

## **Corporate Social Responsibility and SME Internationalization: Insights from the Food Industry**

### **Responsabilité Sociale des Entreprises et internationalisation des PME : une analyse à partir de l'industrie agro-alimentaire**

### **Responsabilidad Social Corporativa e internacionalización de las PYMES: Perspectivas de la industria alimentaria**

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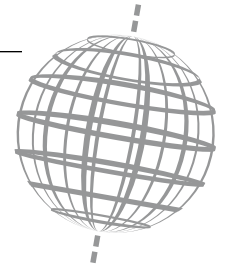
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Article abstract

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## Responsabilidad Social Corporativa e internacionalización de las PYMES: Perspectivas de la industria alimentaria

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### ABSTRACT

Drawing on the internationalization literature, stakeholder theory and the literature linking Corporate Social Responsibility (CSR) and international business, we study how CSR influences SME internationalization and how internationalization influences CSR adoption by SMEs. We used qualitative methods to study these processes in four SMEs in the agro-food industry. Our findings indicate that internationalization significantly influences CSR adoption by SMEs, while CSR influences the speed and scope of internationalization.

**Keywords:** SMEs, internationalization, speed, scope, CSR.

### RÉSUMÉ

En nous appuyant sur la littérature sur l'internationalisation, la théorie des parties prenantes et la littérature reliant la Responsabilité Sociale des Entreprises (RSE) et le management international, nous étudions comment la RSE influence l'internationalisation des PME et comment l'internationalisation influence l'adoption de la RSE par les PME. Nous utilisons des méthodes qualitatives pour étudier ces processus dans quatre PME de l'industrie agro-alimentaire. Nos résultats indiquent que l'internationalisation influence significativement l'adoption de la RSE par les PME, tandis que la RSE influence la vitesse et l'étendue de l'internationalisation.

**Mots-clés:** PME, internationalisation, vitesse, étendue, RSE.

### RESUMEN

Basándonos en la literatura de internacionalización, la teoría de las partes interesadas y la literatura que vincula la Responsabilidad Social Corporativa (RSC) y los negocios internacionales, estudiamos cómo la RSC influye en la internacionalización de las PYMES y cómo la internacionalización influye en la adopción de prácticas de RSC por parte de las PYMES. Métodos cualitativos fueron utilizados para estudiar estos procesos en cuatro PYMES de la industria agroalimentaria. Los resultados indican que la internacionalización influye significativamente en la adopción de prácticas de RSC. Y así mismo, la adopción de estas prácticas influye en la velocidad y el alcance de la internacionalización.

**Palabras clave:** PYMES, internacionalización, velocidad, alcance, RSC.

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### Introduction

Unlike large firms, particularly Multinational Enterprises (MNEs) with their considerable experience in world markets, most SMEs attempting to internationalize are beset by both real and perceived obstacles (Lu and Beamish, 2001, 2006; Leonidou, 2004; Leonidou et al., 2010; Chen et al., 2014; Makhmadshoev et al., 2015; Cahen et al., 2016), usually leading to gradual internationalization (Johanson and Vahlne, 1997; 2009; De Clercq et al., 2005; Tapia Moore and Meschi, 2010; Hilmersson and Johanson, 2016). These obstacles include resource constraints (Buckley, 1997; Lu and Beamish, 2001, 2006), the competitive environment (Oviatt and McDougall, 2005) and various institutional, legal and other conditions (Ketkar and Acs, 2013; LiPuma et al., 2013; Etemad, 2014; Makhmadshoev et al., 2015), including Corporate Social Responsibility (CSR) requirements.

Firms that follow CSR principles aim to be “economically profitable, law abiding, ethical and socially supportive” (Carroll, 1999, p. 286). According to some authors, firms are socially responsible when they go beyond their interest and legal compliance

to freely act for the good of society (McWilliams and Siegel, 2001; EU Commission, 2001). However, firms also face increasing pressure to act responsibly and comply with norms such as ISO 26000. The adoption of responsible practices is thus a requirement for operating in certain settings.

The interaction between CSR and International Business has attracted increasing attention in recent years (Kolk and van Tulder, 2010; Hah and Freeman 2014; Schrempf-Stirling and Palazzo, 2016). In CSR-related disciplines, an emerging research stream investigates CSR in MNEs (Yang and Rivers, 2009; Jamali, 2010; Schrempf-Stirling and Wettstein, 2015). On the International Business side, scholars have studied the role of MNEs in society (Rodriguez et al., 2006; Rathert, 2016; Marano et al., 2017), particularly in emerging markets with their wide-ranging economic and social changes (Tan, 2009; Kiss et al., 2012; Lamotte and Colovic, 2015; Williams et al., 2017). Despite the growing interest in the relationships between International Business, CSR, sustainable development and business ethics, scholars agree that this research stream is

still in its early stages (Barin Cruz and Boehe, 2010; Campbell Tochman et al., 2012). Research into the relationship between CSR and the international development of smaller, less internationally-experienced firms is even scarcer (Laudal, 2011). CSR and SME internationalization influence each another in at least three major ways. Firstly, as SMEs internationalize they must deal with different countries' institutional environments, which might impose a degree of social responsibility (Buckley and Ghauri, 2004; Griffith et al., 2008; Peng et al., 2009; Tan, 2009; Marano et al., 2017). Secondly, consumer awareness and public opinion vary between countries, leading to different levels of CSR expectations (Holder-Webb et al., 2009). Thirdly, particularly in consumer goods industries, such as food and beverages, textiles and footwear, international supply chain pressure (Maloni and Brown, 2006; Lund-Thomsen and Nadvi, 2010) might compel firms to align their CSR strategy with that of supply chain partners, namely distributors and retailers.

In this paper we study how CSR and SME internationalization influence each other. Specifically, we investigate the following research questions: 1) *how does the adoption of social responsible practices impact SME internationalization?* 2) *How does internationalization impact social responsible practices in SMEs?* Drawing on the internationalization literature, stakeholder theory (Freeman, 1984) and the literature linking International Business and CSR, we aim to show how CSR and internationalization are related. We studied this phenomenon in ordinary business ventures as opposed to social businesses. While it would certainly also be interesting to examine the relationship between CSR and internationalization in social businesses, we consider this a different area of inquiry, beyond the scope of our study.

To answer our research questions we conducted a six-month field study in 2013-2014. We collected additional data on a smaller scale in 2015. Our inductive, exploratory research (Welch et al., 2011) is based on multiple case-studies (Yin, 2013), using qualitative methodology to study the relationship between internationalization and CSR in four SMEs in the food industry.

Our findings indicate that by adopting socially responsible practices, companies can improve the speed and the scope of their internationalization. On the other hand, internationalization can also influence the adoption of such practices, for instance by compelling SMEs to fulfil the institutional requirements of particular countries or of the supply chain.

We contribute to the academic literature by improving understanding of the relationship between internationalization and CSR, with a particular focus on SMEs. Our results suggest that CSR can significantly affect the internationalization process and that internationalization encourages firms to comply with CSR requirements in foreign markets. Consequently, managers should be prepared to face CSR challenges as their firms internationalize.

The remainder of the paper is organized as follows. In the next section, we highlight important insights from the internationalization and CSR literature, as well as stakeholder theory, and we explain how our research builds on these insights. We then outline our methodology in the third section. The fourth section presents case summaries. In the fifth section we present the findings of our research, and we discuss them in the sixth section. The concluding section highlights the contributions, implications and limits of our work and suggests avenues for future research.

## Literature Review

### SME INTERNATIONALIZATION

The SME internationalization process has mainly been analyzed from the behavioral perspective of progressive internationalization, using the Uppsala model (Johanson and Vahlne, 1977, 1990). This model stipulates that firms internationalize gradually, increasing their involvement in international markets as they acquire foreign market knowledge and experience (Johanson and Vahlne, 1977). In their revisited version of the model, Johanson and Vahlne (2009) incorporate the network dimension in the internationalization process, arguing that networks are an important conduit of firm internationalization, because they provide firms with reliable information and help them identify opportunities in foreign markets.

Zahra and George (2002) propose three main dimensions of internationalization: extent, scope and speed. Extent (degree) refers to the firm's level of commitment to its foreign operations, usually measured as the ratio of foreign sales to total sales (Calof, 1994; Sullivan, 1994). Scope (breadth) is the range of foreign locations in which a firm operates (Zahra and George, 2002; De Clercq et al., 2005; Williams et al., 2016), that is, its geographic diversity (Khavul et al., 2010). It is usually measured by the number of countries in which a firm sells its products or develops manufacturing or other operations. The third dimension – speed, is the rate at which a firm develops its international operations (Zahra and George, 2002), both in terms of developing sales and in terms of increasing the number of geographic locations in which it operates.

All three dimensions of internationalization present particular challenges for SMEs, especially when they face intense competition in foreign markets where they have yet to establish strongholds (Etemad, 2004). That internationalization is a challenging endeavor for most SMEs is not only well established in the literature (Leonidou et al., 2010; Chen et al., 2014), it is also a major concern for national and supranational institutions, for example the European Commission (European Commission, 2010). Indeed, most SMEs have to overcome several important challenges when developing international activities (Kalantaridis, 2004), the most important of which are internal constraints—shortages of financial and human resources and managerial skills (Buckley, 1997; Lu and Beamish, 2001, 2006)—and lack of foreign market information (European Commission, 2010). Furthermore, the inability to control prices, dependence on a small customer base, and limited access to regional and national decision makers make international markets extremely uncertain (Kalantaridis, 2004). For all these reasons, most SMEs enter foreign markets by exporting, which is the simplest and least risky way to venture abroad.

In summary, although some SMEs internationalize quickly and easily, for most of them, internationalization is a gradual process characterized by numerous obstacles and constraints. Different factors affect internationalization, including CSR. Moreover, different internal and external stakeholders impact SME internationalization. As they overcome the obstacles to internationalization, SMEs need to ensure they take into account the expectations of these different stakeholders. Stakeholder theory, discussed in the following section, is particularly

insightful in highlighting the role of various stakeholders in firm operations, particularly with respect to CSR.

### THE STAKEHOLDER APPROACH TO CSR

In 1970, Milton Friedman wrote a notorious article in the *New York Times Magazine* in which he concluded that “there is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud” (1970, p. 126).

Rejecting Friedman’s perception of company responsibility, Freeman (1984) urged organizations to recognize stakeholders as a way of achieving superior performance, proposing the stakeholder approach to strategy. This approach provided an alternative to stockholder-based organization theories (Freeman, 1994), arguing that organizations should be managed in the interest of all stakeholders, whom he defines as any group or individual “who can affect, or is affected by, the achievement of the organization’s objectives” (Freeman, 1984, p. 46). Freeman argued that the management theories available at the time were not equipped to address “the quantity and kinds of change which are occurring in the business environment” (Freeman, 1984, p.5). These environmental changes involved both internal and external stakeholders, and it was becoming necessary to consider the interests of these groups when developing strategy and shaping corporate behavior. Freeman argues that stakeholder theory should be considered as “managerial, as intimately connected with the practice of business, of value creation and trade. That was its original impetus, in the sense of re-describing the practice of value creation and trade to ensure that those with a “stake” in this practice had attention paid to them” (Freeman, 2000, p. 173).

Thus, according to stakeholder theory, when deciding their strategy and behavior, firms need to consider the interests and opinions of different constituencies—internal and external stakeholders—and act responsibly towards them. This entails respecting employee rights and shareholder interests, and acting responsibly towards suppliers, clients, the government, the environment, and society at large. Moreover, companies must act responsibly not only in home-country markets, but also abroad, as they internationalize.

### INTERNATIONALIZATION AND CSR

As mentioned previously, research into CSR and international companies has mainly focused on MNEs (Hah and Freeman, 2014; Rathert, 2016; Marano et al., 2017). Scholars have analyzed the role of MNEs in society and in relation to social issues such as fair trade, child labor and poverty alleviation. They have also studied the dilemma between adopting global and/or local CSR strategies (Jamali, 2008; 2010), or between complying with local institutional conditions or global CSR principles (Yang and Rivers, 2009; Husted et al., 2016). One difficulty in this area of research is the definition of CSR, because MNEs operate in a variety of social, cultural, political and economic environments around the globe (Rodriguez et al., 2006). This makes it difficult to compare results across different studies or

to understand the full theoretical implications of CSR in the MNE context (Rodriguez et al., 2006). For example, Jamali (2010) finds it challenging to examine CSR in MNEs’ foreign operations because it is difficult to define the concept of CSR and because foreign MNE operations are extremely complex. Consequently, CSR management by global MNEs needs to account for cultural differences and different interpretations of what appropriate corporate behavior is (Arthaud-Day, 2005).

While research on CSR behavior in MNEs is undoubtedly on the rise, understanding of how CSR is actually implemented in international settings is clearly still limited (Lindgreen et al., 2009). This is even truer of CSR in SMEs operating internationally. According to Doh et al. (2010), the CSR and International Business disciplines need to be better integrated and aligned, particularly for theory advancement. We argue that this is especially the case for SME internationalization.

As discussed above, SMEs, unlike large enterprises, typically have limited resources, are owner managed, have less formal procedures, and are strongly embedded in their local communities (Fassin, 2009; Jenkins, 2009; Russo and Perrini, 2010). These differences also influence the socially responsible practices that SMEs adopt. Research has pointed out that the primary concern of most SMEs is to secure their local operations. Most of their CSR policies are intuitive, informal and unpublicized (Ortiz Avram and Kühne, 2008; Baden et al., 2009; Nielsen and Thomson, 2009).

Internationalization is a challenging endeavor for SMEs because, in general, these firms lack financial and human resources, foreign market knowledge, and international managerial skills. It is not easy for them to align their CSR practices with standards in a host-country, because this requires dedicated financial and human resources as well as the modification of internal processes. Yet CSR is essential to enter certain foreign markets, and can constitute a competitive advantage for SMEs with a strong CSR policy.

In this research, we analyze the relationship between CSR and SME internationalization, to enhance understanding of this crucial yet under-researched phenomenon. More specifically, we analyze how CSR influences internationalization’s dimensions (speed, extent, scope), and how internationalization impacts CSR within SMEs.

### Method

We chose an inductive theory building approach, which is in line with positivist philosophy and is extremely common in International Business research (Welch et al., 2011). Our research investigates the relationship between SME internationalization and CSR. Consistent with previous research on socially responsible practices in SMEs (e.g. Lamberti and Lettieri, 2009; Lamberti and Noci, 2012) and on SME internationalization (e.g. Terjesen et al., 2008; Evers, 2010; Colovic, 2013; Colovic and Lamotte, 2014) we used case studies for this research, which, given the lack of knowledge on our topic, was particularly suited to provide a thick description of these processes and to capture the complexity of the phenomenon (Andersson, 2004).

We identified several food manufacturing SMEs that fulfilled our criteria by operating in foreign markets. Four of them

eventually agreed to take part in the study. To preserve anonymity, we use pseudonyms for these companies. The first, “Cheese Co.,” based in Normandy, produces a range of local cheeses. The second SME, “Chocolate Co.,” is a chocolate maker from Western France producing a range of specialties, including a unique blue chocolate. The third SME, “Wine Co.,” is a wine producer in central France. The final SME, “Smoothies Co.,” is a manufacturer of fruit juice and smoothies in Paris. Table 1 shows the location, establishment date and specialist area of each SME.

As table 1 shows, although all the firms operate in the food industry, they differ in terms of size, age, and foreign sales. This certainly limits our study, as these differences might impact CSR and internationalization behavior to some degree. Nevertheless, we consider that the range of firms in our sample is satisfactory for our purpose because they share five key features: they are all SMEs, they are all economic (and not social) business ventures, they are manufacturers, they are in the same industry and they sell their products abroad. In particular, it was important to choose companies from the same industry, as previous research has pointed out that CSR practices are strongly shaped by the industry or sector in which the company operates (Dabic et al., 2016).

We chose a qualitative methodology because it allows us to collect rich, holistic data with a strong potential for revealing complexity (Evers and Knight, 2008). We collected data through semi-structured interviews with the CEOs and the marketing and exports managers of the four companies during the second half of 2013 and the beginning of 2014. We developed an interview guide comprising 35 questions before the data collection process. It covered various topics related to the characteristics of the company, its history, its understanding and practice of CSR, its internationalization and the influences between CSR and internationalization. We also conducted follow-up interviews to clarify certain points or to deepen understanding of company practices regarding CSR and internationalization. The interviews lasted between 45 and 90 minutes, and were recorded and fully transcribed.

We used several other data sources in addition to the interviews, including newspaper articles, corporate websites, company presentation material, and internal company documents. We systematically classified, read, and analyzed these additional

data sources to triangulate our data, thus increasing the validity of our findings.

We organized our data analysis in two stages. First we analyzed each case separately. We used conceptual grouping and thematic analysis (Miles and Huberman, 1984) to identify concepts, themes and patterns in the responses. We also wrote up a monograph or case story for each case. These documents were around 15 pages long, or 60 pages of text in all for the four cases. The text summarized the interview data as well as the key information from other data sources. In the second stage, each researcher read through the case stories several times, comparing the elements identified in the within-case analyses across all four cases (Silverman, 2013). We then compared our insights, discussed those for which our understanding differed, went back and forth from data to analysis, and finally agreed upon what we believe are the key findings of the cases. As mentioned previously, our goal was to better understand the relationship between CSR and SME internationalization.

## CASE SUMMARIES

### Cheese Co.

This company was founded in 1910. Initially, like other local farmers, the founder produced his own cheese and sold it on to refiners. By 1920, he had become a refiner himself and established his company in the town of Livarot in Normandy. In 1958 his son took over the company and developed the production by collecting milk from surrounding farms. The reputation of the company cheese began to spread, and it met with great success in Paris. Continuing the family tradition, the current company head, who took over in 1970, is the founder’s grandson. He undertook a vast modernization program and expanded production to include new types of cheese in addition to the traditional Livarot. The company is very proud of its Norman roots.

This is a medium-size company with nearly 250 employees. It produces four types of Normandy cheese—Livarot, Neufchâtel, Pont l’Evêque and Camembert. All its cheeses are protected by the Normandy AOC (Appellation d’origine contrôlée or Controlled Designation of Origin), a label attributed by the

**TABLE 1**  
SMEs studied

	Cheese Co.	Chocolate Co.	Wine Co.	Smoothies Co.
Products	Normandy cheeses	Chocolate and pastries	Wine	Fruit juice, smoothies, water, green tea, gluten-free cookies
Location	Normandy, North-Western France	Pays de la Loire, Western France	Centre-Val de Loire, Central France	Paris
Year established	1910	1946	2010	1995
Number of employees	235	14-20	16	6
Turnover (million euros)	50	1.5	0.6	2
Turnover realized abroad (%)	10	5	2	60

French government that certifies products produced in a particular geographic area in a specific way.

While the company has no formal CSR policy, CSR is an integral part of the organization. The company respects the people, the cattle, the ecosystem, and the environment, and aims to preserve the culture and traditions of Normandy. To create local community ties, the company initiates educational projects, encourages local talent and preserves the local environment and traditions. Three examples will serve to illustrate these endeavors. First, in 1999, one of the cheese factories burnt down, but the company decided not to lay off any employees while it was rebuilt, a period of more than three years. Second, the company has developed a series of practices ensuring fair treatment for its milk suppliers. Third, since 2013, the company has used RSD2 self-analysis software, developed by the Normandy AQM (Association for the Quality and Management), following ISO 26000 guidelines. The factory has won prizes for its efficient use of the software and subsequent action plan.

The company operated mainly in France until five years ago, when it started exporting. Today, exports make up around 10% of its sales. The reason for going abroad was the maturity of the French market resulting in limited development potential. The company currently exports to 25 countries.

With regard to CSR and internationalization, the marketing and sales director explains that foreign clients are increasingly demanding and cautious about CSR issues and sustainable development. The company's historical involvement in these issues has therefore been an asset for its internationalization. Foreign retailers often ask for quality and eco-friendly accreditations. Even more specifically, Sam's Club, an American retail warehouse chain owned by Wal-Mart, has asked the company to provide certification for respectful man management practices.

#### **Chocolate Co.**

Chocolate Co., founded in 1946, is a chocolate manufacturer located in Western France. As a family-owned firm, it uses the expertise of its master pastry chefs and chocolate makers to produce a specialty made of caramelized praline with almonds and hazelnuts, coated in blue chocolate to imitate the shape and color of the slates used for roofing in the region. Today, the company is run by a father and son team.

The company owns one store in a town center; a second store is operated by a franchisee in a shopping mall. In addition to these two shops, around 500 retailers (restaurants, chocolate stores, bakeries) sell the blue chocolate product. Chocolate Co. employs 14 people year-round, increasing to 22 during the peak season in December. During normal periods, there are 3 shop assistants in the main store, 5 workers in the laboratory, 2 secretaries and 4 workers in the manufacturing facility.

The company's CEO does not perceive CSR as part of company strategy or practice. Yet from the interviews and other data, it is clear that the company pays attention to all three dimensions of CSR—economic, environmental and social. Thus, the company has built a new manufacturing facility that reduces water consumption by 60%. In addition, employees receive yearly profit-sharing bonuses. The company has also chosen a fair trade chocolate supplier, despite the fact that the chocolate is more expensive.

As for internationalization, the company focuses on exports for the moment. Foreign sales make up only 5% of the company's turnover. The main destinations are Japan and the Middle East. The firm is also developing other Asian markets, such as China. For these markets, the most important enablers of internationalization were product quality and the French gastronomic tradition. Although the company has tried to penetrate other markets such as Scandinavia, it has come up against retailers' negative perceptions of blue chocolate and strict ethical requirements.

#### **Wine Co.**

Situated in the very center of France, Wine Co. is an SME which sells wine under the Châteaumeillant controlled designation of origin (AOC). AOC Châteaumeillant is the most recent AOC in France, approved in 2010, providing additional recognition for the area's wine production. Wine Co. produces "gray" and red AOC Châteaumeillant wine along with other Loire Valley wine.

In 2010, a farmer's son, originally from a small village near the Châteaumeillant area of the Creuse département, decided to become a wine producer in his native region. He had previously worked for 20 years at the Ministry of Agriculture, where he had learnt a great deal about the French food industry and government policy. He then worked for four years for INAO—the government institute responsible for creating and granting many French quality labels, including AOC. These four years acted as a transition between the civil service and entrepreneurship.

French wine is a unique product, intimately linked to the history of an area, the soil and nature. The company finds it perfectly natural to conserve the environment by reusing waste from the winemaking process as a fertilizer and avoiding the use of pesticides. All the company's staff consider it essential to preserve both nature and cultural heritage. The company bases its corporate identity on CSR practices such as eco-friendliness and ethical trade. It pays suppliers 60% above the market price, because it believes that this is a fair price. It only uses pesticides to treat plant disease. The owner promotes the socially responsible identity of his company for two main reasons: to protect the region where he grew up, and as part of his business strategy.

The company has called for help in its internationalization process from different public institutions. So far, it has taken part in wine fairs in England, the Netherlands and Belgium. It already has several customers in these countries, especially retailers, such as Delhaize in Belgium. In addition, it exports to Japan, where French wine is particularly popular.

The company is constantly looking at potential markets, such as Canada and the USA, attempting to fulfil the quality requirements of Canadian and American retailers.

The wine's quality and eco-friendly features improve its popularity in Belgium and the Netherlands. The company is also targeting other markets, such as Scandinavia, in which these aspects are also very important for consumers. In 2014 the company became the first to adopt a new French label: "Vin agri-éthique." This label guarantees environmental conservation, fair remuneration for all the actors along the supply chain, and wine quality. The owner explains that he "got the idea to launch ethical winegrowing to help the region's winemakers cope with

fluctuating grape prices.” This idea gradually developed to make CSR and ethics the company’s core values.

### Smoothies Co.

This company was set up in 1995 to produce natural fruit juices in individual packages that can be consumed any time, any place. The company’s founder worked in finance for a number of years and, after obtaining an MBA from a leading business school, decided to make a career change and launch his own business. The trigger was the fact that in the 1990s artificially flavored, highly sweetened sodas were available everywhere, while it was difficult to find a natural drink in an individual package in vending machines and corner shops.

Smoothies Co. first launched pure fruit juices. Unlike other juice producers, the company did not add anything to the juice, not even vitamins, considering that they spoil the taste of juice. The owner believed that people deserve natural, good-quality food and that obesity should not be encouraged with added sugar, flavors, colors and preservatives. Thus, the company’s mission was to contribute to people’s well-being by offering natural drinks at affordable prices. Sales were mostly in the home market. However, from the very beginning, the company bought fruit and produced the juice in different locations around the world. All its operations are supervised by a team of six at the company headquarters in Paris.

In 2009, the company launched a new product line, smoothies. This line was international from the very beginning, and 60% of all its sales are made abroad, in a number of different countries from Brazil to Japan. In addition to the fruit juice and smoothies lines, the company produces green tea drinks, natural mineral water and gluten-free cookies.

CSR is part of the company strategy, but not explicitly. The company produces natural beverages and supports a healthy life-style by maintaining affordable prices. It treats its employees with respect, and gives them appropriate training. On the environmental side, the company uses recyclable packaging and energy-saving technology.

When commercializing its products abroad, especially smoothies, the company communicates about its health focus and its fresh, natural products. Foreign customers require compliance with specific CSR principles. These requirements depend on the destination. Canada, the USA, and some European countries are the most demanding countries in this respect.

## Findings

Our findings indicate that SME social responsibility in the home country—France—seems to be motivated either by companies’ local roots (regional producers: Cheese, Chocolate, and Wine), or by the founder’s beliefs and convictions (the juice and smoothies producer). All four SMEs consider CSR to be a question of common sense and good citizenship. Indeed, they are all involved in environmentally friendly activities and organize economic and social projects to increase the wellbeing of their internal and external stakeholders (including recycling and efficient waste management, fair treatment of suppliers, appropriate training for employees or charitable projects within

the local community). The following verbatims illustrate the companies’ CSR commitment.

*“In 1999, one of our factories burnt down. It was a huge loss, but we did our best to keep the jobs. We offered the employees work in other factories we owned until the one that burnt down was rebuilt, in 2003. (...) We are part of a community and we have to think about everyone’s interests, not just our own.”* (CEO, Cheese Co.)

*“We had to choose between three chocolate suppliers. We chose [name of company] because of their involvement in sustainable development and fair trade.”* (CEO, Chocolate Co.)

*“For us, CSR is part of our identity, because business and society are closely linked.”* (CEO, Wine Co.)

*“It is possible to pay the grape producers fairly and still generate margins. We pay our suppliers 60% more than the market price. We pay them a fair price.”* (CEO, Wine Co.)

*“We have people that are happy to work for [name of company], who feel involved in the venture because they have a fair salary and are part of an eco-friendly strategy.”* (Sales director, Wine Co.)

*“People deserve healthy food. And drinks too. Not just cans of soda full of sugar. But it was hard to find natural, healthy, individually-packaged drinks at that time. We believed it was our mission to change that. To change people’s lives, in a way.”* (CEO, Smoothies Co.)

However, our findings suggest that the relationship between internationalization and CSR is more complex. One of the respondents argues:

*“Internationalization entails dealing with consumers differently and also dealing with different consumers. French consumers know us and we know their expectations. But dealing with foreign consumers is a different story.”* (CEO, Chocolate Co.)

Indeed, as they internationalize, all four SMEs face demands for compliance with various rules and regulations regarding CSR and business ethics. Since none of the four companies has a direct presence abroad, a sales office or a manufacturing facility for example, they internationalize by exporting. Indeed, exporting is a common entry mode for small-sized firms (Kalantaridis, 2004) as they usually lack the resources to establish a significant presence abroad (Buckley, 1997; Etemad, 2004). In the food industry, foreign retailers play an important role in SME internationalization, as they are the main buyers of food products (Maloni and Brown, 2006; Hartman, 2011). SMEs therefore have to negotiate with retailers rather than dealing directly with end-users.

Our study reveals that the CSR requirements imposed on SMEs depend on their destination regions and countries. The marketing director of Cheese Co. argues that “foreign consumers are increasingly demanding and vigilant with regard to CSR and sustainable development. They don’t only want to buy products from multinationals; increasingly they are looking for ethical, eco-friendly products.”

In particular, our respondents emphasize that CSR expectations are high in Canada, the USA, and some European

countries, such as Scandinavian countries and the Netherlands. This suggests that the institutional environment and consumer awareness regarding CSR differ from one country to another, resulting in retailers making different demands of SMEs. One of our respondents explains:

*“Foreign retailers are more demanding about quality labels than the French. Our company is not well-known abroad, so we must prove that we are worth working with.”*

Another respondent states that [Exporting]

*“is a much more complicated business and cannot be considered just as shipping goods from one destination to another. It is much more complex as there are regulations that have to be taken into consideration.”*

For example, an American retailer, Sam's club, asked Cheese Co. for a specific label guaranteeing that the company treats its employees well. Other SMEs we studied faced demands for environmental standards and fair trade principles, such as proof that their raw material suppliers behave ethically. Some SMEs are able to fulfill the importers' CSR requirements and sell their products abroad straight away. In other cases, they need time to obtain the necessary certifications or comply with CSR regulations. The cheese company provides a good example of this, as it took it considerable time to respond to the CSR demands of American retailers, delaying its entry onto the US market. CSR demands can sometimes be extremely stringent, dissuading SMEs from entering certain markets. For example, Chocolate Co. decided to export to Asian markets, which were less demanding in terms of CSR but prized the product's French origin and image.

On the other hand, all our respondents agreed that CSR can be an advantage when selling abroad.

*“Adopting good practices can increase our competitiveness abroad. It increases our ability to attract customers and create a positive image of the company.”* (Marketing Director, Cheese Co.)

Thus, the wine producer and, to a certain extent, the smoothie producer, use their socially responsible activities as a selling point giving them competitive advantage internationally. Wine Co. argues that CSR makes it easier to enter some European markets with high CSR expectations. This company makes CSR a central concern and chooses markets where such endeavors are appreciated. Furthermore, an extensive commitment to CSR entails higher operating costs, which leads the company to avoid entering markets where these costs cannot be balanced by higher product prices. Thus, CSR influences market selection and the company focuses on selling its products in places with high living standards where consumers can pay a price premium for “responsible and ethical” wine.

## Discussion

Before discussing our findings in detail, we would like to stress once again that our study focuses on the food industry, which is certainly one of the most closely scrutinized in terms of CSR, and also one that has great environmental impact (Aiking and De Boer, 2004). Because of this, SMEs operating in this industry face particularly strong CSR expectations, greater than in some

other industries. While we acknowledge this characteristic, and consequently the limited generalizability of our findings, we nevertheless believe that they provide interesting insights into the relationship between CSR and SME internationalization.

The findings outlined above clearly show that internationalization influences CSR practices, while CSR can also affect internationalization.

Internationalization influences responsible practices by SME because they have to comply with foreign standards and regulations. This suggests that internationalization impacts internal CSR processes and leads to compulsory adoption of such practices as a requirement for specific markets. This relates to the ongoing debate as to whether the adoption of socially responsible practices is voluntary (EU Commission, 2001) or a matter of enforcement by external actors (Hartmann, 2011).

Previous research shows that as firms internationalize they face pressure regarding CSR from the foreign institutional environment (Jamali, 2008; Yang and Rivers, 2009; Tan and Wang, 2011; Marano et al., 2017). Our findings confirm this, showing that in environments with strong institutions, there is a greater need to comply with CSR rules and regulations. Conversely, when institutions function poorly and institutional voids exist (Khana and Palepu, 1997, 2000; Doh et al., 2017) companies face little institutional pressure to demonstrate their responsible behavior. Thus, the chocolate company has opted to export to some Asian countries where it faced little pressure to adopt specific CSR practices.

In the case of food companies, the supply chain (Maloni and Brown 2006), particularly retailers (Hartmann, 2011), exerts strong pressure for proof of socially responsible practices. Because SMEs lack legitimacy in foreign markets, and suffer from the liability of foreignness (Zaheer, 1995; Kostova and Roth, 2002), they have to fulfil the demands of their international buyers if they are to sell their products abroad. The stakeholder approach (Freeman, 1984, 1994) suggests that firms should design their strategy to suit internal and external stakeholders. This implies that, when pursuing legitimacy in host countries (Suchman, 1995; Yang and Rivers, 2009; Jamali, 2010; Rathert, 2016), firms should acknowledge their responsibilities towards local stakeholders (Garriga and Mele, 2004) and meet their expectations. Our findings provide strong support for this assertion, particularly concerning CSR. Indeed, as small firms internationalize, their range of stakeholders expands to include those in foreign markets: foreign customers, governments, NGOs and other constituents. Therefore, strategic CSR is a way for the firm to acquire legitimacy and enhance its relationships with foreign stakeholders (Werther and Chandler, 2010). It is also a way to show commitment to international sales development. Table 2 shows the type of CSR-related pressures experienced by the four SMEs as they internationalized.

As table 2 indicates, the key stakeholders seem to be international retailers. This concurs with previous accounts of SME internationalization in the food industry (Hartmann, 2011). Depending on their country of operation, these retailers impose specific CSR requirements on SMEs, particularly in countries such as the USA, Canada or the Netherlands. These demands largely shape the socially responsible practices adopted by SMEs. The locus of CSR adoption therefore switches from internal



**TABLE 2**  
Sources of pressure for the adoption of CSR practices in international markets

Company	Sources of CSR related pressure in international markets		
	Institutions	Stakeholder expectations	Retailers (supply chain)
Cheese Co.	X	X	X
Chocolate Co.		X	X
Wine Co.	X	X	X
Smoothies Co.			X

factors, such as values, beliefs, and local roots, to external factors stemming from the foreign environment. Although foreign retailers negotiate directly with SMEs, their CSR expectations are the result of social dynamics in their own countries, involving consumers, the media, activists, local and national institutions and other actors. Thus, to develop foreign operations and legitimacy (Suchman, 1995), SMEs must cater to foreign stakeholders' expectations, as argued by Freeman (1984, 1994). These expectations mirror the institutional conditions in foreign countries (Yang and Rivers, 2009; Fiaschi et al., 2017; Marano et al., 2017). Our findings therefore suggest that internationalization shapes CSR, in terms of specific practices and the extent to which CSR becomes part of the firm's strategic thinking. For longstanding, traditional firms, sometimes characterized by organizational inertia (Hannan and Freeman, 1984), internationalization is a powerful trigger for change, adaptation, and the renewal of institutionalized CSR practices. The adoption of specific CSR practices also becomes a way of achieving legitimacy in foreign markets (Hah and Freeman, 2014).

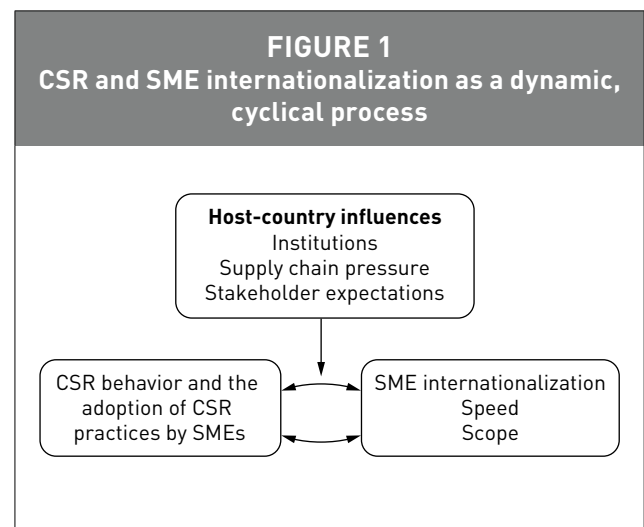
Our findings strongly indicate that, just as internationalization shapes CSR, CSR influences internationalization. In particular, our findings demonstrate that CSR strongly influences the scope (geographical dispersion) and speed of internationalization, two of the three dimensions defined by Zahra and George (2002).

The scope of internationalization refers to the countries in which a firm sells its products. As shown by our findings, a firm's socially responsible activities prior to and during the internationalization process, determine in which countries they can operate. Our interviewees explain that they chose a particular country because they were able to meet its CSR expectations. For example, the chocolate producer exports to Asian markets, some of which are characterized by institutional voids (Khanna and Palepu, 1997), whilst the wine producer selected countries that would recognize its CSR policies and avoided those that do not value CSR sufficiently. As the literature emphasizes, the scope (geographical dispersion) of internationalization significantly influences a firm's organizational choices (Zahra and George, 2002; Oviatt and McDougall, 2005), overall strategy (Porter, 1990), learning (Johanson and Vahlne, 2009) and dynamic capabilities (Teece, 2014). By extension, we argue that, because CSR influences the scope of internationalization, it impacts the firm's overall effectiveness and performance.

Our findings also suggest that CSR adoption impacts the speed of internationalization. Responding to specific CSR requirements takes time, and consequently delays entry to a foreign market. On the other hand, having strong CSR capabilities, and being able to document them for foreign stakeholders, speeds up entry to international markets. For example, when a retailer can choose between the products of several SMEs, then, other things being equal or similar, it will opt for the one that is best able to demonstrate its involvement with CSR and compliance with CSR standards. Thus, internationalization speed, which has been under particular scrutiny in the last decade (De Clercq et al., 2005; Oviatt and McDougall, 2005; Chetty et al., 2014) appears to depend on a firm's CSR activities. Its ability to respond quickly to specific demands will considerably speed up the internationalization process, which will eventually lead to greater learning (Teece, 2014) and more internationalization.

To sum up, our findings indicate that CSR influences SME internationalization greatly, and that it is also significantly impacted by this process. This suggests then that the interactions between CSR and internationalization should be considered as a dynamic, cyclical process and that, when SMEs fully understand this process and handle it well, they will tend to perform better in foreign markets.

Figure 1 shows this cyclical process. It also depicts the key factors influencing the relationship between CSR and SME



internationalization that our study identifies. This model is not intended to be tested as such, but could form the starting point for future studies of the relationship between CSR and SME internationalization.

### Conclusion

In this research, we analyzed the influences of CSR on SME internationalization and of internationalization on the CSR of SMEs. Our findings enrich the internationalization literature by showing that CSR is a crucial element in the internationalization process, especially in industries that are closely scrutinized by consumers, and where such practices have become ubiquitous. Internationalization compels SMEs to adopt specific CSR practices and respond to stakeholder expectations abroad. On the other hand, CSR strongly influences the scope and speed of internationalization, as it has a direct impact on which countries SMEs can enter and when.

Like any academic research, our study has important shortcomings that limit the generalizability of our findings while indicating directions for future research. First, our sample consists of four food industry SMEs. While we deliberately chose this industry because of its involvement in CSR and the public scrutiny it attracts, the generalizability of our findings to other industries and sectors is limited. Second, the origin of the firms can also be a source of bias. France being one of the biggest countries and food producers in Europe, a comparative study with different types of countries would improve understanding of the relationship between CSR adoption and SME internationalization. Third, although all of the four companies in our sample are SMEs and manufacturers in the same industry, they also differ in important ways, such as in size, age, and international experience. These differences reduce the generalizability of our findings. Future studies should investigate more companies of similar characteristics. Fourth, we did not analyze the internal dynamics of the decision-making process for adoption or otherwise of specific international CSR practices. It would indeed be interesting to understand how a firm makes such decisions and what factors it takes into account in the process. Lastly, our study does not analyze in depth the institutional conditions in host countries or their impact on CSR adoption by SMEs. Further studies could pursue this investigation, focusing specifically on such conditions.

Our study has important implications for managers of small and medium-sized companies wishing to venture abroad. Indeed, these companies should carefully consider CSR in their strategies, particularly with regard to internationalization. Developing “CSR capabilities” should therefore be an integral part of these companies’ internationalization strategies.

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