsored report.</td>
</tr>
<tr>
<td>McElroy, Maddox and Siegfried (1986)</td>
<td>229 large corporations from 8 industry groups based in 14 different metropolitan cities</td>
<td>Corporate profits positively affect corporate contributions.</td>
<td>Biased sample.</td>
</tr>
<tr>
<td>Fuel Oil and Oil Heat (1989)</td>
<td>National fuel oil and oil heat executive reporting panel</td>
<td>Positive relationship between increasing social activity and increasing sales.</td>
<td>Unknown number on reporting panel; findings are limited to one industry.</td>
</tr>
</tbody>
</table>

II. Studies Involving Social Responsibility and Organizational Factors

<table>
<thead>
<tr>
<th>Author(s)</th>
<th>Sample</th>
<th>Findings</th>
<th>Limitations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gomolka (1975)</td>
<td>93 executives chosen from 1973/74 Directory of Business and Industry, Fairfax County, VA with under 500 employees of six different industry types</td>
<td>Companies with 1-25 employees engage in fewer social responsibilities than companies with 26-500 employees. Significant relationship for specific activities and age of firm.</td>
<td>Sample drawn from one county; cannot generalize results.</td>
</tr>
<tr>
<td>Fry and Hock (1976)</td>
<td>135 company annual reports from 15 different industries with sales from $2M to $1B</td>
<td>Size of the firm is the main factor in determining the amount of space allotted to the reporting of social activity in the annual report. Public image of the industry is second, and earnings is third.</td>
<td>Subjective analysis; analyzed only one year.</td>
</tr>
<tr>
<td>Gomolka (1978)</td>
<td>220 companies from the 1975 National Minority Business Directory</td>
<td>Although there are other significant variables which are involved in the decision process, company size and age play a role in the social responsibility process.</td>
<td>The social responsibility involvement measurement does not differentiate degrees of involvement.</td>
</tr>
</tbody>
</table>
of the curve, the study has numerous methodological problems. First, the information used for the evaluation was gathered from annual reports. The authors had the difficult task of ascertaining which sentences or comments were valid statements discussing social responsibility. Corporations which were equally active could explain the activity in one line or fourteen, depending on the writer; a simple line count may not suffice when trying to determine amount of activity. Second, the study included 13 firms listed as having a high level of social responsibility, 18 with a moderate level of social responsibility, and 51 firms with a high level of social responsibility. This would indicate a shewed sample from which the researchers gathered their data. Third, the information was collected only from the food processing industry, which limits the generalizability of the conclusions. Finally, no test of significance was performed on the data. Multiple studies investigated the relationship between social activity and sales and/or profit. These include: Eilbirt and Parket (1973), Parket and Eilbirt (1977), Holmes (1976), Sturdivant and Ginter (1977), *Mutual Benefit Life* (1984), Farhoumand (1984), and *Fueloil & Oil Heat* (1989). The two studies conducted by Eilbirt and Parket focused at the corporate level. The 1973 paper indicated that only self-reported socially responsible firms returned the questionnaires. This
indicates that a skewed sample would result. The 1975 study used pre-chosen socially active firms on which to conduct the research. Once chosen, these firms were analyzed for only one year, with the stock market prices for the firm as the only measurement criterion. Sturdivant and Ginter (1977), who used Moskowitz’s best and worst socially responsible companies, found similar results. However, their sample was small and possibly skewed, and their data analysis consisted only of t-tests.

Holmes (1976) conducted an investigation into short/long-run profits. Her study indicates there are negative short-run profits in conducting social activities but some long-run profits. No tests of significance were used on the data.

The Mutual Benefit Life study (1984) and the Fueloil and Oil Heat study (1989) both found a positive relationship between profit and social activity. However, these industry- and business-sponsored reports did not report sample size, leaving open to question the final results of the study. The Fueloil and Oil Heat study also used only data from that specific industry. This makes generalization of the results of the study difficult.

A positive relationship between corporate profits and corporate contributions was also found by McElroy and Siegfried (1986). Two hundred and twenty-nine corporate executives were interviewed from within eight separate
industries residing in 14 metropolitan cities. Of the firms chosen, only those firms making corporate contributions were interviewed. This would indicate a biased sample.

Finally, Farhoumand (1984) questioned 30 small firms in California and found little correlation between profits and social activities. Since this study was conducted in only one city in California, it has the same reliability limitation as many of the other studies. Also, Farhoumand used a relatively small sample for the analysis.

The value of responding to the pressure of social responsibility has also been evaluated by examining the market value of the firm (Vance 1975). The market value of a firm has always been considered a strategic benchmark for the owners and the public. Vance (1975) examined firms from two pre-existing surveys in which the firms were specifically selected for inclusion based on their outstanding contributions to social activities. In both comparisons there was a negative correlation between corporate social responsibility and increasing stock prices. These results are limited since the selection of the firms based on high involvement in social activities may bias the sample used for the analysis. Limitations of this study also include the use of market price as the only measurement criterion, the small sample size and the short relevant time period for the study (one year).
Social Responsibility and Organizational Factors

Two studies conducted by Gomolka (1975; 1978) address organizational factors. The first study (Gomolka 1975) found a positive relationship between the size of a business and the amount of participation in social activities. However, no significant relationship was found between social activity and age of a business. The reliability of this study is limited since the data were collected from only one county. The second study conducted by Gomolka (1978) also found the size of the business affects the amount of social activity by a firm. However, the study is limited somewhat since the social involvement measure did not differentiate the degree to which a company was involved in a social activity.

The attitude of the employees is another organizational factor to be considered. Mutual Benefit and Life (1983) found key differences in attitudes toward volunteerism between Fortune 500 companies and smaller companies. Among the selected results published was the finding that image and employee morale are key benefits of employee involvement in volunteerism.

The business owner’s personality is also a critical factor within the organization. Exploratory research was conducted by Wilson (1980), using 180 small businesses for the analysis. Through this research, Wilson presented the concept of a profit/value business personality measurement.
She established that 12% of the owners have a value-oriented business personality and are involved in greater social activities than their counterparts. The other 88% of the owners have a profit-oriented business personality which manifests itself in less social participation. More research needs to be conducted in this area to confirm these exploratory results.

Signifying social responsibility as a goal of the business indicates the importance a company places on this attribute. Some studies have investigated whether social responsibility is a prominent goal for all firms. Results indicate that social responsibility as a goal seems to be related to the sales of the company.

Two hundred and twenty companies within Texas with sales of over ten million dollars a year were analyzed by Abouzeid and Weaver (1978). Their results indicate that social responsibility is not one of the four most important goals for these firms. Shetty (1979) found more specific results. Shetty’s findings indicate that corporations with sales of over one billion dollars include social responsibility as one of the firm’s five major goals (35 of the 82 firms surveyed). Corporations with lower sales listed economic objectives as their major goals. Both Shetty and Abouzeid and Weaver’s studies are limited by a somewhat loose definition of the term social responsibility.
The last aspect of social responsibility to be addressed is that of the amount of social activity reported by the corporation. Fry and Hock (1976) found the size of the corporation to be the main factor when determining the amount of space in the annual report allotted to reporting on socially responsible actions. The public image of the industry was the second most important factor with earnings the third. The results of this study are limited by the very subjective analysis (categorizing statements from annual reports) over a limited time period of one year.

This chapter discussed the theoretical and empirical support for this study. The following chapter will present a model depicting the factors which influence the small business owner’s decision to participate in a societal cause.
CHAPTER III

A CONCEPTUAL MODEL AND HYPOTHESES OF A SMALL BUSINESS' PROPENSITY TO PARTICIPATE IN SOCIETAL CAUSES

This chapter presents a model integrating key organizational factors, characteristics of societal causes, and personal factors that influence a small business' propensity to participate in societal causes. The conceptual model is presented first, followed by elaboration of individual constructs of the model and research hypotheses. The hypotheses are stated in the traditional "alternate hypothesis form," implicitly contrasted to their null. The final section presents the empirical model to be tested.

Factors Affecting a Small Business' Responsiveness to Societal Causes

The proposed model of factors affecting a small business' social responsiveness to societal causes is summarized in Figure 3.1. The model incorporates ten constructs hypothesized to impact on the propensity of a small business to participate in a societal cause.

1. The benefits that the small business expects to derive from committing resources to societal causes is examined from the standpoint of general improvement in the environment of the community, respect gained from peers in the industry, customer awareness of the business' community activities, the image of the business, and customer loyalty gained. These are also examined from the standpoint of employee morale and productivity, the survival and growth of the
Factors Affecting A Small Business' Propensity To Participate in Societal Causes: Full Model

- Primary Beneficiary of Activity
  - Local
  - Quasi-local
  - National

- Visibility of Participation

- Anticipated Benefits to Business

- Small Business Owner Orientation (Value/Profit)

- Results of Prior Business Involvement in Societal Causes

- Amount of Resources Requested

- Type of Resources Requested

- Size of Business

- Age of Business

- Availability of Resources

- Propensity to Participate in Societal Causes

- Small Business' Perception of Community Expectation of Participation
business, and the short/long-run profitability of the business.

2. Small business owner orientation is measured as the value-oriented owner (type V-owner) versus the profit-oriented owner (type P-owner).

3. The visibility that could be gained from responding to a societal need is evaluated in terms of the number of people in the community who would be expected to know of the business' participation, and other criteria.

4. The primary beneficiary of the activity is measured by distinguishing between local community causes (i.e., the arts, education, school projects, public service announcements), quasi-local causes (i.e., Girl Scouts, Salvation Army) and national causes (i.e., the Olympics, the American Red Cross).

5. The results of prior involvement is measured in terms of outcomes of past experiences in which the small business has been involved.

6. The resources requested of small businesses to respond to societal needs or pressures are explored from the perspective of requested contributions of money, products, services, surplus equipment, surplus supplies, meeting rooms, employee time/talent, owner time/talent, and, finally, the ability to encourage others to donate one of the above resources.

7. The resources available to a small business to respond to societal needs or pressures is examined from the standpoint of the availability of money, products, services, surplus equipment, surplus supplies, meeting rooms, employee time/talent, owner time/talent, and finally, the ability to encourage others to donate one or more of the above resources.

8. The size of the business in relation to the degree of response to societal needs is measured by the number of people employed and by the annual revenue of the business.

9. The age of the business is measured in terms of the number of years the company has been in business as well as the current owner's length of proprietorship.
Community expectation of participation of a small business is conceptualized as the small business' perception of the community expectations regarding businesses in societal causes. This construct is also evaluated from the community's perception in terms of the amount of participation expected based on the age, size, and perceived resources available to the business.

A discussion on the constructs included in the model and hypothesized relationships follow:

**Anticipated Benefits and Propensity to Participate in Societal Causes**

A common characteristic of both economic and social exchange is that reinforcement to re-engage in a transaction is influenced by the benefits received from the exchange (Bagozzi 1978). In a social exchange, however, a business participates in socially responsible acts not just for economic gain but also for anticipated social benefits (Blau 1968). Thus, the owner may make a decision to participate in different societal causes based on the degree to which he/she finds the anticipated social and economic benefits attractive (Burnett and Wood 1988).

Identity theory would also suggest that, based on a person's role-related identity structure, a person would ask for employment with a company that did or did not participate in societal causes (Giacalone and Ashworth 1988). If an employee thinks a small business should be involved in the community and it is, then this may result in an increase in morale and employee productivity.

Thus, potential benefits may include an increase in
sales and profits (Eilbirt and Parket 1973; Fueloil and Oil Heat 1989; Holmes 1976; McElroy and Siegfried 1986; Mutual Benefit Life 1984; Parket and Eilbirt 1975; Sturdivant and Ginter 1977), and an increase in employee productivity (Davis 1973; Mutual Benefit Life 1983) and morale (Business and Society Review 1975; Mutual Benefit Life 1983; Mutual Benefit Life 1984); and increase in consumer awareness (Adams 1985; Delano 1983; Kane 1985; Linsen 1988; Miller 1961) and loyalty (Chrisman and Fry 1982; Holmes 1976).

Small business owners also anticipate benefits such as improving the image of the business (Adams 1985, Davis 1973; Heald 1970; Low 1976; McElroy and Siegfried 1986) and gaining peer respect from the industry (McElroy and Siegfried 1986; Skae 1983). Survival (Chrisman and Archer 1984; Holmes 1976; Van Auken and Ireland 1982) and growth of both the community and the business (Farhoumand 1984; Low 1976) are also important benefits which are anticipated by the small business owner.

H1: The greater the perceived anticipated benefits to a business, the greater the propensity to participate in societal causes.

Impact of Profit/Value Owner Orientation on Link between Anticipated Benefits and Propensity To Participate

A consideration of social exchange is that the individual needs and personality of the actors may affect the course of an exchange or certain features of the relationship (Burnett and Wood 1988). A characteristic of a small business owner’s personality which may affect the
course of an exchange would be his/her values. Unlike the typical marketing exchange which entails the rather impersonal presentation of a product to the consumer and the ensuing impersonal response, the donation exchange often asks donors to draw upon a different set of values (Burnett and Wood 1988). Symbolic interactionism suggests that these values are biased through the interactions within the social and physical environment that surrounds the owner.

Identity theory discusses the hierarchy of these values and suggests that people have many different levels of identities which reflect their individual differences through the roles in which they become involved (Stryker 1987). This would imply that, depending on the role being pursued by the individual, the identities would be organized into a hierarchy of salience and role-related choices made by the owner of a business would be based on his/her predetermined hierarchy of identities (Stryker 1987).

Thus, identity theory would indicate that a small business owner whose hierarchy of salience is characterized by a strong profit-orientation (type P owners) would fulfill his/her social obligations of the business only through social activities perceived to be beneficial to the business (i.e. profit, growth, consumer awareness, etc.). For small business owners whose altruistic values are
prominent in all aspects of their lives including their business (type V owners), the willingness to positively respond is likely to be greater for all social activities whether or not there is a direct benefit to the business. An exploratory research study (Wilson 1980) concluded that about 12 percent of the small business owners interviewed could be classified as type V owners. These business owners, in addition to possibly making a reasonable profit, are pursuing other social values. These social values, which quite often relate to community responsibility, provide these owners with satisfaction from their participation (Wilson 1980). Thus, whether the owner is profit-oriented or value-oriented will moderate the strength of the relationship between anticipated benefits of participating in community activities and a small business' propensity to participate in community activities.

H1.1: The strength of the relationship between anticipated benefits of participating in a societal cause and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.

Visibility of Participation and Propensity to Participate in Societal Causes

The community and society as a whole would react favorably to a small business that recognizes its social responsibility and becomes involved in social activities (Stroup, Neubert and Anderson 1987). To attain maximum benefit from the community in the future, a business needs
to evaluate social activities other than those mandated by law (Chrisman and Carroll 1984).

Social exchange theory suggests that social activities and their outcomes may be shaped by the situation surrounding the event (Burnett and Wood 1988). The visibility the business receives from participating may be a factor which affects and shapes the decision to participate in a social activity. Thus, evaluating the potential visibility of an activity entails noting the extent of recognition that the business would receive if participation occurred. This is an important issue since participating in a community activity is performed by many businesses to satisfy the need for recognition and distinction which they hope to receive from the exchange (Levy and Zaltman 1975).

Symbolic interactionism observes that situations can be shaped by people who have common values and symbols and would therefore be involved in the same types of societal causes (Warland, Herrmann and Moore 1984). When deciding between sponsoring an event or becoming involved in a tie-in promotional event, a small business needs to decide which group of people it wants to reach and the best way to reach that group.

Sponsoring an event can involve an organizational activity which comprises only a finite group of people within the community, the general population in the
community, or a national event which affects the community in the aggregate. Whichever type of organization is selected, sponsorship results in a different type of visibility for a business than activities that allow a business to tie-in the sales of its product/service directly to participation.

A promotional tie-in between a business' products and/or services and the community activity can lead to short-run economic benefits and immediate visibility. This tie-in entails a business contributing to a designated cause each time customers engage in a specific pre-designated revenue-producing transaction with the firm (Varadarajan and Menon 1988). When a business becomes involved in an activity in which it can couple the sales of its product or service with helping a cause, it derives the greatest amount of immediate benefits. A business needs to objectively choose the activity in which it wants to become involved in order to maximize its benefits. Developing a cause-related tie-in not closely related to the business' product or service may not be the best choice.

A small business may decide to provide some assistance for the sponsorship of an activity. Firms have long attempted to enhance their image, cultivate a favorable attitude in the minds of consumers, and/or realize incremental sales gained by sponsoring worthy causes (Varadarajan and Menon 1988).
Sponsoring organizational causes does provide visibility, although not the same type of visibility as a promotional tie-in. The amount of community visibility gained will depend upon the type of organization and the type of activity in which a business becomes involved. The sponsoring of a community activity to a finite group of people such as a local Little League baseball team or a school car wash may provide limited visibility for a business. Although limited, it would be beneficial to the business if this group is its target market. Sponsoring an activity such as a community circus organized by the local chapter of a national organization may gain more extensive visibility for a business since it is being viewed by the general populace of the community. Finally, consider a national activity such as the restoration of the Statue of Liberty. A small business which helps to sponsor the refurbishment of the Statue of Liberty may feel good about the act, but visibility may be limited since the actual populace of the community may not even know of its participation. If this type of activity is chosen, a business might use publicity to ensure that the community is aware that it is participating in this event.

Sponsorships, like tie-in promotions, require time and/or money to become involved in the activity. As stated previously, identity theory suggests that business owners use their individual hierarchy of values to determine
participation. Therefore, the more important the activity as deemed by the business owner, the more apt the business is to become involved. Setting objective criteria for community involvement may be needed. This would help assure that a business does not take on too many activities which may leave the community with no connective link as a basis for remembering that the business helped to sponsor the activity.

Attaining an adequate amount of visibility from participation in a social activity is an important criterion for a business. Thus, evaluating the extent of potential visibility is important. If such an evaluation indicates a high level of local community visibility, the likelihood of a business' participation would be higher.

H2: The greater the perceived visibility of participating in a societal cause, the greater the propensity to participate in a societal cause.

Impact of Profit/Value Owner Orientation on Link between Visibility of Participation and Propensity to Participate

An owner's values can play a part in determining how important it is for the business to be visible to the community or society at large when participating in a societal cause. The profit-oriented owner, whose main goal would be to participate in a community activity providing for the most benefit from participation, would be more inclined to participate in community activities that are more visible. The altruistic value-oriented owner may, however, become involved in a community activity simply
because it is an important activity to the community, and would not deem visibility as quite so important (Adams 1985; Farhoumand 1984; Miller 1961; Miller and Toulouse 1986; Parket and Eilbirt 1975; Sturdivant and Ginter 1977). This would suggest that the profit-oriented owner would investigate the visibility of an activity before deciding whether to participate, it is less likely that the value-oriented owner might go through this routine. Thus, whether the owner is profit-oriented or value-oriented will moderate the strength of the relationship between the visibility of participating in an activity and a small business' propensity to participate in the community activity.

H2.1: The strength of the relationship between visibility of participation in a societal cause and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.

**Visibility of Participation and Anticipated Benefits**

An exchange relationship is characterized by the sharing of some values and instances of social influence occurring between actors (Burnett and Wood 1988). In a community, these exchange relationships are influenced by events, actions, or other visible phenomena of exchange between a small business and the community. They are also influenced by the community's distinct history. Every town and city has evolved out of a particular combination of past circumstances (Kinloch 1989) which make up distinct
factors of visibility (e.g., since the town first obtained a fire department, the fire department has solicited funds from the businesses in the community to sponsor the 4th of July fireworks display). The small business owner must calculate the anticipated benefits based on the visibility of participating in these types of activities (Burnett and Wood 1988) as opposed to a quasi-local or national activity and determine their usefulness to the firm.

A small business needs to evaluate the visibility and importance of different organizations (i.e., local, quasi-local or national) before determining the organizations with which it should become involved. From this evaluation, the business can better determine the extent of beneficial visibility it would receive through active participation in a given societal cause.

A small business might also investigate other institutions that would be involved in the activity to increase their visibility. This investigation might include surveying which institutions serve to influence public opinion such as political parties, universities, banks, television, radio, and newspapers (Popper 1962). Once the degree of societal value for each of these institutions is established, a business owner can evaluate the value of a connection between the institution and the business. If the institutions are highly visible to the public and are participating in an activity, then through
mutual participation in the activity a small business will be much more visible.

Also, the evaluation of public opinion based on a small business’ participation should be considered. Public opinion (i.e., what the people in the community might say to each other in public places and in their own homes), is important (Popper 1962). General public discussion of the community activity can increase the visibility of a small business which is participating in the activity by increasing awareness of the business and its products and/or services.

A broad principle of social exchange is anchored in self-interest. This assumes that both partners in an exchange relationship will anticipate benefits or rewards based on the interaction (Homans 1958; Kelley and Thibaut 1978; Thibaut and Kelley 1959). The organization that requests a business to participate in an activity benefits from the act of participation. For small business the greater the visibility of the business’ participation, the greater the rewards and benefits it receives.

H3: The greater the perceived visibility of participating in a societal cause, the greater the anticipated benefits of participating that societal cause.

H4: Small business’ will perceive greater visibility from participation when the primary beneficiary of the activity is the local community than when the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national).
Primary Beneficiary of Activity and Propensity to Participate in a Societal Cause

At its basic level, social exchange states that people and organizations interact in such a manner as to maximize their rewards, with a major reward being social gain for all parties involved (Bagozzi 1974). When a small business becomes involved with a local or quasi-local community activity, in contrast to a national event, both the business and the community gain socially as well as economically.

Social exchange theory also implies that the parties in an exchange usually share mutual interests or some values (Burnett and Wood 1988). Businesses tend to reflect specific historical situations, particularly at the community level (Kinloch 1989). As a result, the historical, political, economic, and social arrangements that define a particular city or town form a foundation for mutual interests and shared values between a small business and the community in which it resides. These shared values and interests may influence a business' decision to participate in community activities.

The small business owner could choose a local project such as community arts, a quasi-local project such as the American Red Cross, or a purely national project such as the restoration of the Statue of Liberty. Of these options, Wilson (1980) found that many small business owners believe that the local community is vital to the
survival and growth of a small business. Thus, decisions to participate in activities that will primarily benefit the local community will be perceived more favorably by small businesses.

H5: A small business’ propensity to participate in a socially beneficial activity will be greater for activities that primarily benefit the local community than activities that primarily benefit an event or an organization outside the community (i.e., quasi-local and national).

Moderating Effect of Small Business Owner’s Orientation on the Relationship Between Primary Beneficiary of Contribution and Propensity to Participate

When a small business becomes involved with a local community activity, the business and the community may gain. When a business becomes involved with a quasi-local or national event, the whole of society benefits; yet the small business may not get the same degree of benefit as it would have in a local activity. Although a business would benefit to a different extent in each situation, Wilson (1980) found that many small business owners realize that helping the community is of more value than helping in a national activity. Therefore, depending on their hierarchy of values, the small business owner would be more careful about choosing one activity over the other.

Although many businesses become involved in national causes either at a local or quasi-local level, the degree of involvement for a profit-oriented owner would be directly related to the exposure the business could receive from participation. Although national causes could be
considered, the profit-oriented owner would prefer to help establish a strong environment in which to continue to grow and prosper. Hence, the profit-oriented owner realizes that if the local community benefits from an activity, the business will benefit also (Fuel Oil and Oil Heat 1989). Therefore, decisions to participate in activities that will primarily benefit the local community would be perceived as more beneficial to the profit-oriented owner.

The value-oriented owner however, would be more willing to consider the option of becoming involved in a national activity with little immediate community value (Wilson 1980). Thus, whether the owner is profit-oriented or value-oriented will moderate the strength of the relationship between the primary beneficiary of the activity and a small business' propensity to participate in the community activity.

H5.1: A small business’ propensity to participate in societal causes will be greatest when the primary beneficiary of the activity is local (as opposed to a quasi-local or national cause) and the small business owner is profit-oriented (versus value-oriented).

Primary Beneficiary of Social Activity and Anticipated Benefits

A characteristic of social exchange is that the final outcome of a relationship is uncertain and depends on the offers and mutual modifications made by the parties in an ongoing process of evaluation, decision making and exchange (Burnett and Wood 1988). For small business owners and social organizations, this community/business relationship
is constantly being evaluated and adjusted to achieve maximum benefit for both parties.

Small business owners who understand that a business can prosper only in a healthy community constantly evaluate their altruistic relationship between the community and their business (Wilson 1980). This evaluation is important to the small business owner since social exchange theory would also suggest that people such as small business owners affiliate as a means to an end (Deaux and Wrightsman 1984) indicating that not all contributions are altruistic in nature.

When small businesses participate in the community, the small business owners acknowledge that affiliation with the community and community activities not only brings recognition to individual businesses, but also helps the community to stay stable. Consequently, a small business may increase its social commitment in the areas directly related to the community or to the business’ daily activities, while gradually decreasing its commitment to national activities (Paluszek 1974). This gives a business a stronger community environment in which to continue to grow and prosper. Since a stronger community environment helps to build a stronger business, the more the local community benefits from a social activity, the more the business would also benefit from its participation.

H6: Small businesses will perceive the anticipated benefits from participating in an activity to be greater if the
primary beneficiary of the activity is the local community than when the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national).

**Amount and Type of Resources Requested and Propensity to Participate in Societal Causes**

Small business owners show a willingness to contribute to social causes (local, quasi-local, or national) when they consider it a requirement for public favor and public support (Heald 1970). The level and type of resources provided will be what the owner feels is appropriate for reaching both the goals of the business and of society, while disbursing the least amount of resources. Since the goal of the owner is to effectively relinquish the least amount of resources, a decision must be made concerning the societal cause in which to participate as well as the amount and type of resources to be given. To market the business effectively, the business' actions will be calculated to produce the desired response in the market with the least cost to produce this response (Kotler 1972). It may be determined that becoming involved in community activities could provide the desired response for the least cost.

Social exchange theory also indicates that the final outcome of a relationship is uncertain and depends on the mutual modifications agreed upon by the parties involved (Burnett and Wood 1988). This would indicate that the small business owner and the community leaders will make
proposals and counter proposals until satisfactory adjustments are made between both parties. In so doing, the small business is able to help the local, quasi-local, or national organization reach its goal while strategically deciding on the type of resources committed as well as limiting the amount of resources committed. Therefore, the type of activity, whether local, quasi-local or national as well as the type and amount of resources requested of a small business will be a factor in determining the propensity to participate in a cause.

H7: For given amount of resources requested a business’ propensity to participate in societal cause will be greater for activities that primarily benefit the local community compared to activities that primarily benefit an event or organization outside the community (i.e., quasi-local or national).

H8: A small business’ propensity to participate in societal causes will be greater when the resources requested are non-cash (as opposed to cash) and the primary beneficiary of the contribution is a local cause (as opposed to a quasi-local cause).

Results of a Business’ Prior Involvement in Societal Causes and Propensity to Participate in a Societal Cause

A small business anticipates a repercussion from every social and economic exchange in which it becomes involved (Blalock and Wilken 1979). Participating in a societal cause can result in a positive or negative repercussion. For a small business, the gains or losses that result from participating in a societal cause is a learning experiences (Houston and Gassenheimer 1987). Since social exchange between two parties depends upon the situation surrounding
the exchange (Bagozzi 1979), these learning experiences can lead to a better understanding of the value of participating in a particular cause.

As previously mentioned, social exchange indicates that reinforcement to re-engage in an exchange is provided by the reward and/or length of deprivation of that reward (Burnett and Wood 1988). Based on prior experience, a small business will monitor the benefits received from participating in societal causes, verifying that benefits were realized. As long as the business continues to derive a satisfactory level of benefits from the activities, the owner will continue with his/her propensity to participate in societal causes.

If the business has yet to participate in societal causes, it should weigh the opportunities and constraints to determine if participation should be a consideration (Dixon 1978).

Social exchange theory suggests a calculation of the comparison level for alternatives before deciding upon a course of action (Deaux and Wrightsman 1984). One such alternative available to a business is to not become involved in societal causes at all but rather to make sure that they are not being socially irresponsible.

If not being irresponsible meets the expectations of society, then the business may take no further action. However, in spite of this decision, if a community leader
comes to a business and discusses an inexpensive way to become involved in an activity beneficial to the business, a point of uncertainty may arise in the mind of the business owner. Given the information, the owner may at least contemplate becoming involved in the community activity. In contrast, for a business owner who is not satisfied with their level of community commitment there would be little hesitation in choosing to become involved.

When deciding on involvement in a societal cause, anticipated benefits might be assessed by determining what other businesses have gained from participating in similar activities. The more extensive the involvement with societal causes in the past, the less complicated this process becomes for making a decision. When the past experiences have been more positive than negative, the owner is more likely to participate in future societal causes.

H9: The more positive the results of a business’ prior involvement in societal causes, the greater the propensity to participate in future societal causes.

Moderating Effects of Small Business Owner Orientation on the Relationship Between Results of a Business’ Prior Involvement in Societal Causes and Propensity to Participate

The decision to become involved given the visibility that could be attained would also be a function of the business owner’s orientation. If the owner is profit-oriented the decision would be based on the positive or negative experiences the company has had in the past. If
past experiences have been beneficial than participation may be expected in the future. For the value-oriented owner, the decision would be grounded in what is best for the community and not necessarily on the benefits or lack of benefits that were attained from past participation. Thus, past involvement will be judged differently for the profit-oriented owner versus the value-oriented owner.

H9.1: The strength of the relationship between results of prior business involvement in societal causes and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small business.

Availability of Resources and Propensity to Participate in Societal Causes

Effective resource allocation is a major determinant of small business success. Social exchange theory indicates that forces such as company resources may form the nature of the social relationship and its outcome (Burnett and Wood 1988). For a small business, the amount of resources the owner deems the business can afford to contribute to community activities can help to shape community-business relationships.

For a business which is acting in a socially responsible manner, it is good to neither under-respond to the community nor to over-respond (Bowman and Haire 1975). Yet the business has an obligation to the community to consider fully the social consequences of becoming involved in community activities and, to the extent it can, utilize the business' influence and resources for social good
(Attwood 1976). By acting for the social good, a business may help to improve the quality of life in the community. This is a strategic decision since the more resources the company has available, the more contributions it can make to the community. Thus, an evaluation of resources that can be strategically delegated to an activity is necessary.

Some business experts contend that a business can’t afford to provide social services (Baroody 1983). Others contend that many firms, despite tremendous public pressure, are apparently not prepared to make a response to the challenge to be socially responsible (Buehler and Shetty 1976). This is often the situation when a business owner becomes so involved in day-to-day operations that he/she has insufficient time and resources for community activities (Chrisman and Fry 1982). However, when a business owner becomes socially aware of the community’s social demands, he/she may begin to evaluate these demands according to the particular relevance to the business (Buehler and Shetty 1976).

For the owner, the relevance to the business will focus upon the resources the business has available for use in a community activity (Buehler and Shetty 1976). Once evaluated, a small business owner may realize that by donating time, products, and/or services, the business can often reach the various objectives that have been set with minimal costs. This could include reaching new populations
in the community that might not otherwise be reached. Thus, the more resources available to a small business, the more willing the business may be to become involved in societal causes.

H10: There will be a positive relationship between the resources available for a small business to contribute to societal causes and its propensity to participate in societal causes.

**Size of Business and Propensity to Participate in Societal Causes**

The concept of social exchange theory is becoming more important to business people as the nation begins to understand the economic reality that the government cannot take on the entire social responsibility of society (Mahoney 1979). Therefore, businesses of all sizes are finding a need to develop strategies for strengthening and expanding their social commitments. One such organizational force which determines the strategy chosen is the size of the business.

Although research indicates that small businesses demonstrate a high element of social responsiveness (Chrisman and Fry 1982), studies also suggest that as the size of the business increases, its social responsibility also increases (Chrisman and Fry 1982; Eilbirt and Parket 1973; Fischer and Groeneveld 1976; Fry and Hock 1976; Gomolka 1975; Gomolka 1978; Heald 1970; Parket and Eilbirt 1975; Shetty 1979; Van Auken and Ireland 1982). Therefore, size is an important element in determining the social
commitment to the community as well as the propensity of a business to participate in any societal cause.

H11: There will be a positive relationship between the size of the business and its propensity to participate in societal causes.

**Age of Business and Propensity to Participate in Societal Causes**

The age of the business is an indicator of a business's social commitment to the community. The community structure is a major factor in creating supportive elements for small businesses (Schell 1983). This would suggest that the older the business the stronger the community/business relationship becomes. Limited research (Gomolka 1975; 1978) indicates that no straightforward relationship can be found between the age of the business and social commitment. However, research does indicate that a larger variety of social activities are practiced by firms with longer tenure. Thus, as the business ages, the propensity to participate in societal causes increases.

H12: There will be positive relationship between the age of a business and its propensity to participate in societal causes.

**Availability of Resources and the Small Business Owner's Perception of Community Expectation of Participation**

Social exchange theory indicates that the exchange dyad will include instances of social influence by the different parties in the exchange (Burnett and Wood 1988). The two parties in this dyad: the business and the community.

A small business begins with a certain level of
commitment to the community. As the business grows and changes, the community begins to perceive the business differently and the business may evaluate its community commitment differently. For local community leaders, a growing business is a prime candidate for requesting business resources for community activities.

Requests for resources will be based on the perceptions of the leaders of community organizations and the community at larger as to what the business can and should fairly put back into the community. The resources that community organizations presume a small business has available to commit to a social activity will be a major factor in determining the community’s level of expectation of small business’ participation. The more resources that the community and community organizations perceives the small business to have, the more the community would expect the business to participate in social activities.

The small business owner must evaluate and make a decision concerning the availability of the resources that the business could give if potential community partners begin soliciting for resources. The perceptions of the community and that of community organizations will be a powerful leverage on the small business owner to consent to making the resources available to the organization.

H13: A positive relationship will exist between the small business’ resource position and the small business owner’s perception of the community’s expectation of participation in societal causes.
Size of the Business and Small Business Owner's Perception of Community Expectation of Participation

People may compare a relationship against some baseline that they have come to expect (Deaux and Wrightsman 1984). Any present relationship will be judged as satisfactory only if it meets or exceeds the level of commitment based on the comparison levels that the community has derived (Deaux and Wrightsman 1984). These comparison levels include factors such as size and age of the business. These comparison levels may fluctuate or change over time depending on the specific situation (Deaux and Wrightsman 1984).

The size of the business is a consideration that helps develop the perception of the community and its leaders on how involved a business should be in the community. It has been noted that the larger the company, the greater the tendency to report the fulfillment of the company's social obligations (Fry and Hock 1976). The company reports these actions, realizing that the community expects the larger businesses to participate in community activities and to take some degree of responsibility for the community in which it operates. By reporting their activities, the business owners insure that their customers are aware of the firm's commitment to its social obligations.

Yet, owners of all sizes of businesses are concerned to some degree about the social responsibility they have towards their business and their community. Eilbirt and
Parket (1973) state:

"It is hard to believe that larger firms' executives are inherently more concerned about or more sensitive towards needs in this area. We feel obliged to suggest that large firms may simply be or feel themselves to be "targets" and thus find it necessary, because of their dominance, to make visible efforts to establish social responsibility credentials." (p. ii)

Japanese businesses live in a "community context." This context implies that both people in the community and in business know that getting along and getting ahead are clearly related to whether or not the business participates in the community (Hart 1987). In the United States, however, the community may be more lenient as to how much participation is expected. But as a business grows, the community's perception of the business' social obligations will increase. Consequently, as the business grows and the small business owner begins to contemplate about the community's perceptions regarding business involvement in community activities.

H14: There will be a positive relationship between the size the business and the small business owner's perception of community's expectation of that business' participation in societal causes.

Age of the Business and Small Business Owner's Perception of Community Expectation of Participation

Age is used as a base line to determine if a small business' extent of involvement in community activities meets or exceeds the level that the community feels is adequate. Thus, for the community, the length of time the
business has been in the area can influence the degree to which the community perceives it should be socially involved.

As a business grows, it benefits from a growing awareness of the responsibility it has to the community. The small business owner realizes that building the business entails not only having a sense of spirit, a sense of will, but also a sense of wanting to help the community grow stronger (Hart 1987). These qualities may develop more meaning and become stronger as a company grows and becomes part of the fabric of the community.

A small business which becomes involved in the community should expect that it will be well thought of by the leaders, business people, and residents of the neighborhood (Durocher and Glynn 1984). As the business grows and develops within a neighborhood, there will be people in the community who will begin to expect the business to become interested in the environment surrounding it. Therefore, what some might consider a strictly civic activity takes on marketing characteristics as the purchase patterns of many civic-minded consumer’s change if the business’ involvement in the community falls short of consumer expectations (Durocher and Glynn 1984).

H15: There will be a positive relationship between the age of the business, and the small business owner’s perception of community’s expectation of that business’ participation in societal causes.
Small Business Owner's Perception of Community's Expectations and Propensity to Participate in Societal Causes

The social influence by one or both parties may affect an exchange (Burnett and Wood 1988). One social influence for a small business, which was discussed previously, is the community's perceptions of the resources available to a business for contributing to community activities. The other influential social factor is the community's attitude towards a business' social responsibility and its expectations of how this commitment should be addressed. Therefore, small business owners must understand the community's attitude about business involvement in community activities.

Over the years public opinion has intensified concerning the involvement of small businesses in the community. The public perceives that a business can and should do more than it has in the past to help meet the demands of social responsibility (Kotler 1972). For a small business to determine its social responsibility, the process begins by evaluating community expectations for the business' participation in community activities. This is especially important since a business has a better possibility of public support when the participation of a company meets the expectations of the community (Durocher and Glynn 1984).

H16: The greater the small business owner's perception of community's expectation that small businesses should
participate in societal causes, the greater the propensity of small businesses to participate in societal causes.

Size of the Business and Amount of Resources Requested

Becoming involved in the community by taking part in a community activity is likely to require an expenditure of resources (Gaski 1985). Therefore, to maintain economic legitimacy a firm must respond prudently to a request for resources (Chrisman and Archer 1984). In responding prudently, the size of the business must be considered since it is a major factor which affects a business' response to becoming involved in societal causes (Buehler and Shetty 1976).

A concern for a small business is that, as a company grows, society begins to take more of an interest in what it is doing socially (Fry 1977; Steiner 1972). Yet while this occurs, individual small businesses often lack the resources necessary to comply with societal demands and are thus constrained from taking effective action no matter how willing management may be to respond (Chrisman and Archer 1984).

A business' success can lead to failure if in the process of providing its services to the community it drains its resources. Thus, a determination of the amount of money or other resources that the business should spend on community service activities is vital to a small business (Dickson 1971).
Most organizations which routinely ask for donations impose social pressure on firms that are most likely to give: mainly, those which are relatively large (McElroy and Siegfried 1986). However, it is true that there are many things that the owner of a small business cannot do since most small businesses suffer from small budgets (Vizza, Allen and Keller 1986). Hence, the size of the business is a determinate when an organization is requesting resources from the business for the organizations.

H17: There will be a positive relationship between the size of the business and the resources requested of the business.

The proposed conceptual model for these hypotheses is presented in Figure 3.2, and the hypotheses are summarized in Table 3.1.

Hypothesis 7, hypothesis 8 and hypothesis 17 were not tested in this study. An experimental design is needed to test the relationship between (i) the amount of resources requested and the propensity of a small business to participate (hypothesis 7), (ii) the type of resources requested and the propensity of a small business to participate (hypothesis 8) and (iii) the size of the business and the amount of resources requested (hypothesis 17). An extensive survey instrument was developed to test the majority of hypotheses in this study. This precluded developing an experimental design for testing these three hypotheses.
FIGURE 3.2
Factors Affecting A Small Business' Propensity To Participate In Societal Causes: Full Model and Hypotheses
### TABLE 3.1

**Summary of Hypotheses**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1:</td>
<td>The greater the perceived anticipated benefits to a business, the greater the propensity to participate in societal causes.</td>
</tr>
<tr>
<td>H1.1:</td>
<td>The strength of the relationship between anticipated benefits of participating in a societal cause and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.</td>
</tr>
<tr>
<td>H2:</td>
<td>The greater the perceived visibility of participating in a societal cause, the greater the propensity to participate in that societal cause.</td>
</tr>
<tr>
<td>H2.1:</td>
<td>The strength of the relationship between visibility of participation in a societal cause and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.</td>
</tr>
<tr>
<td>H3:</td>
<td>The greater the perceived visibility of participating in a societal cause, the greater the anticipated benefits of participating in that societal cause.</td>
</tr>
<tr>
<td>H4:</td>
<td>Small businesses will perceive greater visibility from participation when the primary beneficiary of the activity is the local community than when the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national).</td>
</tr>
<tr>
<td>H5:</td>
<td>A small business' propensity to participate in a socially beneficial activity will be greater for activities that primarily benefit the local community than activities that primarily benefit an event or an organization outside the community (i.e., quasi-local and national).</td>
</tr>
</tbody>
</table>
H5.1: A small business' propensity to participate in societal causes will be greatest when the primary beneficiary of the activity is local (as opposed to a quasi-local or national cause) and the small business owner is profit-oriented (versus value-oriented).

H6: Small businesses will perceive the anticipated benefits from participating in an activity to be greater if the primary beneficiary of the activity is the local community than when the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national).

H7: For a given amount of resources requested a business' propensity to participate in societal cause will be greater for activities that primarily benefit the local community compared to activities that primarily benefit an event or organization outside the community (i.e., quasi-local or national).

H8: A small business' propensity to participate in societal causes will be greater when the resources requested are non-cash (as opposed to cash), and the primary beneficiary of the contribution is a local cause (as opposed to a quasi-local cause).

H9: The more positive the results of a business' prior involvement in societal causes, the greater the propensity to participate in future societal causes.

H9.1: The strength of the relationship between results of prior business involvement in societal causes and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.
<table>
<thead>
<tr>
<th>H10</th>
<th>There will be a positive relationship between the resources available for a small business to contribute to societal causes and its propensity to participate in societal causes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>H11</td>
<td>There will be a positive relationship between the size of a small business and its propensity to participate in societal causes.</td>
</tr>
<tr>
<td>H12</td>
<td>There will be a positive relationship between the age of a small business and its propensity to participate in societal causes.</td>
</tr>
<tr>
<td>H13</td>
<td>There will be a positive relationship between a small business’ resource position and the small business owner’s perception of community expectation of business participation in societal causes.</td>
</tr>
<tr>
<td>H14</td>
<td>There will be a positive relationship between the size of a business and the business owner’s perception of community expectation of business participation in societal causes.</td>
</tr>
<tr>
<td>H15</td>
<td>There will be a positive relationship between the age of a small business and the business owner’s perception of community expectation of business participation in societal causes.</td>
</tr>
<tr>
<td>H16</td>
<td>The greater a small business owner’s perception of the community’s expectation that small businesses should participate in societal causes, the greater the propensity of small businesses to participate in societal causes.</td>
</tr>
<tr>
<td>H17</td>
<td>There will be a positive relationship between the size of the business and the amount of resources requested.</td>
</tr>
</tbody>
</table>
The responses for this study were coded and recorded for structural equation analysis. To test hypothesis 5 and hypothesis 5.1 will involve extensive data base restructuring therefore these hypotheses were not analyzed for this study. Figure 3.3 indicates the model and hypotheses that were tested.

This chapter presented the individual constructs of the model and the research hypotheses for each. The next chapter will present the survey instrument and research techniques used to test each hypotheses.
FIGURE 3.3
Factors Affecting A Small Business' Propensity To Participate In Societal Causes: Partial Model and Hypotheses

Primary Beneficiary of Activity
- Local
- Quasi-local
- National

Visibility of Participation

Anticipated Benefits to Business

Small Business Owner Orientation (Value/Profit)

Propensity to Participate in Societal Causes

Results of Prior Business Involvement in Societal Causes

Size of Business

Age of Business

Availability of Resources

Small Business' Perception of Community Expectation of Participation
CHAPTER IV
RESEARCH DESIGN AND METHODOLOGY

This chapter introduces the research design and methodology used to test the proposed model. The first two sections present an overview of the research design including the sample specifications and data collection procedure. The third section presents the design of the questionnaire and the operationalization of the constructs. The final section discusses the LISREL VII research technique used to test both the model and the hypotheses that were presented in the preceding chapter.

Sample

The sample for this study was drawn from the Small Business Data Base (SBDB), which was constructed by the Office of Advocacy of the U.S. Small Business Administration (SBA) in August, 1991, from information originally collected by Dun and Bradstreet for its credit reports [Dun's Market Identifier file (DMI)]. Since Dun and Bradstreet collects data either in response to a credit check on a firm or because a firm wants a credit rating, firms that do not purchase items on credit are unlikely to be included in the data set. Although this data set does not represent the complete population of firms, it does represent 2.7 million full-time enterprises.

The possibility also exists that the SBDB sample is subject to various errors due to firms reporting bad data,
firms misunderstanding questions, or Dun and Bradstreet's making various clerical errors. However, several studies have examined the quality of these data. Evans (1987), MacDonald (1986), and Jacobson (1985), among others, found the quality of the SBDB data to be reasonable compared with other micro data sets. The national sample for this study consists of 2,500 businesses selected from the 1991 DMI file. The sample was randomly selected from eight of the nine industry classifications categorized by Dun and Bradstreet. The sample was drawn from across eight federally determined census tract regions in the United States. An equal number were selected from each of the eight regions.

The eight industry types separated in the sample are:

1. Mining
2. Construction
3. Manufacturing
4. Transportation, Communication, and Public Utility
5. Wholesale Trade
6. Retail Trade
7. Finance, Insurance, and Real Estate
8. Services

The industry classification, "Agriculture, Forestry, Fishing" was not included, since the majority of businesses in this classification are comprised of single household farms. This group is generally not involved in the decision-making processes relating to participating in community activities at the same level as are other small business owners.
The sample consisted of sole owner proprietorships. To stay within the Small Business Administration's definition of a small business, the sample excluded businesses with over 100 employees.

Data Collection Procedure

A national mail survey of 2500 small businesses was conducted. The historical response rate for the SBDB mailed surveys using the DMI files is approximately 10% to 12% (Ando 1988). In this study, a modified version of Dillman's Total Design Method (1978) for self-administered mail questionnaires was used to enhance the response rate.

The first mailing consisted of a questionnaire (which, when folded in half, became a postage-paid return packet) and a cover letter which explained the study and the value of the business' participation. The letter also offered an incentive to respondents: a copy of the results of the findings.

Three weeks after the first mailing, another cover letter and self-administered questionnaire was sent. The complete questionnaire package is presented in Appendix A.

Questionnaire Design

The questionnaire was designed using a seven point, strongly disagree/strongly agree, Likert scale. Designing a questionnaire that measured the effect of primary beneficiary of the activity on all three levels (local, quasi-local, and national) in respect to the constructs -
anticipated benefits to business, visibility of participation, and propensity to participate in societal causes - entailed developing three different survey instruments. As detailed below, the three survey instruments posed the same questions to respondents, but in the context of different frames of reference - positing the primary beneficiary of the contribution as (i) local, (ii) a quasi-local, or (iii) a national organization.

A. My decision to contribute or not contribute to a Type 1 nonprofit organization (local) would be partly based on the extent to which:

Other businesses in the industry would come to know that my business was contributing.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

B. My decision to contribute or not contribute to a Type 1 nonprofit organization (quasi-local) would be partly based on the extent to which:

Other businesses in the industry would come to know that my business was contributing.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

C. My decision to contribute or not contribute to a Type 1 nonprofit organization (national) would be partly based on the extent to which:

Other businesses in the industry would come to know that my business was contributing.

<table>
<thead>
<tr>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

Equal numbers of the three questionnaires were randomly sent to the 2500 small businesses surveyed.
By general consensus, the objectives for a small business and of the owner are synonymous (Birley and Westhead 1990; O'Farrell and Hitchins 1988). Therefore, to assess the small business owner's attitude toward contributing to a societal cause, the following two types of orientations (profit and value) were measured:

Two views of business involvement in a societal cause are described below. As a business owner, please indicate with a check mark the one description that most closely fits your orientation about your business becoming involved in/contributing to societal causes.

**Orientation 1**

I want my business to make a profit. Therefore, when/if I allow my business to become involved in a societal cause, I expect my business to benefit financially (increase in overall sales, sales to new customers, etc.) and/or non-financially (increase in employee morale, improvement in the well-being of the community, etc.). If I did not perceive any benefits to my business, I would probably not allow my business to become involved in that particular cause.

**Orientation 2**

I want my business to make a profit. But when/if I allow my business to become involved in a societal cause, I don't always expect the business to benefit, either financially (increase in overall sales, sales to new customers, etc.) or non-financially (increase in employee morale, improvement in the well-being of the community, etc.). That is, sometimes it is important to participate in a societal cause even if there is no direct benefit to the business.

During questionnaire design, it was determined that this question might be susceptible to order bias. That is, the response to orientation 1 or orientation 2 may be affected by the order in which they are presented. The
recommended procedure for minimizing the order bias is to prepare multiple forms of the questionnaire with the order of presentation rotated (Churchill 1992). In 1250 of the questionnaires mailed, Orientation 1 was presented first, and Orientation 2 was presented first in the other 1250 questionnaires.

**Operationalization of Constructs**

The major constructs of the model tested in this study are:

- small business owner orientation (value/profit),
- anticipated benefits to the business,
- visibility of participation,
- primary beneficiary of activity (local, quasi-local, national),
- results of prior business involvement in societal causes,
- availability of resources,
- size of the business,
- age of the business,
- small business' perception of community expectation of participation, and
- propensity to participate in societal causes.

**Anticipated Benefits to the Business**

Becoming involved in societal causes can strengthen the community while benefiting the company in distinct ways. Anticipated benefits is conceptualized in terms of types of benefits received by the business. Benefits can be discerned internally and externally.
Using a seven point response scale ranging from strongly disagree (1) to strongly agree (7), these benefits were assessed using the following items.

If I decide to contribute $100 in cash or equivalent business resources to a Type 1 (local) nonprofit organization, I expect that my participation would:

1. Help my business grow.
2. Increase the chances for the survival of my business.
3. Increase my business’ profits.
4. Increase employee morale.
5. Increase employee productivity.
6. Increase awareness of my business among my customers.
7. Increase customer loyalty to my business.
8. Improve the well-being of the community.
9. Enhance the image of my business in the community.
10. Be a source of competitive advantage for my business.
11. Help my business gain respect from other businesses in the industry.

Visibility of Participation

The visibility a small business may achieve by contributing to a specific societal cause may affect its propensity to contribute to the cause. The following five items were measured using a seven point response scale ranging from strongly disagree (1) to strongly agree (7) to assess this construct.

My decision to contribute or not contribute to a Type 1 (local) nonprofit organization would be partly based on the extent to which:

1. My business would be more recognized in the community.
2. Other businesses in the industry would come to know that my business was contributing.

3. My customers would come to know that my business was contributing.

4. People who are not my customers would come to know that my business was contributing.

5. Most of the community would come to know that my business was contributing.

**Primary Beneficiary of the Activity**

This construct will be measured weighing two sets of statements comprised of three items each. All respondents answered these questions concerning all three types of causes (i.e., local, quasi-local, and national). The response scale ranged from strongly disagree (1) to strongly agree (7). The propensity to associate with a local, quasi-local or national activity was evaluated by responses to the following statements:

I would probably be willing for my business to **contribute $100 in cash** if the request was from:

1. A reputable Type 1 nonprofit organization (local) with the entire contribution being put to use in my community.

2. A reputable Type 2 nonprofit organization (quasi-local) with only a portion of my contribution being put to use in the local community and the remainder channeled to the organizations' national headquarters for use as it sees appropriate.

3. A reputable Type 3 nonprofit organization (national) with the contribution channeled to the organizations’ national headquarters for use as it sees appropriate.

I would probably be willing for my business to **contribute business resources** (product(s) and/or service(s), surplus supplies, my time, employee time, etc.) equivalent to $100 if the request was from:
1. A reputable Type 1 nonprofit organization (local) with the entire contribution being put to use in my community.

2. A reputable Type 2 nonprofit organization (quasi-local) with only a portion of my contribution being put to use in the local community and the remainder channeled to the organizations' national headquarters for use as it sees appropriate.

3. A reputable Type 3 nonprofit organization (national) with the contribution channeled to the organizations' national headquarters for use as it sees appropriate.

Results of Prior Business Involvement in Societal Causes

There can be positive as well as negative consequences to becoming involved in societal causes. Most small business owners expect some form of benefit, no matter how small, for participating in an activity. If an accepted level of benefit is achieved through participating in a societal cause, the owner is more likely to participate again. If the minimal level of benefit was not realized, it could well affect how the owner will view such participation in the future. This construct was evaluated in terms of overall experiences. If the business had not participated in a societal cause, they were asked to skip this question. Two scale items with response scales ranging from strongly disagree (1) to strongly agree (7) were used to measure this construct.

How would you characterize your business' overall experiences in donating money and/or other business resources in response to requests for contributions from societal causes?

1. On average, my business has received monetary benefits (e.g., increase in overall sales, sales to new
customers) from contributions to societal causes.

2. On average, my business has received non-monetary benefits (e.g., increase in employee morale, improve the well being of the community) from contributions to societal causes.

Availability of Resources

Many in the community feel that, if a business has the resources available, it has an obligation to become involved in societal causes and help to strengthen the community or society as a whole. To determine the resources which the business considers available for donation to a societal cause this construct was operationalized using a seven point response scale from strongly disagree (1) to strongly agree (7). The eight items in this scale are:

In reference to the request from a reputable nonprofit organization for a contribution of $100 in cash or the equivalent in business resources, to what extent would you agree that your business has the following kinds of resources available to make a contribution.

1. My time (as a business owner).
2. Cash from my business.
3. Employee time (with the business still paying the employee their wages while they work for a societal cause).
4. Employee time (expected from an employee without pay).
5. Merchandise/service(s) from my business.
6. Surplus equipment from my business.
7. Surplus supplies from my business.
8. Rooms in my business facility where people could meet.
Size of the Business

As detailed below, the size of the business was measured in terms of the number of employees and gross sales. The categories were standardized within the defined SBA guidelines.

1. Besides the owner, how many other employees does this company have? (include both full and part-time)

   - 0 people
   - 1 to 5 people
   - 6 to 10 people
   - 11 to 20 people
   - 21 to 50 people
   - 51 to 100 people
   - 101 to 250 people

2. In the dollar amounts listed, please indicate your total gross sales for last year.

   - Under $50,000
   - $50,000 - $99,999
   - $100,000 - $249,999
   - $250,000 - $499,999
   - $500,000 - over $10 million

Age of the Business

This construct was evaluated using one item:

How long has this company been under it’s current ownership?

   - 1 - 5 years
   - 6 - 10 years
   - 11 - 15 years
   - 16 - 20 years
   - 21 - 30 years
   - 31 - 40 years
   - 41 - 50 years
   - over 50 years

Small Business’ Perception of Community Expectation of Participation

This construct was operationalized as a three item scale. A seven point response scale ranging from strongly disagree (1) to strongly agree (7), measured responses to individual scale items.

1. The decision for my business to participate in a societal cause is partially based on what I perceive
the community expects from my business.

2. The number of societal causes in which my business participates is partially based on my perception of what the community expects from my business.

3. The kinds of societal causes in which my business participates is partially based on the my perception of what the community expects from my business.

Propensity to Participate in Societal Causes

This construct measured the value of two sets of statements which were comprised of three scale items each. All respondents answered these questions, concerning all three types of causes (i.e., local, quasi-local, and national). The response scale ranged from strongly disagree (1) to strongly agree (7). The propensity of a small business to participate in a societal cause was assessed in reference to (i) local, (ii) quasi-local and (iii) national contributions in the form of cash versus resources using the following statements:

I would probably be willing for my business to contribute $100 in cash if the request was from:

1. A reputable Type 1 nonprofit organization (local) with the entire contribution being put to use in my community.

2. A reputable Type 2 nonprofit organization (quasi-local) with only a portion of my contribution being put to use in the local community and the remainder channeled to the organizations' national headquarters for use as it sees appropriate.

3. A reputable Type 3 nonprofit organization (national) with the contribution channeled to the organizations' national headquarters for use as it sees appropriate.

I would probably be willing for my business to contribute business resources (product(s) and/or service(s), surplus supplies, my time, employee time,
155
eq $100 if the request was from:

1. A reputable Type 1 nonprofit organization (local) with the entire contribution being put to use in my community.

2. A reputable Type 2 nonprofit organization (quasi-local) with only a portion of my contribution being put to use in the local community and the remainder channeled to the organizations' national headquarters for use as it sees appropriate.

3. A reputable Type 3 nonprofit organization (national) with the contribution channeled to the organizations' national headquarters for use as it sees appropriate.

The American Cancer Society was contacted to determine the average contribution by a small business. It was found that the total amount donated by all small businesses (2,500) in 1991 was $252,750, averaging $101.10 each. Therefore for this study, in order to assess a small business' propensity to participate in a societal cause, a $100 contribution, either in cash or resources, was employed as a frame of reference for the respondents.

Data Analysis Procedures

MRA

Moderated regression analysis (MRA) is an analytic approach which maintains the integrity of a sample yet provides a basis for controlling the effects of a moderator variable. By this procedure, the loss of information resulting from the artificial transformation of a continuous variable into a qualitative one is avoided (Sharma, Durand and Gur-Arie 1981). MRA involves examining three regression equations for equality of the regression
coefficients to determine the presence of a moderator variable.

LISREL VII

LISREL VII structural equation modeling specifies the phenomenon in terms of tentative cause and effect variables and various causal effects (Jöreskog and Sörbom 1988). Each equation in the model represents a causal link rather than an empirical association. The structural parameters, in general, do not coincide with coefficients of regressions among observed variables (Jöreskog and Sörbom 1986).

Since the introduction of LISREL (i.e., Linear Structural RELations), structural equation models have been used extensively in measurement and hypothesis testing (e.g., Bagozzi 1977, 1980, 1982; Kelley 1992; Kumar, Stern and Achrol 1992; Oliver and Bearden 1985; Marshall and Vredenburg 1992; Shimp and Kavas 1984). It is a useful method for capturing the system of true relationships and allows for better representation of complex social and psychological processes in the marketplace (Bagozzi 1980; Jöreskog and Sörbom 1982).

In recent years, structural equation/path analysis has gained in popularity and has become widely accepted in the field of marketing (Malhotra 1988). This is evidenced by its diverse application of uses in studies published in the Journal of Marketing (Dant and Schul 1992; Hallen, Johanson
The LISREL model consists of two parts: the measurement model and the structural equation model. The measurement model involves using latent variables (or hypothetical constructs) which appear as underlying causes of the observed variables which can be treated as 1) caused by observed variables or 2) intervening variables in a causal chain (Jöreskog and Sörbom 1986). The measurement model specifies how the latent variables are measured in terms of the observed variables (Loehlin 1987). It is a variant of confirmatory factor analysis (Loehlin 1987) and is used to describe the validity and reliability of the measurements (Jöreskog and Sörbom 1986; 1988).

The structural equation model specifies the causal relationships among the latent variables. It is used to interpret the correlations that result from the set of causal relationships among the latent variables as well as to determine the amount of unexplained variance (Loehlin 1987; Ryan 1982). The proposed model (Figure 3.2) hypothesizes eleven specific causal relationships for which LISREL was utilized to estimate coefficients.

In presenting a LISREL model for this study, a path diagram is drawn (Figure 4.1) with a description of the
FIGURE 4.1

Structural Model: Factors Affecting a Small Business' Propensity to Participate in Societal Causes
measures in the model presented (Table 4.1). Amount of resources requested and type of resources requested are not included in table 4.1 since they will not be tested in the LISREL model. Latent variables such as Xi's (ξ) and eta's (η) are enclosed in circles. Xi's are classified as exogenous concepts that always act as a "cause" and never as an "effect" while eta's are concepts that are directly caused or influenced by other concepts (Hayduk 1987). Observed variables such as the x- and y-variables are enclosed in squares or rectangles. Variables such as measurement error delta (δ) and epsilon (ε), as well as random disturbances such as zeta (ζ), are included in the path diagram but are not enclosed.

ANOVA

Analysis of variance (ANOVA) has the distinct advantage of being applicable when there are more than two means being compared. It is a statistical test to determine if k(k≥2) samples came from populations with equal means (Churchill 1992). The underlying factor of ANOVA is that the parent-population variance can be estimated for the sample in several ways. Estimates are made for:

1. The total variation, computed by comparing each separate figure from the grand mean.

2. The between-group variation, computed by comparing each of the two treatment means with the grand mean.

3. The within-group mean variation, computed by
<table>
<thead>
<tr>
<th>Construct</th>
<th>Variable</th>
<th>Summarized Questionnaire Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Propensity to Contribute to Societal Cause</td>
<td>Y1</td>
<td>Willingness to Contribute</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Cash (local, quasi-local, national)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Non-cash company resources (local, quasi-local, national)</td>
</tr>
<tr>
<td>Small Business' Perception of Community</td>
<td>Y2</td>
<td>Small Business Perception</td>
</tr>
<tr>
<td>Expectation of Participation</td>
<td></td>
<td>- Participation based on perceived community expectations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The number of causes involved is based on perceptions of community expectations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- The kinds of causes involved is based on perceptions of community expectations</td>
</tr>
<tr>
<td>Anticipated Benefits to the Business</td>
<td>Y3</td>
<td>Anticipated Benefits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- direct benefits to business (growth, survival, profits)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- indirect benefits to business (employee morale/productivity)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- increase customer awareness/loyalty</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- increase image in community, well-being of community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- competitive advantage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- improve image in industry</td>
</tr>
<tr>
<td>Construct</td>
<td>Variable</td>
<td>Summarized Questionnaire Items</td>
</tr>
<tr>
<td>------------------------</td>
<td>----------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>EXOGENOUS VARIABLES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Results of Prior</td>
<td>X1</td>
<td>- Overall past experiences donating cash (positive vs. negative)</td>
</tr>
<tr>
<td>Involvement</td>
<td></td>
<td>- Overall past experiences of donating non-cash resources (positive vs. negative)</td>
</tr>
<tr>
<td>Availability of</td>
<td>X2</td>
<td>- Owner's time</td>
</tr>
<tr>
<td>Resources</td>
<td></td>
<td>- Cash</td>
</tr>
<tr>
<td>Business</td>
<td>X3</td>
<td>- Employee's time</td>
</tr>
<tr>
<td>Age of Business</td>
<td>X4</td>
<td>- Merchandise/service(s)</td>
</tr>
<tr>
<td>Visibility of</td>
<td>X5</td>
<td>- Surplus equipment, supplies, meeting rooms</td>
</tr>
<tr>
<td>Participation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Number of employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Annual gross sales of business</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Length of time owned</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Continued recognition in community</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Recognition among businesses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Awareness among customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Awareness among non-customers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Community recognition</td>
</tr>
</tbody>
</table>
comparing each of the individual figures with the mean of its own group (Churchill 1992).

In conjunction with ANOVA, Tukey’s test at an alpha level of .05 was used to determine significantly different means between groups.

**MANOVA**

Multivariate Analysis of Variance (MANOVA) is a statistical technique used to simultaneously explore the relationship between several independent variables and two or more dependent variables. For the results of MANOVA to be valid, the set of p dependent variables must follow a multivariate normal distribution. Thus, any linear combination of the dependent variables must follow a normal distribution and variance-covariance matrices must be equal for all treatment groups (Hair, Anderson and Tatham 1987; Harris 1975).

To test for overall significance of MANOVA, this study used the most common test statistic, Wilks’ lambda. After concluding that the group means are not equivalent, Tukey’s test was performed at an alpha level of .05 to determine significantly different pairwise comparisons for all means within each group.

This chapter discussed the research design and methodology used to test the hypotheses. The following chapter will present the analyses and briefly discuss the findings.
CHAPTER V
RESULTS AND DISCUSSION

This chapter presents the findings from the data analysis. First, the response rate, the demographic profile of the respondents, and the analysis of non-response bias are discussed. Second, the issues of reliability and validity of the instrument are addressed. Third, the results of the hypotheses tests and the findings of the study are discussed. Finally, a brief summary of the study’s findings is presented.

Analysis Of Responses and Sample Characteristics

Response Rate

A two-stage mailing of 2500 questionnaires over a three week period through the months of October and November 1992 concluded with the return of 52 questionnaires by the postmaster as undeliverable and 263 completed questionnaires for a total response rate of 10.7%. Of these, 19 were less than half completed or had been filled out and returned twice by the respondent (i.e., the respondent filled out both questionnaires that had been sent). Three other questionnaires could not be used since the firms employed more than 100 people. This is greater than the number of employees a firm can have and still be classified as a small business by the Small Business Administration. Eliminating them from the original sample resulted in 241 questionnaires being used for data analysis.
(a usable response rate of 9.8%). This rate of return is considered an average response rate by the Small Business Administration when using the Small Business Data Base (Ando 1988). Of the 241 usable questionnaires, 83 dealt with causes at a local level, 87 dealt with causes at a quasi-local level, and 71 with national causes.

Sample size plays an important role in the estimation and interpretation of results. The critical question to be asked is, "How large of a sample is needed to use and effectively evaluate structural equation modeling?". Hair, Anderson, Tatham and Black (1992) suggest that maximum likelihood estimations can provide valid results with a sample size of 50 but that a sample of 100 is the minimum size to ensure appropriate use. Hoelter (1983) suggests that a sample size of 200 is the "critical sample size." Therefore, this study falls within the acceptable range to effectively use structural equation modeling.

Nonresponse Bias

To examine the possibility of nonresponse bias, a comparative analysis of early respondents (177) versus late respondents (64) was performed. This method is used as a proxy for external validity on the assumption that late respondents are more like nonrespondents (Armstrong and Overton 1977). This procedure has been widely used (e.g., Achrol and Stern 1988; Akaah and Riordan 1990; Heide and John 1988; Dwyer and Welsh 1985; Hunt, Kiecker and Chonko

Following the procedure suggested by Armstrong and Overton (1977), nonresponse bias was assessed by testing for differences between the two waves on the construct measures (both the means and the covariance matrices were compared). The MANOVA analysis for waves 1 and 2 revealed the F statistic to be nonsignificant \[ F(9, 200) = .93 \ p = .50 \] suggesting that wave 1 and 2 respondents are not significantly different in terms of the nine major constructs of the model.

Armstrong and Overton (1977) also assess variations between the early and late respondents by performing t-tests on eight specific demographic variables. The key demographic characteristics used in this study reflect the information requested in the questionnaire: (1) level of schooling, (2) age of respondent, (3) the approximate size (population) of the metropolitan area where the business is located, and (4) the gross sales for the last year of the business. Based on t-tests at an alpha level of .05, it was determined that the means for these two groups on these variables were not statistically different from one another. Also a chi-square test was performed on the early and late respondents based on nominal data for: (1) geographic area in which the business was located, (2) industry to which the business belongs, (3) sex of the owner, (4) ethnicity of the owner, and (5) position of the
person filling out the questionnaire. The chi-square results are presented in Appendix B. This analysis indicates no significant differences between early and late respondents with regards to the area in which the business was located, the industry in which the business was involved, the sex or ethnicity of the respondent, nor the respondent’s position within the business.

Finally, the 2500 businesses surveyed were selected equally from the four regions of the country (South, West, Northeast, Midwest). The 241 businesses that responded were nearly equal across each of these areas (South 28%, West 27%, Northeast 21%, Midwest 25%). This cumulative empirical evidence seems to suggest that nonresponse bias may not be a serious problem.

**Demographic Profile of Respondents**

The sampled individuals were primarily owners of the business (88%). They were predominantly white (72.2%) males (87.8%) over the age of 30 (95.9%). The majority of respondents have had some college education or had graduated (75.1%).

The bulk of businesses are in the service industry (44%) operating in metropolitan areas of less than 500,000 people (76.8%). Communities with a population of under 100,000 or less comprised (50.2%) of the sample. While the majority of businesses (40.7%) had been under their current ownership for ten years or less, 36.1% had been in business
for a longer period of time (eleven to twenty years), and
the remaining 23.3% were in business for over twenty years.
The majority of these businesses had ten or fewer employees
(87.9%) with gross sales of less than $1,000,000 (85.8%).
For a comprehensive description of the respondent
characteristics, see Appendix C.

Reliability and Validity Issues

Construct Validity

Construct validation is based on a philosophical view
that hypothetical constructs are unobservable and cannot be
measured directly but that measures can be developed which
at least partially represent the constructs (Peter and
Churchill 1986). The validation of a construct refers to
the extent to which an operationalization of a construct
actually measures what it purports to measure (Nunnally
1967; Zaltman, Pinson, and Angelmar 1973). Thus, the
degree of construct validity is always an inference or
judgement made by researchers about the validity of both
the theory and the measures (Peter and Churchill 1986). In
assessing the construct validity of the multiple issues
which determine the propensity of small business owners to
participate in societal causes, the following three key
dimensions were evaluated: (i) convergent validity,
(ii) discriminant validity, and (iii) internal consistency
and reliability.

Convergent validity. The issue of validity deals with
nonrandom (systematic) error as opposed to reliability which deals with random error. Convergent validity is usually defined at an operational level and pertains to the correlation between two different measures purporting to measure the same thing (Peter and Churchill 1986). Convergent validity uses correlations exhibited by the independent measures of the construct to confirm its existence. LISREL model testing takes into account random error and can examine both convergent and discriminant validity (Bagozzi and Yi 1988).

Convergent validity can be determined by evaluating individual lambda t-values to confirm that they are greater than 1.96. All lambdas used for each construct in this study exceeded this measure, except those relating to the measures of propensity to participate. Here, the lower lambdas pertained to the questions of small business owners donating $100 in cash/resources to a local organization or cause. This was expected since the exploratory factor analysis made this same distinction.

Discriminant validity. This procedure provides the primary check for the presence of variance since it reflects the extent to which the measure is unique and not simply a reflection of other variables (Campbell and Fiske 1959; Peter and Churchill 1986). For this study, discriminant validity was evaluated for all pairs of constructs to determine if each is unique.
All multiple-item constructs were taken a pair at a time and discriminant validity was assessed. To assess discriminant validity using LISREL VII, a comparison of the hypothesized and the tested model was performed for each pair. By comparing the hypothesized model with no restrictions and an alternate model that has all intercorrelations (phi’s) fixed at one, discriminant validity can be evaluated. If the change in chi-square between the two models is significant at a .05 level of significance with one degree of freedom, the deduction can be made that discriminant validity is achieved (Gaski 1986; Singh 1991).

In this study nine comparisons of latent constructs with multiple indicators were made to evaluate discriminant validity. The change in chi-square between the hypothesized and alternate model for each was significant at the .05 level, indicating that each construct is unique.

The pairs of latent constructs that were measured are:

1. Propensity to participate in societal causes and small business’ perception of community expectation of participation

2. Propensity to participate in societal causes and results of prior business involvement in societal causes

3. Propensity to participate in societal causes and the availability of resources

4. Propensity to participate in societal causes and the size of business

5. Propensity to participate in societal causes and the visibility of participation
6. Propensity to participate in societal causes and anticipated benefits to the business

7. Anticipated benefits to the business and visibility of participation

8. Small business' perception of community expectation of participation and the availability of resources

9. Small business' perception of community expectation of participation and the size of business

Reliability. Reliability is the degree to which measures are free from random error and thus reliability coefficients estimate the amount of systematic variance in a measure (Peter and Churchill 1986). It indicates how much variation in scores is attributable to random or chance errors (Churchill 1979). Since it is measured in terms of low measurement error, reliability can give an indication of which measurements are repeatable and stable (Nunnally 1978). A measure is perfectly reliable when the random error is equal to zero. In general, three types of procedures are used for estimating reliability: the test-retest method, the split-half method, and the internal consistency method (Bagozzi 1980; Lord and Novick 1968).

The internal consistency method, which is used in this study, indicates the reliability of the operational measures of the constructs. This commonly used procedure relies on analysis of the variances and covariances of the component measurements of a variable (Bagozzi 1980). Causal modeling can be used to assess internal consistency
and to test the reliability of the measurements (Bagozzi 1978) with scale items developed and analyzed for each variable. Cronbach's alpha, which has the desirable property of being a lower bound of the reliability for a variable (Lord and Novick 1968), is then used to determine reliability.

For this study, before a test of reliability was performed, the set of items corresponding to each theoretical construct was subjected to examination through exploratory factor analysis, and the factors were rotated by an oblimin rotation procedure to obtain the best factor pattern. This rotation procedure allows the factors to be correlated with one another unlike orthogonal rotation, which maintains the factors are uncorrelated with one another.

All constructs loaded appropriately except two. First, the variables that assess the visibility of participation and anticipated benefits to the business merged as one construct. This was somewhat expected since the two constructs could both be considered as measuring benefits. However, a discriminant validity check showed that they were being measured as two separate constructs and a convergent check concluded that they were being measured accurately. Thus, they were continued to be measured as separate constructs.

Second, the following six items that measure
propensity to participate in societal causes were divided into two factors. These six measures are:

(i) giving $100 cash to local cause,
(ii) giving $100 cash to quasi-local cause,
(iii) giving $100 cash to national cause,
(iv) giving $100 in-kind to local cause,
(v) giving $100 in-kind to quasi-local cause, and
(vi) giving $100 in-kind to a national cause.

A distinction is made between business owners giving to local causes (i, iv) versus giving to quasi-local and national causes (ii, v and iii, vi). After evaluating this division, a decision was made to keep all six items together to measure propensity to participate.

Once unidimensionality was established, internal consistency was calculated using Cronbach’s alpha (Table 5.1). The reliability of the multi-item scales measuring the endogenous and exogenous constructs were attained for the following seven constructs:

• Propensity to participate in societal causes
• Small business’ perception of community expectation of participation
• Anticipated benefits for the business
• Results of prior business involvement in societal causes
• Availability of resources
• Size of the business
• Visibility of participation
TABLE 5.1

Reliability Analysis Results

<table>
<thead>
<tr>
<th>Construct</th>
<th>Number of Items In the Scale</th>
<th>Coefficient Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Propensity to participate in societal causes</td>
<td>6</td>
<td>0.7556</td>
</tr>
<tr>
<td>Small business’ perception of community expectation of participation</td>
<td>3</td>
<td>0.9270</td>
</tr>
<tr>
<td>Anticipated benefits to the business</td>
<td>11</td>
<td>0.9379</td>
</tr>
<tr>
<td>Results of prior business involvement in societal causes</td>
<td>2</td>
<td>0.6334</td>
</tr>
<tr>
<td>Availability of resources</td>
<td>8</td>
<td>0.7179</td>
</tr>
<tr>
<td>Size of the business</td>
<td>2</td>
<td>0.7143</td>
</tr>
<tr>
<td>Visibility of participation</td>
<td>5</td>
<td>0.9541</td>
</tr>
</tbody>
</table>
The construct _age of the business_ was evaluated on a single-item scale, and, therefore, was not included in the calculations for reliabilities.

With the exception of results of prior involvement in societal causes, the reliabilities of all other constructs were above 0.70, the most commonly used threshold. While 0.70 is the recommended standard, this is not an absolute, and values below 0.70 have been deemed acceptable if the research is exploratory in nature (Hair, Anderson, Tatham and Black 1992). Therefore the one construct, _results of prior business involvement in societal causes_, which has an alpha of 0.6334 was included in the analysis. Once it was determined which items would be used in measuring each construct, a correlation matrix (Table 5.2) for the summed scale of each construct was prepared.

**Model Analysis**

**Moderator Variable Analysis**

As detailed in an earlier chapter, the _orientation of the small business owner (profit/value)_ is expected to moderate the relationship between (i) _visibility of participation_, (ii) _anticipated benefits to the business_, (iii) _results of prior involvement in societal causes_, and _propensity to participate in societal causes_. Table 5.3 summarizes the means for the profit-oriented and value-oriented small businesses for the above three variables as well as the results of the test of significant differences
### TABLE 5.2
Correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
<th>X5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y1</td>
<td>1.0000</td>
<td>0.0932</td>
<td>0.0630</td>
<td>0.1312</td>
<td>0.3569</td>
<td>0.1809</td>
<td>-0.0026</td>
<td>0.0944</td>
</tr>
<tr>
<td>Y2</td>
<td>1.0000</td>
<td>0.3538</td>
<td>0.3726</td>
<td>0.1653</td>
<td>-0.0440</td>
<td>0.0311</td>
<td>0.4141</td>
<td></td>
</tr>
<tr>
<td>Y3</td>
<td>1.0000</td>
<td>0.5528</td>
<td>0.1082</td>
<td>-0.0198</td>
<td>-0.0621</td>
<td>0.7142</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>1.0000</td>
<td>0.3402</td>
<td>0.0764</td>
<td>-0.0907</td>
<td>0.4286</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td>1.0000</td>
<td>0.0547</td>
<td>-0.0501</td>
<td>0.2247</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td>1.0000</td>
<td>0.1115</td>
<td>-0.0895</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X4</td>
<td>1.0000</td>
<td>-0.0789</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X5</td>
<td>1.0000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Y1 = Propensity to Participate (PROPEN)
Y2 = Owner's Perception of Community Expectation (COMEXP)
Y3 = Anticipated Benefits to Business (BENE)
X1 = Prior Involvement in Societal Causes (PRIOR)
X2 = Availability of Resources (RESAVAL)
X3 = Size of the Business (SIZE)
X4 = Age of the Business (AGE)
X5 = Visibility of Participation (VISI)
Table 5.3

Mean Scores for Profit and Value-oriented Small Business for Factors Affecting Propensity to Participate in Societal Causes

<table>
<thead>
<tr>
<th>Variable</th>
<th>Profit (n=52)</th>
<th>Value (n=187)</th>
<th>F-Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipated benefits to the business</td>
<td>49.96</td>
<td>33.10(^b)</td>
<td>40.95</td>
</tr>
<tr>
<td>Visibility of participation</td>
<td>21.90</td>
<td>13.62(^b)</td>
<td>37.13</td>
</tr>
<tr>
<td>Results of prior involvement in societal causes</td>
<td>7.00(^c)</td>
<td>5.32(^b)</td>
<td>11.04</td>
</tr>
</tbody>
</table>

\(^a\)Results based on Tukey's studentized range test (p≤.05)
\(^b\)Mean scores between profit/value owner orientation significantly different at (p≤.05)
\(^c\)n=42
\(^d\)Total sample size for owner orientation=239
between group means. Two respondents did not answer the owner orientation question, thus a sample size of 239 was used for the following analysis. The results indicate there are significant differences between the profit- and value-oriented owners in all three areas (i.e., visibility of participation, anticipated benefits and prior involvement in societal causes).

Small business owner orientation (profit/value) was hypothesized to moderate the effects of anticipated benefits to the business, visibility of participation and results of prior business involvement in societal causes on propensity to participate (Figure 3.1). This was tested using moderator regression analysis (MRA). MRA is hierarchical regression utilizing three equations and contingency effects modelled as interaction terms to determine both the strength and form of the moderator variables.

**Strength of the relationship.** To test for the degree to which small business owner orientation (profit/value) moderates the effects of anticipated benefits to business, visibility of participation and results of prior business involvement in societal causes on propensity to participate, the z-transformed correlations between each $x_i$ and $y$ were compared for the pooled sample of businesses (i.e., primary beneficiary of contribution being either a local, quasi-local, or national entity via a chi-square
test with three degrees of freedom (Cohen and Cohen 1983 p. 55):

\[ X^2 = \sum (n_i - 3)z_i^2 - \frac{\sum(n_i - 3)(z_i)^2}{\sum (n_i - 3)} \]  

and \( X^2 \) critical equal to \( df=k-1=(2-1=1), \alpha=.05=3.84. \) The respective z-transformed correlations and chi-square test results are reported in Table 5.4.

The findings reported in Table 5.4 indicate that, overall, small business owner orientation (profit/value) does not moderate the strength of the relationships between anticipated benefits to business, visibility of participation and results of prior business involvement in societal causes and propensity to participate.

**Form of the relationship.** MRA was used to test whether small business owner orientation (profit/value) moderates the form of the relationships indicated in Figure 3.1. MRA involves hierarchical regression with three equations and contingency effects modelled as interactions terms. A bivariate model with one moderator variable (m), uses three equations:

\[ y = a + b_1x; \]  

\[ y = a + b_1x + b_2m; \text{ and} \]  

\[ y = a + b_1x + b_2m + b_3xm. \]  

An inference can be made whether m is a moderator variable and, if yes, the type of moderator by examining the change in explained variance between various pairs of the three models.
Table 5.4

z-Transformed Correlations and $X^2$ Results: Strength of Relationship

A. z-Transformed Correlations: Anticipated Benefits to Business and Propensity to Participate

<table>
<thead>
<tr>
<th>Orientation</th>
<th>$r_i$</th>
<th>$n_i$</th>
<th>$z_i$</th>
<th>$z_i^2$</th>
<th>$n_i-3$</th>
<th>$(z_i)$</th>
<th>$(n_i-3)(z_i^2)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>.13</td>
<td>52</td>
<td>.131</td>
<td>.0170</td>
<td>49</td>
<td>6.42</td>
<td>.83</td>
</tr>
<tr>
<td>Value</td>
<td>.05</td>
<td>187</td>
<td>.050</td>
<td>.0025</td>
<td>184</td>
<td>9.20</td>
<td>.46</td>
</tr>
<tr>
<td>Total</td>
<td>239</td>
<td>181</td>
<td></td>
<td></td>
<td>233</td>
<td>15.62</td>
<td>1.29</td>
</tr>
</tbody>
</table>

$X^2 = 1.29 - 1.04 = .24^b$

B. z-Transformed Correlations: Visibility of Participation and Propensity to Participate

<table>
<thead>
<tr>
<th>Orientation</th>
<th>$r_i$</th>
<th>$n_i$</th>
<th>$z_i$</th>
<th>$z_i^2$</th>
<th>$n_i-3$</th>
<th>$(z_i)$</th>
<th>$(n_i-3)(z_i^2)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>.27</td>
<td>52</td>
<td>.277</td>
<td>.0770</td>
<td>49</td>
<td>13.47</td>
<td>3.77</td>
</tr>
<tr>
<td>Value</td>
<td>.04</td>
<td>187</td>
<td>.040</td>
<td>.0016</td>
<td>184</td>
<td>7.36</td>
<td>.29</td>
</tr>
<tr>
<td>Total</td>
<td>239</td>
<td>181</td>
<td></td>
<td></td>
<td>233</td>
<td>20.93</td>
<td>4.06</td>
</tr>
</tbody>
</table>

$X^2 = 4.06 - 1.88 = 2.18^b$

C. z-Transformed Correlations: Results of Prior Business Involvement and Propensity to Participate

<table>
<thead>
<tr>
<th>Orientation</th>
<th>$r_i$</th>
<th>$n_i$</th>
<th>$z_i$</th>
<th>$z_i^2$</th>
<th>$n_i-3$</th>
<th>$(z_i)$</th>
<th>$(n_i-3)(z_i^2)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>.27</td>
<td>42</td>
<td>.277</td>
<td>.0770</td>
<td>39</td>
<td>10.80</td>
<td>3.00</td>
</tr>
<tr>
<td>Value</td>
<td>.06</td>
<td>175</td>
<td>.060</td>
<td>.0036</td>
<td>172</td>
<td>10.32</td>
<td>0.62</td>
</tr>
<tr>
<td>Total</td>
<td>217</td>
<td>137</td>
<td></td>
<td></td>
<td>211</td>
<td>21.12</td>
<td>3.62</td>
</tr>
</tbody>
</table>

$X^2 = 3.62 - 2.11 = 1.50^b$

'Results reported are for the pooled sample of businesses (i.e., primary beneficiary of activity being either a local, quasi-local, or national entity)

$^bX^2$ critical (for df=1, $\alpha=.05$) = 3.84

$X^2 = \Sigma(n_i-3)z_i^2 - [\Sigma(n_i-3)(z_i)]^2 / \Sigma(n_i-3)$
To determine the change or absence of change in explained variance the following steps were employed (see Arnold 1982; Sharma, Durand and Gur-Arie 1981; Szymanski, Bharadwaj and Varadarajan 1993):

Step 1. Evaluate the change in the $R^2$ for equation 5.3 and 5.4. If the change in $R^2$ for equation 5.4 over equation 5.3 is statistically significant, infer that the factor moderates the form of the relationship and proceed to Step 2. If the change in explained variance is inferred to be not significant, go to step 3.

Step 2. Determine whether the moderator variable and the criterion factor are related. If the moderator variable is not related to the criterion variable, then it is a pure moderator. Thus, the moderator variable interacts with the predictor, but is not related to either the predictor or the criterion variable. Otherwise the moderator (since it interacts with the predictor and is related to the criterion or predictor variable), is a quasi moderator variable.

Step 3. Determine whether the moderator variable and criterion variable are related. It is not a moderator if it is related to the criterion variable, and the change in $R^2$ for equation 5.3 compared to equation 5.2 is statistically significant. Instead, it is a predictor variable and equation 5.3 is the correct model. However, if the moderator does not interact with the predictor variable nor is it related to the criterion variable, equation 5.2 is the correct model.

The MRA was carried out separately for the three subsets comprising the total sample (i.e., primary beneficiary of the activity being either local, quasi-local, or national entity). A summary of the MRA findings when propensity to participate in societal causes was the criterion variable is reported in Table 5.5.

The MRA results suggest that the factor small business


<table>
<thead>
<tr>
<th>Variables included in the model</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R²</td>
</tr>
<tr>
<td>1. Anticipated benefits, and visibility of participation</td>
<td>0.11</td>
</tr>
<tr>
<td>2. Anticipated benefits, visibility of participation, and business orientation</td>
<td>0.11</td>
</tr>
<tr>
<td>3. Anticipated benefits, visibility of participation, business owner’s orientation, and interactions</td>
<td>0.14</td>
</tr>
</tbody>
</table>

B. Subsample: Primary Beneficiary of Activity - Quasi-Local Cause (n=87)

<table>
<thead>
<tr>
<th>Variables included in the model</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R²</td>
</tr>
<tr>
<td>1. Anticipated benefits, visibility of participation</td>
<td>0.12</td>
</tr>
<tr>
<td>2. Anticipated benefits, visibility of participation, and business orientation</td>
<td>0.02</td>
</tr>
<tr>
<td>3. Anticipated benefits, visibility of participation, business orientation, and interactions</td>
<td>0.04</td>
</tr>
</tbody>
</table>
Table 5.5 (Continued)

C. Subsample: Primary Beneficiary of Activity - National Cause (n= 71)

<table>
<thead>
<tr>
<th>Variables included</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>in the model</td>
<td>R²  F  p level  AR² F  p level</td>
</tr>
<tr>
<td>1. Anticipated benefits, and visibility of participation</td>
<td>0.01 0.17 0.9158</td>
</tr>
<tr>
<td>2. Anticipated benefits, visibility of participation, and business orientation</td>
<td>0.01 0.20 0.9357 0.0051 0.07 &gt;0.50</td>
</tr>
<tr>
<td>3. Anticipated benefits, visibility of participation, business orientation, and interactions</td>
<td>0.05 0.46 0.8606 0.0405 0.32 &gt;0.50</td>
</tr>
</tbody>
</table>

Dependent variable: Business’ propensity to participate in a societal cause
owner orientation (profit/value) does not moderate the predictor-criterion relationship for any of the three subsets of samples analyzed. In all cases, specifying small business owner orientation (profit/value) as an interaction term did not significantly increase the explanatory power of the respective model. The change in $R^2$ for equation 5.4 over equation 5.3 was only 3%, 2% and 4% when the potential beneficiary of the contribution was a local, quasi-local and national entity, respectively. All three changes in the explanatory power of the variance were nonsignificant (p>.50).

Since no significant moderator effects were revealed, Step 3 of the MRA procedure was executed to determine whether the moderator variable and criterion variable are related. This analysis was carried out first by calculating the change in explained variance for equation 5.3 versus equation 5.2 for all three subsample (local, quasi-local, and national). As reported in Table 5.6, the change in explained variance for all three subsamples was near zero and nonsignificant (no difference, .0045 and .0051 respectively). These findings indicate the small business owner orientation (profit/value) is neither related to propensity to participate, nor does it moderate the direct effects of anticipated benefits to the business, visibility of participation, or results of prior business involvement in societal causes on propensity to
participate.

In summary, hypothesis 1.1, which states that the strength of the relationship between anticipated benefits of participating in a societal cause and a business’ propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses is not supported.

Similarly, hypothesis 2.1, which states that the strength of the relationship between visibility of participation in a societal cause and a business’ propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses, is also not supported.

Finally, hypothesis 9.1, which states that the strength of the relationship between the results of prior business involvement in societal causes and a business’ propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses, is not supported.

Comparisons Between Independent r’s

The correlations obtained for the independent samples - visibility of participation and anticipated benefits to the business - may be significantly different from each other. Since it was inferred that they are not moderated by small business owner orientation, the correlation matrix can be examined to ascertain if the data from these
independent samples are significantly different from each other. A chi-square test using z transformation is used; in this test more than two independent correlation coefficients are compared to determine whether they may be considered homogeneous. If it is determined that they are homogeneous, then the data from these three constructs can be pooled when testing the structural model.

The test for homogeneity employs the chi-squared distribution for k-1 degrees of freedom (Table 5.6), with k= to the number of independent sample coefficients being compared:

\[ X^2 = \sum (n_i - 3) z_i^2 - \frac{\left[ \sum (n_i - 3) (z_i) \right]^2}{\sum (n_i - 3)} \] (5.5)

where the summation is over the k samples (Cohen and Cohen 1983 p. 55).

The correlations between (i) visibility of participation and propensity to participate in a societal cause, \( X^2 = 0.73 \) [\( X^2 \) critical, \( df=k-1=(3-1=2), \alpha=.05= 5.99 \)], (ii) anticipated benefits to the business and propensity to participate in a societal cause \( (X^2 = 0.59) \), and (iii) visibility of participation and anticipated benefits to the business with \( (X^2 \) value = 1.25) show no significant differences. This leads to the inference that the pairs of measures are correlated to the same degree at all three levels (local, quasi-local, national). Therefore, they can be pooled when testing the structural model.
### Table 5.6

**Test for Homogeneity of Correlations Between Pairs of Variables for Different Potential Beneficiaries**

#### A. Visibility of Participation and Propensity to Participate

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>RI</th>
<th>in</th>
<th>z</th>
<th>$z^2$</th>
<th>$n-3$</th>
<th>$(n-3)(z)$</th>
<th>$(n-3)(z^2)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>.20</td>
<td>83</td>
<td>.203</td>
<td>.041</td>
<td>80</td>
<td>16.24</td>
<td>3.28</td>
</tr>
<tr>
<td>Quasi-Local</td>
<td>.10</td>
<td>87</td>
<td>.100</td>
<td>.010</td>
<td>84</td>
<td>8.40</td>
<td>.84</td>
</tr>
<tr>
<td>National</td>
<td>.07</td>
<td>71</td>
<td>.070</td>
<td>.005</td>
<td>68</td>
<td>4.76</td>
<td>.33</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>241</td>
<td>.373</td>
<td></td>
<td>232</td>
<td>29.40</td>
<td>4.45</td>
</tr>
</tbody>
</table>

$X^2_{ab} = 4.45 - 3.72 = .73^*$

#### B. Anticipated Benefits to Business and Propensity to Participate

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>$r_i$</th>
<th>n_i</th>
<th>z_i</th>
<th>$z^2$</th>
<th>$n_i-3$</th>
<th>$(n_i-3)(z_i)$</th>
<th>$(n_i-3)(z^2_i)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>.15</td>
<td>83</td>
<td>.151</td>
<td>.0230</td>
<td>80</td>
<td>12.08</td>
<td>1.82</td>
</tr>
<tr>
<td>Quasi-Local</td>
<td>.13</td>
<td>87</td>
<td>.131</td>
<td>.0170</td>
<td>84</td>
<td>11.00</td>
<td>1.43</td>
</tr>
<tr>
<td>National</td>
<td>.03</td>
<td>71</td>
<td>.030</td>
<td>.0009</td>
<td>68</td>
<td>2.04</td>
<td>0.06</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>241</td>
<td>.312</td>
<td></td>
<td>232</td>
<td>25.12</td>
<td>3.31</td>
</tr>
</tbody>
</table>

$X^2_{ab} = 3.31 - 2.72 = .59^*$

#### C. Visibility of Participation and Anticipated Benefits

<table>
<thead>
<tr>
<th>Beneficiary</th>
<th>$r_i$</th>
<th>n_i</th>
<th>z_i</th>
<th>$z^2$</th>
<th>$n_i-3$</th>
<th>$(n_i-3)(z_i)$</th>
<th>$(n_i-3)(z^2_i)$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local</td>
<td>.75</td>
<td>83</td>
<td>.97</td>
<td>.95</td>
<td>80</td>
<td>77.84</td>
<td>75.76</td>
</tr>
<tr>
<td>Quasi-Local</td>
<td>.71</td>
<td>87</td>
<td>.89</td>
<td>.79</td>
<td>84</td>
<td>74.51</td>
<td>66.11</td>
</tr>
<tr>
<td>National</td>
<td>.66</td>
<td>71</td>
<td>.79</td>
<td>.63</td>
<td>68</td>
<td>53.92</td>
<td>42.77</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>241</td>
<td>2.65</td>
<td></td>
<td>232</td>
<td>206.27</td>
<td>184.64</td>
</tr>
</tbody>
</table>

$X^2_{ab} = 184.64 - 183.39 = 1.25^*$

---

* $X^2$ critical (for df=2, $\alpha=.05$) = 5.99
* $X^2 = \sum (n_i-3)z_i^2 - \left[ \sum (n_i-3)(z_i) \right]^2 / \sum (n_i-3)$
Confirmatory Factor Analysis

LISREL VII was used to perform confirmatory factor analysis on each of the items to check the dimensionality of the proposed measures. This analysis identifies the chi-square statistic, the only statistically based measure of goodness-of-fit available in structural equation modeling (Jöreskog and Sörbom 1988) as well as the p-value associated with the chi-square. The p-value should indicate nonsignificance, with a .05 level of significance as the minimum accepted (Fornell 1983). A large value of chi-square relative to the degrees of freedom signifies that the observed and estimated matrices differ to a large degree. Yet even statistical nonsignificance does not guarantee that the "correct" model has been identified, but rather that there is a good fit between the proposed model and the observed covariances/correlations (Hair, Anderson, Tatham, and Black 1992). The confirmatory factor analysis for this study indicates a chi-square value of 633.96 with 215 degrees of freedom and a p-value of .0001, which indicates that there may be some problems with the fit; nonetheless, the p-value is not the only measure to indicate a good fit.

The goodness-of-fit index (GFI) is another measure that should be evaluated. It is a nonstatistical measure ranging in value from 0, indicating a poor fit, to 1, indicating a perfect fit. It represents the overall degree
of fit but is not adjusted for the degrees of freedom. Even though no absolute standard has been established, rule of thumb indicates that the goodness-of-fit index should be greater than .90. The analysis shows the goodness-of-fit index is just below the accepted level at .81.

An extension of the goodness-of-fit is the "adjusted" goodness-of-fit index (AGFI). It is adjusted by the ratio of degrees of freedom for the proposed model to the degrees of freedom for the null model, the recommended level of acceptance is when the value is greater than or equal to .90 (Hair, Anderson, Tatham and Black 1992). This study reports an adjusted goodness-of-fit of .71. Again, this is well below the recommended .90.

Finally, the root mean square residual (RMSR), which is the square root of the mean of the squared residuals (an average of the residuals between observed and estimated input matrices) should be evaluated. No threshold level has been established as "correct," but one can establish practical significance of the magnitude of the RMSR considering the objectives of the research and the observed/actual correlations (Bagozzi and Yi 1988). The analysis for the model used in this study shows RMSR to be .06, which is low.

Since the total overall view of this first confirmatory factor analysis was not considered satisfactory, an evaluation of the residuals and the
modification index was performed to determine which items were cross-loading. It was found that 15% of the items were cross-loading on other constructs. While this may be high, an investigation into the t-values indicated each item was still loading highest on the construct it was designed to represent. Through examining the modification indices and the residuals of four models, several items were eliminated which reduced the cross-loading of items to an acceptable level of 8.4% (see Table 5.7).

Four of the eleven items measuring anticipated benefits to the business [an expectation that participation would (i) improve the well-being of the community, (ii) enhance the image of the business (iii) be a source of competitive advantage for the business, and (iv) help the business gain respect from other businesses in the industry] were deleted since they were not loading as expected.

Residuals also indicated that four of the eight items measuring the construct resources available were also cross-loading across a random selection of constructs. Three of these measures deal with resources the business would have available to the community such as surplus items like, (i) surplus supplies, (ii) surplus equipment, and (iii) empty rooms that might be available for meetings. The fourth item which was deleted measured the employer expectation of community volunteering (without compensation
Table 5.7
Confirmatory Factor Analysis:
Modification and Residual Indices

<table>
<thead>
<tr>
<th>Analysis Sequence</th>
<th>Deletions</th>
<th>N</th>
<th>df</th>
<th>p-value</th>
<th>GFI</th>
<th>AGFI</th>
<th>RMSEA</th>
<th>Residuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>None</td>
<td>634</td>
<td>215</td>
<td>.0001</td>
<td>0.81</td>
<td>0.71</td>
<td>0.06</td>
<td>14.6</td>
</tr>
</tbody>
</table>
| II                | Contribution would:  
1. Improve the well-being of the community  
2. Enhance the image of the business  
3. Be a source of competitive advantage  
4. Gain respect from competitors in the industry | 472 | 174 | .0001 | 0.85 | 0.80 | 0.05 | 10.0      |
| III               | Benefit:  
1. Other businesses would know about contribution  
2. Employment volunteer without employer compensation | 354 | 137 | .0001 | 0.87 | 0.81 | 0.05 | 10.0      |
| IV                | Resources available:  
1. Surplus supplies available for donation  
2. Surplus equipment available for donation  
3. Empty rooms available for meetings | 300 | 120 | .0001 | 0.88 | 0.83 | 0.05 | 8.4       |
Finally, the variable measuring visibility of participation was also deleted. This item measured the decision to contribute to an organization based on other industries coming to know that the business was contributing.

In the final model, of the 153 pairwise correlations between the measures, 13 (8.4% in comparison with 5.0% expected by chance alone) had normalized residuals greater than 2.0. These residuals had a pattern similar to that of the cross-loadings in the exploratory analysis (i.e., the majority of residuals tended to be associated with the correlations involving availability of benefits and with the variables involved with propensity to participate).

Through this process the chi-squares ranged from 633.95, df=215 to the final analysis of chi-square=300, df=120 (Table 5.7). The GFI indices ranged from .81 to .88 and the AGFI from .71 to .83, which suggests that there may be a better model than the one under consideration. The lambda loadings for the final measurement model are shown in Figure 5.1. The confirmatory analysis did not include the size and age of the business since they are measured using ordinal scales. Although the final model does not reach the customary levels of acceptance, the indices may be considered acceptable when testing new scales in an area that has been relatively unexplored empirically.
FIGURE 5.1
Confirmatory Factor Analysis: Measurement Model
FIGURE 5.1 (Continued)

PROPEN = Propensity to Participate
Y1= Willingness to contribute cash (local, quasi-local, national)
Y2= Willingness to contribute resources (local, quasi-local, national)

COMEXP = Owner’s Perception of Community Expectation
Y3= Participation based on perceived community expectations
Y4= The number of causes involved in based on perceptions of community expectations
Y5= The kinds of causes involved in based on perceptions of community expectations

BENE = Anticipated Benefits to Business
Y6= Direct benefits to business (growth, survival, profits)
Y7= Indirect benefits to business (employee morale/productivity)
Y8= Increase customer awareness/loyalty

PRIOR = Prior Involvement in Societal Causes
X1= Overall past experiences donating cash (positive vs. negative)
X2= Overall past experiences donating non-cash resources (positive vs. negative)

RESAVAL = Availability of Resources
X3= Owner’s time
X4= Cash
X5= Employee time (paid by employee)
X6= Merchandise/service(s)

VISI = Visibility of Participation
X7= Continued recognition in community
X8= Awareness among customers
X9= Awareness among non-customers
X10= Community recognition
Structural Model Analysis

The structural model (Figure 5.2) tested includes eight constructs: three endogenous variables [business' propensity to participate in societal causes (PROPEN), anticipated benefits to a business (BENE) and owner's perception of community expectations of participation (COMEXP)] and five exogenous variables [results of prior business involvement in societal causes (PRIOR), availability of resources (RESAVAL), size of the business (SIZE), age of the business (AGE) and the visibility of participation (VISI)]; each was measured with a single summed indicator using a variance-covariance matrix (Table 5.8). Structural equation modeling was designed to use with this matrix, since it provides the advantage of making valid comparisons between different populations (Hair, Anderson, Tatham and Black 1992). The loading of each indicator’s latent variable was set at 1.0 and each indicator’s unique factor variance was fixed at \((1.0 - \alpha \sigma^2) \times s^2\), as suggested by Jöreskog and Sörbom (1982) and Perdue and Summers (1991).

The total coefficient of determination for the structural equations for this model is 0.74, the chi-square value is 84.23 (df=7), with a p value of .0001 (see Table 5.9-A). The goodness-of-fit indices are GFI= 0.93 and AGFI= 0.61, with root mean square residuals at 0.29. In general, research standards suggest that when using LISREL
FIGURE 5.2
Results of A priori Model

All paths tested.
Only significant relationships shown.
FIGURE 5.2 (Continued)

PROGEN = Propensity to Participate
COMEXP = Owner's Perception of Community Expectation
BENE = Anticipated Benefits to Business
PRIOR = Prior Involvement in Societal Causes
RESAVAL = Availability of Resources
SIZE = Size of the Business
AGE = Age of the Business
VISI = Visibility of Participation
### TABLE 5.8

Variance-Covariance Matrix for Structural Model

<table>
<thead>
<tr>
<th></th>
<th>Y1</th>
<th>Y2</th>
<th>Y3</th>
<th>X1</th>
<th>X2</th>
<th>X3</th>
<th>X4</th>
<th>X5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y1</td>
<td>1.4957</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y2</td>
<td>0.2091</td>
<td>3.3769</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y3</td>
<td>0.1302</td>
<td>1.0904</td>
<td>2.8540</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>0.2283</td>
<td>1.0293</td>
<td>1.3722</td>
<td>2.2561</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X2</td>
<td>0.6175</td>
<td>0.4308</td>
<td>0.7364</td>
<td>0.7084</td>
<td>2.0012</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X3</td>
<td>0.2878</td>
<td>-0.1052</td>
<td>-0.0426</td>
<td>0.1463</td>
<td>0.0995</td>
<td>1.6921</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X4</td>
<td>-0.0053</td>
<td>0.0969</td>
<td>-0.1772</td>
<td>-0.2303</td>
<td>-0.1412</td>
<td>0.2427</td>
<td>2.8509</td>
<td></td>
</tr>
<tr>
<td>X5</td>
<td>0.2256</td>
<td>1.4772</td>
<td>2.3580</td>
<td>1.2282</td>
<td>0.6214</td>
<td>0.2256</td>
<td>-0.2603</td>
<td>3.8198</td>
</tr>
</tbody>
</table>

Y1 = Propensity to Participate (PROPEN)
Y2 = Owner's Perception of Community Expectation (COMEXP)
Y3 = Anticipated Benefits to Business (BENE)
X1 = Prior Involvement in Societal Causes (PRIOR)
X2 = Availability of Resources (RESAVAL)
X3 = Size of the Business (SIZE)
X4 = Age of the Business (AGE)
X5 = Visibility of Participation (VISI)
Table 5.9

A. Goodness-of-Fit Indices for A priori Structural Model

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square with 7 degrees of freedom</td>
<td>84.23</td>
</tr>
<tr>
<td>p</td>
<td>0.0001</td>
</tr>
<tr>
<td>Goodness-of-Fit Index</td>
<td>0.93</td>
</tr>
<tr>
<td>Adjusted Goodness-of-Fit Index</td>
<td>0.61</td>
</tr>
<tr>
<td>Root Mean Square Residual</td>
<td>0.29</td>
</tr>
<tr>
<td>R²</td>
<td>0.74</td>
</tr>
</tbody>
</table>

B. Goodness-of-Fit Indices for Respecified Structural Model

<table>
<thead>
<tr>
<th>Statistic</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square with 4 degrees of freedom</td>
<td>2.91</td>
</tr>
<tr>
<td>p</td>
<td>0.57</td>
</tr>
<tr>
<td>Goodness-of-Fit Index</td>
<td>0.99</td>
</tr>
<tr>
<td>Adjusted Goodness-of-Fit Index</td>
<td>0.97</td>
</tr>
<tr>
<td>Root Mean Square Residual</td>
<td>0.026</td>
</tr>
<tr>
<td>R²</td>
<td>0.81</td>
</tr>
</tbody>
</table>
the chi-square values should not be large and the p values should not be less than the 0.10 level. The goodness-of-fit index should be 0.90 or greater. Although the model explains 74% of the variance, this model falls short of all but the goodness-of-fit index; this indicates that this model may not be the best fit. After an examination of the model's maximum likelihood estimates, there is reason to contemplate several different paths not originally specified. Therefore, although theoretical support is yet to be developed for these paths, a respecification of the model may be in order.

Respecified Model Fit

Results of the test with the relaxation of the a priori model show a stronger fit of the model with the data (Figure 5.3). The respecified model's indices demonstrate an improvement in all measures (Table 5.9-B). The new indices indicate a chi-square of 2.91 with 4 degrees of freedom and a p-value = 0.573 which is favorable; both the GFI= 0.99 and AGFI= 0.97 are better than the desired level of 0.90. The root means square residual is also favorable at 0.026. The $R^2$ at 0.81% also suggests that more of the variance is being explained. Therefore, the respecified model is used in subsequent analyses. Therefore, significance is registered at 1.64 or greater.

Figure 5.3 illustrates the key findings pertaining to the thirteen hypotheses tested. Levels of significance
FIGURE 5.3
Results of Respecified Model

All paths tested.
Only significant relationships shown.
FIGURE 5.3 (Continued)

PROPEN = Propensity to Participate
COMEXP = Owner’s Perception of Community Expectation
BENE = Anticipated Benefits to Business
PRIOR = Prior Involvement in Societal Causes
RESAVAL = Availability of Resources
SIZE = Size of the Business
AGE = Age of the Business
VISI = Visibility of Participation
were determined by t-values at a .05 level of significance. A detailed discussion of the results of the tests of hypotheses follows.

Results of Prior Business Involvement in Societal Causes and Propensity to Participate

Hypothesis 9 proposes that the more positive the results of a business' prior involvement in societal causes, the greater the propensity to participate in future societal causes. This hypothesized relationship did not hold empirically. \( \gamma_{1,1} \) was shown to be statistically nonsignificant (Figure 5.2; \( \gamma_{1,1} = -0.09; t\text{-value} -0.48 \)). Contrary to the direction of the hypothesized relationship the coefficient was negative.

Anticipated Benefits to the Business and Propensity to Participate

As reported earlier, the small business owner's orientation was found not to moderate the effect of anticipated benefits to business on propensity to participate. Statistically, no significance was found for the direct effect. Hypothesis 1 states the greater the perceived anticipated benefits to a business, the greater the propensity to participate in societal causes. \( \beta_{3,1} \) (-0.20) was not statistically significant (Figure 5.2; \( \beta_{3,1} \), t-value -1.35). Also, contrary to a priori expectations, the coefficient was negative.

Visibility of Participation and Propensity to Participate

It was earlier reported that the small business
owner's orientation was found not to moderate the relationship between visibility of participation and propensity to participate in societal causes. Measuring for a direct effect also did not lend statistical support to **hypothesis 2** that states the greater the perceived visibility of participating in a societal cause, the greater the propensity to participate in that cause. While the positive direction of the relationship was consistent with a priori expectations, this hypothesized relationship was statistically nonsignificant (Figure 5.2; $\gamma_{1.5} = 0.17$; t-value 1.38).

**Visibility of Participation and Anticipated Benefits**

Intuitively, the more exposure an activity provides for the business, the more beneficial it would be for the business. However, the results of analyses are not supportive of **hypothesis 3**, which states that the greater the perceived visibility of participating in a societal cause the greater the anticipated benefits of participating in that societal cause (Figure 5.2; $\gamma_{3.5} = .54$; t-value 8.90).

**Availability of Resources and Propensity to Participate**

The more resources available to a business, the more willing the business should be to participate. As detailed in Figure 5.2, the hypothesized relationship between the resources available for a small business to contribute to societal causes and its propensity to participate in
societal causes (Hypothesis 10) are supported by the results of analysis (Figure 5.2; $\gamma_{1,2} = 0.53; t$-value 4.89).

Size of the Business and Propensity to Participate

The hypothesized positive relationship between the size of the business and the propensity to participate in societal causes (Hypothesis 11) was found to be statistically significant (Figure 5.2; $\gamma_{1,3} = 0.23; t$-value 2.65).

Age of the Business and Propensity to Participate

It does not appear that the longer the business has been in a community, the more willing the business would be to participate in societal causes. In effect, the hypothesized positive relationship between the age of a business and its propensity to participate in societal causes Hypothesis 12 did not hold empirically. $\gamma_{1,4}$ was found to be statistically nonsignificant (Figure 5.2; $\gamma_{1,4} = -0.11; t$-value -0.01). Also, contrary to the a priori expectations, the coefficient sign was negative.

Small Business' Perception of Community Expectation of Participation and Propensity to Participate

The relationship between a small business owner's perception of what the community expects of it and the business' propensity to participate was hypothesized to be influenced by the availability of resources, the size of the business, and age of the business. The results pertaining to these linkages are discussed next.

Hypothesis 16 states that the greater the small
business owner’s perception of the community’s expectation that small businesses should participate in societal causes, the greater would be the propensity of small businesses to participate in societal causes. However, this hypothesis did not receive empirical support. Although the direction of the relationship is consistent with a priori expectations, $\beta_{11}$ was found to be statistically nonsignificant (Figure 5.2; $\beta_{11} = 0.06$; t-value 0.70).

**Hypothesis 13** states that a positive relationship exists between a small business’ resource position and the small business owner’s perception of community expectation of business participation in societal causes. Empirical support was not found for this hypothesized relationship as evidenced by $\gamma_{22}$ (Figure 5.2; $\gamma_{22} = -0.04$; t-value -0.39). Also, contrary to a priori expectations, the coefficient was negative.

The hypothesized positive relationship between the size of the business and the small business owner’s perception of community expectation of business participation in societal causes (**hypothesis 14**) did not receive empirical support. $\gamma_{23}$ was found to be statistically nonsignificant (Figure 5.2; $\gamma_{23} = -0.08$; t-value -1.0). Also, counter to a priori expectations, the coefficient was negative.

It was suggested that there will be a positive
relationship between the age of the business and the small business owner's perception of community expectation of business participation in societal causes (Hypothesis 15). Although, the direction of the observed relationship was consistent with a priori expectations, it was statistically nonsignificant (Figure 5.2; $\gamma_{1,4} = 0.10; t$-value 1.56).

As shown in Figure 5.2, the respecified model suggested the following paths. These are described with the understanding that there is a need to explore the plausible rationale underlying these paths.

1. A positive relationship between results of prior business involvement in societal causes and small business' perception of community expectations. [Path coefficient (2,1) = .36, t-value = 3.09.]

2. A positive relationship between results of prior business involvement in societal causes and anticipated benefits to the business. [Path coefficient (3,1) = .40, t-value = 5.68.]

3. A positive relationship between visibility of participation and small business' perception of community expectations. [Path coefficient (2,5) = .25, t-value = 2.96.]

ANOVA Results

Primary Beneficiary of the Activity, Visibility of Participation on Propensity to Participate

The primary beneficiary of the activity is considered to have a bearing not only on the propensity of a business to participate in a societal cause but also on the benefits and visibility that the owner perceives he/she will gain by participating in a local activity. Hypothesis 6 states that a small business will perceive the anticipated
benefits from participating in an activity to be greater if the primary beneficiary of the activity is the local community than if the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national). Also, hypothesis 4 states that a small business will perceive the visibility from participating in an activity will be greater for activities that primarily benefit the local community than for activities that primarily benefit an event or an organization outside the community (i.e., quasi-local or national). An ANOVA was used to test both hypotheses.

The ANOVA results reported in Table 5.10 indicate differences between means (local, quasi-local, and national) associated with the primary beneficiary of the activity for visibility of participation and anticipated benefits to the business. The F-statistics for both measures were statistically significant at $p \leq .05$ level. Tests of significant differences between pairs of group means reveal significant differences between local, quasi-local, and national beneficiaries at the .05 level, with respect to the two dependent measures. Higher visibility as well as greater benefits are expected when a cause is local rather than when it is quasi-local or national. Thus, hypothesis 6 and hypothesis 4 are both supported.

Summary

LISREL VII path analysis technique was used to test
Table 5.10

ANOVA Results

<table>
<thead>
<tr>
<th>Primary Beneficiary</th>
<th>Propensity to Participate in Societal Causes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expectation Local</td>
<td>Visibility of Participation: 1265.69 1263.33 1263.01</td>
</tr>
<tr>
<td>Quasi-Measure</td>
<td>ANOVA F-Value: 5.95</td>
</tr>
<tr>
<td>Local N_L=83</td>
<td></td>
</tr>
<tr>
<td>Local N_Q=87</td>
<td></td>
</tr>
<tr>
<td>National N_N=71</td>
<td></td>
</tr>
<tr>
<td>ANOVA F-Value</td>
<td></td>
</tr>
<tr>
<td>F-Value</td>
<td></td>
</tr>
<tr>
<td>Significant at (p&lt;.05)</td>
<td></td>
</tr>
</tbody>
</table>

Results based on Tukey's studentized range test (p<.05)

Significant at (p<.05)
the a priori model. The results of this analysis suggested the need to modify the overall model. While the goodness-of-fit index was acceptable, the p value, chi-square value, and adjusted goodness-of-fit indices were not at acceptable levels. Therefore, the a priori model was respecified by adding three paths not previously identified.

The respecified model fit the data extremely well. The chi-square was very low, since its associated p value was greater than .10 at .57. The goodness-of-fit indices were also well within the range of acceptability, GFI = .99, AGFI = .97. When combined with the $R^2$ of 0.03, these results suggest that the respecified model fits that data and, therefore, the model is sufficient for interpretation of the individual parameter estimates.

The next chapter provides an overview of the findings of this study and discusses the limitations. Implications for small businesses and directions for future research are also addressed.
CHAPTER VI
SUMMARY, IMPLICATIONS AND DIRECTIONS FOR FUTURE RESEARCH

The previous chapter presented the findings of the study which assessed the various factors affecting the small business owner's propensity to participate in societal causes. The first section of this chapter provides a summary of the findings. The limitations are discussed in the second section the implications for small business owners in the third. The fourth section presents recommendations for future research. The last section concludes by providing a few closing remarks on this dissertation.

Summary of Findings

The hypotheses tested, the analyses methods used, and the study findings are summarized in Table 6.1. The first set of hypotheses deals with the issue of a small business owner's personal philosophy on the business giving to a societal cause and how this affects his/her giving patterns. The two types of owners evaluated are:

1. The profit-oriented owner who views the business as a profit center that should only give to organizations or events that will profit the business.

2. The value-oriented owner who feels that, although the business should be a profit center, it should still be giving something back to society, even if no profit for the company may result from the giving.
TABLE 6.1
Summary of Hypotheses, Analysis Technique Used and Results

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Analysis Technique Used</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: The greater the perceived anticipated benefits to a business, the greater the propensity to participate in societal causes.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H1.1: The strength of the relationship between anticipated benefits of participating in a societal cause and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owner of small businesses.</td>
<td>MRA</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H2: The greater the perceived visibility of participating in a societal cause, the greater the propensity to participate in that societal cause.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H2.1: The strength of the relationship between visibility of participation in a societal cause and a business' propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.</td>
<td>MRA</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H3: The greater the perceived visibility of participating in a societal cause, the greater the anticipated benefits of participating in that societal cause.</td>
<td>LISREL</td>
<td>Supported</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>Analysis Technique Used</td>
<td>Results</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>-------------------------</td>
<td>---------------</td>
</tr>
<tr>
<td><strong>H4:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small businesses will perceive greater visibility from participation when the primary beneficiary of the activity is the local community than when the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national).</td>
<td>ANOVA</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H6:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small businesses will perceive the anticipated benefits from participating in an activity to be greater if the primary beneficiary of the activity is the local community than when the primary beneficiary of the activity is an event or an organization outside the community (i.e., quasi-local or national).</td>
<td>ANOVA</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>H9:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The more positive the results of a business’ prior involvement in societal causes, the greater the propensity to participate in future societal causes.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
<tr>
<td><strong>H9.1:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The strength of the relationship between results of prior business involvement in societal causes and a business’ propensity to participate in the activity will be greater for profit-oriented (type P) than value-oriented (type V) owners of small businesses.</td>
<td>MRA</td>
<td>Supported</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>Analysis Technique Used</td>
<td>Results</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>H10: There will be a positive relationship between the resources available for a small business to contribute to societal causes and its propensity to participate in societal causes.</td>
<td>LISREL</td>
<td>Supported</td>
</tr>
<tr>
<td>H11: There will be a positive relationship between the size of a small business and its propensity to participate in societal causes.</td>
<td>LISREL</td>
<td>Supported</td>
</tr>
<tr>
<td>H12: There will be a positive relationship between the age of a small business and its propensity to participate in societal causes.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H13: There will be a positive relationship between a small business' resource position and the small business owner's perception of community expectation of business participation in societal causes.</td>
<td>LISREL</td>
<td>Supported</td>
</tr>
<tr>
<td>H14: There will be a positive relationship between the size of the business and the business owner's perception of community expectation of business participation in societal causes.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
<tr>
<td>Hypotheses</td>
<td>Analysis Technique Used</td>
<td>Results</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------</td>
<td>---------</td>
</tr>
<tr>
<td>H15: There will be a positive relationship between the age of a small business and the business owner’s perception of community expectation of business participation in societal causes.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H16: The greater a small business owner’s perception of the community’s expectation that small businesses should participate in societal causes, the greater the propensity of small businesses to participate in societal causes.</td>
<td>LISREL</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>
It was hypothesized that the strength of the relationship between anticipated benefits and the willingness to participate in a societal cause would be greater for the profit-oriented owner than for value-oriented owner. The strength of the relationship between the visibility of participation and the willingness to participate in a societal cause was expected to be greater for the profit-oriented than for the value-oriented owner. Finally, it was hypothesized that the strength of the relationship between the results of prior business involvement in societal causes and propensity to participate would be greater for the profit-oriented owner than for the value-oriented owner.

The results indicate that profit versus value orientation does not moderate the strength or the form of the relationship between anticipated benefits to the business, visibility of participation, or prior involvement in societal causes and the propensity to participate in societal causes. Although owner orientation of a small business does not moderate these relationships, the evidence suggests that the profit-oriented owner does place greater value on past outcomes of contributing to societal causes, anticipates more benefits, and desires greater visibility from participation than does the value-oriented owner. Thus, as suggested by Burnett and Wood (1988), the characteristics of the actors may affect certain aspects of
the relationship in a social exchange.

As discussed earlier, identity theory and symbolic interactionism imply that small business owners perceive similar situations differently and that each owner will react in a distinctive manner. Profit-oriented and value-oriented owners do appear to perceive similar situations from different points of view and each react in a distinctive manner to the business.

A broad belief of social exchange is that parties in the relationship will anticipate benefits based on the interaction. Small businesses perceive the benefits and visibility from participating in a local cause to be greater than when participating in a quasi-local or national cause. Equal benefits and visibility are perceived when participation occurs between a quasi-local and national cause. This supports social exchange theory since there appears to be an attempt to acquire a certain amount of social and economic reward for the business.

Of the seven factors hypothesized to affect propensity to participate, only size of the business and availability of resources were found to have a direct effect on the propensity to participate in societal causes. Both yielded significant, positive coefficients indicating: (i) the larger the business the more the owner would be willing to participate and (ii) the more resources a business had available, the more the business would be willing to
contribute. This would suggest that in a social interaction there are forces particular to the situation (i.e., the size of the company, the resources available to the company) which will constrain or shape the nature of the relationship and its outcomes.

The small business owner's perception of community expectations of participation did not have a direct effect on the willingness of the owner to participate in societal causes. Although results of prior involvement in societal causes and visibility of participation also did not have a direct effect on the willingness of the owner to participate, both were found to have a direct effect on the business owner's perception of community expectations.

While these two effects were not hypothesized, they are noted, since it appears they are the only two factors which have a significant, positive impact on the owner's perception of community expectation for participation. The results suggest that the more visible the event or organization in which participation is facilitated, the greater the community expectations for participation by the business. Theoretically this may be explained in terms of people anticipating the consequences of their actions, regardless of whether they are involved in a social or economic exchange (Blalock and Wilkens 1979). The small business owner may perceive that the community is highly involved in the final determination of the consequences to
the business. Thus, the anticipation of consequences may be partially based on the business owner’s perception of community expectations. The small business owner who has participated in past social activities may perceive that the more visible the participation, the more the community will expect for the future. The owner may also perceive the community bases future expectations on specific past involvement by the business.

Anticipated benefits to the business did not have a direct effect on the propensity of a business to participate in societal causes. However, visibility of participation and results of prior business involvement in societal causes had a significant, positive effect on the anticipated benefits the business perceives it will attain from participating in societal causes.

Both these paths were found to be positive. It should be noted however that the path between the results of prior business involvement in societal cause and the anticipated benefits to the business was not hypothesized a priori. The results suggest that past positive experience(s) have a positive effect on anticipated benefits of future participation. Theoretically, this would seem plausible, since Rubin (1973) indicates that in a social exchange the reinforcement to re-engage in an exchange is influenced by the rewards attained in previous exchanges.

The second finding, the more visible the participation
the more benefits the owner would anticipate, was not unexpected, since it can be argued that visibility in itself is a benefit. However, as noted earlier, visibility has a number of characteristics that set it apart from other benefits which the business might receive.

The nonsignificant paths are also important to note. The paths which did not have a direct effect on propensity to participate in societal causes are the paths from (i) anticipated benefits, (ii) visibility of participation, (iii) results of prior business involvement in societal causes, (iv) age of the business, and (v) a small business' perception of community expectation of participation. One possible reason for the observed pattern of results could be that the newly developed scales used to test the model are not accurately measuring the constructs. Yet the overall goodness-of-fit indices would indicate that this may not be the problem. Rather, it would seem that small business owners are not using all the information available to evaluate the decision to become involved in a societal cause.

A number of value-oriented owners (who comprised 72% of all respondents) had included written comments in the returned questionnaires to the effect that they did not consider participating in a societal cause as a business related decision, but as simply an altruistic act carried out by the business. This would suggest that a large
portion of small business owners are not utilizing their participation in societal causes as a means for achieving their business related objectives.

Limitations

Interpretations of the research results should take into account the limitations that exist with this research study. While not negating the results reported, these limitations do affect the generalizability of the findings. But they also suggest directions for future research. The first limitation concerns the scales. There has been a good deal of conceptual work on the altruistic act of giving by businesses, but little empirical work has been done in this area. Therefore, all multi-item scales used for this study were newly developed. The reliability of the scales have not been previously tested.

The second limitation pertains to the profit versus value orientation of small business owners as perceived by the owners. When asked to evaluate beliefs on such a personal issue, it is conceivable that some owners may have been inclined to mark what they determined to be the "socially correct" choice.

Another limitation deals broadly with the issues addressed in the instrument. The questionnaire addresses small business owners’ propensity to contribute to societal causes. Most of the responses could be an accurate reflection of what the owner perceives the company is doing
and why. But some responses could be biased since the questions pertain to the owner's social accountability. Thus, the sensitivity of the questions may have skewed the perceived reasons for participating in a societal cause.

Fourth, the data were collected via a mail survey. Consequently, the researcher was not present when the questionnaire was filled out. As a result, questions which may have arisen during the completion of the instrument (e.g., questions regarding directions for completing the questionnaire, definitions of words) could not be answered. Every attempt was made to reduce such potential problems by exercising caution during the construction of the instrument. Both the directions and the scales were scrutinized by the researcher as well as small business owners at various stages of instrument development.

Fifth, the sample was obtained from the Small Business Data Base which acquires names of businesses, both small and large, from Dun's Market Identifier File. This file is comprised of over 2.7 million businesses that had contacted Dun and Bradstreet in order to establish a credit rating so that the company might buy on credit more easily. In spite of the population frame from which the sample was drawn (the sample of 2,500 was less than one-thousandth percent of the total population), it still captures only those businesses that had applied to Dun and Bradstreet for a credit rating. Thus, many small businesses were excluded
from being prospective respondents.

Sixth, it was found that the operationalization of the construct visibility of participation is at variance with the conceptualization of the construct. What was measured was the influence of visibility on the small business owner's propensity to participate, not the extent to which visibility would be gained. This could be a plausible explanation for non-support of hypotheses connected with this construct, as well as making those which were supported highly suspect.

A final limitation involves the model used for the final data analyses. Because of the unsatisfactory results obtained from the testing of the original conceptual model, a respecified model was formulated and tested. Before further work is conducted based on this model, a conceptual and theoretical framework must be established for the new relationships presented.

Implications for Small Business Owners

The principle objective of this dissertation was to determine the key factors which affect a small business' propensity to participate in a societal cause. This study found two major determinants of this propensity to participate to be size of the business and resources available to the business. Whether contributions to societal causes are seen as completely benevolent acts or as means to achieving business related objectives, resource
availability will necessarily constrain a business' ability to contribute. Even among small businesses, those larger than others might have more resources at their disposal to contribute to societal causes. Furthermore, these businesses might perceive community expectations regarding their participation to be greater for them than other smaller businesses.

The findings in this study indicate that many small business owners are value-oriented and regard giving not from a self-interest perspective but as an act of social responsibility. A business may find that it is in a better position to achieve one or more business related objectives, as well as to contribute larger amounts, if the decision were equally weighted between business self-interest and its social responsibility to the community.

Implications for Non-Profit Organizations

There are two implications for not-for-profit organizations seeking support from a small business. First, a local not-for-profit organization should emphasize to the small business the benefits associated with participation. Findings from this study indicate that small business owners anticipate greater benefits from participation in a local cause. Benefits such as increased profits, exposure to the community, and consumer recognition should be pointed out to the owner.

Second, a local not-for-profit organization should
emphasize the visibility associated with the small business' participation. Findings from this study indicate that small business owners expect more visibility from participation in a local cause. The not-for-profit organization might emphasize the value of current customers recognizing the participation by that business. The not-for-profit organization might also point out to the small business the value of the community as a whole knowing that the business is concerned about the welfare of the community.

Directions for Future Research

The determinants of a small business' propensity to contribute to societal causes were examined in this dissertation. The results of this study suggest several areas for future research.

First, future research might pursue further evaluation of the small business owner's orientation (profit/value). This study indicates that owner orientation does affect the owner's willingness to participate. Value-oriented owners were found to be more likely to participate in social causes than were profit-oriented. Further research needs to investigate the many aspects of owner orientation to begin to understand its potential effect not only on the donation process but on all facets of the small business owner's decision-making process.

Second, this study evaluated factors affecting the
small business owner’s propensity to participate in a societal cause. Future research should explore the actual decision processes involved in making the contribution decision. Of primary importance would be research related to the specific criteria evaluated by the small business owner in making this decision.

Third, the evaluation process that the small business owner employs in assessing the effectiveness of business participation in societal causes should be addressed. Evaluation was not discussed in this study but is part of the entire decision making process. This is a key area for further study in order to obtain greater insight into the donation process of the small business owner.

Fourth, this study addresses the issue of benefits as one of many factors considered by the small business owner before agreeing to participate in a societal cause. The findings indicate that, although benefits were expected, they were not a factor in determining participation. A more in-depth examination of specific benefits the owner expects for the business and for society as a whole should be examined. This evaluation could help determine owner expectations from participation in a societal cause. It may also help to determine why benefits are not used as a factor when deciding on participation.

Fifth, visibility was found to be important to the owner. One type of marketing which could lead to greater
visibility is cause-related marketing. Thus far, little or no research has been conducted involving the small business owner and this type of marketing. This is another area which could provide valuable insights into the donation process of the small business owner.

Finally, an investigation into the small business owner's perception of the advantages and disadvantages of small business involvement in societal causes would further advance the knowledge of the giving process. Understanding these perceptions may help in explaining why not all businesses participate. It may also provide insight into why contributing to a societal cause is seen by many small business owners as a benevolent act rather than a marketing tool.

Conclusion

The study findings suggest that most small businesses do not take into account the potential opportunity for achieving one or more business related objectives when contributing to societal causes. Important theoretical advances can be achieved through further exploration of issues relating to contribution to societal causes in the context of small business. Further refinements in the marketing practices of small businesses can be achieved through a better understanding of the factors which underlie small business' propensity to contribute to societal causes.
This research has widened the theoretical base and increased the knowledge for others that are interested in the social accountability of the small business owner. Within this study new measurement scales were developed for constructs dealing with social issues and the small business owner. Additional testing should be conducted to refine these measures so that researchers can be more confident in their conclusions. This study provides a starting point for evaluating the small business owner's propensity to participate in societal causes.


Durocher, Donald and James Glynn (1984), "Strengthening Neighborhood Relations," Bank Marketing, 16 (May), 18-23.


Fueloil & Oil Heat (1989), "Community Service Still Important" 48 (February), 10+.


_______ (1976), The Changing Business Role in Society. UCLA: Graduate School of Management.


Williams, James (1984), "President's Letter," *Stores*, 66 (October), 84.


APPENDIX A

Cover Letter

October 18, 1992

Dear Business Owner:

As the owner of a business, you have probably encountered individuals representing nonprofit organizations asking for your business' participation in a specific societal cause such as local youth athletics, Special Olympics, or the American Cancer Society. I am a doctoral student at Texas A&M University examining issues concerning how and when business owners decide to let the company participate in societal causes and would like your assistance with my study. Regardless of whether you participate in these types of activities or not, your insights are valuable to this work.

In appreciation of your participation in this study, I would like to share my findings with you. If you would like a copy of the results, place a checkmark next to "Results of Study Requested" on the first page of the questionnaire.

This study is being conducted in conjunction with the Small Business Administration with your name randomly selected from the Small Business Administration's data bank. As the owner of a business, your viewpoint is very important to me. Therefore, please take the ten to fifteen minutes needed to fill out the questionnaire and mail it back to me no later than November 15th. To mail, simply fold the questionnaire in half, seal with adhesive label provided, and mail it off.

Please be assured that your responses are confidential. The questionnaire has an identification number for two purposes, to check your name off the mailing list when the questionnaire is returned, and to mail you a copy of the results of the study. Your name will never be placed on the questionnaire itself.

Thank you so much for your time.

Sincerely,

Jacquelyn Warwick
Follow-Up Letter

November 4, 1992

Dear Business Owner:

About two weeks ago I wrote seeking your views on your business' participation in and/or contribution to societal causes such as youth athletics, the Salvation Army, and the American Cancer Society. As of today, I have not yet received your completed questionnaire.

I am writing to you again because of the significance each questionnaire has to the usefulness of the study. In order for the results of this study to be truly representative of the views of all sole owner proprietorships, it is essential that each person in the sample return his or her questionnaire. Please share your knowledge and opinions about your business' involvement in societal causes by completing the enclosed questionnaire. Your response is important to me.

Thank you for your cooperation.

Sincerely

Jacquelyn Warwick

P.S. If you would like a copy of the results of my study, don't forget to place a checkmark on the front page of the questionnaire next to "Results of Study Requested."
Instrument

Study of
Business Participation in
Societal Causes

Department of Marketing
Texas A&M University

Funded by:
Small Business Administration
BUSINESS PARTICIPATION IN SOCIETAL CAUSES

RESULTS OF STUDY REQUESTED ______

This questionnaire contains several sections with general questions about your business and its participation in societal causes such as your local food bank, the Special Olympics, and the American Cancer Society. Please fill out each section indicating your personal opinion regarding your business' contributions to/participation in societal causes.

DIRECTIONS:

Two views of business involvement in a societal cause are described below. As a business owner, please indicate with a check mark the one description that most closely fits your orientation about your business becoming involved in/contributing to societal causes.

I. BUSINESS ORIENTATION

Orientation 1

I want my business to make a profit. Therefore, when/if I allow my business to become involved in a societal cause, I expect my business to benefit financially (increase in overall sales, sales to new customers, etc.) and/or non-financially (increase in employee morale, improvement in the well-being of the community, etc.). If I did not perceive any benefits to my business, I would probably not allow my business to become involved in that particular cause.

Orientation 2

I want my business to make a profit. But when/if I allow my business to become involved in a societal cause, I don't always expect the business to benefit, either financially (increase in overall sales, sales to new customers, etc.) or non-financially (increase in employee morale, improvement in the well-being of the community, etc.). That is, sometimes it is important to participate in a societal cause even if there is no direct benefit to the business.
IN THIS QUESTIONNAIRE YOU WILL BE ASKED TO CONSIDER THREE TYPES OF NONPROFIT ORGANIZATIONS. FOR YOUR CONVENIENCE, EXAMPLES OF DIFFERENT TYPES OF ORGANIZATIONS ARE LISTED.

TYPE 1:

LOCAL NONPROFIT SERVICE ORGANIZATIONS

All contributions made by businesses in a community are put to use in the community. For example:

- FOOD BANK
- YOUTH ATHLETICS (baseball, soccer, etc.)
- ADULT LITERACY
- ORCHESTRA/THEATRICAL PRODUCTIONS

TYPE 2:

QUASI-LOCAL NONPROFIT SERVICE ORGANIZATIONS

A portion of the contributions made by businesses in a community are put to use in the community and the remainder is channeled to the national headquarters of the organization for use as it sees appropriate. For example:

- SPECIAL OLYMPICS
- CAMPFIRE GIRLS
- SALVATION ARMY
- MOTHERS AGAINST DRUNK DRIVING (MADD)

TYPE 3:

NATIONAL NONPROFIT SERVICE ORGANIZATIONS

All contributions made by businesses in a community are channeled to the national headquarters of the organization for use as it sees appropriate. For example:

- AMERICAN CANCER SOCIETY
- AMERICAN HEART ASSOCIATION
- MARCH OF DIMES
- EASTER SEALS
DIRECTIONS:

Please evaluate each question and record your response. Circle a "7" if you strongly agree with the statement and circle a "1" if you strongly disagree. Feel free to circle any of the numbers between "1" and "7" to indicate more moderate feelings. There are no right or wrong answers. Please circle the number that truly reflects your feelings concerning these issues and your business.

II. PARTICIPATION

ASSUME THAT A REPUTABLE NONPROFIT ORGANIZATION HAS REQUESTED A
CONTRIBUTION OF $100 OR THE EQUIVALENT OF $100 IN BUSINESS RESOURCES SUCH AS
PRODUCT(S) AND/OR SERVICE(S), SURPLUS SUPPLIES, YOUR TIME, EMPLOYEE TIME, ETC.,
FOR A SOCIETAL CAUSE.

I would probably be willing for my business to contribute $100 in cash if the request was from:

1. A reputable Type 1 nonprofit organization (local) with the
   entire contribution being put to use in my community. ................ 1 2 3 4 5 6 7

2. A reputable Type 2 nonprofit organization (quasi-local) with
   only a portion of my contribution being put to use in the local
   community and the remainder channeled to the organizations’
   national headquarters for use as it sees appropriate. ................ 1 2 3 4 5 6 7

3. A reputable Type 3 nonprofit organization (national) with
   the contribution channeled to the organizations’ national
   headquarters for use as it sees appropriate. ......................... 1 2 3 4 5 6 7

I would probably be willing for my business to contribute business resources [product(s) and/or
service(s), surplus supplies, my time, employee time, etc.] equivalent to $100 if the request was
from:

1. A reputable Type 1 nonprofit organization (local) with the
   entire contribution being put to use in my community. ................ 1 2 3 4 5 6 7

2. A reputable Type 2 nonprofit organization (quasi-local) with
   only a portion of my contribution being put to use in the local
   community and the remainder channeled to the organizations’
   national headquarters for use as it sees appropriate. ................ 1 2 3 4 5 6 7

3. A reputable Type 3 nonprofit organization (national) with
   the contribution channeled to the organizations’ national
   headquarters for use as it sees appropriate. ......................... 1 2 3 4 5 6 7
### III. RESOURCES

1. Please indicate the maximum amount of money your business would probably contribute to a one-time request for a donation if a Type 1 nonprofit organization (local) asked for your participation.

<table>
<thead>
<tr>
<th>Amount Range</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>$1 - $50</td>
<td>2</td>
</tr>
<tr>
<td>$51 - $100</td>
<td>3</td>
</tr>
<tr>
<td>$101 - $150</td>
<td>4</td>
</tr>
<tr>
<td>$151 - $200</td>
<td>5</td>
</tr>
<tr>
<td>$201 - $250</td>
<td>6</td>
</tr>
<tr>
<td>$251 - $300</td>
<td>7</td>
</tr>
<tr>
<td>$301 - $350</td>
<td>8</td>
</tr>
<tr>
<td>$351 - $400</td>
<td>9</td>
</tr>
<tr>
<td>$401 - $450</td>
<td>10</td>
</tr>
<tr>
<td>$451 - $500</td>
<td>11</td>
</tr>
<tr>
<td>$501 - $550</td>
<td>12</td>
</tr>
</tbody>
</table>

2. Please indicate (equivalent to a dollar amount) the maximum amount of nonmonetary business resources [product(s) and/or service(s), surplus supplies, your time, employee time, etc.] that your business would probably contribute to a one-time request for a donation if a Type 1 nonprofit organization (local) asked for your participation.

<table>
<thead>
<tr>
<th>Amount Range</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>$1 - $50</td>
<td>2</td>
</tr>
<tr>
<td>$51 - $100</td>
<td>3</td>
</tr>
<tr>
<td>$101 - $150</td>
<td>4</td>
</tr>
<tr>
<td>$151 - $200</td>
<td>5</td>
</tr>
<tr>
<td>$201 - $250</td>
<td>6</td>
</tr>
<tr>
<td>$251 - $300</td>
<td>7</td>
</tr>
<tr>
<td>$301 - $350</td>
<td>8</td>
</tr>
<tr>
<td>$351 - $400</td>
<td>9</td>
</tr>
<tr>
<td>$401 - $450</td>
<td>10</td>
</tr>
<tr>
<td>$451 - $500</td>
<td>11</td>
</tr>
<tr>
<td>$501 - $550</td>
<td>12</td>
</tr>
</tbody>
</table>

3. Please indicate the total amount of money your business contributed during the last year to all three types of organizations (local, quasi-local, national).

<table>
<thead>
<tr>
<th>Amount Range</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>$1 - $250</td>
<td>2</td>
</tr>
<tr>
<td>$251 - $500</td>
<td>3</td>
</tr>
<tr>
<td>$501 - $1000</td>
<td>4</td>
</tr>
<tr>
<td>$1001 - $2500</td>
<td>5</td>
</tr>
<tr>
<td>$2501 - $5000</td>
<td>6</td>
</tr>
<tr>
<td>over $5000</td>
<td>7</td>
</tr>
</tbody>
</table>

4. Please indicate in equivalent dollar amounts, the total amount of nonmonetary business resources [product(s) and/or service(s), surplus supplies, your time, employee time, etc.] that your business contributed during the last year to all three types of organizations (local, quasi-local, national).

<table>
<thead>
<tr>
<th>Amount Range</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0</td>
<td>1</td>
</tr>
<tr>
<td>$1 - $250</td>
<td>2</td>
</tr>
<tr>
<td>$251 - $500</td>
<td>3</td>
</tr>
<tr>
<td>$501 - $1000</td>
<td>4</td>
</tr>
<tr>
<td>$1001 - $2500</td>
<td>5</td>
</tr>
<tr>
<td>$2501 - $5000</td>
<td>6</td>
</tr>
<tr>
<td>over $5000</td>
<td>7</td>
</tr>
</tbody>
</table>

### IV. BENEFITS

If I decide to contribute $100 in cash or equivalent business resources to a Type 1 nonprofit organization (local), I expect that my participation would:

<table>
<thead>
<tr>
<th>Benefit Description</th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Help my business grow.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Increase the chances for the survival of my business.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Increase my business' profits.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Increase employee morale.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Increase employee productivity.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Increase awareness of my business among my customers.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>Increase customer loyalty to my business.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
8. Improve the well-being of the community. ................................ 1 2 3 4 5 6 7
9. Enhance the image of my business in the community. .......... 1 2 3 4 5 6 7
10. Be a source of competitive advantage for my business. ........ 1 2 3 4 5 6 7
11. Help my business gain respect from other businesses in the industry. ................................................................. 1 2 3 4 5 6 7

V. VISIBILITY

My decision to contribute or not contribute to a Type 1 nonprofit organization (local) would be partly based on the extent to which:

1. My business would be more recognized in the community. 1 2 3 4 5 6 7
2. Other businesses in the industry would come to know that my business was contributing. ........................................... 1 2 3 4 5 6 7
3. My customers would come to know that my business was contributing. ................................................................. 1 2 3 4 5 6 7
4. People who were not my customers would come to know that my business was contributing ............................................ 1 2 3 4 5 6 7
5. Most of the community would come to know that my business was contributing. ........................................................ 1 2 3 4 5 6 7

VI. RESOURCES AVAILABLE

In reference to the request from a reputable Type 1 nonprofit organization for a contribution of $100 in cash or the equivalent in business resources, to what extent would you agree that your business has the following kinds of resources available to make a contribution.

1. My time (as a business owner). ............................................. 1 2 3 4 5 6 7
2. Cash from my business. ......................................................... 1 2 3 4 5 6 7
3. Employee time (with the business still paying the employee their wages while they work for a societal cause). ............... 1 2 3 4 5 6 7
4. Employee time (expected from an employee without pay). .... 1 2 3 4 5 6 7
5. Merchandise/service(s) from my business. ............................. 1 2 3 4 5 6 7
**VII. PAST INVOLVEMENT**

Please indicate how often in the past your business has donated the following kinds of resources to societal causes.

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Surplus equipment from my business.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>7. Surplus supplies from my business.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>8. Rooms in my business facility where people could meet.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>

**VIII. DONATION EXPERIENCES**

(If your business has not donated to any societal cause in the past, please skip this section of the questionnaire and go to Section IX.)

How would you characterize your business' overall experiences in donating money and/or other business resources in response to requests for contributions from societal causes?

<table>
<thead>
<tr>
<th></th>
<th>Strongly Disagree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. On average, my business has received monetary benefits (e.g., increase in overall sales, sales to new customers) from contributions to societal causes.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
<tr>
<td>2. On average, my business has received non-monetary benefits (e.g., increase in employee morale, improve the well being of the community) from contributions to societal causes.</td>
<td>1 2 3 4 5 6 7</td>
<td></td>
</tr>
</tbody>
</table>
How would you characterize your business' experience the last time your business donated money and/or other business resources in response to a request for contributions from a societal cause?

1. To what type of nonprofit organization did you most recently contribute money and/or resources?  
   - Type 1 (nonprofit local) organization .................................. 1  
   - Type 2 (nonprofit quasi-local) organization ....................... 2  
   - Type 3 (nonprofit national) organization ........................... 3

2. Approximately how much did you contribute in cash? $ ______  
   in nonmonetary resources? $ ______

3. In terms of monetary benefits (e.g., increase in overall sales, sales to new customers) my business had a positive experience.  
   Strongly Disagree  Strongly Agree  
   1 2 3 4 5 6 7

4. In terms of non-monetary benefits (e.g., increase in employee morale, improve the well-being of the community) my business had a positive experience.  
   Strongly Disagree  Strongly Agree  
   1 2 3 4 5 6 7

IX. COMMUNITY EXPECTATIONS

Please indicate the extent to which you disagree/agree with the following statements.

1. The community expects more contributions to societal causes from me than from other businesses in the community.  
   Strongly Disagree  Strongly Agree  
   1 2 3 4 5 6 7

2. The decision for my business to participate in a societal cause is partially based on what I perceive the community expects from my business.  
   Strongly Disagree  Strongly Agree  
   1 2 3 4 5 6 7

3. The number of societal causes in which my business participates is partially based on my perception of what the community expects from my business.  
   Strongly Disagree  Strongly Agree  
   1 2 3 4 5 6 7

4. The kinds of societal causes in which my business participates is partially based on the my perception of what the community expects from my business.  
   Strongly Disagree  Strongly Agree  
   1 2 3 4 5 6 7

X. GENERAL RESPONDENT INFORMATION

1. Your sex is:  
   Male .................................. 1  
   Female ............................ 2

2. Your highest level of schooling completed is:
   - Some high school or less .......................... 1  
   - High school diploma ............................ 2  
   - Vocational school ............................... 3  
   - Some college ................................... 4  
   - Completed two-year college .................... 5  
   - Completed four-year college ................... 6  
   - Graduate school/professional school  ....... 7
3. Your age is:

- 20 years or under ............... 1
- 21 - 30 years .................. 2
- 31 - 40 years .................. 3
- 41 - 50 years .................. 4
- 51 - 60 years .................. 5
- over 60 years .................. 6

4. Your ethnicity is:

- Caucasian ...................... 1
- African-American .............. 2
- Hispanic ....................... 3
- Asian ............................ 4
- Native American ............... 5
- Other (Specify) .................

XII. GENERAL BUSINESS INFORMATION

1. Your position in the company is:

- Owner .......................... 1
- Manager/Director ............. 2
- Other (Specify) ............... 

2. How long has this company been under its current ownership?

- 1 - 5 years ................. 1
- 6 - 10 years ............... 2
- 11 - 15 years ............. 3
- 16 - 20 years ............ 4
- 21 - 30 years ........... 5
- 31 - 40 years .......... 6
- 41 - 50 years .......... 7
- over 50 years ........ 8

3. How long has this business been in existence? (Include both present and previous ownership, if any)

- 1 - 5 years ............... 1
- 6 - 10 years .............. 2
- 11 - 15 years ............ 3
- 16 - 20 years ........... 4
- 21 - 30 years ........... 5
- 31 - 40 years .......... 6
- 41 - 50 years .......... 7
- over 50 years ........ 8

4. Besides the owner, how many employees does this company have? (include both full and part-time)

- 0 people ............. 1
- 1 to 5 people ........... 2
- 6 to 10 people ........... 3
- 11 to 20 people ........... 4
- 21 to 50 people ........... 5
- 51 to 100 people ........... 6
- 101 to 250 people ........... 7
- 251 to 500 people ........... 8
- over 500 people ........... 9

5. Approximately what percentage of your business' sales comes from customers in each of the following categories?

- a) Local city/community ............ %
- b) Other cities/communities in your part of the state or region ........ %
- c) Other states or regions of the country ........... %

TOTAL = 100 %
6. In which state is your primary business located?

7. In what industry is your business primarily involved?
   - Mining ................................ 1
   - Construction .......................... 2
   - Manufacturing ......................... 3
   - Transportation ........................ 4
   - Communication ........................ 5
   - Public Utility .......................... 6
   - Wholesale Trade ....................... 7
   - Retail Trade ............................ 8
   - Finance .................................. 9
   - Insurance ............................... 10
   - Real Estate .............................. 11
   - Services ................................ 12
   - Other (Specify) __

8. The approximate population size of the metropolitan area where your main business is located is:
   - less than 100,000 .................. 1
   - 100,000 - 249,999 .............. 2
   - 250,000 - 499,999 .............. 3
   - 500,000 - 999,999 .............. 4
   - 1 million to 2 million ....... 5
   - more than 2 million .......... 6

9. In the dollar amounts listed, please indicate your total gross sales for last year.
   - Under $50,000 ........... 1
   - $50,000 - $99,999 .......... 2
   - $100,000 - $249,999 ....... 3
   - $250,000 - $499,999 ....... 4
   - $500,000 - $999,999 ....... 5
   - $1,000,000 - $2,499,999 .... 6
   - $2,500,000 - $4,999,999 .... 7
   - $5,000,000 - $10 million .... 8
   - over $10 million .......... 9

THANK YOU FOR COMPLETING THIS SURVEY: If you have any thoughts about your business becoming involved in different societal causes that you would like to share with me, please feel free to record them here.

The format and content of this questionnaire are not intended to express or reflect any official policy of Texas A&M University.
AFTER COMPLETING THE QUESTIONNAIRE

1. Fold the questionnaire in half.

2. Tape securely at the bottom of the questionnaire (making sure the mailing address is visible).

3. Drop in the mail. No postage is necessary.

THANK YOU AGAIN FOR YOUR HELP.
### APPENDIX B

**Profile of Early and Late Respondents**

<table>
<thead>
<tr>
<th>Area in which business is located</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Early</td>
</tr>
<tr>
<td>Northeast</td>
<td>19</td>
</tr>
<tr>
<td>Midwest</td>
<td>27</td>
</tr>
<tr>
<td>West</td>
<td>28</td>
</tr>
<tr>
<td>South</td>
<td>26</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

(Base=168) (Base=64)

\[ X^2 = 2.92; \text{ df}=3; \text{ No significant difference between early and late respondents; critical } X^2 = 7.81. \]

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Early</td>
</tr>
<tr>
<td>Construction</td>
<td>7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9</td>
</tr>
<tr>
<td>Transportation, communication, and public utilities</td>
<td>3</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>5</td>
</tr>
<tr>
<td>Retail trade</td>
<td>23</td>
</tr>
<tr>
<td>Finance, insurance, and real estate</td>
<td>10</td>
</tr>
<tr>
<td>Services</td>
<td>43</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

(Base=176) (Base=65)

\[ X^2 = 5.60; \text{ df}=6; \text{ No significant difference between early and late respondents; critical } X^2 = 12.59. \]

<table>
<thead>
<tr>
<th>Sex of Respondent</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Early</td>
</tr>
<tr>
<td>Male</td>
<td>70</td>
</tr>
<tr>
<td>Female</td>
<td>30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100</td>
</tr>
</tbody>
</table>

(Base=176) (Base=65)

\[ X^2 = 0.95 \text{ df}=1; \text{ No significant difference between early and late respondents; critical } X^2 = 3.84. \]
<table>
<thead>
<tr>
<th>Ethnicity</th>
<th>Percentage of respondents</th>
<th>Early</th>
<th>Late</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td></td>
<td>91</td>
<td>80</td>
</tr>
<tr>
<td>African-American</td>
<td></td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Hispanic</td>
<td></td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Asian</td>
<td></td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Native American</td>
<td></td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>(Base=174)</td>
<td>(Base=65)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$$X^2 = 9.00; \ df = 4; \text{ No significant difference between early and late respondents}; \text{ critical } X^2 = 9.49.$$

<table>
<thead>
<tr>
<th>Position in company</th>
<th>Percentage of respondents</th>
<th>Early</th>
<th>Late</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td></td>
<td>89</td>
<td>92</td>
</tr>
<tr>
<td>Manager</td>
<td></td>
<td>11</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>(Base=172)</td>
<td>(Base=64)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

$$X^2 = 0.88; \ df = 1; \text{ No significant difference between early and late respondents}; \text{ critical } X^2 = 3.84.$$
<table>
<thead>
<tr>
<th>Value Label</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Small Business</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Owner Orientation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit</td>
<td>52</td>
<td>21.6</td>
</tr>
<tr>
<td>Value</td>
<td>187</td>
<td>77.6</td>
</tr>
<tr>
<td>Nonresponse</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>241</td>
<td>100</td>
</tr>
</tbody>
</table>

| **Title**                 |           |         |
| Owner                     | 212       | 88.0    |
| Manager                   | 24        | 10.0    |
| Other                     | 5         | 2.0     |
| **Total**                 | 241       | 100     |

| **Gender**                |           |         |
| Male                      | 174       | 72.2    |
| Female                    | 67        | 27.8    |
| **Total**                 | 241       | 100     |

| **Education**             |           |         |
| Some high school          |           |         |
| or less                   | 6         | 2.5     |
| High school diploma       | 35        | 14.5    |
| Vocational school         | 19        | 7.9     |
| Some college              | 43        | 17.8    |
| Two-year college          |           |         |
| completed                 | 16        | 6.6     |
| Four-year college         |           |         |
| completed                 | 47        | 19.5    |
| Graduate school/           |           |         |
| professional school       | 75        | 31.1    |
| **Total**                 | 241       | 100     |

<p>| <strong>Age</strong>                   |           |         |
| 21 - 30                   | 10        | 4.1     |
| 31 - 40                   | 48        | 19.9    |
| 41 - 50                   | 92        | 38.2    |
| 51 - 60                   | 51        | 21.2    |
| over 60                   | 40        | 16.6    |
| <strong>Total</strong>                 | 241       | 100     |</p>
<table>
<thead>
<tr>
<th>Ethnic Origin</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucasian</td>
<td>210</td>
<td>87.1</td>
</tr>
<tr>
<td>African American</td>
<td>7</td>
<td>2.9</td>
</tr>
<tr>
<td>Hispanic</td>
<td>7</td>
<td>2.9</td>
</tr>
<tr>
<td>Asian</td>
<td>5</td>
<td>2.1</td>
</tr>
<tr>
<td>Native American</td>
<td>10</td>
<td>4.2</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years Business Under Current Ownership</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 5</td>
<td>37</td>
<td>15.4</td>
</tr>
<tr>
<td>6 - 10</td>
<td>61</td>
<td>25.3</td>
</tr>
<tr>
<td>11 - 15</td>
<td>52</td>
<td>21.6</td>
</tr>
<tr>
<td>16 - 20</td>
<td>35</td>
<td>14.5</td>
</tr>
<tr>
<td>21 - 30</td>
<td>29</td>
<td>12.0</td>
</tr>
<tr>
<td>31 - 40</td>
<td>19</td>
<td>7.8</td>
</tr>
<tr>
<td>41 - 50</td>
<td>4</td>
<td>1.7</td>
</tr>
<tr>
<td>over 50</td>
<td>4</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employees (Full/Part time)</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Only</td>
<td>42</td>
<td>17.5</td>
</tr>
<tr>
<td>1 - 5</td>
<td>129</td>
<td>53.5</td>
</tr>
<tr>
<td>6 - 10</td>
<td>41</td>
<td>17.0</td>
</tr>
<tr>
<td>11 - 20</td>
<td>16</td>
<td>6.6</td>
</tr>
<tr>
<td>21 - 50</td>
<td>11</td>
<td>4.6</td>
</tr>
<tr>
<td>51 - 100</td>
<td>2</td>
<td>0.8</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Construction</td>
<td>19</td>
<td>7.9</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19</td>
<td>7.9</td>
</tr>
<tr>
<td>Transportation, Communication,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Utility</td>
<td>10</td>
<td>4.1</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>12</td>
<td>5.0</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>51</td>
<td>21.1</td>
</tr>
<tr>
<td>Fire, Insurance, Real Estate,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services</td>
<td>106</td>
<td>44.0</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
<td>100</td>
</tr>
<tr>
<td>Region of the Country</td>
<td>Frequency</td>
<td>Percent</td>
</tr>
<tr>
<td>-----------------------</td>
<td>-----------</td>
<td>---------</td>
</tr>
<tr>
<td>South</td>
<td>64</td>
<td>27.6</td>
</tr>
<tr>
<td>West</td>
<td>62</td>
<td>26.7</td>
</tr>
<tr>
<td>Northeast</td>
<td>49</td>
<td>21.1</td>
</tr>
<tr>
<td>Midwest</td>
<td>57</td>
<td>24.6</td>
</tr>
<tr>
<td>Total</td>
<td>232</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Size of Metropolitan Area</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 100,000</td>
<td>121</td>
<td>50.2</td>
</tr>
<tr>
<td>100,000 - 249,999</td>
<td>37</td>
<td>15.4</td>
</tr>
<tr>
<td>250,000 - 499,999</td>
<td>37</td>
<td>11.2</td>
</tr>
<tr>
<td>500,000 - 999,999</td>
<td>27</td>
<td>8.3</td>
</tr>
<tr>
<td>1 million - 2 million</td>
<td>16</td>
<td>6.6</td>
</tr>
<tr>
<td>more than 2 million</td>
<td>19</td>
<td>7.9</td>
</tr>
<tr>
<td>no response</td>
<td>1</td>
<td>.4</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross Sales (1991)</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $50,000</td>
<td>54</td>
<td>22.4</td>
</tr>
<tr>
<td>$50,000 - $99,999</td>
<td>30</td>
<td>12.4</td>
</tr>
<tr>
<td>$100,000 - $249,999</td>
<td>62</td>
<td>25.7</td>
</tr>
<tr>
<td>$250,000 - $499,999</td>
<td>36</td>
<td>14.9</td>
</tr>
<tr>
<td>$500,000 - $999,999</td>
<td>25</td>
<td>10.4</td>
</tr>
<tr>
<td>$1,000,000 - $2,499,999</td>
<td>16</td>
<td>6.6</td>
</tr>
<tr>
<td>$2,500,000 - $4,999,999</td>
<td>5</td>
<td>2.1</td>
</tr>
<tr>
<td>$5,000,000 - $10 million</td>
<td>2</td>
<td>.8</td>
</tr>
<tr>
<td>over $10 million</td>
<td>3</td>
<td>1.2</td>
</tr>
<tr>
<td>no response</td>
<td>8</td>
<td>3.3</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
<td>100</td>
</tr>
</tbody>
</table>
VITA

Jacquelyn McClannahan Warwick received her T.A. degree from Tacoma Community College in 1981, her B.A. from the University of Puget Sound in 1984 with an emphasis in Marketing, and her M.B.A. from Texas A&M University in 1987. She was enrolled in the doctoral program in Marketing at Texas A&M University from June 1987 to December 1993. She has been a visiting assistant professor at the University of Puget Sound since September 1991.

Her permanent address is c/o School of Business and Public Administration, University of Puget Sound, 1500 North Warner, Tacoma, Washington 98416.