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Walking and Talking Corporate Social Responsibility: Implications of Firm Size and Organizational Cost

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ABSTRACT In this paper we address two interrelated research gaps in the Corporate Social Responsibility (CSR) literature. The first results from a lack of understanding of different patterns of CSR engagement with respect to CSR *talk* (impression management and the creation of symbolic images and documentation) and CSR *walk* (substantive implementation of CSR policies, structures and procedures). Related to this, the second gap concerns limited knowledge about the influence of firm size on CSR engagement. We develop a conceptual model that explains differences in CSR talk versus walk based on organizational cost and firm size. This allows us to theorize the antecedents of what we call the *large firm implementation gap* (large firms tend to focus on communicating CSR symbolically but do less to implement it into their core structures and procedures) and vice versa the *small firm communication gap* (less active communication and more emphasis on implementation). Our model expands a new theoretical understanding of CSR engagement based on as yet underemphasized firm-level antecedents of CSR, and opens up several new avenues for future, and in particular comparative, research.

Keywords: corporate social responsibility, firm size, multinational corporations, organizational cost, small and medium-sized enterprises, small business

INTRODUCTION

Corporate Social Responsibility (CSR) continues to advance despite a range of inadequately understood and sometimes contradictory phenomena. CSR can be defined 'as actions that appear to further some social good, beyond the interests of the firm and that which is required by law' (McWilliams and Siegel, 2001, p. 117). Increases in the presumed sophistication of responsible business initiatives occur concurrently with wave

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upon wave of corporate scandals and accusations of harmful behaviour. Meanwhile concerns proliferate that CSR initiatives have had only marginal positive impact on social and environmental conditions (Locke, 2013; Whiteman et al., 2013). We contribute to the explanation of these incongruities and explore the influence of firm size, organizational structure and related cost implications on CSR.

A central issue in the CSR debate is the distinction between, colloquially speaking, 'talking' and 'walking' social, ethical and environmental responsibility in a business context (e.g., Berliner and Prakash, 2015; Haack et al., 2012). We understand these elements collectively as a firm's *CSR engagement* (McWilliams and Siegel, 2001), which we define as an overarching concept of how firms combine the two key dimensions of CSR – (1) the primarily externally facing documentation of corporate responsibilities ('talk') and (2) the implementation of strategies, structures and procedures in core business processes within and across divisions, functions, value chains, etc., that facilitate corporate responsibility ('walk'). We will show that the two components of CSR engagement have a tendency to be incongruent and influenced by firm size. *CSR talk* encompasses 'the various outbound communication channels deployed by organizations to communicate with customers and other constituencies' (Balmer and Greyser, 2006, p. 735), such as CSR reports, corporate websites, advertising and product labelling (Du et al., 2010). By contrast *CSR walk* encompasses substantive 'actions within the firm, such as changing methods of production to reduce environmental impacts or changing labour relationships both within the firm and across the firm's value chain' (Aguilera et al., 2007, p. 836).

Previous research has acknowledged the inconsistency of individual firm CSR engagements. Companies are frequently criticized for not walking the talk (e.g., Lyon and Montgomery, 2015; McDonnell and King, 2013). Roberts for instance (2003, p. 250) is concerned that 'all this talk of ethics is just that – talk; new forms of corporate self-presentation that have no reference to (. . .) what is practised in the name of the corporation, beyond (. . .) good public relations. In this form, corporate social responsibility is cheap and easy'. Scholars have investigated the presumed (mis)match between CSR talk and walk, under labels such as 'greenwashing' (e.g., Bowen, 2014; Delmas and Burbano, 2011) or 'decoupling' (e.g., Haack et al., 2012; Marquis and Qian, 2014).

However, extant research widely neglects the influence of firm size on patterns of CSR engagement (see critically e.g., Aguilera et al., 2007; Campbell, 2007; Scherer and Palazzo, 2007; Scherer at al., 2016). Taking a comparative perspective on CSR is important both from a practical and theoretical point of view, because the large firm perspective – accounting for the vast majority of research and public attention – is usually assumed to apply to all organizational types (see critically e.g., Mitchell et al., 1997; Tang et al., 2012). Refuting the appropriateness of this, however, is a growing body of research on smaller firms that on average constitute 95 per cent of businesses worldwide (Muller et al., 2014). This research shows that many small firms have substantive and effective approaches to CSR, while these are distinct from large firms (Gray et al., 1995; Spence, 2016). Small firms engage in CSR based on implicit behavioural guiding principles rather than formal structures and codes of conduct common in large firms (Jenkins, 2004; Wickert, 2014).

Here, we start from the position that extant literature has been hampered by a lack of clarity on the nature of CSR engagement. Research often assumes that larger firms are better positioned to *engage* in CSR, while there is a lack of clear differentiation between walk and talk (e.g., Husted and Salazar, 2006; McWilliams and Siegel, 2001). Yet, studies that scrutinize the integration of CSR in corporate practices show that while many large firms extensively talk CSR (e.g., Castelló and Lozano, 2011; Du et al., 2010), implementation lags behind (i.e., there is an *implementation gap*) (e.g., Baumann-Pauly et al., 2013; Delmas and Burbano, 2011; Lyon and Montgomery, 2015).

Smaller firms, on the other hand, are challenged by a lack of resources such as human or financial capital, they lack economies of scale, and face less public pressure to engage in CSR (Jenkins, 2004). However, the assumption that small firms as a result 'do less' in terms of CSR has been questioned in the literature (Spence, 2016). Some studies provide evidence of small firms capable of effective CSR engagement (e.g., Brammer et al., 2012; Hammann et al., 2009; Hoogendoorn et al., 2015; Wickert, 2014). Many small firms engage in CSR by 'silently' implementing a wide range of practices and procedures to uphold social and environmental responsibility in their business operations (Jorgensen and Knudsen, 2006; Russo and Perrini, 2010). However, they typically don't produce reports or develop websites for social responsibility statements for external audiences (Nielsen and Thomsen, 2009) so visibility of their CSR practices tends to be low. As a result, smaller firms seem to be walking, but not talking CSR (i.e., there is a *communication gap*) (Baumann-Pauly et al., 2013). It thus remains an open theoretical question why these heterogeneous patterns of CSR engagement between firms of different sizes can be observed. Empirical evidence of this phenomenon has yet to offer theoretical explanations, which we seek to provide in this paper.

For analytical distinction, we regard 'smaller' versus 'larger' firms along a continuum 'where size is defined as the number of individuals participating in the activity of the firm' (Camancho, 1991, p. 137). As Child (1973, p. 170) has argued, 'since it is people who are organized', this measure is generally assumed as the strongest determinant of organizational structure (Kimberly, 1976). To facilitate our theorizing, we base our assumption on what can be considered a 'typical' – low visibility, privately owned and locally-orientated – small firm with fewer than 250 employees compared to a 'typical' – highly visible, publicly owned and globally-orientated – large multinational firm (commonly referred to as a multinational corporation, i.e., MNC) with several (ten)-thousand employees. This is useful because such size differentials imply the most apparent distinctions in structural organizational characteristics and allow for the development of a prudent theoretical model (Child, 1973). In the discussion section, we will reflect on the trade-offs of such simplifications and develop a context-sensitive research agenda. In our model we focus on size effects. Yet, we are aware that other attributes such as ownership, visibility, and market scope possibly have related implications when looking at the walk-talk mismatch among small and large firms. While we pick these attributes up in the proposed research agenda, their implications have yet to be fully explored and the current paper seeks to make an important step in this direction.

Our main aim in the current paper is thus to explore the cost implications of firm size, and to develop a theoretical model of CSR engagement. We predict that as firm size increases – all else being equal – a particular pattern of CSR engagement (CSR walk versus CSR talk) will become more or less favourable in financial terms and thus provides an economic incentive for firms to invest in CSR walk or talk, respectively. In a nutshell, we propose that the portions of the costs of talking or walking CSR (defined as the proportion of total time, labour, assets and resources associated with CSR communication or implementation in relation to the total costs of the firm; see Baumann-Pauly et al., 2013), can explain the differences in the patterns of CSR engagement between smaller and larger firms. These shares of CSR-related communication or implementation costs are dependent on size, because large firms have characteristics that make talking CSR relatively *less costly* (compared with small firms) if it is centrally organized. For large firms creating a centrally located CSR department that files and distributes CSR reports is only a small part of total firm costs whereas for small firms this is a huge expense compared with other core business costs. In contrast large firms have characteristics that make walking CSR relatively *more costly* (compared with small firms) as it involves the coordination and control of largely decentralized activities across divisions, functions, and value chains, and vice versa. For large multinational firms implementing CSR standards across subsidiaries in different countries with a diversified workforce is a tremendous task, whereas for small firms that have frequent face-to-face interaction among very few employees and often have strong identities based on the values of the owner-manager the implementation of ethical principles is likely to be less complex.

We make two contributions. First, by connecting the literatures on organizational costs and CSR, our model provides a theoretical explanation for the mismatch between CSR walk and talk in small and large firms. Rather than looking at the assumed benefits of CSR, such as enhanced competitiveness or share price, or external determinants such as institutional pressures as independent variables, the internally derived costs for walking versus talking CSR present an important but as yet neglected complement to studies that examine CSR engagement. While the theory of the firm perspective on CSR (McWilliams and Siegel, 2001) and contingency theory (Blau, 1970; Child, 1973) are the main bases for our theoretical model, we also draw on arguments stemming from organizational economics (transaction cost theory, resource based view, and agency theory). We show that our argument on small and large firm CSR is consistent with these perspectives, and point out how our theory of the firm-based model can be utilized by CSR scholars drawing on other theoretical foundations such as institutional theory. Second, we develop a theoretical basis for size-aware and comparative CSR research based on size. This is an important direction for future research that seeks to better understand why small and large firms engage in CSR differently, while also acknowledging the contribution of small firms in tackling questions of social and environmental responsibility.

The paper proceeds as follows: We scrutinize three important limitations of existing CSR theories to explain size-related differences in CSR engagement, and then review the literature on firm size and organizational costs. We present a theoretical model to explain the inconsistencies between CSR walk and talk among small and large firms. We end with a discussion of implications for CSR theory, sketch a size-aware and context-sensitive agenda for future research, and acknowledge some boundary conditions of our model.

CORPORATE SOCIAL RESPONSIBILITY ENGAGEMENT

Existing studies that seek to explain why firms engage in CSR tend to be based on three broad, but not mutually exclusive motives (Aguilera et al., 2007; Bansal and Roth, 2000). First, the *economic perspective* argues that CSR is driven by instrumental motives, and that firms engage in CSR because they attempt to obtain financial benefits or enhance their competitiveness (e.g., Husted and Salazar, 2006; McWilliams et al., 2006; Tang et al., 2012). Second, the relational, or *institutional perspective* argues that CSR is driven by external demands. Firms respond to stakeholder expectations (Mitchell et al., 1997), and engage in activities that are considered socially acceptable and legitimate (Campbell, 2007; Chiu and Sharfman, 2011). For instance, they follow trends that take place on the field level, such as increasing standardization of CSR (Haack et al., 2012). Related to this CSR behaviour has been explained by different socio-economic influences (Marano and Kostova, 2015; Matten and Moon, 2008; Schneider et al., 2016). Third, the *ethical perspective* argues that CSR behaviour can be explained by moral considerations (Donaldson and Dunfee, 1994), for instance of managers (Hemingway and Maclagan, 2004).

With regard to firm size related differences in patterns of CSR engagement and the intensified critique of an apparent mismatch between CSR walk and talk, these explanations have three important limitations. First, much extant research tends to focus on explaining why firms *do* or *do not* engage in CSR in the first place (e.g., Bansal and Roth, 2000; Campbell, 2007). McWilliams and Siegel (2001) as well as Husted and Salazar (2006) for instance provide powerful analyses of CSR engagement based on cost-benefit considerations and suggest various factors that predict different levels of overall CSR engagement. However, as Bowen (2014, p. 83) has criticized, 'they effectively assumed that all investment [in CSR] is substantive'. Likewise, many other studies do not sufficiently distinguish between CSR talk and walk when making claims about CSR engagement (e.g., Aragón-Correa, 1998; Russo and Fouts, 1997).

Second, existing literature remains incomplete in linking these differences to the influence of firm size, as most studies investigate CSR in small (e.g., Brammer et al., 2012; Hoogendoorn et al., 2015) *or* large (e.g., Bondy et al., 2012; Pinkse et al., 2010) firms separately. A notable exception is the study by Darnall and colleagues (2010), who model the extent of proactive environmental practices in small versus large firms based on external stakeholder pressure. Their model suggests that small firms are more responsive to stakeholder demands. Nevertheless the authors underemphasize the possible mismatch between attributes of CSR talk and walk, as environmental practices are referred to as a combination of symbolic and substantive actions.

Many other studies that examine firm size consider it as a control variable without giving adequate attention to important structural organizational characteristics, and how size relates to CSR outcomes in relative, rather than absolute terms. Aragón-Correa (1998) for instance models the relationship between firm size and proactive environmental strategies, but only includes a sample of relatively large firms (above 1000 employees). Other studies control for size but limit their sample to publicly listed firms (e.g., Adams and Hardwick, 1998; Brammer and Millington, 2006), to firms included in various sustainability rankings (e.g., Chiu and Sharfman, 2011; Russo and Fouts, 1997), or indexes such as the Fortune Global 500 (Muller and Kräussl, 2011). This creates a large-firm bias, which omits exactly those firms that represent the most common form of business, namely small owner-managed firms with only a few hundred employees at most.

The large-firm bias is also reflected in many studies that analyse financial donations to link philanthropy to firm size (e.g., Brammer et al., 2009), and which generally argue that increasing firm size promotes philanthropic engagement. Many small firms, however, do not donate money, but other resources such as time, space and expertise, which are difficult to measure, but remain philanthropic contributions. Due to these omissions, the extant literature falls short of explaining differing CSR engagement of small and large firms.

Third, the literature's tendency to base explanations for CSR engagement on the presumed strategic *benefits* of CSR, in particular increased financial performance, neglects the significance of the *costs* of CSR engagement. Resonating with a theory of the firm perspective, the cost dimension of CSR generally depicts that 'corporations invest in [CSR] (...) as long as the benefits exceed or at least equal the costs' (Scherer et al., 2013, p. 265; see also McWilliams and Siegel, 2001), while there are 'costs associated with CSR, because resources must be allocated to allow the firm to achieve CSR status' (Siegel and Vitaliano, 2007, p. 774). Taking *different* cost implications of CSR walk and talk into account becomes important, because many business firms invest in communicating their CSR activities to create a positive image and give the impression of meeting societal expectations. Costs related to CSR talk generally include those associated with advertising, marketing, communication, reporting and disclosure of a firm's CSR activities (Bowen, 2014). At the same time, however, firms may try to avoid the costs of actual CSR implementation (Berliner and Prakash, 2015).

While it has been widely argued that engaging in CSR has become a 'must have' for businesses (Bondy et al., 2012; Matten and Moon, 2008), many scholars share the concern that evidence for a business case of CSR continues to be inconclusive at best (Crane et al., 2014; Delmas et al., 2013; Tang et al., 2012). This leaves the cost-benefit-ratio of CSR rather intangible, while there are tangible costs involved in the implementation of CSR in organizational processes. Companies are for instance expected to rearrange their value chains (e.g., stop sourcing from factories with low working standards or child labour), change their product technologies or production processes (e.g., avoid toxic substances, employ green technologies), or spend resources on public policy issues (e.g., invest in public education, public health, or infrastructure). Importantly, these have potentially far reaching cost implications that are difficult to calculate ex ante while the benefits from such CSR investments are uncertain and difficult to attribute to CSR ex post (Scherer et al., 2013). Even if firms do not engage in CSR they may suffer loss of reputation (Berliner and Prakash, 2015).

However, the benefits-based view neglects how size-specific organizational structures influence the cost-benefit-ratio of CSR. In particular, it is important to consider how the cost implications of size influence the patterns of CSR engagement, i.e., the decision about the mixture of centralized (CSR talk) versus decentralized CSR activities (CSR walk) in small and large firms. Bowen summarized extant research arguing that more attention is needed because 'the relative costs [of CSR talk and CSR walk] may be an important driver of this decision that has not yet been examined sufficiently' (2014, p. 231).

In light of the limitations of the extant literature to explain differences in CSR engagement among small and large firms, our core argument is thus that conceptualizing the relative costs of CSR engagement is a means of explaining firm behaviour which yields high explanatory power. We not only acknowledge variations in firm size, but equally consider important disparities between talking and walking CSR. Our research question asks: *Why do firms of different sizes exhibit different patterns of CSR engagement in the form of considerable discrepancies between CSR talk and walk?* In order to develop the conceptual model, next we connect the literature on firm size and organizational costs to research on CSR engagement.

FIRM SIZE AND ORGANIZATIONAL COSTS

The relationship between firm size, organizational structure and implications on organizational costs is well established in contingency theory and organizational economics (amongst others, see Blau, 1970; Child, 1973; Downs, 1966; Hsu et al., 1983; Kimberly, 1976; Klatzsky, 1970; Pondy, 1969; Williamson, 1967). This debate has, however, received little attention in the CSR literature. There is strong consensus that firm size as one of many variables that define organizational structure, including technology, the institutional environment or ownership, is perhaps the most pervasive in terms of the number of suggested relationships with other organizational features (e.g., Child, 1973; Child and Mansfield, 1972; Hsu et al., 1983). Accordingly, other central structural attributes that characterize organizations are strongly influenced by firm size. It is because of this general consensus in the literature about the predictive capacity of firm size (e.g., Child, 1973; for a recent review see Josefy et al., 2015) that we single out this variable. This allows a deeper theoretical exploration of underlying processes based upon which we develop our conceptual model. We acknowledge a trade-off between theoretical abstraction and context-sensitivity, and that other context-variables are also relevant. We develop these factors in our discussion where we propose a size-aware research agenda that builds upon and expands the cost dimension.

The literature on organizational structure and bureaucratic theory suggests two fundamental administrative tasks – *control* (e.g., Kimberly, 1976; Williamson, 1967) and *coordination* (e.g., Blau, 1970; Klatzsky, 1970) – that have substantial and significantly distinct cost implications in the context of CSR engagement as firm size increases. While uniform definitions do not exist in the literature (see Ouchi, 1979), in the context of this study control refers to the managerial command, direction or regulation of the behaviour of other actors inside an organization, such as subordinates. Coordination, in turn, refers to managerial attempts to ensure the efficient and effective operation of the organization's functions in line with its objectives. While some of the extant literature suggests economies of scale in the administrative handling of coordination and control problems – and which explain the nonlinear relationship between firm size and the magnitude of the administrative component – larger organizations require more complex administrative tasks in the form of sophisticated control and coordination systems (Josefy et al., 2015; Kimberly, 1976). This increases the costs of administration, because larger, highly differentiated organizations have a relatively larger administrative component than smaller firms (Kimberly, 1976).

As we will show, the need for control and coordination has implications for different administrative tasks necessary for engaging in CSR, which causes different organizational costs for those CSR-related tasks that are predominantly centrally organized – talking CSR – versus those tasks that are predominantly decentrally organized – walking CSR. It should be noted that we do not suggest that large (small) firms have a general cost (dis)advantage, but that there are different cost implications when comparing the relative costs associated with CSR talk and walk.

In the following, we link the two key parameters of our conceptual model. Namely, we describe how the different administrative tasks, control and coordination, have different *organizational cost* implications for CSR engagement depending on *firm size*. Building on extant literature, we will argue that large firms have cost advantages over small firms when it comes to organizing CSR talk – relative to CSR walk – because this can be centrally organized (e.g., a CSR department files a CSR report) and economies of scale and scope can be more easily realized. Studies have described this advantage as the 'liability of smallness' (e.g., Josefy et al., 2015, p. 740). Small firms, in contrast, have cost advantages when it comes to organizing CSR walk – relative to CSR talk. CSR walk is a largely decentralized activity where various functions (e.g., procurement, production, sales) are involved and where small firms benefit from less bureaucracy, complexity and inertia, easing the diffusion of CSR practices throughout the firm. This has been referred to as the 'liability of largeness' (Josefy et al., 2015, p. 746) or 'liability of size' (Aldrich and Auster, 1986). Based on these premises, we examine the different cost implications of firm size for CSR walk and talk. Our model depicts the costs of talking versus walking CSR in relative terms and as a proportion of the total firm costs, compared to each other and comparing small and large firms.

CSR WALK, ORGANIZATIONAL COSTS, AND FIRM SIZE

According to the 'Law of Diminishing Control', the larger an organization becomes, the weaker the control over its actions (Downs, 1966, p. 109). Thus, to influence the actions of those who are distant from the headquarters becomes increasingly difficult. Administrative tasks that are centrally organized, in other words managed by or close to the headquarters of a large organization such as the development of CSR policies by the CSR department, need to trickle down the organization to decentralized divisions and functional departments (e.g., procurement, production, sales) where the value creation processes take place (Blau, 1970).

Pfeffer (1978, p. 37) argued that in large and usually highly diversified businesses, due to their magnitude of functionally different and specialized jobs, 'few participants are constantly involved or care about every dimension of the organization's operations'. Furthermore, the naturally limited oversight capacity of managers at the top of organizations implies that increasing size will inevitably lead to a loss of control over departments or sub-divisions (Williamson, 1967). In what has been described as the 'rumour-transmission-process' (Bartlett, 1932), information that is transmitted across successive hierarchical levels becomes distorted the more often it is reproduced. This creates information asymmetry *within* larger firms and towards internal stakeholders such as employees and among management, which we expect to be more prevalent in larger than in smaller firms (see Siegel and Vitaliano, 2007). This is driven by 'limits to intelligence as the size of a group increases and problems of information communication, coordination, interpretation and integration multiply' (Glynn, 1996, pp. 1104–5).

Asymmetric information reduces information quality and consistency, which needs to be compensated by costly control devices such as supervision, redundancy, reorganization, or overlapping areas of responsibility. For large firm CSR departments, it is thus relatively costly to apply control devices that help to ensure that CSR-related policies and guidelines are understood and implemented in organizational practices by functional departments. For example, large firms are pressured by civil society actors to extend their CSR activities not only to subsidiaries in different countries but also to their supply chains, including first-tier and extending to second- and third-tier suppliers (Scherer et al., 2013). Controlling the implementation of CSR standards to which the firm has publicly committed, however, is very costly given that large firms usually have numerous subsidiaries, several thousand suppliers across the globe, often switching suppliers depending on price.

In contrast, for owner-managed smaller firms, Pondy (1969) suggests that it is more likely that owner-managers are unwilling to dilute their personal discretionary power and control over the organization, refraining from adding layers of hierarchy or administration. This makes control over the behaviour of employees in a small firm relatively less costly. Research suggests that where small firm owner-managers are committed to CSR, they would most likely take personal responsibility for implementation (Wickert, 2014), avoiding impression management. In addition, smaller firms face lower internal information asymmetry because they have less difficulty controlling conformity to expected socially responsible behaviour among their employees with which the owner-manager often has personal and long-term relationships based on mutual reliance and trust (Spence et al., 2003). We conclude that the costs for control in relation to CSR walk increase with firm size. We now turn to the question of how coordination costs in relation to CSR walk develop with increasing firm size.

Since large organizational size implies increasing administrative complexity, it follows that the costs of internally coordinating the different activities of a firm in order to ensure efficient operations also grow, in particular if different responsibilities and priorities within the firm need to be aligned. This applies to the internal implementation of CSR (walk), as well as ensuring consistency between implementation and external communication (walking the talk). For instance, while in large firms the development and execution of a CSR strategy is usually overseen by the CSR department, other functional departments are increasingly involved, such as legal, PR, or marketing (Delmas and Toffel, 2008). These departments may have different interests when it comes to setting CSR priorities. A PR department might be more inclined to engage in effective but low-cost CSR activities that reflect CSR talk, such as ceremonially adopting an environmental standard (Haack et al., 2012). At the same time, productive units such as manufacturing might be inclined to avoid the costs of implementing costly environmental practices where payoffs are intangible (such as reputation gains). Costly control and coordination mechanisms are thus necessary to align these interests if a firm wants to roll out a consistent CSR programme.

Blau (1970) has in this regard suggested a U-shaped cost-curve of coordination, while others have argued for a curvilinear expansion – the percentage of coordination costs increase with size up to a given point, and then stabilize (Klatzsky, 1970). The latter resonates with arguments by Kimberly (1976) who suggests that as firms grow marginal size effects on organizational structure are high for very small organizations, while these effects are diminishing as organizations become larger. Nevertheless, complexity and organizational differentiation also lead to increases in coordination costs, which particularly apply to contemporary multinational large firms that operate across countries and cultures.

Becker and Murphy (1992) elaborate further on the role of coordination cost and argue that the costs of coordinating specialized workers, as well as the amount of knowledge that is necessary for the production process to work efficiently, are critically influenced by the degree of specialization of an organization. Specialization is said to increase until the marginal productivity gains from a greater division of labour are balanced by the additional marginal costs of coordinating a larger number of more specialized workers in line with the organization's objectives (Becker and Murphy, 1992). As Camancho (1991) has shown, the larger an organization is, the higher the number of people that would remain inactive during some part of the production period, and the greater the costs for coordinating efficient workflows.

Coordination costs are reduced if the organization has a highly uniform identity or has a high goal consistency, as there is a lesser need to monitor behaviour that might deviate from central organizational objectives (Williamson, 1967). The driving influence of owner-manager values in small firms (Hammann et al., 2009) and the frequency of personal interactions between senior- and middle management as well as workers can facilitate coordination and mutual understanding (Courrent and Gundolf, 2009). Thus coordination costs are less pronounced for small firms than for large ones which have greater degrees of individual specialization and highly inconsistent goals across the organization.

Our argument that coordination costs increase with firm size is consistent with the resource based view of the firm. Addressing the question of how many organizational capabilities are necessary to improve environmental performance (i.e., CSR walk), Russo and Fouts (1997, p. 538) argue that this 'requires a fundamental shift in a firm's culture and human resources and the organizational capabilities required to manage them. Management, R&D, production, and marketing all must be involved and committed if a firm is to implement a[n environmental] policy'. Firms need to cope with increased complexity for instance in production or delivery processes and require enhanced employee involvement, cross-disciplinary coordination and 'increased skills from workers at all levels of the firm'. Shaver and Mezias (2009) add to this by arguing that the resources needed for effectively managing and coordinating complex operations increase disproportionately with firm size.

Organizational inertia further complicates changes in administrative structures, and it has been shown that as firm size grows firms have a lower propensity to change (Dobrev et al., 2003). This is because large numbers of employees and business units as well as many layers of hierarchy make it more difficult for large firms to coordinate the reorganization of functional processes. In the context of coordinating CSR walk, this reflects the structural distance between those engaged in developing a centralized CSR strategy, and executive decision makers in decentralized divisions or functional units where the strategy needs to come into effect (see Dougherty and Hardy, 1996). Research suggests that CSR managers in large firms who are responsible for thoroughly implementing a 'CSR mindset' and corresponding practices in decentralized business units report considerable difficulties and resistance among employees to accept new ways of working that depart from their accustomed routines (Haack et al., 2012; Wickert and de Bakker, 2015). We conclude that internal coordination becomes increasingly complex and costly to administer the larger the organization.

In small firms, the typically informal coordination style, fewer hierarchical levels and low levels of bureaucracy most likely keep the internal coordination costs for implementing CSR in organizational processes relatively lower than in larger firms. Blau (1970) argued that social contacts and interaction with other functional specializations are more common in smaller organizations, where such departments might not formally exist. Social or environmental concerns that emerge from productive activities may therefore be more directly conveyed from owner-managers to employees, and vice versa, making it 'easier for the concerns of ordinary workers to be heard' (Darnall et al., 2010, p. 1077).

In contrast, in large firms, managers close to the headquarters of an organization, such as CSR managers that are usually responsible for developing a CSR agenda and corresponding policies, must reach out and literally 'persuade' a myriad of employees in functional positions that may have highly divergent interests in relation to the organization's overall objectives (Wickert and de Bakker, 2015). Thus, internally coordinating the components of a CSR programme, including awareness raising among employees, in particular information about the nature of the adequate organizational practices, structures, and procedures from the top to the bottom of an organization becomes increasingly resource intensive – and hence costly – the larger the organization. Pinkse et al. (2010) provide a good example that the coordination and implementation of an environmental strategy, which they empirically examine in a large firm, is extremely costly. They show that high levels of absorptive capacity are necessary to overcome internal complexity, geographic diversity and cultural heterogeneity. While such capacity in general is said to facilitate the diffusion of environmental management practices, they (2010, p. 169) found 'that due to high context specificity of environment-related knowledge, in many areas building sufficient shared absorptive capacity (...) seems overly costly, if not impossible'.

In sum, this suggests that the costs for coordinating CSR walk increase as firm size increases. As we will show below, the relatively higher control and coordination costs for walking CSR in large firms are in stark contrast to the relatively lower costs for talking CSR in large firms, and vice versa in small firms.

CSR TALK, ORGANIZATIONAL COST AND FIRM SIZE

While the costs for walking CSR tend to increase the larger a firm becomes, the costs for talking CSR tend to decrease. For example, McWilliams and Siegel (2001) have argued that economies of scope accrue in the joint provision of CSR attributes over many different products. In other words, large and highly diversified firms can generate cost savings if the impression they aim to create with CSR talk is attributed to a high number of products or services. Because 'the goodwill generated from firm-level CSR-related advertising can be leveraged across a variety of the firm's brands' (McWilliams and Siegel, 2001, p. 123), larger firms have lower average costs of external CSR communication and they usually have more resources than small firms to offer differing product lines and sophisticated product differentiation strategies through marketing or modifications. In contrast, in terms of walking CSR, given that large firms are usually more diversified than small firms (McWilliams and Siegel, 2001), CSR practices such as environmentally friendly product ingredients would have to be adapted to specific requirements that are more complex the larger product portfolios become. This implies additional implementation costs and reduces the possibility to generate economies of scope.

Evidence of the relatively strong development of external communication and symbolic impression management activities in relation to CSR in large firms supports our argument (Bowen, 2014; Delmas and Burbano, 2011). Given the higher visibility of most large firms and the increasing pressure of external stakeholders to make those firms' CSR engagement more transparent (Chiu and Sharfman, 2011), greater sophistication of CSR reporting has become a priority for many large firms (Castelló and Lozano, 2011; Du et al., 2010). Indeed, empirical results show that voluntary CSR reporting decreases the cost of equity capital for publicly traded firms that are under greater media and investor scrutiny (Dhaliwal et al., 2011). Large firms, however, can relatively easily construct a CSR-façade by establishing a CSR department that handles PR-requests and is responsible for formally reporting CSR activities with high production values. Because it is often 'difficult for consumers and other stakeholders to asses a firm's [true] social performance' (Siegel and Vitaliano, 2007, p. 775), large firms can take advantage of the information asymmetry between internal processes and externally projected images. This is exacerbated because stakeholders of large and highly visible firms (consider Nike, McDonalds, or Apple) often have a relatively low proximity to the firm (i.e., low spatial nearness), which makes it more difficult for them to distinguish between CSR walk and talk (Courrent and Gundolf, 2009). Assuming that the establishment of a CSR department involves some initial cost and human resources but then remains relatively constant, economies of scale can be realized because its proportionate size and relative cost declines the larger a firm becomes.

At the same time, research suggests that, surprisingly, markets grant higher financial rewards to firms that report about their CSR *processes*, such as commitments and public statements to improve environmental performance, rather than their CSR *outcomes*, such as effective reduction of emissions or toxic releases (Delmas et al., 2013). This creates a further incentive for CSR talk among large firms stemming from asymmetric information. For firms reporting on CSR it is financially beneficial to focus on relatively cheaper processes that are intangible and difficult to measure, rather than costly improvements of CSR outcomes. For instance, many large firms promote their participation in the United Nations Global Compact or the Dow Jones Sustainability Index – initiatives that have repeatedly been accused of being little more than public relations exercises

(Berliner and Prakash, 2015). From a strategic point of view, there is a double-stimulus for large firms to focus on less costly CSR talk that is higher financially rewarded than CSR walk.

For smaller firms, in contrast, externally communicating their CSR engagement to the public by following formal guidelines or standards is relatively costly. As a consequence only few small firms report in accordance with the Global Reporting Initiative (GRI) standard despite the recent efforts of GRI to attract more of these firms (Brown et al., 2009). Notwithstanding this, given the small number of employees and flat hierarchies in small firms, information can more easily be shared and discussed in informal settings across the organization. Because of close moral proximity, the influence of the leader(s) is still more pervasive than in large firms, meaning that employees can directly interact with CSR role models, such as owner-managers (Courrent and Gundolf, 2009). Often, small firm owner-managers choose to implement responsible business practices out of conviction and at their own discretion rather than for instrumental reasons (Jenkins, 2004; Wickert, 2014). In particular smaller owner-managed firms tend not to emphasize material wealth – in contrast to profit-maximizing large firms that are under greater shareholder pressure to maximize the return on investment (Spence and Rutherfoord, 2001). In general, owner-managed firms that are usually smaller in size tend to face lower pressure from investors to maximize their returns, giving them more legitimacy to devote resources to socially responsible business practices (Quinn, 1997).

While we do not suggest that non-economic motives are absent for large firms, the institutional requirements around large corporations necessarily, often legally, encompass the prioritizing of economic drivers to, for example, maximize the return on investment to shareholders. As even Milton Friedman acknowledges, smaller firms in contrast go somewhat under the radar in this respect, lacking public fora in which the financial veracity of its leaders are held to account, and are freer to make decisions based on non-economic reasoning (Friedman, 1970; Gray et al., 1995).

There is a lack of consensus here about suitable terminology, but the broadly speaking intrinsic drive for 'small business social responsibility' (Spence, 2016) has been consistently identified and labelled 'silent CSR' (Jenkins, 2004), or 'implicit CSR' (Matten and Moon, 2008). This is in line with Oliver's (1997) characterization of normative rather than economic rationality guiding resource decisions. Given such an intrinsic motivation to engage in CSR a mismatch between CSR activity and stated intent seems much less likely in particular among owner-managed small firms than for public large firms.

In terms of talking CSR, unlike larger firms, smaller firms tend to employ informal, personalized mechanisms to interact with their stakeholders (Fassin, 2008). As such, communication with a selected group of high-proximity stakeholders is done on the basis of face-to-face interaction rather than formal written accounts such as annual CSR reports (Lähdesmäki, 2012). Lacking the power and economic rationality to manage stakeholders and resources optimally for maximizing economic rents (Oliver, 1997) smaller firms are less likely to be able to draw on institutional or resource-based capital. More appropriate for the smaller firm is that which has been called a 'socializing' process of accountability (Roberts, 2001). Therein, CSR activities are accounted for by day-to-day relations, lateral exchange and dialogue with suppliers, employees or customers, and are characterized by a high moral intensity (Courrent and Gundolf, 2009). This offers small firms the opportunity for a full reciprocal discussion and development of personal recognition and identity (Lähdesmäki, 2012).

Meeting the increasingly demanding formal reporting requirements for CSR, such as structuring a report along the extensive performance indicators of the GRI, appears to be uninviting for smaller firms (Brown et al., 2009; Global Reporting Initiative, 2011). Commonly expected quality standards for CSR reports have expanded, and for smaller firms a relatively high and even prohibitive share of resources is required to draft a 'high-gloss' report, a website, or to pay membership fees or make donations to CSR initiatives (see Fassin, 2008). In addition, due to their low visibility and the absence of media attention, and thus limited readership, it is unlikely that small firms would see a significant benefit in a publicity-driven approach to CSR, in contrast to most large firms (Gray et al., 1995). Thus, the financial incentives to direct resources to costly but largely unnoticed reporting are comparably limited.

Given the earlier discussion on intrinsic motivation of owner-managed smaller firms to implement CSR, a desire for replacing substantive CSR implementation with what may be perceived as a de-personalized branding exercise is less likely (Nielsen and Thomsen, 2009). Importantly, engaging with external stakeholders by working in (formal or informal) partnerships and including them in decision-making processes about the adequate implementation of CSR issues is a relatively common practice for smaller firms (Wickert, 2014). In general, smaller firms tend not to have the resources to continuously generate knowledge about the increasingly complex issue of CSR and therefore need input and guidance from external stakeholders to manage such processes (Spence et al., 2003). The CSR implementation process of small firms is typically a cooperative one in which they draw on their social capital with stakeholders to which they have high proximity (Russo and Perrini, 2010; Spence et al., 2003). For instance, small firms usually keep their number of suppliers limited to a few key parties and select them based on long-term relationships characterized by honesty and mutual trust, avoiding expensive switching and screening costs (Wickert, 2014).

In contrast, the development of stable stakeholder relations where joint norms, values and strategies need to be discursively exchanged is challenging and costly for large firms. Large firms with global supply chains and production networks are simultaneously facing legitimate and diverging stakeholder interests at a global level (Scherer et al., 2013), both internally, for instance their employees in subsidiaries, and externally, such as the communities in which they operate. This represents a major obstacle for the systematic integration of external stakeholder concerns in the implementation process of CSR. In order to change the 'naming and shaming' game and constructively cooperate with critical stakeholders, trust needs to be restored by cost-intensive stakeholder dialogues or other exchange platforms. However, large firms might be inclined to avoid the high costs of substantive stakeholder engagement and instead favour cheaper forms of CSR talk where information about CSR activities is merely transmitted to stakeholders without meaningful dialogue (Banerjee, 2008).

We conclude that the organizational costs for talking CSR tend to decrease with firm size and thus provide financial incentives for large firms to focus on this aspect of CSR engagement, while avoiding relatively costly CSR walk. Smaller firms in turn have lower

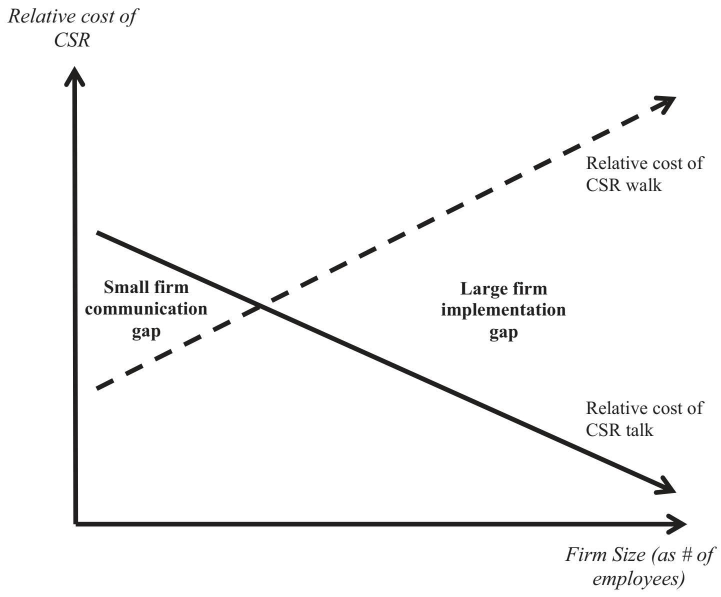

Figure 1. Relative organizational cost of CSR engagement (as relative share of the costs of CSR walk and CSR talk in total firm cost)

Notes: Black line: Relative cost of CSR talk; dotted line: Relative cost of CSR walk.

Source: Own illustration; developed from Baumann-Pauly et al. (2013).

benefits as well as higher costs (relative to their total costs) when talking CSR. We consolidate these arguments into a conceptual model that explains the aforementioned differences between talking and walking CSR in small and large firms.

A CONCEPTUAL MODEL OF CSR ENGAGEMENT

Our foregoing argumentation suggests that firm size and corresponding organizational structures have CSR-specific cost implications for talking versus walking. All else being equal, these imply favourable financial conditions that explain why small firms tend to focus on internal implementation of CSR but have little incentive for external public communication while the opposite case applies for large firms. We term these patterns the *small firm CSR communication gap*, and the *large firm CSR implementation gap*. As we have shown, larger firms have a CSR implementation gap, because the implementation of CSR practices and procedures into core business operations is relatively *costly* compared to relatively *less costly* external public communication and symbolic impression management of CSR. This is based on the insight that the costs for controlling and coordinating centralized activities, such as talking CSR, are relatively *lower* than the costs for controlling and coordinating decentralized activities, such as walking CSR. In contrast, smaller firms have a CSR communication gap, because for them the public communication of CSR is relatively *costly* in comparison to relatively *less costly* implementation of CSR practices and procedures into core business operations. Therefore, in small firms the costs for talking CSR are relatively *higher* than the costs for walking CSR.

Figure 1 schematically illustrates our key arguments. The horizontal axis depicts the continuum of increasing firm size. The vertical axis depicts the relative organizational costs of CSR engagement defined as the relative share of the costs of talking and walking CSR in total firm costs. The costs for talking CSR predominantly imply fixed costs, whose relative share in total costs declines with growing firm size (see McWilliams and Siegel, 2001). This includes fixed expenses such as human and financial resources for establishing a CSR department, for publishing a report, crafting policy documents, or formally joining CSR initiatives. These activities increase the overall cost, but due to their fixed cost elements remain relatively constant. Therefore, it is easy to realize economics of scale.

In contrast, walking CSR predominantly implies variable costs, as practices and procedures have to be individually adjusted throughout the value chain. Consequently, while the share of fixed costs for CSR talk would *decrease* the larger the firm becomes, variable costs for CSR walk that are tied to the number and scope of business processes which need to be changed tend to *increase* the larger the firm becomes. For instance, a large firm needs to spend more resources to monitor diversified and geographically distant divisions, or it might have to pay higher material costs per unit if sourcing from suppliers that have an environmental or social certification (see McWilliams and Siegel, 2001). Economies of scale are more difficult to realize for those activities that are predominantly decentralized and which imply variable costs.

Variable costs also apply for CSR walk in smaller firms. However, the relatively lower costs for control and coordination make the organizational implementation of CSR more favourable in financial terms for small firms compared to less favourable external CSR communication. In Figure 1, the space between the two cost curves (black/dotted) indicates the cost-differentials for the small firm CSR communication gap and the large firm CSR implementation gap. Notably, in seeking to visualize our theoretical arguments in a simplified manner, our model does not suggest a specific scope of the respective gaps. However, as the graph shows, we argue that the small firm gap is most likely lesser than the large firm gap. This is because the 'delta', i.e., difference between the relative small firm costs for walking versus talking CSR, is comparably lower than the delta for large firms, for which CSR walk is significantly more costly than CSR talk. Our key arguments composing the theoretical model can be summarized in two propositions:

Proposition 1: In large firms the CSR implementation gap increases with increasing firm size.

Proposition 2: In small firms the CSR communication gap increases with decreasing firm size.

Opportunities for empirical research arise in exploring how the scope of these conceptual gaps could be measured, and to investigate under which conditions the small firm communication gap is likely smaller than the large firm implementation gap; or if very small or micro and very large organizations have a respectively larger gap. Scholars could also examine the probable non-linear development of the two cost curves we have sketched or explore the existence of and conditions for an optimal firm size with regards to CSR engagement so that both gaps can be narrowed. Most importantly, future research should examine and add potentially relevant contextual variables to our model, such as the cost-implications of CSR talk and walk in different industry or regulatory contexts. In the following, we first discuss several theoretical implications of the conceptual model that extend our understanding of size-related differences in CSR engagement and then propose a size-aware research agenda of CSR engagement.

THEORETICAL IMPLICATIONS

Our model seeks to add clarity to the field of CSR by showing how economic pressures may help to explain differences between walking and talking CSR among small and large firms. We provide an analytical tool that expands earlier work which aimed to explain differences in CSR engagement (Campbell, 2007; Darnall et al., 2010; Husted and Salazar, 2006; McWilliams and Siegel, 2001), but has underemphasized disparities between symbolic and substantial forms of CSR, and thus was limited in explaining the large firm tendency of not 'walking the talk', and the small firm tendency of not 'talking the walk'.

We also add to recent work that examined greenwashing in the CSR context, but where the focus was largely on exogenous determinants, such as opacity of product characteristics, while limiting attention to firm size to not more than a control variable (see Bowen, 2014, for a critical review). This literature served as a valuable starting point for our observation *that* greenwashing 'pervades our contemporary capitalist society' (Bowen, 2014, p. 8). We expand this work with a detailed analysis of the internal organizational mechanisms that explain *why* greenwashing is more likely the larger a firm becomes.

In addressing these limitations of extant research, we have proposed that organizational costs of CSR engagement – including the total money, time and other resources associated with CSR engagement – create favourable financial terms that can explain the differences in the CSR engagement patterns between smaller and larger firms. Size-related organizational costs imply that large firms have structural characteristics that make *centralized* activities such as symbolically talking CSR relatively less costly than in small firms. This is to a great extent due to their ability to realize economies of scale and scope. In contrast, small firms have structural characteristics that make *decentralized* activities such as substantively walking CSR relatively less costly, and vice versa. This is to a great extent due to their ability to benefit from low bureaucracy, less internal complexity, and strong identity, often based on the values of the owner-manager. From an economic and strategically motivated point of view, this allows us to better understand accusations brought forward against large firms for overstretching symbolic aspects of CSR, and the relative neglect of small firms in the CSR debate, as they tend to remain silent about their CSR activities. These insights contribute to the theory of the firm perspective on CSR (McWilliams and Siegel, 2001) and – as we will show below – can be complemented with insights from institutional theory.

A closer examination of the cost implications of CSR engagement seems especially pertinent considering that a link between increased CSR engagement and financial performance or enhanced competitiveness remains contested (Delmas et al., 2013; Tang et al., 2012). At the same time, however, large firms face increasing pressure by consumers, investors and civil society activists to appear socially responsible (Campbell, 2007). These stakeholder demands and company responses have promoted the progressing institutionalization of CSR (Bondy et al., 2012) as a 'must-have', rather than a voluntary strategic choice. As a result, most large firms feel pressured to engage in CSR independent of tangible financial benefits. Since CSR activities in particular of large firms become increasingly standardized (Haack et al., 2012; Marano and Kostova, 2015), this may lead to a further erosion of competitive advantages generated from CSR engagement, for instance as a means of differentiation from competitors. Installing expensive CSR measures without clear paybacks thus incurs costs rather than benefits. Departing from benefits-based views to explain CSR hence gains importance the more CSR becomes institutionalised.

This view is exacerbated, because it has been widely argued that external appearance rather than the fact of conformity between appearance and internal practices is often presumed to be sufficient for the attainment of a socially responsible image (Oliver, 1991), and, as our model suggests, less costly (Berliner and Prakash, 2015; Delmas et al., 2013). This makes it even more financially attractive for large firms to engage in inexpensive CSR talk, rather than expensive CSR walk. Economically speaking, CSR thus remains of strategic importance for firms, but not from the perspective of enhancing competitiveness, differentiation or financial gains (which would lead to more tangible benefits), but in order to conform to societal demands (which incurs tangible costs) and simultaneously reducing costs.

Our theoretical model also connects to institutional theory and studies that examine decoupling (Meyer and Rowan, 1977). The large firm implementation gap reflects a form of decoupling, where symbolic communication about the implementation of CSR-related organizational practices does not correspond with the actual implementation of these practices. In this sense, our model introduces a novel economic perspective on potential firm-level antecedents of decoupling, where different patterns of decoupling in smaller and larger firms have been underemphasized in the literature. While extant research tends to emphasize external determinants for decoupling (e.g., Haack et al., 2012; Marquis and Qian, 2014), a consideration of organizational costs can provide a more accurate picture of the potentially significant influence of firm-specific, and in particular cost-related factors. This allows us to better explain why decoupling might be more likely in large firms, while small firms have less incentives to decouple. As yet, the literature has underemphasised the influence of firm size on decoupling, and our model presents a starting point for further inquiry.

Our perspective on the relative organizational cost of talking versus walking CSR also marks a new theoretical perspective for CSR research in relation to small firms. Previously, differences in CSR engagement of small firms predominantly referred to the lack of a profit-maximizing motive where owner-managers have the autonomy and stewardship not to maximize shareholder value (Jenkins, 2004), but discretion to direct resources to socially or environmentally responsible business practices (Quinn, 1997). It has been argued that small firm owner-managers are not driven by profit maximization, but instead by profit-satisficing behaviour, along with a range of personal, social and cultural motivations (Spence and Rutherfoord, 2001). Hence, researchers and policy-makers seeking to promote CSR by exclusively focussing on potential payoffs are ill-judged. From a managerial point of view, rather than linking CSR to financial returns – that as we have shown are often intangible, rather difficult to calculate ex ante and difficult to attribute to CSR ex post – a focus on effectively managing organizational costs would have greater resonance for encouraging CSR engagement in small firms.

In general, we do not assume that our approach is exhaustive in explaining different patterns of CSR engagement. Rather, it presents an important and as yet underemphasized complement to the extant picture in the CSR literature where much attention has been paid to determinants that are either based on individual characteristics, such as managerial ethics (e.g., Hemingway and Maclagan, 2004), firm-level characteristics such as ownership (Jenkins, 2004), or largely external to the firm, such as heterogeneous stakeholders demands (Scherer et al., 2013). We acknowledge that an important alternative explanation for the implementation and communication gaps that we theorized can be based on institutional and stakeholder theory. We briefly sketch this explanation below, and show that it is nevertheless consistent with our cost-based theorizing, and thus offers fruitful avenues for future research combining economic and institutional perspectives empirically and conceptually.

Institutional theory suggests that firms evaluate legitimacy-expectations of stakeholders and adjust their CSR behaviour (e.g., Campbell, 2007; Chiu and Sharfman, 2011). This perspective is complementary to our model, because smaller and larger firms would evaluate stakeholder expectations and then decide to invest in CSR talk or walk when aiming to secure their legitimacy. As we have argued, larger firms usually have more visibility and are under tighter stakeholder scrutiny with regard to their CSR engagement (Chiu and Sharfman, 2011). From a legitimacy perspective, they are more inclined to invest in CSR talk in the form of impression management and creating a symbolic image of social responsibility to satisfy stakeholder expectations (Perez-Batres et al., 2012). At the same time, thoroughly evaluating complex internal processes that would reflect serious CSR walk is difficult for stakeholders such as NGOs (Siegel and Vitaliano, 2007). This reduces the incentive for large firms to invest equally in CSR implementation, given that financial returns are ambiguous and the threat of boycotts can often be mitigated by even more sophisticated impression management strategies. McDonnell and King (2013, p. 387) for instance show that firms confronted with consumer boycotts react by defending 'their public image by using prosocial claims', where such 'prosocial claims operate as an impression management tactic meant to protect targeted firms by diluting the negative media attention attracted by the boycott'. This large firm CSR engagement pattern preferring CSR talk based on legitimacy expectations corresponds with our model and the predictions we made based on internal economic determinants.

Legitimacy as a determinant for CSR engagement in smaller firms would equally imply that these firms favour CSR walk over CSR talk. This is because, as we argued earlier, smaller firms tend to be much more locally embedded and in proximity to their immediate stakeholders. Business partners, suppliers and customers that provide small firms with legitimacy usually do so by creating social capital (Russo and Perrini, 2010; Spence et al., 2003). Close proximity to stakeholders thus makes it more likely that small firms refrain from creating symbolic CSR images that might be more easily uncovered and dismissed by their external observers, but instead invest in CSR walk in order to enhance their social capital. That smaller firms have a higher propensity to care for social balance also reflects arguments raised by proponents of stewardship theory, where it is contended that actors see themselves as stewards who engage in cooperative behaviour to advance collectivist rather than individual interests (Davis et al., 1997). Commensurate with this, Jamali et al. (2009) note that in contrast to MNCs, socially responsible small businesses tend to operate on a basis informed by moral reflection and stewardship, and be preoccupied with the internal dimension of responsibility and issues relating to employee well-being.

In summary, taking internal firm determinants based on organizational costs into more explicit account opens up several opportunities for future size-aware and comparative size research in CSR that could be linked to existing studies focussing on legitimacy and corresponding responses to external pressures. Below, we expand these arguments and develop a research agenda that could further nuance the observed disparities between CSR talk and walk in small and large firms.

A SIZE-AWARE RESEARCH AGENDA FOR CSR ENGAGEMENT

Our model provides a foundation for multiple areas of future research. Most importantly we provide a theoretical basis for CSR research that goes beyond examining firm size as just another control variable. As we have shown, the comparison of small firms with large ones can yield important theoretical and practical insights. We suggest two particularly promising lines of inquiry for further theorizing. First, adding contextual variables to our model, and second, examining CSR talk and walk from a dynamic perspective.

First, context-sensitive research could examine how regulation density moderates the cost relationships. As social and environmental impacts differ between industries, it might be that in heavily regulated industries, such as mining or oil exploration, firms would seem more inclined to engage in CSR walk in order to avoid the costs of regulatory penalties. Whether the cost differential between walk and talk is actually lower remains nevertheless contested. In particular when looking at the intensely regulated extractive industries, there is substantial evidence that the most severe greenwashing allegations are brought forward exactly against large companies such as Shell, BP, Rio Tinto or Anglo-American (e.g., Lyon and Montgomery, 2015), which are accused of positioning 'themselves as sustainable and drown the readers of their CSR reports in technical data but do no more than comply with basic environmental laws' (Scherer and Palazzo, 2007, p. 1114). Despite regulation, evidence suggests that large firms still try to get away with the relatively cheaper CSR talk. This might be due to the inadequacy of many CSR rankings to distinguish between walk and talk, and the lack of emphasis on performance outcomes, rather than the mere adoption of favoured policies (Delmas et al., 2013). Future research should examine cost implications of CSR regulation in different industries, which vary in their environmental and social impacts, such as manufacturing and textile versus financial services.

This is important because contextual factors such as industry characteristics may cause costs to increase (or decrease), for communication as well as implementation. For large firms, the relative gap between costs for CSR walk and talk may shift as stakeholder scrutiny becomes more intense. NGOs for instance that often focus their campaigns on heavily polluting industries may become better equipped to detect greenwashing, or may require more sophisticated forms of substantive action. Smaller firms might face higher communication requirements when supplying large firms that expect formal reporting standards about the small firm's CSR activities, or when their increased visibility would create higher stakeholder attention. However, learning effects may also reduce costs both in small and large firms.

Next to industry characteristics, future research should also take a closer look at ownership characteristics. In our model we have taken the most common forms of ownership structures as a baseline assumption, namely that the majority of small firms are privately owned, while larger firms tend to be publicly owned. However, in the current paper we have not taken account of the potential influence in both small and large firms of family ownership which offers a further avenue for size-aware research. Nor have we sought to identify any differences between solely-owned, partnerships or multiply owned organizations – the latter might begin to exhibit some of the characteristics we associate with publicly owned larger firms, such as needing to provide reports to investors.

Future research should also add nuance to our general model by distinguishing different types of CSR, for which cost implications may vary (Hoogendoorn et al., 2015). To construct a prudent theoretical model we have assumed that cost implications for CSR engagement are similar. However, CSR reflects a 'basket' of activities in relation to social, environmental and ethical responsibilities of firms. This might imply some variation in costs and benefits, for instance when comparing environmentally friendly production processes and socially responsible measures such as health and safety standards. It can thus be reasonably assumed that some CSR activities are more sensitive (e.g., environmental management, supply chain responsibility) to operational costs than others (e.g., corporate volunteering, philanthropy). However, the way we define CSR engagement in this paper explicitly caters to those activities that require firms to adjust operational practices and procedures, and thus have relatively high cost implications. We consider this to reflect the contemporary understanding of the roles and responsibilities of business firms in society, where attention has moved away from 'how the money is spent' (philanthropy without costly adjustments in core business operations) to 'how the money is made' (integration of CSR principles in strategy and core operations) (Scherer and Palazzo, 2007).

Future research could pick up these points and examine the cost implications of different types of CSR that focus on environmental, social, employee- or community-related activities and which might for instance primarily address low- or high-proximity stakeholders as key beneficiaries. Here, scholars might further nuance the local- vs. global embeddedness of firms. Whereas small firms tend to be more locally embedded and thus have higher visibility to local stakeholders, large firms usually have a global reach and may be more inclined to ignore certain local situations in order to conform to industry behaviour at a broader level. Such embeddedness may have cost implications on CSR talk and walk. For instance, demands of local stakeholders are more likely to be homogeneous and focused, whereas globally distributed stakeholder groups probably have very heterogeneous expectations making their full implementation ('walk') very costly.

Second, while we have based our model on a *static* perspective of organizational costs and firm size, important opportunities for future research arise when investigating implications of a *dynamic* perspective, asking what happens if a firm grows? Longitudinal studies, for instance taking a qualitative case-based approach, could ask whether a small firm, characterized by a communication gap, would lessen this gap over time, with or without transforming it into an implementation gap as the firm grows. In other words, would existing CSR walk remain unchanged or would increasing organizational costs lead to an abandonment of extant practices, in favour of more symbolic and relatively cheaper CSR talk? Here, research could also distinguish between different forms of growth, which could be organic, or through mergers and acquisitions (Wickert et al., 2015), and for instance use quantitative approaches based on panel-data.

We also deem it relevant to study whether an implementation or communication gap can remain stable over time. A large firm that maintains a considerable implementation gap over a longer period might be more vulnerable to public criticism and be accused of an unsubstantiated façade of CSR that undermines credibility with internal and external stakeholders of the organization. Employees might feel deceived by their employer when working for an apparently socially responsible firm that in reality is not. In such cases, decoupled CSR talk may provoke corrective action that could lead to full implementation of corresponding practices simply because most employees would refuse to see themselves as only 'ceremonial props' (Boxenbaum and Jonsson, 2008, p. 88). In addition, external stakeholders such as NGOs might be even more inclined to start campaigning against a firm they judge as particularly hypocritical. Thus, the higher the publicly perceived implementation gap, the more likely it might be for that organization to become the target of boycotts or campaigns that harm its reputation, and the higher the cost of not implementing CSR.

Research based on CSR-related organizational costs should therefore take into account the opportunity cost of *not* engaging in either talking or walking CSR. For large firms with an extensive implementation gap, this might result in high ex-post costs, for instance to repair reputation caused by consumer boycotts or negative NGO-led campaigns. The respective cost implications, however, remain quite unclear. For smaller firms, there might be opportunity costs for not engaging in communication, if for instance large international buyers that increasingly require some sort of CSR standards from their suppliers might not award contracts or even de-list small firms that resist formally communicating their CSR activities. Research building on our model could further examine how firms evaluate cost implications differently based on whether they can be calculated ex ante, or whether cost implications only become tangible ex post. For instance, large firms might prefer CSR talk, because associated costs like the production of a CSR report can be relatively easily determined ex ante, while they might avoid CSR walk because this more likely implies considerable costs that can only be calculated ex post, such as regular supply chain audits and resulting adjustments of production processes.

Another important avenue for further research on the dynamic perspective connects to the view on CSR communication that emphasizes the performative role of language on the emergence of different forms of organizing (e.g., Christensen et al., 2013; Crane and Glozer, 2016; Haack et al., 2012; Wickert and Schaefer, 2015). Herein, CSR communication – talk – is not regarded as a counterpoint to CSR implementation – walk – but constitutive of it. Schoeneborn and Trittin (2013, p. 193) for instance suggest that 'communication practices that concern CSR should not be generally dismissed as mere "greenwashing"'. Rather, 'aspirational talk' (Christensen et al., 2013) can lead managers to 'talk into existence' new CSR practices by means of the language they use (Haack et al., 2012).

We suggest that the constitutive perspective on CSR communication can benefit from our model. An important empirical question is to determine to what extent presumably higher costs of implementation might prohibit CSR talk to materialize into new CSR practices, in other words more sophisticated implementation that meets its promise. Investigating potential barriers to practices being constituted through communication is important, as empirical evidence for this rather idealistic picture of communication remains scarce (Christensen et al., 2013; Crane and Glozer, 2016; Morsing and Schultz, 2006). Even communication scholars admit that the one-way transmission-focused view of communication, which is implicit in our paper, represents a 'fairly accurate picture of corporate communication processes today' (Morsing and Schultz, 2006, p. 325). Likewise, Cornelissen (2014) argues that one-way communication in CSR is pervasive because, aside from cost-considerations, managers tend to be reluctant to give up some of their discretionary power and influence on strategically relevant decision-making processes.

While we have developed our model based on the specifics of CSR, it can be applied to other contexts where firms are confronted with expectations to both walk and talk about their activities, for instance when adopting management concepts such as TQM or different ISO norms, or broader organizational change initiatives. Scholars could take our model as a starting point to look at cost implications of other highly visible strategic change initiatives where there might be a mismatch between presumably cheap investor-relations activities ('talk') and actual strategy implementation ('walk'), such as in the case of stock repurchase programmes (Westphal and Zajac, 2001). However, what makes the CSR context distinctive is that it seems to be much more contested than other more technical practices, because it deals with the overall role of the firm in society (Scherer and Palazzo, 2011). Highly divergent stakeholder expectations and internal firm requirements put the disparity between CSR talk and walk at the centre of attention.

BOUNDARY CONDITIONS AND CONCLUDING REMARKS

We acknowledge some boundary conditions of our model, which are mainly due to our deliberate abstraction in order to construct a prudent theoretical argument. This includes our assumption that the costs which can be attributed to CSR walk are primarily variable in nature, while the costs for CSR talk are primarily fixed. Furthermore, we did not assume that small firms are in general more willing to engage in CSR than large firms. However, under the condition that a small firm decides to engage in CSR, we have argued that it is more likely for this firm to show patterns of CSR walk rather than talk, while we would typically expect the opposite case for a large firm. This reflects our primary research interest in explaining the mismatch between walk and talk, rather than examining the willingness to engage in the first place. Based on extant research (see Josefy et al., 2015), we also assumed that large firms are generally more visible than smaller firms. There are, however, small firms in particular in the digital economy, whose visibility could be considered much higher than that of some large firms in traditional industries such as specialized automotive subcontractors. Future research should address this limitation and examine corresponding cost implications, but could take our theoretical arguments as a starting point.

Our assumptions about the cost-organizational size connections may not necessarily hold true in less developed national contexts where smaller firms face markedly lower market and non-market institutional pressures from a variety of stakeholders such as customers, NGOs, and the government. Our conceptual model thus reflects more accurately those conditions of competitive markets in developed countries.[1] Future research should study how such influences affect the cost curves that we have sketched.

A further critique of our model is the existence of deviant cases. We acknowledge that there are large firms that issue comprehensive CSR reports *and* over time have substantially implemented CSR in their organizational processes and procedures – firms that are walking the talk (e.g., Bondy et al., 2012). Likewise, some small firms have not only implemented procedures, but also communicate their CSR activities effectively to external audiences (Nielsen and Thomsen, 2009). It should also be noted that small firms are not a homogenous group, and may not all fit the standard form we have presented here. Some small firms may neither be familiar with the CSR concept nor have considered how to integrate CSR into core business routines despite their favourable organizational conditions. They may deny any sort of social responsibility particularly if operating in the informal economy prior to establishing a viable business, though there is so little research on informal small businesses and CSR that this remains an area for future study.

Overall, our aim was to contribute to size-aware and comparative size research in CSR that scrutinizes the mismatch of CSR talk and walk. This is theoretically important because a focus on the tangible organizational costs for talking versus walking CSR revives a classic but as yet largely neglected economic dimension for further exploring variation in how firms engage in CSR. It is also relevant from a societal point of view, because a better understanding of the dynamics of CSR engagement might encourage more firms to walk the talk of social and environmental responsibility.

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NOTE

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