

## **Corporate social responsibility in a burgeoning industry: A stakeholder analysis**

### **Abstract**

**Purpose** – The purpose of this exploratory study is to investigate the extent and significance of involvement of craft brewery operators in their community through the lens of stakeholder theory (ST). In addition, differences between forms of involvement and demographic characteristics of operators and breweries are examined.

**Design/methodology/approach** – As many as 218 operators of predominantly micro craft breweries across the United States participated in an online questionnaire designed to gather their perceptions.

**Findings** – While paying taxes was participants' main perceived form of contribution, providing an artisan-made product, the significance of the craft brewery as a community 'hub', and that of increasing the number of leisure alternatives also emerged. A further 52.8 percent of participants indicated contributing \$US 100,000 or more to the community annually. Statistically significant differences were revealed, for instance, based on craft breweries' production volume, and the level of financial contribution. Various associations between operators' perceived contributions and the ST theses were established, including in regards to cooperative interests (descriptive), stakeholder management (instrumental), and moral principles (normative).

**Originality/value** – First, by examining corporate social responsibility in the craft brewing industry and among predominantly smaller firms, the study addresses two under-researched areas. Second, a refinement of ST in the context of the craft brewing industry is proposed, highlighting the links between ST-based theses and the findings. Third, the study contributes to three different types of literature: micro and small business, craft brewing entrepreneurship, and corporate social responsibility.

**Keywords:** Corporate social responsibility, craft brewing industry, operators, stakeholder theory, United States

### **Introduction**

In the last decades, corporate social responsibility (CSR) has become “a global concept that has progressed from the interplay of thought and practice” (Carroll, 2015, p. 87). CSR symbolises a perspective and a language known world-wide, and has gradually grown in significance in business environments (Carroll, 2015). Today, various stakeholder groups are clearly communicating their expectations, in that modern business practices should go beyond profit maximisation and obeying the laws (Carroll, 2015). More precisely, philanthropy or ethics are two key areas in which social responsible firms are expected to be involved in (Carroll, 2015). Firms that respond to expectations make concerted efforts, namely, in their operating procedures, decisions, or policies, to integrate their concerns for different stakeholder groups (Carroll, 2015).

Given its importance, it is not surprising that today, an abundance of CSR literature has developed (Russo and Perrini, 2010; Servaes and Tamayo, 2013). However, many areas and dimensions of CSR still remain under-researched and under-developed.

First, no general consensus exists as to the activities to be included in CSR practices, and the academic literature continues to rely on a general definition by the World Business Council for Sustainable Development (WBCSD) (Servaes and Tamayo, 2013). In this definition, CSR is referred to as the continuous commitment among businesses to promote economic development, while simultaneously enhancing the quality of life of their employees, employees' families, the community, and society as a whole (WBCSD, 2004).

Second, a generally recognised CSR theoretical framework that helps explain issues associated with firms' activities "does not yet exist" (Russo and Perrini, 2010, p. 207). This statement appears to be still applicable today, with various recent contributions further suggesting the lack of a general CSR-related framework. In one such contribution, Spence (2016) recognises that, arguably, stakeholder theory (e.g., Freeman, 2004) is the society and business framework with the greatest impact "within the scholarly CSR literature and practice" (p. 27). The statement that numerous "conceptualizations of CSR have been proposed" (de Grosbois, 2016, p. 248) further underlines the level of fragmentation and lack of consensus regarding a unified framework. Thus, it is not surprising that the contemporary literature also emphasises the dearth of theoretical frameworks that would support or complement CSR-related areas. To illustrate this point, de Oliveira and Jabbour (2017) point out that key topics in contemporary management as CSR, industrial cluster governance, and environmental management have yet to be interrelated "in an integrated analytical framework" (p. 131). In addition, as Lund-Thomsen et al. (2016) assert, theoretical frameworks bringing together "the notions of CSR and industrial clusters are few and far between" (p. 15).

Third, a CSR literature review (Aguinis and Glavas, 2012) identifies a fragmentation in regards to levels of CSR analysis. Indeed, CSR is predominantly studied at a macro, or organisational/institutional level, as opposed to a micro, or individual level (Aguinis and Glavas, 2012; Jenkins, 2006). Moreover, the importance CSR within small and medium enterprises (SMEs) "has continued to be overshadowed by its application in large and multinational organisations" (Sen and Cowley, 2013, p. 413).

Fourth, in the past, research has addressed CSR among SMEs and large firms from an empirical perspective. However, clear illustrations of fundamental issues associated with CSR as a strategic option for both groups of firms are yet to be determined (Russo and Perrini, 2010).

Some of the points made by Sen and Cowley (2013) and Russo and Perrini (2010) are strongly related to the present study, which examines the perceived contribution of operators of predominantly micro craft brewery firms towards their community. In the last decade, the craft brewery industry has experienced a remarkable growth in numerous countries (Brewers Association, 2016; Brewers of Europe, 2015). In the United States, this industry makes various important contributions. In terms of employment, in 2014 the industry provided approximately 424,000 jobs, and generated close to \$US 57 billion (Brewers Association, 2016). Despite this significant contribution, academic research exploring craft brewery operators' contribution to their community has been scant.

By selecting the case of the United States' craft brewing industry, this study explores this under-researched area. In doing so, the study seeks to contribute to the craft brewing, micro

and small businesses, and CSR literature. The following research questions (RQs) will be examined:

RQ1: To what extent do craft brewery operators contribute to their community? Furthermore, in what specific ways is such involvement materialised?

RQ2: How significant is such contribution, for instance, in perceived dollar value?

Statistically significant differences between the areas under examination and various demographic elements pertaining to participants and their craft brewery will also be tested and explored.

While reports highlight the significant contribution of the craft brewery industry, either at country (Brewers Association, 2016) or state level (Wobbekind et al., 2012), information from an individual perspective could also be very valuable for various stakeholders. Indeed, the findings could re-emphasise this industry's contribution, informing managers of government and other agencies. New and reinforcing information from this research could help trigger the development of new plans and strategies to facilitate SME growth and sustainability, and develop a socially responsible entrepreneurial culture among current or future business operators.

The findings could also raise more awareness within the community where breweries are located, and among consumers. Moreover, given the concerns among internal and external stakeholder groups of ways in which firms operate (Carroll, 2015; Crittenden et al., 2011), this renewed level of awareness could also be beneficial to craft breweries' management, including in identifying their role within their community.

## **Literature Review**

### *Stakeholders, CSR and ST*

A critical step in theory-building processes is the development of definitions (Wacker, 1998). While numerous definitions have been proposed for the term 'stakeholders', this study adopts that by Freeman (2002), who perceives stakeholders as individuals or groups who may benefit from corporations' acts- or be harmed by these. Similarly, stakeholders are those whose rights may be respected- or violated- by corporate action (Freeman, 2002). In addition, corporations are defined as permanent associations that are interest-based, voluntary, intentionally created, and self-governed (Greif, 2006). In modern societies, corporations include businesses and professional associations (Greif, 2006). Furthermore, and related to the present research, both firm owners and non-owners can be categorised as stakeholders (Mitchell, Agle, and Wood, 1997).

The study's emphasis on stakeholders suggests the appropriateness to adopt stakeholder theory (ST) as the theoretical framework. This decision is also aligned with contemporary research (e.g., Cordeiro and Tewari, 2015; Russo and Perrini, 2010). The adoption of ST could be also useful, in enabling more understanding of the relationships between the corporation (Freeman, 2002), which is illustrated by craft brewery operators (owners/managers), and their perceived contributions to their community in the present research. While the study only focuses on one group of stakeholders, this approach mirrors that of earlier studies (Jenkins, 2006; Sen and Cowley, 2013; Giugni Vidal, Berman, and Van Buren, 2015).

The links between CSR and ST are underscored in earlier as well as contemporary research. When presenting the excerpt 'From CSR to stakeholder theory', Russo and Perrini (2010) reveal various fundamental relationships. These authors revisit an institutional interpretation of CSR to affirm that, extending from simple compliance obligations, firms are expected to contemplate their duties towards various stakeholder groups. Such expectations have the objective for firms to integrate social, environmental and economic matters into their activities, management tools or strategies (Russo and Perrini, 2010). However, today, profits should not be corporations' sole objective; instead, organisations' success rests upon their relationships with stakeholder groups, and include numerous interests, such as environmental or social.

In referring to Jones's (1980) contribution, Russo and Perrini's (2010) discussion progressively illustrates the links between CSR and ST. First, they posit that CSR should "be considered as a strategic orientation of corporations" (p. 209), and these need to be able to implement socially responsible actions while they conduct their activities. Importantly, nonfinancial reports provide a means for corporations to demonstrate their accountability towards significant stakeholder groups (Russo and Perrini, 2010). Second, and from practitioners' viewpoint, while ST has taught sound instrumental and managerial practices to businesses, today CSR focuses on a stakeholder framework, "which has become widely accepted among contemporary business organisations" (Russo and Perrini, 2010, p. 209).

Park and Ghauri (2015) further strengthen Russo and Perrini's (2010) argument, explaining that, based on ST, there is an interactive relationship between stakeholders and the corporation. Consequently, "the firm ought to be managed to meet the expectations, including CSR issues, of all its stakeholders" (Park and Ghauri, 2015, p. 194). Thus, as McWilliams and Siegel (2001) state, ST "has emerged as a dominant paradigm of CSR" (p. 118).

Several major contributions to the development of ST are found in the academic literature. For example, Freeman (2004) highlights the value of a stakeholder approach, which underscores the significance for management to invest in relationships with those groups or individuals who have a stake in the firm. Achieving stability in those relationships requires the sharing of a core of values or principles (Freeman, 2004). In fact, one of the assumptions of ST is that values are explicitly and necessarily associated with conducting business (Freeman, Wicks, and Parmar, 2004). Furthermore, ST is concerned with the purpose of the firm, and the responsibility that management have to stakeholders (Freeman et al., 2004). A third key assumption is that "Economic value is created by people who voluntarily come together and cooperate to improve everyone's circumstance" (Freeman et al., 2004, p. 364).

According to Mitchell et al. (1997), ST is paramount for a "more effective management" (p. 880), and for a more comprehensive and useful "theory of the firm in society" (p. 880). These authors postulate that different types of stakeholders are characterised by one or more of the following features: 1) their power to influence firms, 2) the legitimacy of their relationships with firms, and 3) the urgency to their claims on firms.

In one of the most recognised ST-related theoretical and conceptual contributions, Donaldson and Preston (1995) propose four central theses associated with the theory:

*Descriptive:* ST is employed to describe, and in some cases explain, particular corporate behaviours and characteristics, including the nature of the firm (Brenner and Cochran, 1991,

in Donaldson and Preston, 2010). ST also proposes a framework describing the corporation as a collection of competitive as well as cooperative interests. These interests possess intrinsic value, which suggests that all stakeholder groups merit consideration for their own sake, and not because of their ability to foster the interests of other groups (Donaldson and Preston, 1995). The descriptive approach can also facilitate understanding on why some stakeholder groups act or mobilise (Chappelet and Parent, 2015). An interpretation by Parmar et al. (2010) relates this thesis to research where factual claims are made about what companies and managers actually do; in essence, “it represents the reality of how managers operate” (Balakrishnan, Malhotra, and Falkenberg, 2017, p. 141). In the case of craft breweries, the thesis may help describe firm operators’ behaviour towards CSR initiatives, or the extent to which these initiatives affect various stakeholder groups, including members of their community.

*Instrumental:* This thesis emphasises that ST provides a framework facilitating the examination of any links between practising stakeholder management and achieving corporate performance objectives (Donaldson and Preston, 1995). Parmar et al. (2010) interpret this thesis as research examining the outcomes of a particular managerial behaviour. Furthermore, the main focus of this thesis is the notion that, “other things being equal” (Donaldson and Preston, 1995, p. 67), corporations that practice stakeholder management will achieve success in such conventional performance indicators as stability, profitability or growth (Donaldson and Preston, 1995).

Leland (2016) adopted ST when examining individual craft brewery firms’ strategies to grow revenues while engaging collaboratively with various external and internal stakeholder groups, namely, customers, community organisations, employees, suppliers, or distributors. Through interviews with craft brewery owners, Leland’s (2016) study revealed four distinct themes: commitment to quality, employee retention and satisfaction, development of local relationships, and non-traditional marketing. These findings prompted Leland (2016) to suggest various opportunities for craft brewery owners to improve revenues, including through collaboration with these groups of stakeholders. Leland’s (2016) research also underlined a fundamental implication for social change in the form of partnerships between local craft breweries and businesses. Such partnerships could contribute to creating better employment opportunities for the local residents, and to more sales for the partnering firms (Leland, 2016).

*Normative:* This thesis is the fundamental basis of ST, and implicates the acceptance of various ideas. One idea is that stakeholders are groups or individuals with genuine interests in substantive or procedural aspects of corporations’ activities (Donaldson and Preston, 1995). Importantly, ST can assist in interpreting a corporation’s function or purpose, for instance, the identification of moral guidelines for its management and operation (Donaldson and Preston, 1995). In addition, the thesis can be associated with “research that asks what managers or corporations should do” (Parmar et al., 2010, p. 144), or with paying attention to stakeholders’ interests based on fairness and moral imperatives (Balakrishnan et al., 2017). With regard to the craft brewing industry, suppliers, distributors, and especially end consumers represent stakeholder groups that have legitimate interests in the craft brewing firm. To reciprocate such interests, craft brewery owners need to act in a morally appropriate manner. This behaviour can be demonstrated in a number of ways, including through concern, care, and focus on the quality and safety of craft beer products.

*Managerial*: ST is broadly managerial, in that it recommends practices, structures, or attitudes; combined, they represent the foundation of stakeholder management (Donaldson and Preston, 1995). Furthermore, the thesis directs and reflects how managers operate (Freeman et al., 2004). Fundamentally and as its main attribute, stakeholder management entails “simultaneous attention to the legitimate interests of all appropriate stakeholders” (Donaldson and Preston, 1995, p. 67). This thesis can also be related to research emphasising “the needs of practitioners” (Parmar et al., 2010, p. 411).

Similar to the normative thesis, and in the context of the craft brewing industry, the managerial thesis underlines the significance of considering several key stakeholder groups (consumers, suppliers, distributors, and government). Regarding this thesis, research on winery businesses’ involvement with the community, Duarte Alonso and Bressan (2013) found that winery owners’ contribution was concentrated in four different ways. Fundamentally, the winery ownership played the key roles of providers, in generating and maintaining jobs; sponsors, by making donations or organising events locally; guardians, in helping the preservation of the landscape and historic patrimony, and promoters, fomenting tourism within the region they operated (Duarte Alonso and Bressan, 2013).

## **Methods**

This exploratory study is concerned with examining the involvement of operators of United States craft breweries in their community; the study adopts ST as its theoretical framework. The proposed RQs seek to identify main ways in which operators are involved, and the approximate value of such involvement in dollar terms. In addition, differences between the areas under investigation and demographic characteristics of breweries and participants will be examined. The decision to focus on United States’ craft breweries is mainly based on the growing importance and contribution of this industry, both in dollar terms and in jobs created (Brewers Association, 2016). The absence of research focusing on the entire United States further justified the objective to gather data from craft breweries operating nation-wide.

Because of significant limitations in the form of budget, human resources (number of researchers), geographic distance between many of the craft breweries, and the large number of operating firms, the data collection approach was based on an online questionnaire. As other forms of data collection, online questionnaires are known to have various limitations, notably, the potential for low response rates (Fang and Yan, 2010; Rogove et al., 2012). However, as opposed to visiting individual craft breweries or making long-distance telephone calls to interview operators, the online option was the preferred medium, as it would allow reaching potential respondents across the United States in a relatively short time. In addition, the decision to employ online questionnaires is in accord with several studies that also implemented this data collection mode, for instance, in the wine industry (Bruwer and Johnson, 2010; Johnson and Brewer, 2007).

The questionnaire for this exploratory study was divided into three sections, with the first seeking to gather demographic data from participants, including the role of participants, volume of production, time since the craft brewery was established, and whether the brewery opened to the public or not (Table 1). The second section presented a list of nine items pertaining to RQ1 (Table 2). By employing a Likert-type scale, which ranged from 1= Strongly disagree, to 5= Strongly agree, participants were asked to indicate their level of agreement; space was also provided for participants to type comments. These items were designed based on a literature review of CSR. Indeed, in the absence of CSR studies in the

craft brewing industry, research focusing on CSR within SMEs (Coppa and Sriramesh, 2013; Campopiano, De Massis, and Cassia, 2012; Jenkins, 2006; Park and Campbell, 2017; Perrini, 2007; Russo and Tencati, 2009), and the wine industry (Duarte Alonso and Bressan, 2013) was consulted. These studies discuss ways in which firms perceive, and engage with, their stakeholders, or with their communities in general. The third section of the questionnaire presented participants with various choices for them to indicate the approximate financial contribution of the firm towards the community (Table 3).

The email addresses of 1,772 craft breweries were gathered through an extensive search in websites of United States regional craft brewing groups, craft brewery associations, listings of state craft breweries, and websites of individual craft breweries. The identified craft breweries were contacted in June of 2015. The message, addressed to the attention of the owner, brew master, and manager, concisely described the objectives of the research, and formally invited operators to take part, by following a URL link provided.

Upon the first contact, 76 messages were deemed undeliverable; these firms were no longer considered. The remaining 1,696 craft breweries were sent three reminders following the first message. These efforts produced 230 responses; through closer examination it was noticed that 12 participants did not fully complete the items pertaining to sections two and three. Hence, 218 usable responses were gathered, a 12.9 percent response rate. The numerical data were exported into SPSS. As applicable, various tests were conducted to confirm statistically significant differences between the items studied (Tables 2, 3), and the different demographic characteristics of participants and the craft breweries (Table 1). These tests included Pearson's Chi-square, independent samples t-test, and analysis of variance (ANOVA, Scheffé post hoc test). Finally, a selection of participants' typed comments presented in the next section are abbreviated; for instance, Participant 1 is coded 'P1' and Participant 2, 'P2'.

#### *Demographic characteristics: Participants and breweries*

Based on the figures of Table 1, owners represented the largest group of participants (65.6%). In terms of production volumes, all craft breweries in this study can be categorised as small in size, and the large majority as microbreweries. Small craft breweries produce less than six million barrels yearly (Brewers Association, 2016), and microbreweries less than 15,000 barrels yearly (Barlow, Verhaal, and Hoskins, 2016).

As many as 136 (62.4%) of the participating firms employed fewer than 10 people or no employees at all, further confirming their predominantly micro size. Overall, 169 (77.5%) employed fewer than 20 individuals. Also, 133 (61%) craft breweries were established in the last three years, and 178 (81.6%) in the last decade, thus, suggesting the prevalence of new firms, and reflecting the recent substantial growth of the craft brewing industry. Almost 82 percent of participants were males, 95 percent of breweries opened to the public at the time of the study, and nearly 13 percent exported their products. The different regions in which the data were collected were designed according to the guidelines prescribed by the United States Census Bureau (n.d). As shown in Table 1, participants from the West of the nation represented the largest of all four groups (40.4%), with a much more modest participation from craft breweries operating in the North-East. Given these significant percentages in participation according to United States regions, the results may be partly biased and therefore need to be treated with caution.

Table 1 Here

## Results

### *RQ1: Perceived general contributions of breweries and inter-group differences*

Participants clearly agreed with most forms of contribution illustrated in Table 2. Paying taxes emerged as the most predominant type of contribution, which is in stark contrast to research by Davis et al. (2013). These authors found that, for instance, managers of firms for which corporate accountability was relevant did not perceive paying corporate taxes as a form of social responsibility. One plausible explanation for this contrasting result may lie in the size of the business. For example, in a study of CSR among small businesses, Lähdesmäki and Suutari (2012) noticed that “responsibility towards the local community and paying one’s taxes are often regarded to be on and the same thing...” (p. 488).

An almost equal level of agreement as paying taxes was indicated in other forms of contribution. Indeed, providing a natural/artisan craft beer product for consumers to enjoy emerged as an important dimension in the research. This item also relates to the provision of safe, pleasure-seeking, and, to some extent, of more ‘organic’ experiences that are based on original, hand-crafted products geared towards niche markets. A niche can be considered as a small market, which consists of either an individual “or a small group of customers with similar characteristics or needs” (Dalgic and Leeuw, 1994, p. 40). Thus, it could be suggested that operators perceived their craft brewing products as a safe, distinctive, niche-market oriented, original, and therefore valuable alternative to mass-produced beer, which may also be a synonym for homogeneity. Concerning this point, Baginski and Bell (2011) affirm that, in focusing on small niche consumer markets, craft breweries are challenging “the monopolistic competition of the multinationals that dominate the brewing industry” (Baginski and Bell, 2011, p. 165). The perceptions of homogeneity and monopoly of large beer producers may also prompt members of the community and other consumers to reciprocate, supporting local craft breweries.

The above finding also partly aligns with research on CSR in food chains (Forsman-Hugg et al., 2013), which revealed, among other CSR dimensions, the significance of product safety and local market presence. The finding extends beyond these dimensions; indeed, it highlights the perceived importance of artisan made products, and their links with hedonism, creativity and genuineness.

Another significant finding was the perceived contribution of the craft brewery as a community hub, or a place offering community residents the opportunity to gather and socialise. The fact that at the time of the study over 90 percent of craft breweries were open to the public suggests the potential social impacts that craft breweries can have on different communities. The finding also underscores the relevance of social capital, which is composed of characteristics of social organisation, such as networks, social trust, or norms (Putnam, 1995). These characteristics facilitate mutually beneficial cooperation and coordination (Putnam). Importantly, Putnam (1995) was concerned with the fact that new organisations characterised by vibrancy may be replacing other types of civic organisations experiencing decay. Based on participants’ responses, the development of the craft brewing industry may continue to provide opportunities and environments for individuals to gather. These avenues may contribute to the further development and strengthening of social capital, especially in smaller communities.



Aligned with this finding and with social capital, Cabras (2011) posits that, especially in rural areas and villages, pubs are often centres and nodes of local social networks, and play an essential role in stimulating social capital and community cohesion. One illustration is through the enhancement of socioeconomic activities, including business-related activities within communities (Cabras, 2011).

The following comments further complemented participants' perceived agreement with the aspects measured in Table 2:

P1: "We are a neighborhood activity center - getting involved in so much. We refer to ourselves as a 'third place'; not work, not home."

P2: "We help promote fundraising events and contribute to several. There is a great deal of local support for quality causes."

P3: "The continued support of our community and the love we have for one another pushes our success."

P4: "Giving back and showing our appreciation to our fans and supporters is important, whether it's through fundraisers or continually bringing new products to the market."

Table 2 Here

Craft breweries' contribution was also perceived in terms of economic development, providing an attraction or leisure activity (mean=4.30), which could draw the interest and patronage among locals and visitors. Similarly, bringing earnings into the town/region (mean=4.16), including from visitors to the region, is associated with the 'multiplier effect.' In the tourism industry, for instance, the multiplier effect ensues when initial tourist spending has a direct knock-on effect, particularly through direct revenues for shops, hotels, or restaurants (Khan, Phang, and Toh, 1995). An indirect multiplier effect can also occur, as those businesses earning from tourists' expenditures invest part of the revenues to purchase essential inputs (Khan et al., 1995). Several verbatim comments suggested the further potential to draw visitors and enhance the community's social capital and economy:

P5: "We have teamed with the local restaurants... We also do joint advertising with a local restaurant, B&B, and [a] recreational company to encourage day and weekend tourists."

P6: "Continually improving quality and innovating well-known beers to draw people to our region. ("We have to go there and try the [beer name]!"). Collaboration within craft beer communities to draw tourists, and give locals a sense of craft beer pride."

Providing employment, and making donations to charities were also perceived as significant contributions, while organising events was near the level of agreement. These three dimensions are also aligned with earlier research on CSR activities among SMEs (Jenkins, 2006), which identified firm management's involvement in the community/society through these forms of contribution.

Although participants agreed with eight of the nine items (Table 2), when employing Scheffé post-hoc and independent samples t-test, several statistically significant differences between demographic characteristics and these items emerged. Initially, Cronbach's alpha, "a

generalized measure of the internal consistency of a multi-item scale” (Peterson, 1994, p. 382) was run. The decision to measure internal consistency is in line with Tavakol and Denick (2011), who emphasise that such consistency should be established prior to running a test for examination or research purposes. Upon running Cronbach’s alpha, a value of .855 was noticed; according to Bland and Altman (1997), alpha values between 0.7 and 0.8 are considered satisfactory. Subsequent analysis revealed that operators from the smallest craft breweries clearly agreed less than the larger craft breweries concerning the provision of employment. This finding, which was expected given the size of the craft breweries, was supported when using independent t-tests. Indeed, respondents from craft breweries employing fewer than 10 people agreed less than those employing 10 or more. In contrast, respondents from the more recently established firms agreed more than those from the more established breweries regarding the organisation of events.

Similarly, participants from the exporting breweries agreed more than those from non-exporting breweries, especially with regard to supporting local charities, providing employment, and organising events. These last findings suggest that exporting firms may hire more employees, and potentially may have more available resources to contribute. In fact, running Pearson’s Chi-square revealed that only nine (6.7%) of the firms employing less than 10 staff exported their products, as compared to 19 (22.9%) of the breweries employing 10 or more staff ( $\chi^2 (1, n=218) = 12.087, (p<0.001)$ ).

#### *RQ2: Perceived approximate financial contribution and inter-group differences*

Table 3 illustrates that only 28 (12.9%) participants perceived their financial contribution to their community to be less than \$US 10,000. In contrast, 115 (52.8%) perceived to contribute with more than \$US 100,000. In testing the different categories of perceived financial contributions against the scaled items (Table 2), a number of statistically significant differences were identified. A general pattern emerged, in that the level of agreement among respondents who invested less than \$US 10,000 within their community was clearly lower than that of respondents who invested at least this amount concerning various ways of contributing to their community. Such was the case in seven of the nine items presented in Table 2. For example, providing employment, supporting local charities and other companies, organising events, and bringing earnings into the region were areas in which the group investing less than \$US 10,000 did not fully agree with (mean<4.00). In contrast, respondents who invested at least \$US 10,000 in their community fully agreed with these forms of contribution (mean>4.00).

Table 3 Here

As was the case for the items of Table 2, subsequent analysis sought to identify whether the size of the firm had any impact on participants’ perceived financial contributions. Running Pearson’s Chi-square revealed that, expectedly, the larger the firm in terms of number of staff, the higher their financial contribution ( $\chi^2 (2, n=212) = 17.421, (p<0.001)$ ). For example, 39 or 29.5 percent of participants from businesses employing less than 10 staff perceived a contribution of \$US 200,000 or above. In contrast, 46 or 57.5 percent of those employing more than 10 staff indicated contributing this amount.

As would be expected of individuals operating or managing a firm, the above findings suggest that the various investments associated with craft breweries’ contributions to the community also have an implicit, yet perceived dollar value. Indeed, the higher level of agreement among

respondents who indicated investing more financially suggests that, providing employment, or supporting local charities are correlated to a certain amount of dollars. Similarly, the organisation of events, or the infrastructure needed to host guests and provide a community 'hub' may correlate to a dollar value. Finally, bringing earnings into the region, while difficult to measure/quantify, may have financial implications through the multiplier effect, and appears to be associated with a financial contribution.

## Discussion

Figure 1 proposes a refinement of ST, which illustrates associations between the theses presented by Donaldson and Preston (1995), and various findings that emerged from the analysis. This refinement provides a theoretical framework to facilitate understanding of CSR in the form of contributions to the community by operators of the craft brewing industry. The framework could be considered in future studies investigating CSR in the craft brewing or in other industries, particularly from the perspective of micro/small firm operators. The following sections will discuss alignments between the proposed theses and the findings. As illustrated, each thesis is not mutually exclusive; moreover, different ways of community involvement may overlap into more than one thesis.

*Descriptive:* Tables 2 and 3 illustrate part of craft brewery operators' behaviour concerning their contribution to their community. Also, some of the verbatim comments (P1-P4) highlight the nature of these firm operators regarding their CSR-related approaches. Essentially, while operators have competitive interests, based on the findings, and aligned with Donaldson and Preston (1995), these interests have an emphasis on cooperation, which is demonstrated in their level of agreement concerning ways of involvement. In agreement with Parmar et al. (2010), craft brewery operators seek revenues and profitability by producing small-batch products for a selected and especially interested group of consumers. At the same time, they perceive their firm and themselves as part of the community. Consequently, they may act in a manner that their business also contributes to socioeconomic development and social capital, for instance, providing employment, or supporting other local businesses. These forms of engagement are also linked to the WBCSD's (2004) definition of CSR, namely, in firms promoting economic development while at the same time seeking to enhance the life of community residents. Similarly, participants' perceived engagement finds support in the literature (Russo and Perrini, 2010), where the role of CSR as a strategic orientation of firms is reflected in the implementation of socially responsible initiatives while they operate as business entities.

*Instrumental:* Stakeholder management includes relationships with such key stakeholders as community residents, suppliers, employees, or customers (Hillman and Keim, 2001). Importantly, managing these relationships effectively represent socially complex, intangible resources that may improve "firms' ability to outperform competitors in terms of long-term value creation" (Hillman and Keim, 2001, p. 127). Thus, based on Donaldson and Preston's (1995) proposition, there are significant links between stakeholder management and corporate objectives. Moreover, in line with Parmar et al. (2010), managerial behaviour towards stakeholders may lead to specific outcomes. In the case of the present research, overall, such behaviour illustrates effective stakeholder management. In particular, participants' agreement with the provision of a community 'hub' for people to gather, and that of an artisan product, which illustrates enjoyment, hedonism, and uniqueness (Table 2), highlight a proactive attitude, with positive impacts for the community. Also, helping bring earnings to the town, and potentially contribute to the maximisation of a multiplier effect, could enhance

socioeconomic development, and at the same time further improve the relationships between the craft brewery business and community stakeholders. Again, these forms of engagement with the community are associated with the definition of CSR (WBSCD, 2004). Indeed, these findings illustrate that, by providing a place and a space to gather and a locally made products, craft breweries can both conduct business while enhancing the lives of local residents. In addition, by bringing earnings to their community, for instance, from repeat visitors, craft breweries can also help support other local businesses and/or suppliers.

As presented by Hillman and Keim (2001), the effectiveness in managing these elements may also constitute a source of competitive advantage, in this case for the participating craft brewery operators.

Figure 1 Here

*Normative:* This thesis suggests the acceptance of the overarching notion that stakeholders have genuine interests, for instance, in procedural aspects of firms' activities (Donaldson and Preston, 1997). As Choi and Stack's (2005) research underscores, one key stakeholder group, consumers, can be influential in a number of ways. Hence the suggestion that moral guidelines should be at the core of firms' management and operation (Donaldson and Preston, 1995), and that managers should act morally. While it is acknowledged that the objective of craft brewery operators is to be profitable ('corporate objectives'), their agreement with ways of contributing to the local community (Table 2), and their perceived financial contribution (Table 3) identify a well-developed set of moral principles.

Arguably, moral principles to be considered by craft brewers include their concern over alcohol over-consumption within their community residents and patrons. Such concern should be reinforced through their continuous efforts to educate these groups, thus, fomenting a culture of healthy enjoyment, emphasised by the appreciation and moderate consumption of an artisan craft beer product. In this context, Carroll (1991) explains that social responsibility can be materialised if managers act morally, and that one fundamental responsibility of businesses is their obligation to behave in a fair, just, and right manner, avoiding harm.

Again, such moral, proactive attitude can be reciprocated by patronage and consumption among members of the community, many of whom may also be looking for not mass-produced, alternative beer products, and directly contribute to firms' financial objectives. Related to this point, Choi and Stack (2005) recognise that, "since the 1990s, craft breweries have re-emerged as an alternative to mainstream beer in America..." (p. 85). Furthermore, a growing number of United States consumers are expressing their preferences for the individuality and taste "through their choice of purchasing alternative beers" (Choi and Stack (2005, p. 85). One participant (P6) also highlighted the element of reciprocation: "When you support your community, your community supports you. We've been lucky to have a lot of love from locals."

*Managerial:* As Freeman and Phillips (2002) state, "to see stakeholder theory as managerial is to see it as intimately connected with the practice of business" (p. 340). Moreover, a managerial approach underlines specific business problems (McVea and Freeman, 2005). Importantly, this managerial focus seeks to address "why stakeholder management might result in better outcomes and how it might incorporate stakeholder interests into business strategies" (McVea and Freeman, 2005, p. 60). Consequently, various corporate practices,

attitudes, and structures are suggested as the core of stakeholder management (Donaldson and Preston, 1995).

The findings underline some of these key elements, identifying ways in which operators are managing their relationship with one stakeholder group, namely, the community. Together, and as illustrated (Figure 1), the three theses above represent the pillars on which the managerial thesis rests, and their association with the study's findings have important implications. For example, craft brewery operators' actions, coupled with the community's response (reciprocation), could help build or further develop social capital and socioeconomic development. Finally, the framework suggests that process of stakeholder engagement starts again at the craft brewery level, and spills over into the craft brewery industry.

### **Conclusions and Implications**

By investigating the involvement in the community among operators from predominantly micro craft brewery firms of the United States, this study sought to shed more light on CSR-related activities in this industry. In doing so, the study addressed various acknowledged research gaps, for instance, the predominant focus of CSR research on the macro organisational level (Aguinis and Glavas, 2012; Jenkins, 2006). In addition, while the craft brewing industry makes a substantial socioeconomic contribution in the United States (Brewers Association, 2016), to date, very limited research has examined CSR-related practices, including brewery management's involvement with the community. Overall, the study contributed to various literature streams, including micro and small businesses, craft brewing, and CSR.

While participants clearly agreed with paying taxes, or supporting charities as fundamental forms of community involvement, other forms were almost equally important. Such was the case of producing and providing an artisan-made product, focusing on niche markets. This finding has clear implications in terms of consumers' concerns, for instance, for the safety and quality of the craft beer products, and their enjoyment. Further, breweries' contribution as community hubs for people to gather highlights implications for building social capital and community spirit. Further, participants' agreement with increasing the number of leisure activities, or bringing earnings into the region underline a genuine concern for socioeconomic development. Some of these concerns were reinforced in verbatim comments respondents provided.

Apart from their practical implications, one key theoretical implication of the findings relates to their associations with various ST-related theses postulated by Donaldson and Preston (1995). Indeed, the usefulness of ST is particularly demonstrated in the ways it helps understand participants' perceived ways of involvement in CSR. Thus, there is value in employing ST to explore the CSR dimension in the craft brewing industry. Similarly, the developed refinement (Figure 1) helps explicate research that investigates stakeholder groups, including business operators in a growing or established industry. Consequently, this framework could be considered in future research.

Overall, the different forms of craft brewery operators' contribution seem to overlap into the various theses. First, while seeking profit maximisation is one of operators' goals, there is also an emphasis on cooperation (descriptive thesis), which is illustrated in participants' agreement concerning the provision of employment or bringing benefits to the region. Second, and while arguably there is an expectation of reciprocity through patronage by

residents and visitors, providing a community hub or a unique, enjoyable, safe product are important ways to build social capital, civic commitment. By doing so, craft brewery operators manage relationships with the community (instrumental thesis). Lastly, moral principles, fulfilled or demonstrated through payment of taxes and perceived overall financial contribution, can be illustrated in other important ways. Such ways include managing the delicate balance between competitive versus cooperative interests, or for-profit versus socially responsible activities.

### **Limitations and Future Research**

While the findings of this exploratory study provide first-hand, valuable insights of craft brewery operators' involvement in their community, several limitations are also acknowledged. First, the email addresses of only 1,772 of the 4,225 or more craft breweries that existed in 2015 (Brewers Association, 2016) could be gathered. Second, 218 usable responses were obtained in this research. Third, the data were only collected among United States craft brewery operators; fourth, the response rate of this study was modest (12.9%). Finally, the participation of breweries according to regions was uneven, with West region breweries, for instance, representing over 40 of all participating firms. Consequently, based on this study's findings, any generalisations of craft breweries in the United States or elsewhere should be avoided.

Some of these limitations could be addressed in future explorations of the craft brewing industry, including by identifying more craft breweries in different United States regions, in other countries, and/or by complementing questionnaire data with face-to-face or telephone interviews. Future research could also seek to gather the perceptions of operators representing medium-size, and larger craft breweries, and extend beyond the present study's predominance of micro and small breweries. This approach could allow for comparisons based on the size of the craft brewery, and enhance the data collected, and its impact for practitioners and academics. Future research could also adopt ST, and pursue its development when investigating existing forms of CSR within the craft brewery industry. Similarly, the usefulness of the proposed refinement (Figure 1) could also be confirmed/disconfirmed, and its development further considered.

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