

## RESEARCH ARTICLE

# Motivations for social and environmental reporting in Spanish SMEs: An inductive content analysis

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## Abstract

This study aims to add to the knowledge on the motivations driving SMEs in Spain to engage in voluntary social and environmental reporting (SER). We apply inductive content analysis to information sourced from interviews with SME owner-managers, complemented with CEO letters. While the paper confirms that there are several co-existing motivations for SER in SMEs, inconsistencies are identified between the information disclosed in the two aforementioned sources. Overall, stakeholder engagement seems to be the most important motivation for reporting. Contrary to what the literature to date has shown about the relevance of SME owner-managers' personal values when it comes to disclosing social and environmental information, our findings suggest that individual beliefs and values are not the main factor driving SER. Results also show industry and firm size are determinants of motivations for SER. The study thus contributes to the literature on this underexplored topic by providing insights into the motivations for SER in SMEs. An understanding of these motivations is pivotal to help policymakers focus their efforts on implementing appropriate institutional reforms in this emerging field.

## KEYWORDS

CEO letters, interviews, motivations, small and medium-sized enterprises, social and environmental reporting

## 1 | INTRODUCTION

Small and medium-sized enterprises (SMEs) account for approximately 90% of all businesses worldwide and play a crucial role in economic,

social and environmental terms (ILO, 2019). SMEs are responsible for more than 60% of the overall environmental impact in the EU and up to 70% of industrial pollution worldwide (Journeault et al., 2021). However, despite this data, reporting by SMEs on their social and environmental impacts, referred to as social and environmental reporting (SER) in this paper, is still an emerging field. Nowadays, SMEs produce just 12.1% of the total number of sustainability reports shown in the GRI (Global Reporting Initiative) Database, with 87.9% coming from large organizations. In most countries of the world, SER is still voluntary for SMEs (Dias et al., 2019; Thorne et al., 2014),

**Abbreviations:** CEO, chief executive officer; CSR, corporate social responsibility; CSRD, Corporate Sustainability Reporting Directive; EFrag, European Financial Reporting Advisory Group; ESG, environmental, social and governance; EU, European Union; GRI, Global Reporting Initiative; HRM, human resource management; ILO, International Labour Organization; SER, social and environmental reporting; SMEs, small and medium-sized enterprises; UGGC, Unified Good Governance Code; UNGC, United Nations Global Compact.

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which may explain why some SMEs do not disclose the sustainability or social and environmental responsibility practices they have in fact engaged in (e.g., Lee et al., 2016).

Analysing the motivations driving SER is important due to the complex and multifaceted nature of this phenomenon (Hossain et al., 2017) and its implications in terms of disclosure (Dobbs & van Staden, 2016). While there is a good deal of research that explores motivations for SER in large companies (e.g., Dobbs & van Staden, 2016; Gunawan, 2015; Ruiz-Lozano et al., 2022; Tilt et al., 2021), there is relatively limited research on the SER motivations of SMEs (Calace, 2014; del Baldo, 2015). Reasons for SER among large firms cannot be directly extrapolated to SMEs. Indeed, SMEs have different dynamics that make them intrinsically distinct from large firms (Tilley, 2000). In the context of SMEs, a vast literature (e.g., Das et al., 2019; Eweje, 2020; Font et al., 2016; Grimstad et al., 2020; Lee et al., 2016; Westman et al., 2018) has studied the motivations for the implementation of corporate social responsibility (CSR) practices, but no studies have addressed the issue of motivations for SER. In the line of research focusing on SER in SMEs, it is worth citing the study by Rodríguez-Gutiérrez et al. (2021), which delves into cost/benefits related to the evaluation of SER standards among SMEs but ignores the motivations that may lie behind the decision to report. Thus, the question of what makes firms voluntarily adopt SER appears to be a promising field of research (Bonsón & Bednárová, 2015), particularly in the SME context.

Much of the related research analyses companies' motivation for SER based on observable corporate outputs such as reporting (outside-in approach). Engagement-based studies (inside-out approach) draw on interviews to offer valuable insights into the views of reporters (Adams, 2002; Belal & Owen, 2007). Qualitative research is a suitable way to extend the understanding of how and why emergent research fields are developed (Bryman, 2006). Accordingly, the main aim of this paper is to empirically study the underlying motivations for SER in SMEs; specifically, we analyse the motivations to embark on SER. Compared to large firms, the behaviour of SMEs is more strongly driven by the motives of the owner-managers (Wickert et al., 2016). Accordingly, we conduct interviews with a set of SME owner-managers and complement this approach with the analysis of corporate outputs (CEO letters). By carrying out an inductive content analysis, we seek to gain a deep understanding of the motivations for SER in Spanish SMEs.

The Spanish context offers an ideal opportunity for an in-depth study focused on motivations surrounding SER in SMEs, due to the dynamic role of the Spanish government in fostering SER among firms. Spanish SMEs have been actively developing social and environmental practices over the last decades (e.g., Husillos & Álvarez-Gil, 2008; Moneva & Hernández-Pajares, 2018). Although the level of SER among SMEs is generally low around the world (11.2% of all GRI-reporting firms worldwide are SMEs), the situation is better in Spain, where 22.9% of signatory firms are SMEs (Rodríguez-Gutiérrez et al., 2021).

The contribution of this research is twofold. First, at the academic level, this study adds important information to the underexplored area

of motivations for SER in SMEs, offering fine-grained insights from a double perspective: interviews with owner-managers and CEO letters from leading sustainability-oriented SMEs. Second, at the practical level, an understanding of the motivations for SER is pivotal to help policymakers focus their efforts on implementing the appropriate legislative and institutional reforms (Cooper & Owen, 2007) needed to affect reporting practice. This issue is timely due to the very recent publication of the revision of Directive 2014/95/EU on Non-Financial Reporting, which gave rise to the proposal for a modified Corporate Sustainability Reporting Directive<sup>1</sup> (CSRD hereafter). The aim of the revised Directive is to solve some of the problems of current sustainability disclosures in order to provide market participants with useful and relevant information for their investment decisions (Monciardini et al., 2020), even for SMEs listed on EU regulated markets. SMEs will be able to opt-out during a transitional period; that is, they will not have to adhere to the CSRD until 2028. Around the same time, the European Financial Reporting Advisory Group (EFRAG) also endorsed the first set of EU Sustainability Reporting Standards. We are therefore in the midst of an era of an explosion of SER regulation.

The remainder of this paper is organized as follows. In the next section, a literature review is presented. The research design is described in Section 3, while the main results are presented and discussed in Section 4. Lastly, some final comments are offered in Section 5.

## 2 | LITERATURE REVIEW

SMEs differ from large firms in a number of critical ways. Some SME characteristics could directly affect the SER strategy in the firm; these include a short-range management perspective, lack of trained staff, insufficient financial capital, difficulties in accessing finance, low visibility and lack of perception about the benefits of SER (Eweje, 2020). Another feature of SMEs is the fact that management teams are relatively small and strongly influenced by the owner-managers, which implies that decision-making in this type of firm may be shaped by the owner-managers' personal values rather than by long-term evaluation and holistic planning (Westman et al., 2018). Small firms have characteristics that can help promote the internal implementation of social and environmental responsibility practices in central business activities but may constrain external communication about those activities (Baumann-Pauly et al., 2013). Another important factor explaining the low level of SER in SMEs is the lack of mandatory reporting requirements for such firms (Dias et al., 2019; Thorne et al., 2014).

As commented in the Introduction section, a relevant issue within SER research is the exploration of why some SMEs choose to report, when in most countries, including Spain, reporting is currently voluntary (Dobbs & van Staden, 2016). Indeed, the actual level of a

<sup>1</sup>European Parliament legislative resolution of 10 November 2022 on the proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting (COM(2021)0189 – C9-0147/2021 – 2021/0104 (COD)).

company's SER depends on the motivation of its management (Hossain et al., 2017). In early studies of SER, the analysis of motivations referred mainly to economic considerations articulated around the business case, based on the idea that SER initiatives provide short- and long-term benefits to firms, such as the creation of financial value, the attraction of long-term capital, the achievement of attractive financing conditions, the improvement of reputation or risk awareness. Stubblefield Loucks et al. (2010) highlighted the relevance of the business case as a first step to convince SMEs about the need to engage in sustainability. These days, various different motivations for SER can co-exist, which may explain variations in reporting practices (Mahmood & Uddin, 2021). Therefore, there is a need to explore competing approaches when analysing corporate SER motivations in different contexts (Brown & Fraser, 2006).

Legitimacy, stakeholder and institutional theories have been put forward in answer to the question of why a firm would decide to start reporting social and environmental information. First, according to legitimacy theory, organizations produce corporate reports to build the perception in society that their business activities are aligned with social norms. Second, under stakeholder theory, SER is provided to satisfy the diverse needs of different stakeholders, including investors, employees, suppliers, consumers or labour unions, among others. Legitimacy theory and stakeholder theory are often complementary (Dobbs & van Staden, 2016). Third, in relation to institutional theory, SER responds to institutional pressures that may come from regulatory bodies (e.g., the state and/or professional bodies), societal patterns of expectations or relevant organizations (Adhariani & de Villiers, 2019). Drawing on institutional and legitimacy theories, it has been suggested that the adoption of SER may be related to a mimetic effect prompted by pressure from regulatory bodies and pressure related to the need to improve corporate reputation (Alonso-Almeida et al., 2015). In view of the previous arguments, it can be claimed that SER is too complex to be supported by a single theory (Garde Sánchez et al., 2017) and a better understanding of SER practices can be gained by considering more than one theory.

Taking into account these theoretical approaches, Buhr et al. (2014) offered a comprehensive list of reasons for SER, including moral and ethical duties, competitive advantage, a desire to be part of voluntary standards (such as GRI), peer and industry pressure, transparency, image management, social pressures, risk management, financial benefits from investor reactions and regulation.

From an empirical standpoint, Tilt et al. (2021) investigated the main motivations for sustainability reporting in a sample of firms in sub-Saharan Africa, finding that business benefits (reputation), regulation (transparency), internal pressures 'from top-level management and growing stakeholder pressure' (p. 286) were the motivations most often cited by managers. Creating a positive image was found to be 'the strongest motivation for Indonesian companies to disclose their social activities' (Gunawan, 2015, p. 547), followed by 'acting accountably or responsibly in reporting' and 'complying with stakeholders' demands' (Gunawan, 2015, p. 548). In Spain, Ruiz-Lozano et al. (2022) found, in a sample of state-owned-enterprises, that their

main motivation for sustainability reporting was gaining symbolic legitimacy, but without true commitment to increasing transparency.

Qian et al. (2020) reported, in a study conducted in the Indo-Pacific region, that corporate sustainability reporting is generally driven by normative and regulatory stakeholder pressures. These authors found that 'the most salient motivations for the uptake of sustainability reporting [were] reputational consideration, regulatory requirements, and top management commitment' (p. 12). Similarly, in the study by Yu and Rowe (2017), regulatory requirements and management awareness were found to be the main motivations for SER.

The key motivations for voluntary reporting of SER, according to the study by Dobbs and van Staden (2016) conducted in New Zealand, were community concerns and shareholder rights. Thorne et al. (2014) provided insight into Canadian companies' motivations for voluntary reporting, finding that, in line with a stakeholder perspective, firms adopt SER in response to pressure to communicate with their stakeholders.

In the specific context of SMEs, Calace (2014) found in a sample of Italian firms that supply chain, market and business relationships were the most important reasons to disclose social and environmental information. In a case study of an Italian SME, del Baldo (2015) reported that transparency and a willingness to comprehensively communicate the social and environmental value derived from the management of corporate activities were the main motivations for embarking on SER.

Overall, theoretical and empirical research on this topic has primarily dealt with large enterprises, neglecting the motivations or reasons that may guide the adoption of SER in SMEs. The literature has shown that there are co-existing motivations for SER (Mahmood & Uddin, 2021). It should also be highlighted that previous research suggests that the country where the firm is located has a significant effect on SER and that there is a set of characteristics that may influence the likelihood of it adopting SER, such as capital intensity, planned strategies or the attitudes of senior managers (Thorne et al., 2014). In this respect, it should be noted that corporate governance, a subject currently of major interest in all types of companies, is the structure based on which the tool of CSR enables the functioning of a more sustainable form of business (Zubeltzu-Jaka et al., 2018). In Spain, the release of the Unified Good Governance Code (UGGC), which includes 58 central recommendations for public companies related to statutes and general meetings, boards of directors, directors, remuneration practices and committees, has brought corporate governance regulation in line with international standards (Núñez Izquierdo et al., 2021). The ownership structure, which is one of the core internal governance mechanisms, has been suggested as an important driver of SER (Dienes et al., 2016). Ownership concentration guarantees the presence of shareholders that have a detailed understanding of the running of the company (as is the case with owner-managers in SMEs), and they tend to advocate SER to gain private benefits from being identified with a sustainable firm (García-Sánchez et al., 2016). All of this justifies the focus of this paper on SMEs in Spain, a country where SER is actively encouraged.

TABLE 1 Profile of the SMEs.

SME	Industry	Size	Legal form	Net revenues <sup>a</sup> (€)
1	Food and beverage	Small	Cooperative	13,146,126
2	Consultancy services	Micro	Limited liability company	411,467
3	Food and beverage	Small	Limited liability company	2,718,840
4	Transport services	Medium	Public limited company	54,548,599
5	Construction and real estate	Medium	Public limited company	20,699,333
6	Consultancy services	Micro	Limited liability company	631,197
7	Consultancy services	Micro	Limited liability company	312,475
8	Consultancy services	Micro	Limited liability company	170,438
9	Transport services	Medium	Public limited company	43,228,711
10	Construction and real estate	Micro	Limited liability company	576,627
11	Social and health services	Small	Federation of companies	3,336,878
12	Transport services	Medium	Public limited company	9,316,770
13	Social and health services	Medium	Cooperative	934,099
14	Construction and real estate	Medium	Limited liability company	5,262,936
15	Social and health services	Medium	Limited liability company	350,906

<sup>a</sup>Average over the years 2018–2020.

Source: Authors' own work with data collected from the Sistema de Análisis de Balances Ibéricos (SABI) database.

### 3 | RESEARCH DESIGN

#### 3.1 | Empirical setting

In Spain, more than 99% of firms are SMEs, and they employ more than 60% of the total workforce (Ministry of Industry, Trade and Tourism, 2019). As commented above, Spanish SMEs have been active in the development of sustainability practices, although they still have a lot of work to do in SER (Moneva & Hernández-Pajares, 2018). The Spanish context provides a unique scenario for developing CSR and SER, due to the active role the Spanish government has played in supporting these activities since the early 2000s (see Archel et al., 2011; Díaz-Díaz & García-Ramos, 2015, and Spanish Government, 2018, for a review of activities). In 2011, the first Spanish law (Sustainable Economy Law 2/2011) requiring companies to disclose sustainability information came into existence. EU working papers cited this law as a precedent of Directive 2014/95/EU (European Commission, 2013). Currently, large Spanish firms are required to provide sustainability information under Law 11/2018 (Spanish Government, 2018), which transposed the 2014 Directive, with this law being more demanding than the EU Directive. For example, from 2021 onwards, the legal threshold for compulsory reporting went from firms with more than 500 workers (as is the case under the Directive) to firms with more than 250 workers (Spanish Law). At the time of writing this paper, SMEs are excluded from the regulation, meaning this practice is voluntary for such firms until 2028 according to the CSRD.

For this study, SMEs were selected from among those that had their headquarters in Spain and provided a sustainability report listed in either of the most prominent sustainability reporting databases (GRI and/or United Nations Global Compact [UNGC]). We contacted

all firms that met these requirements, and 15 eventually agreed to participate in the study.

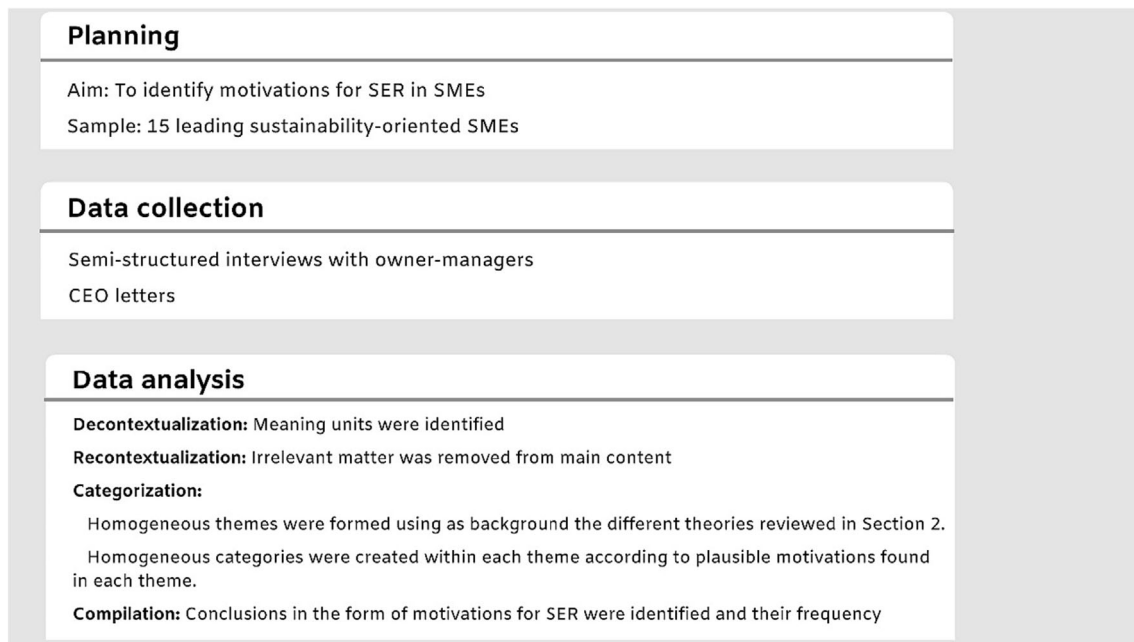
The analysed firms come from five industries and differ in size<sup>2</sup> and legal form, as Table 1 shows.

SME owner-managers were the target of the interviews. This decision was based on recent studies such as those by Das et al. (2019) or Eweje (2020), which argue that owner-managers are the key drivers of CSR (and by extension of SER) in SMEs. As will be explained later, we also relied on CEO letters to explore the motivations behind SER in the sample of firms.

#### 3.2 | Methods

In this paper, we performed an inductive content analysis to examine the motivations leading sustainability-oriented SMEs to embark on SER. An inductive content analysis is a research method used for the subjective interpretation of the content of text data (this data could be in verbal form obtained interviews) through the systematic classification process of coding and identifying themes or patterns (Hsieh & Shannon, 2005). Indeed, this approach is characterized by the search for patterns and coding categories that are derived directly and inductively from the raw data (Malik & Lenka, 2019). The design and main steps of the method are detailed in Figure 1.

<sup>2</sup>This paper uses the EU classification of SMEs as micro, small and medium (European Commission, 2015): First, micro firms are those that employ fewer than 10 persons and have either an annual turnover not exceeding EUR 2 million or an annual balance sheet total not exceeding EUR 2 million; second, small firms are those that employ fewer than 50 persons and have either an annual turnover not exceeding EUR 10 million or an annual balance sheet total not exceeding EUR 10 million; and, third, medium firms are those that employ fewer than 250 persons and have either an annual turnover not exceeding EUR 50 million or an annual balance sheet total not exceeding EUR 43 million.



**FIGURE 1** Inductive content analysis design. Source: Adapted from Malik and Lenka (2019, p. 726).

Inductive content analysis has been widely used in other research fields, such as health sciences (Kyngäs, 2020). However, it has recently been incorporated into diverse branches of the social sciences to explore areas such as digital marketing communication (Du Plessis, 2017) and motivations for human resource management (HRM) (Malik & Lenka, 2019). It has even been applied in the field of SER, in recently published studies such as the one by Adapa and Fisher (2020).

The data collecting process was based on two sampling units: interviews with owner-managers and CEO letters of leading sustainability-oriented Spanish SMEs. First of all, the method involved conducting semi-structured interviews with the corresponding owner-managers of the SMEs (Qu & Dumay, 2011). Inductive content analysis is a valid method for analysis of interview texts as it works well with texts of different lengths and is also sensitive to context in those texts (Schamber, 2000). The interviews provided an opportunity to delve into different nuances and interpretations of management motivations in a real-life context (Yin, 2013). We decided to use this engagement approach as it offers the advantage of access to reporters' direct opinions, which may offer valuable insights into the decision-making processes related to SER in firms (Belal & Owen, 2007; Dobbs & van Staden, 2016). A total of 15 semi-structured interviews were conducted between October 2020 and June 2021. The main issues discussed in the interviews are listed in Appendix A. The questions in the interview were aimed at examining the motivations for SER in SMEs. In an effort to maintain a certain degree of spontaneity, characteristic of semi-structured qualitative interviews (Berg & Lune, 2012), we initially contacted the interviewees and let them know the general objective of the research without revealing specific questions, to prevent them preparing the answers in advance. To deal with ethical issues, we provided them with information explaining the procedure, asked permission for

recording and assured data confidentiality. Each semi-structured interview was administered to owner-managers at their place of work by two or three members of the research team and took approximately 1 h to complete. One of the team members acted as interviewer and the other(s) as observer(s) to ensure consistent interviews. The interviews were all recorded and transcribed (Berg & Lune, 2012).

In order to take a more holistic approach to the topic under study, the analysis of the interviews was also informed by the insights derived from alternative documentary sources that the researchers had accessed in the research process (Adams & McNicholas, 2007). Specifically, we analysed the CEO letters, as they may be considered public evidence as opposed to the private reasoning offered in the interviews, thereby introducing an outside-in approach to SER (Dobbs & van Staden, 2016). These CEO letters provide a summary of the CSR activities, and they allow us to evaluate the 'motivating factors and pursued outcomes for organizational concerns and activities' (Aggerholm & Trapp, 2014, p. 239); indeed, they tend to be the most influential as well as the most read section of the reports (Arvidsson, 2019; Mäkelä & Laine, 2011).

As stated in the Introduction, the lacuna in the field of SMEs' motivation for SER prompted the adoption of an inductive content analysis focus (Schamber, 2000) in interviews (Fereday & Muir-Cochrane, 2006). Following the methodological design of Malik and Lenka (2019), the inductive content analysis of the data entailed four steps: decontextualization, recontextualization, categorization and compilation. Thus, the transcripts of the interviews were read several times in an interpretive and reflective way (Miller & Crabtree, 1999) by the three authors of this work. The authors met several times to reflect on the data periodically, to identify key themes and to remove non-relevant issues—recontextualization. We created information



thematic codes (Braun & Clarke, 2006), themes, which were later manually assigned to the empirical data in order to identify response patterns among the units of analysis—categories. This process of categorization made it possible to reduce the information and made the data more accessible and homogeneous (Berg & Lune, 2012). To assure the reliability of the coding process (O'Connor & Joffe, 2020) inter-researcher coding comparison was periodically carried out. The insights derived from the interviews allowed us to reduce and cluster information so that SMEs' motivations for SER could be explored through the identification of themes. Different rounds of analysis were carried out by the research team to guarantee the validity and reliability of the findings.

The last step, the compilation of our main findings, allowed us to draw conclusions about the motivations for SER identified in the analysed SMEs, and their frequency in both the interview transcripts and CEO letters. Also, given the heterogeneity of the sample, a sub-analysis of firm size effect and type of industry were also incorporated to capture possible differences among firms regarding motivations for SER.

## 4 | RESULTS AND DISCUSSION

### 4.1 | Motivations for SER in SMEs: insights from interviews

Using inductive content analysis, the insights into motivations for SER identified in the first phase of the analysis (interviews with owner-managers) can be grouped into five main themes: stakeholder engagement, legitimacy and institutional pressures, competitive advantage, organizational benefits and individual beliefs and values. According to the United States General Accounting Office in its seminal book *Content Analysis: A Methodology for Structuring and Analyzing Written Material*, 'themes are probably better suited than sentences to coding open-ended questionnaires because a theme can include the several sentences that are commonly a response to such questions' (Crowley & Delfico, 1996, p. 27).

Our findings confirm the presence of multiple co-existing motivations in SMEs when making the decision to report, in line with Mahmood and Uddin (2021). Some of these motivations play a pivotal role, as we will discuss later. These themes include a total of 22 categories of plausible motivations, covering specific elements of each theme. We also use inductive content analysis to calculate the frequency distribution of the identified categories, which is included in Table 2, since content analysis serves 'both as a secondary observation tool for identifying variables in interview texts, and as an analytic tool for assigning variables to categories in coding' (Schamber, 2000, p. 737).

#### 4.1.1 | Stakeholder engagement theme

Stakeholder engagement motivations are clearly the most common reasons for SER, as stated by SMEs' owner-managers. Indeed, Johnson and Schaltegger (2016) considered stakeholder theory the

**TABLE 2** Motivations for SER in the analysed SMEs.

Themes	Categories: plausible motivations identified within each theme (frequency in the interviews; frequency in the CEO letters)
Stakeholder engagement	Meeting stakeholder needs and demands (10; 4)
	Improving relationships with customers (2; 1)
	Improving relationships with employees (7; 2)
	Improving relationship with the community (1; 3)
	Commitment to stakeholders (3; 1)
	Improving trust with stakeholders (2; – <sup>a</sup> )
	Changing the perception of relevant groups (1; –)
	Shared value creation (7; 1)
	Transparency (9; 6)
	<b>Total (42; 18)</b>
Legitimacy and institutional pressures	Legitimacy (10; 2)
	Showing alignment with societal values (2; 4)
	Pressure from external agents (1; –)
	Anticipating possible future regulations (4; –)
	Imitation of other companies (4; 1)
	Adaptation of activities and goals to current social demands (1; 1)
	<b>Total (22; 8)</b>
	Competitive advantage
Improving reputation and image (9; –)	
Improving performance and profit (5; –)	
<b>Total (22; –)</b>	
Organizational benefits	Enhanced knowledge of the company (business strategy redefinition) (11; 1)
	Continuous improvement (organization and coordination) (9; –)
	<b>Total (20; 1)</b>
Individual beliefs and values	Moral duty to report (8; 4)
	Return to society of the value generated (3; 1)
	<b>Total (11; 5)</b>

<sup>a</sup>The symbol – in the frequency in CEO letters means that this category was not identified inductively in the CEO letters data.

Source: Own elaboration.

prevailing theory in the CSR literature focusing on SMEs. In that respect, Thorne et al. (2014) found, in a sample of Canadian firms, that the issue of CSR reports arose mainly in response to stakeholders' scrutiny. Our findings corroborate the predominance of the stakeholder theme, but we have found some contradictory evidence to

explain the role of specific groups in supporting the SER decision. Thus, our results show that 'Meeting stakeholder needs and demands' holds the second highest position (together with 'Legitimacy') in the overall ranking of categories reported by SMEs. That is, the general tenet of stakeholder theory is widely supported by SMEs' owner-managers (I1, I4, I5, I10, I11, I14 and I15). It is worth noting the clear description given by I14 about the role of relationships with stakeholders and how to engage with them: 'We identified stakeholders, then identified relevant aspects, and decided how to communicate with them—through dialogue, collaboration or only with information'. Furthermore, I14 explained the role of the firm's CSR department in this process, which is an indication of its interest in supporting all the needs of its stakeholders: 'This is managed directly by the CSR department; monitoring is carried out. We also have our bases for managing CSR and one of them is the system of action with stakeholders, which is spearheaded by the CSR department; all area heads are asked to provide us with data on all stakeholders and we in CSR contact them—the CSR department handles the interaction to avoid any kind of bias and ensure the information arrives in its entirety'. These findings support prior literature (e.g., Grimstad et al., 2020; Vázquez-Carrasco & López-Pérez, 2013) highlighting that SMEs tend to have close relationships with stakeholders. The issue of stakeholders' expectations is also raised: 'Expectations of stakeholders that you can't disappoint (referring to the report)' (I10).

'Transparency' has also repeatedly appeared among the identified categories, occupying third position, with SER being understood as a tool for stakeholder management to show transparency. For instance, I5 concluded that 'Preparing the report helps us in this transparency with all stakeholders, or interested parties, partners, brands and even the end consumer' while I11 explained that 'It's good to always report, because you end up demonstrating what you do with full transparency...'. Likewise, I9 emphasizes the importance to firm identity in the following terms: 'The report is important because it highlights what we do within the company, it is a way of communication, a vehicle for showing what we do'. In this regard, del Baldo (2015) reported that transparency was one of the most important motives for choosing to report social and environmental impacts in an Italian SME. In addition, in the study by Thorne et al. (2014), 80% of sampled firms agreed on the statement that they issued CSR reports as part of an 'overall corporate strategy of full transparency'. 'Shared value creation' is also a frequent reason given to explain engagement in SER. In this sense, for the SMEs in our study, it is not only their stakeholders that are important, but also the creation of value for each of them: 'The most important thing for us is the creation of shared value. We understand that establishing social responsibility and sustainability policies represents an advantage for all of us who are part of this company, including stakeholders' (I14); similar explanations were offered by I10, I11 and I14.

By contrast, in last position of all the reasons for engaging in SER offered by the SMEs' owner-managers (categories), we find references to some specific stakeholder groups. Surprisingly, 'Improving relationship with the community' is the least common category in this theme, with 'Improving relationships with customers' cited as a reason only

slightly more frequently. Thus, our findings differ from prior literature (e.g., Dobbs & van Staden, 2016; Grimstad et al., 2020; Vázquez-Carrasco & López-Pérez, 2013) claiming that firms tend to attach great importance to the local community in the development of sustainability activities. Although there is some literature that points to the demands of larger customers in the supply chain as one reason for reporting (Johnson & Schaltegger, 2016), this is not the case for the SMEs taking part in our study. However, one exception is worth noting: I2 claimed that 'when you attend meetings with potential large customers, if you have implemented sustainability principles and you can demonstrate them in a report, it gives you an advantage in the selection process'. Our results also conflict with those of Borga et al. (2009, p. 169), when they concluded 'enterprises (even small or artisan) that are placed nearer to the final consumers seem to be more interested in adopting socially responsible behaviours and more aware of the benefits generated by an effective communication strategy'. Overall, the gap between these different reasons explains why the analysed SMEs are likely to take a more overarching approach to meeting stakeholders' needs rather than focusing on any specific group, reducing the risk of being overly specific.

#### 4.1.2 | Legitimacy and institutional pressures

In the ranking of themes highlighted by SMEs in the texts analysed, legitimacy and institutional pressures is in second position, along with topics related to competitive advantages. Specifically, 'Legitimacy' as a motivation for reporting is in second place along with 'Meeting stakeholder needs and demands', as commented above. It was included in the reasons for reporting cited by I1, I2, I4, I6, I9, I10, I13 and I14. These results corroborate the relevance of both theoretical frameworks: stakeholder and legitimacy theory (Dobbs & van Staden, 2016; Moneva & Hernández-Pajares, 2018). It should be noted that legitimacy was explicitly identified as the most important reason for reporting by I13 'The most relevant reason [for reporting] is that it legitimizes us in the eyes of our stakeholders' and I9 'If I had to choose just one reason why I report, it would probably be legitimacy with stakeholders'. In reference to reporting as a tool in the firm's legitimacy strategy, I4 concludes: 'This is one of the cornerstones of the company's sustainability strategy. It is therefore essential to be able to demonstrate to all stakeholders, not only to our shareholders, but also to our city, that our mode of transport is sustainable'.

However, it is interesting to note that institutional pressures (under the category 'Pressure from external agents') are only considered in a small number of cases, lying in last position in the ranking of reasons offered by SMEs' owner-managers. Thus, institutional theory is not a prevailing framework explaining why the analysed SMEs choose to report social and environmental information. The related literature has highlighted the influence of national context components (including legal, regulatory and professional structures) on SER (Adhariani & de Villiers, 2019), but the results of our study do not support this. In fact, SMEs' owner-managers rarely claim to be influenced

by other firms involved in SER ('Imitation of other companies'), mimetic pressure and 'Pressure from external agents'. Aerts and Cormier (2009) found that mimetic and coercive forces determined imitation environmental reporting practices at the intra-industry level in Canada, France and Germany. The limited imitative diffusion that occurs in the Spanish setting is consistent with the small number of reporters among SMEs. A large body of reporters would help emphasize that the practice of sustainability reporting had become widely accepted, meaning that failure to report might be considered harmful (Shabana et al., 2017). In this sense, I5 clearly defined the damage to his company of not following the trend: 'Companies similar to us are doing it all over the world, so you're being left out of the market if you don't do it'.

In addition, we did not find any evidence of motivations related to the possible indirect influence of the Spanish law that obliges companies with more than 250 employees to report this type of information. The interviewees were not informed about the implications of the revision of the 2014 EU Directive, which had not yet been published by the time the interviews were conducted, despite the fact this revision brings SMEs into its line of sight. This finding is related to the low frequency of the 'Anticipating possible future regulations' category.

#### 4.1.3 | Competitive advantage

As a key intangible asset for building competitive advantage, reputation appears to be another reason why SMEs engage in SER, a finding in line with studies such as those by Jamali et al. (2017) and López-Pérez et al. (2017), which point out the link between reputational value and social responsibility in SMEs. Thus, 'Improving reputation and image' has been commented on by I8, I9, I11, I14 and I15, with the following statements being clear arguments for its value as a competitive tool: 'SMEs also report for reasons of reputation and competitive advantage, but the latter is linked to reputation' (I8) and 'The most important benefit of reporting is to show what we do. It's our showcase... visibility. Reputation' (I9). Reputation management is also referenced by I15: 'there was a very negative image, ... some people still call us "X" [the name of the old hospital dedicated to palliative care, which was located on the same site as the current one]. So, we have worked a lot on the issue of our image, making sure there is plenty of internal and external communication. Doing this reporting of non-financial information has helped us to improve that image, because it allows us to explain who we are'. In Tilt et al. (2021), one of the key sustainability reporting motivations referred to by interviewees was gaining an enhanced reputation to achieve acceptance in the markets.

It is worth noting that reputation as a motivation for SER has been identified alone or in combination with the category 'Legitimacy': 'showcasing CSR actions carried out in terms of reputation and legitimacy [as shown in the report]' (I6) or 'the report is to communicate with stakeholders... it is fundamentally done for the sake of reputation and legitimacy' (I2). Our results are consistent with the

tenets of legitimacy theory (Crossley et al., 2021) in that SMEs may adopt SER in order to improve their reputation within the market. As Luhmann and Theuvsen (2016, p. 679) explain, 'both reputation and legitimacy ... serve as a basis for sustained competitive advantage ... and guarantee a firm or industry's "license to operate"'.

Another relevant motivation to report that appeared in the interviews is the role of SER in supporting a differentiation strategy, as indicated in some prior literature (Mahmood & Uddin, 2021). In this respect, 'Competitive advantage (differentiation)' is among the highest ranked reasons for reporting. SMEs could be interested in producing SER because very few of them are currently doing so, thus revealing a first-mover effect. In this regard, the view of I9 is particularly noteworthy: 'Gaining competitive advantages is very important... in our case it is really important to differentiate yourself from your competitors, to show something that makes you different from your peers... producing a CSR report that shows everything you do and the aspects in which you are trying to improve (environment, people, etc.) will differentiate your brand'. I12 makes a similar point: 'I think that despite being a small rail operator in the metropolitan area of Barcelona, we are doing things that other larger operators do not do and that can give us that differentiation'. However, SER is not commonly viewed as a way to improve financial performance. This last finding contrasts with prior literature showing that SER represents a potential vehicle for SMEs to boost their financial value (López-Pérez et al., 2017).

#### 4.1.4 | Organizational benefits

Among the themes identified, organizational benefits encompasses another important set of arguments for SMEs to engage in SER. These findings support studies conducted some years ago (GRI & IOE, 2016), which highlight SER as a means of achieving numerous internal organizational benefits.

Reporting practices are considered by interviewees as a tool to achieve different internal advantages associated with the process of CSR implementation in their organization. In particular, the feedback is crucial in terms of strategy redefinition. Johnson and Schaltegger (2016) identified 'Operationalization of strategies' as one reason to implement diverse sustainability management tools, including sustainability reporting. In our study, 'Enhanced knowledge of the company (business strategy redefinition)' is the most commonly stated motivation for SER, appearing in 11 of all the analysed transcripts (see also GRI & IOE, 2016). Some relevant reasons regarding the interactions between strategy and reporting are provided by I6 in the following terms: 'Above all, it's helping us to identify the measures that we are applying and that we weren't associating with strategy issues. Doing the report will help us to see how far we have come, and help us to develop the strategy and propose measures for improvement. The report is helping us to organize the information, identify it and put it together properly so that we can then set out the company's strategy on paper' (I6). As stated by KPMG (2017), reporting on sustainability issues has become pivotal to business strategy. The complementary



contribution of SER in strategic terms is clearly highlighted by I4: 'reporting is very important for improving the implementation of the sustainability strategy... as it is not only about social responsibility, but also enters into the company's strategy', a statement corroborated by I7. Also, redefinition is one clear reason noted by I15: 'Our first report gave us a snapshot of everything that was going on in the hospital. Then I realized that it was a bit of a mess, a lot of things were being done but everything was in disarray, a hotchpotch ... So that first report allowed me to start to put things in order, to establish strategic lines of social responsibility and to start working in a more professional way, with a standard, indicators, objectives... and to work in this way on social responsibility'.

Furthermore, 'Continuous improvement (organization and coordination)' of the processes that SER supports should be emphasized, as it is in third position in the ranking of categories. This motivation is also reported by Johnson and Schaltegger (2016). According to I2, 'The important thing is to make the preparation of the report an exercise in reflection. If you think about what went well, what went wrong, because you have to write it down, you say 'oh, this went well, this went wrong, so this could work...'; similar reasons were offered by I1, I9, I13 and I15. It is interesting to note that SER has made it possible to develop new processes, as I10 concluded: 'it has helped a lot in identifying new processes, new procedures that are not used outside [by similar companies]' or 'It's true that a sustainability report encourages you more ... There are many initiatives, and you are alert, more open to all that. So, it is true that it helps you to document, to measure, and to make progress, continuous organizational improvement ...' (I11). Regarding improvements to workplace relationships, that is, an informal tool for human resource management, I12 commented: 'The task of reporting has meant that the members of the organization have had to work together and reach an agreement', while I14 mentioned the implementation of a social responsibility committee.

#### 4.1.5 | Individual beliefs and values

It is interesting to note that SMEs scarcely considered individual beliefs and values (of the owner-manager) as an overall motivation for reporting, with it ranking last among all the themes. Within this theme, 'Moral duty to report', understood as the role played by the owner-manager's personal moral values when choosing to report, registered a high position among the categories detected. In this vein, Westman et al. (2018) (see also Revell et al., 2009; Williams & Schaefer, 2013) confirm the crucial role of personal convictions in sustainability practices in SMEs. This finding is also in line with works such as that by Graafland and van de Ven (2006), who studied Dutch SMEs and found that, although these firms get involved in CSR for strategic reasons, they also do it because they think it is the right thing to do. Some responses supporting the above finding are: 'The idea of reporting struck me as the right thing to do and as a company, I felt responsible and thought it was appropriate to join that initiative' (I6, with I3 giving similar reasons) and 'when I designed all the related policies, mission

and vision, I made one thing very clear and that is that CSR is personally important for me, provided long-term viability is not at risk' (I10). In view of these responses, we can say that owner-managers play a pivotal role as 'institutional entrepreneurs' responsible for sustainability innovations: In this case, SER (see Larrinaga & Senn, 2021, for further discussion of the role of institutional entrepreneurs). This role is particularly important in SMEs because sustainable SMEs rely on the personal initiative and abilities of entrepreneurial persons to achieve environmental or societal innovations (Calace, 2014; Schaltegger & Wagner, 2011).

#### 4.2 | Motivations for SER in SMEs: insights from CEO letters

The CEO letters of the analysed SMEs were also taken into consideration; they were all collected and formed part of the activities that comprise the data analysing phase (as can be seen in Figure 1). Similar to the results obtained from the interviews, the CEO letters point to a combination of motivations for SER, with the following motivations prevailing (Table 2):

The stakeholder engagement theme is in the highest position, a long way ahead of the other themes in terms of frequency. In particular, 'Transparency' is the most relevant category of reasons for SER found in the CEO letters, appearing in L1, L7, L9, L10, L12 and L14. There are two explanations for this finding: First, the nature of CEO letters as a personal narrative of a firm, which summarizes an organization's vision moving forward (e.g., Aggerholm & Trapp, 2014), and, second, the analysed SMEs are explicitly interested in being recognized as a transparent enterprise as they are proactive in terms of SER. The latter relates to the growing evidence showing how the content of CEO letters is reflecting increasing proactivity towards sustainability (Arvidsson, 2019). Some key quotations that shed light on its relevance are the following: 'When this report reaches your hands, our cooperative will show you our commitment to sustainability and ethical and transparent behaviour towards all our stakeholders' (L1) and 'This well-established tradition reflects our interest in transparency and our genuine commitment to society in working towards sustainable development' (L7). Another reference to transparency is made by L14, and it is notable for being the only explicit reference to environmental, social and governance (ESG) issues made by one of the sampled firms: 'showing our work as a responsible business group, in the economic, social, environmental and corporate governance fields, with the ultimate goal of global transparency'.

'Meeting stakeholder needs and demands' is also an oft-repeated idea in CEO letters, placed second among all the categories identified. Some noteworthy reasonings are offered by L1: 'The report covers the main initiatives, achievements and figures relating to our activity and is an excellent tool for [showing] how we meet our stakeholders' expectations', with similar statements by L4 and L14. Detailed information about how this goal is achieved is offered by L13: 'as part of its daily management, this company has established mechanisms to elicit suggestions, detect needs, and receive proposals for

improvements, such as measuring the satisfaction of all identified stakeholders, receiving suggestions, etc ...'. These findings are in line with those of Arvidsson (2019), who analyses how CEOs' talk about sustainability has developed in the largest listed Swedish companies and argues that the talk in the letters is becoming much more detailed and proactive, with the author also finding 'a gradual shift in the way the CEOs provide transparency to their stakeholders' (p. 28). However, the statements that CEOs make regarding positive motivations for SER must be interpreted with caution. Among CEO letters included in sustainability reports, prior literature has highlighted that the level of readability is very low (e.g., Barkemeyer et al., 2014; Smeuninx et al., 2016).

'Legitimacy and institutional pressures' are in second position of the five themes identified; particularly notable among the categories included in this theme is 'Showing alignment with societal values'. Indeed, L8 began its CEO letter with this sentence: 'This year, our commitment to sustainability takes on even greater relevance, as it is the main way to address the major challenges facing our society today'. The crucial role of legitimacy reasons that may be derived from CEO letters is supported by prior literature, for example, by Mäkelä and Laine (2011, p. 228), who conclude that '... by framing a company's actions and by universalizing the operations as beneficial to society at large, CEO letters [of two multinationals] work to further legitimize business operations ...'. In a similar vein, Arvidsson (2019, p. 3) explains: 'CEOs' talk has a potential power to influence business society, corporate operations and business practices. This rhetoric power is argued to be especially vital in times when organisational legitimacy is threatened ...'.

One of the main differences with Section 4.1 is that 'Individual beliefs and values', as a theme, lies in third position in CEO letters rather than last place. Particularly relevant within this theme is the category 'Moral duty to report'. Sustainability interests of SMEs differ notably due to the importance of the owner-manager's values (Font et al., 2016), but it is also a commonplace societal demand: 'We are united and motivated by the aim of helping other organizations to be more responsible and sustainable' (L2). In addition, SMEs are committed to understanding CSR and its reporting as a way to give certain benefits back to society or reduce negative impacts; as L4 commented, it is a way of 'achieving our challenge of minimizing negative impacts, as well as achieving the widest possible scope of positive impacts'. Another notable difference here compared with the analysis

of the categories in Section 4.1 is that community, captured as 'Improving community relationships', is a key stakeholder group when it comes to justifying SER in CEO letters.

Ranking among the bottom positions in CEO letters is the 'Organizational advantage theme'. In this respect, 'Enhanced knowledge of the company (business strategy redefinition)' and 'Continuous improvement (organization and coordination)' no longer appear or make only a minimal appearance, whereas they played a prominent role in Section 4.1. More remarkable is the case of the motivations concerning the creation of competitive advantages, which are not mentioned even once in the CEO letters although they occupy a high position in SMEs' owner-managers' responses. This finding could be explained by the inherent goal of a CEO letter.

SMEs' responses about SER cover a full range of reasons to report (22 categories identified), unlike in their CEO letters, where there are fewer references to motivations (14 categories). A plausible explanation for this is that the review process that CEO letters are subjected to by internal editing teams before publication leads to some sort of standardization of content (Barkemeyer et al., 2014). This may be due to potential competitive risks associated with these disclosures.

### 4.3 | Motivations for SER in SMEs: insights by size and industry

#### 4.3.1 | Size effect in SMEs

Firm size is a key factor when analysing sustainability practices within SMEs, as highlighted by authors such as Baumann-Pauly et al. (2013), Brammer et al. (2012) and, more recently, Adapa and Fisher (2020). Therefore, in this subsection, the results of a sub-analysis of firm size effect (differentiating micro, small and medium-sized firms) are presented and discussed. As can be observed in Table 3, evidence derived from interviews and CEO letters shows that motivations for SER in SMEs differ according to firm size.

Most significantly, it is important to note that the stakeholder engagement theme has been the most valued in both the interviews and CEO letters of small and medium-sized businesses. This is not the case for micro firms, where the legitimacy and institutional pressures theme stands out in their CEO letters. Borga et al. (2009) explain these differences with reference to the fact that larger companies

Theme	Micro firms		Small firms		Medium firms	
	I	L	I	L	I	L
Stakeholder engagement	7	-	11	6	25	9
Legitimacy and institutional pressures	6	5	7	3	11	1
Competitive advantage	4	-	2	-	14	-
Organizational benefits	7	-	4	-	9	1
Individual beliefs and values	3	1	5	1	2	2

Note: The symbol - in the frequency of CEO letters (L) means that this category was not identified inductively in the CEO letters data.

Source: Own elaboration.

TABLE 3 Motivations for SER and firm size effect. Frequency distribution.

**TABLE 4** Motivations for SER and industry effect. Frequency distribution.

Theme	Food and beverage		Consultancy services		Transport services		Social and health services		Construction and real estate	
	I	L	I	L	I	L	I	L	I	L
Stakeholder engagement	3	6	1	2	9	4	17	1	12	5
Legitimacy and institutional pressures	5	3	3	4	6	–	3	–	5	1
Competitive advantage	–	–	6	–	8	–	5	–	3	–
Organizational benefits	2	–	5	–	4	–	7	–	3	1
Individual beliefs and values	3	1	3	2	1	1	3	–	1	1

Note: The symbol – in the frequency of CEO letters means that this category was not identified inductively in the CEO letters data.

Source: Own elaboration.

tend to be subjected to greater pressures from stakeholders than smaller ones. Below, we discuss the main differences found when individually analysing the reasons offered under the categories identified in Table 2.

The interviews reveal two themes as the most relevant reasons to report in micro businesses, which is not the case in the remaining firm size categories, where one theme clearly stands out above the rest. Specifically, in small firms and medium-sized firms, the overriding theme when it comes to justifying SER is stakeholder engagement. However, in micro enterprises, this theme lies alongside organizational benefits in order of importance. Previous papers, such as that by Preuss and Perschke (2010, p. 531), also found differences between small businesses and medium-sized businesses as ‘medium-sized firms occupy a transition stage, where some CSR features that are reminiscent of small enterprises are still important but get overlaid with aspects that are more typical of large companies’. The extension of this question to SER is a novelty of this paper. It is worth highlighting here the relevance attributed by medium-sized firms to stakeholders’ issues, an attribute typical in large firms. According to Brammer and Pavelin (2008), this may be due to the fact that more visible firms (in terms of size or media exposure) attract increased attention from stakeholders and the community.

The motivations cited in the CEO letters also differ by firm size. Micro businesses considered legitimacy and institutional pressures as their most relevant theme. On the contrary, small businesses and medium businesses considered it to be stakeholder engagement, bringing them closer in line with large companies in terms of social and environmental responsibility practices, as argued by Preuss and Perschke (2010).

#### 4.3.2 | Industry effect

We have grouped the participating SMEs into five categories according to industry: food and beverage, consultancy services, transport services, social and health services and construction and real estate. Table 1 shows each SME’s industry category.

Regarding the reasons given by SMEs’ owner-managers in the interviews (as well as in CEO letters, albeit to a lesser extent), we have found stakeholder pressures to be the most relevant theme in three

industries (Table 4): transport services, social and health services and construction and real estate. These industries are considered to have a high social impact (social and health services) and high environmental impact (transport services and construction and real estate), which may be why the role of their stakeholders is taken into account when reporting is considered. Especially relevant is the recognition of the presence of public institutions in the supply chains of SMEs belonging to these three industries and how it may influence SMEs’ commitment to SER, although divergent opinions are expressed. For example, in I15, we find the comment that ‘The bulk of our work is a public activity stemming from the public health service, so [with SER] we are accountable in a transparent way’. By contrast, in I11, the owner-manager claimed: ‘In public procurement, the issue of sustainability should be more highly valued. In this country, healthcare is bought at a price and we would like companies’ commitment to sustainability, to investing in continuous improvements, etc., to be truly valued by the public administration’.

For consultancy services, the most cited theme is competitive advantages, closely followed by organizational benefits, a result that indicates an interest in the strategic management of SER. On the other hand, legitimacy and institutional pressures was the most commonly cited theme in their CEO letters.

Conversely, in the food and beverage sector, the legitimacy and institutional pressures theme appears most often among the motivations highlighted by their owner-managers. These results can be explained by the sensitivity of this industry, which is considered one of the most polluting industries; companies from industries with high environmental and social impacts may need to engage in SER (Hahn & Kühnen, 2013). Differences emerge once again, since the most cited reason in CEO letters is stakeholder pressures.

## 5 | CONCLUDING REMARKS

The aim of the present study was to investigate SME owner-managers’ motivations for embarking on SER by applying an inductive content analysis. To that end, we combined the results of the interviews conducted with a sample of SME owner-managers and the analysis of CEO letters, revealing the existence of a mix of motivations in both

the interviews and the letters. We have found that stakeholder engagement is clearly the most important motivation in the SMEs' decision to report. A plausible explanation that arises from the analysis is associated with the fact that the dialogue with stakeholders is the key-stone of SER in this type of firm. Other motivations that the SMEs' owner-managers highlighted in the interviews as being particularly relevant are those related to legitimacy and institutional pressures, competitive advantage and organizational benefits. However, the relevance of these last two economic motivations (competitive advantage and organizational benefits) is not reflected in the CEO letters. Contrary to what might be expected considering the findings of the literature regarding SME managers' personal values (Westman et al., 2018), the owner-manager's individual beliefs and values is the least relevant theme emerging in the interviews, although it appears to be slightly more relevant in the results derived from the analysis of the CEO letters.

Our results suggest that motivations should be viewed as overlapping as we found evidence of different motivations in the analysed firms. These findings are in line with previous literature, as there may be different, co-existing motivations for SMEs' decision to adopt sustainability practices. More broadly, these results support the studies by Frynas and Yamahaki (2016) and Gray et al. (1995), who pointed out that firms are more likely to develop CSR and SER based on fuzzy combinations of goals that have one specific objective. When looking at these results, it is important to note that SER in SMEs is an emergent field, as stated in the Introduction. Mahmood and Uddin (2021) explain that it is logical to find variation in practices and a diverse range of goals behind new practices in emergent fields, due to the lack of an institutionalized logic.

We have also analysed the effects of both firm size and industry in order to explain potential differences among firms regarding SER. The sub-analysis of the firm size effect reveals that while the stakeholder engagement theme has been the most commonly cited reason for SER in small firms and medium-sized firms, in both the interviews and in the CEO letters, legitimacy and institutional pressure is the most prevalent theme in micro firms, according to CEO letters. Regarding the industry effect, our analysis contributes to the extant literature supporting the effect of the industry on reasons for implementing SER, as we have found differences between sensitive and non-sensitive industries. Moreover, we provide new insights about the disconnect between inside-out and outside-in approaches. In general, all the industries represented, except consultancy services, have shown a high level of interest in engagement with their stakeholders through SER. The fact that consultancy services is an exception may be due to its nature as a non-sensitive industry.

The findings of this study can be useful for policymakers and other societal groups responsible for the formulation and implementation of policies aimed at SMEs. In order to encourage SER, it is crucial for policymakers to explore the motivations for doing it. Our findings show that strategic motivations (e.g., stakeholder engagement) have a stronger influence than intrinsic motivations (e.g., personal convictions) on the decision to engage in SER among SMEs. Therefore, policymakers should concentrate their efforts on implementing appropriate institutional reforms (e.g., incorporating information requirements with

the appropriate proportionality) that encourage SMEs. To do so, they should take into account the ranking of themes reported in this study and the effect of size and industry detected. On the other hand, a particularly notable finding for policymakers is that Spanish SMEs do not seem to be very aware of the EU regulatory changes that will affect them from 1 January 2026, since 'Anticipating future regulations' as a reason to report barely appears in our results. However, motivations do not necessarily remain unchanged as they are specific to a particular moment in time; as such, the time effect is crucial in this study.

Our paper has its limitations, as it is a small-scale study conducted in a specific geographic area (Spain). The small size of our sample and the fact that all the firms operate in the same national context may limit the generalizability of our findings. This paper represents a first approximation to a domain that has scarcely been addressed by SER research and that merits more detailed attention. Regarding the size of the sample chosen, we recognize that the inclusion of a larger number of SMEs could improve the availability of evidence.

## 5.1 | Suggested future research directions

Finally, it is hoped that this paper will provide insights for future research aimed at gaining a better understanding of the reasons for the adoption of SER in SMEs. Future studies could also extend the analysis in other geographical settings and take into account the new requirements that will gradually come into force from 2023. Another fruitful research line might be to study the responsibilities of the professional bodies in spreading SER practices among SMEs. Previous SER literature (e.g., Larrinaga & Bebbington, 2021) reveals the central position of assurance services and consultancy corporations in the SER standard-setting procedure. The current sustainability standard-setting situation opens up avenues for studying how the professional environment affects the implementation and development of SER in SMEs.

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## CONFLICT OF INTEREST STATEMENT

The authors confirm that there is not any potential source of conflict of interest. They have read the policy in this regard.

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## APPENDIX A: KEY ISSUES DISCUSSED DURING THE INTERVIEWS

- If the company is committed to meeting every stakeholder's needs or if it is focused on the most relevant stakeholders
- If sharing value creation is the main concern of the company
- If the company publishes information to fulfil the duty of accountability or it is interested in being recognized as a transparent enterprise
- If the company uses reporting as a way of managing and improving its image and reputation in order to change relevant stakeholders' perceptions or just to differentiate itself from its competitors
- If the company uses reporting as a tool for achieving better financial performance
- If the company is influenced by its competitors when it comes to reporting or by other external agents such as sectorial institutions, professional organizations, etc.
- If the personal/moral values of the manager are the reason for deciding to disclose, or just the company's proactive vision
- If the company feels the need for legitimacy in its community, showing its alignment with societal demands
- If the company is committed to society, understanding CSR and its reporting as a way of giving back certain benefits to society.
- If the company uses reporting as a way to achieve different organizational advantages associated with the process of implementing CSR in its organization, especially the feedback, which is crucial in terms of strategy redefinition