

DEVELOPING STRATEGIC SOCIAL RESPONSIBILITY FOR THE MANUFACTURING SMALL AND MEDIUM ENTERPRISE: AN EXPLORATIVE STUDY

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Abstract

Purpose of the study: This study in Malaysia explores the adoption of strategic social responsibility (SR) practices among manufacturing-based small and medium enterprises (SMEs).

Methodology: A qualitative approach employing the in-depth interview method was taken-up for this study. Eight respondents from manufacturing SMEs in Penang were randomly selected from the list published by the National SME Agency, which is also reckoned as SMECorp and participated in the study. The selection of senior level managers as respondents was also based on their understanding of strategic SR initiatives and decision-making capacity within their organizations. In order to further ensure that all respondents were equal in their views, the study avoided any attempt to interfere with or incorporate existing business-related practices of SMEs, which could influence the findings of this study.

Main Findings: In order to enable manufacturing SMEs to pursue sustainable and profitable SR practices, the findings first propose a six-phase SR implementation methodology. Secondly, it includes a risk assessment matrix and thirdly, it is followed by a risk transition matrix. The risk assessment and transition matrices serve as determining factors for this sector to pursue such initiatives.

Applications of this study: This enables the adoption of SR initiatives which converts to business competitiveness while positioning the SME strategically from social or environmental or both perspectives. Strategic SR helps to position business, thus proving beneficial for this sector that lacks a method to address SR in a benefitting way. This is vital because strategically aligned SR is able to influence business positioning, thus proving beneficial by contributing to the revenue, image, and brand positioning for this sector.

Novelty/Originality of this study: Being a preliminary study, the findings identify the steps that are to be taken by manufacturing entities of smaller magnitude for SR-related business positioning.

Keywords: *CSR, Manufacturing, Small and Medium Enterprises, SME, Social Responsibility, Strategy*

INTRODUCTION

Corporate Social Responsibility (Vintilă & Moscalu, 2009), (CSR) or Social Responsibility (SR) (Hoivik & Mele, 2009) portrays the sensitivity of organizations taking heed to the requirements of their stakeholders (Amaeshi, Osuji & Nnodim, 2008) by integrating social and environmental concerns within the business operations (European Commission, 2001, Hohnen & Potts, 2007). Reckoned as the triple-bottom-line (TBL) approach, SR enhances business competitiveness through strategic management (Castka, Balzarova, Bamber & Sharp, 2004; Gholami, 2011; Jenkins, 2009) while positioning products, services, and organizations for better marketability and profit (Avram & Kuhne, 2008). While corporate citizenship has been well researched among large corporations (Hoivik & Mele, 2009; Jenkins, 2006), manufacturing small and medium enterprises (SMEs) have received less attention (Jenkins, 2006), which relates to the lack of understanding of SR concepts and the unwillingness to participate within this sector (Mandl, 2005). It is added with the fact that the replication of SR practices taken up by large organizations into manufacturing-based SMEs is also not feasible (Lepoutre & Heene, 2006; Fitjar, 2011). As SMEs lack resources, a different SR mechanism to manage environmental stewardship and social obligation is required (Fitjar, 2011). This includes effective risk management, which distinguishes an organization from its competitors by satisfying customers while improving its financial performance and competitiveness (Healy 2008; Wong & Jamilah, 2010). Accordingly, manufacturing SMEs could position themselves to drive innovation (Hoivik & Shankar, 2011) and take a stakeholder-centric approach (Ausra, 2011). Hence, in developing strategic SR for manufacturing SMEs which benefits stakeholders and the organization

itself (Young, 2012), this study explores the possibility of developing strategic SR in view of operating within a dynamic business environment (Freeman, 1984).

LITERATURE REVIEW

Strategic SR for Business Positioning- A Stakeholder Approach

It is vital for SMEs to position themselves as strategic and customer-oriented business entities in maintaining a competitive advantage, while attaining profitable financial metrics (Freeman, Wicks & Parmar, 2004; Heath & Norman 2004; Jenkins, 2004). Continuous interaction with stakeholders improves business positioning (Sloan, 2009) through adaptive learning, development, and improvement initiatives (Ring, 1997) as a result of comprehending the changing political, economic, social, and technological environment (Heath & Norman, 2004; Jeffery, 2009; Sequeira & Warner, 2007). Such positioning, which strives for long-term growth (Vives, 2006) in pursuit of an enhanced business image / brand / reputation (Jarutirasarn & Aiyeku, 2010; Porter & Kramer, 2006), shifts the paradigm of “how businesses operate” to “how businesses are expected to operate”. This means willingly practicing stakeholder engagement as a systematic, logical, and practical process in pursuing mutual interest towards the reduction of negative impacts on the natural environment or to enhance social obligations or contributions (Jeffery, 2009). In such a context, the organization exploits stakeholder communication in an attempt to change (Jeffery, 2009) and promote shared interests, thereby creating value for the stakeholders (Freeman et al., 2004; Fontaine, Haarman & Schmid, 2006). This reflects the development of meaningful relationships as a result of catering for the evolving interests of stakeholders (Fontaine et al., 2006) in a bid to address the gap between organizational performance and business environment expectations (Freeman et al., 2004).

Sustainable initiatives shape the business strategy (Husted & Salazar, 2006; Steiner & Steiner, 2003; Yu & Bell, 2007) while projecting favorable business image (Crowther & Capaldi, 2008; Gholami, 2011). Accordingly, being a continuous development initiative (Healy, 2008), SR identifies issues, analyzes, and evaluates outcomes in sustaining the competitive edge (Kirytopoulos, Leopoulos & Malandrakis, 2001; Lu & Castka, 2009). This comprises an outside-in approach in comprehending the external business environment in a bid to conduct business differently from competitors to benefit the organization (Porter & Kramer, 2006). SR taken from such a developmental perspective serves as a competitive weapon (Steiner & Steiner, 2003) as a result of adopting ecological and social challenges (Gelbmann, 2010) within the business process. From a strategic perspective, SR takes a two-pronged approach of developing relationship with stakeholders while managing risks for future survival, which comprehends business conditions to make appropriate decisions for both the present and the future (Healy, 2008) towards fostering the competitive instinct, nurturing innovation, serving the underserved markets, and developing new business models (Grayson & Hodges, 2004a), while enabling businesses to gain the license to operate (Porter & Kramer, 2006).

The Pillars of SR

Despite the fact that SMEs are financially disadvantaged (Jarutirasarn & Aiyeku, 2010), SMEs exert social and environmental impacts (Battaglia, Bianchi, Frey & Iraldo, 2010), which leaves this sector to develop its SR initiatives (Lu & Castka, 2009) for attaining the competitive advantage and for business sustenance (Ganescu, 2012). In doing so, Carroll (1979, 1991) proposed philanthropy as giving back to the society in terms of charity, assistance, or education towards developing favorable public image alongside the need to generate revenue (the pillar of economy), further adding the need to adhere to a set of regulations (legal pillar), while abiding to moral and ethical expectations (ethical pillar). However, philanthropic SR is unlikely to be conducive for SMEs (Jenkins, 2006) as it may not strengthen the firm’s long-term competitiveness (Porter & Kramer, 2006) due to the cost and time spent against low return-on-investment (ROI) (Fitjar, 2011). The bolt-on (Grayson & Hodges, 2004a & 2004b) SR assumed by larger organizations may not be appropriate in contrast to the built-in SR, which may serve beneficial for businesses of smaller scale (Fitjar, 2011; Grayson & Hodges, 2004a & 2004b; Lepoutre & Heene, 2006).

What is needed is the capability of manufacturing SMEs adapting to the dynamic business environment (Fang, Huang & Huang, 2010) by integrating strategic environmental and social commitments into the core business process, which contributes to the business strategy (Liu & Fong, 2010; Sharma, Sharma & Devi, 2009; Siwar & Harizan, 2008). This involves transforming the business strategy to benefit stakeholders while progressing towards competitiveness (Porter & Kramer, 2006). Hence, as it is vital to consider strategic SR positioning, failing to anticipate developments in the business environment can lead to losing business to competitive entities that invest in sustainable methods of doing business (Crals & Vereeck, 2004). Such an approach to SR is necessary as SMEs being the smaller entities may be required to assume engagement initiatives rather than managing stakeholders. In order to facilitate this, Porter & Kramer

(2006) proposed four pillars of SR, namely, moral obligation, reputation, license to operate, and sustainability. While proposing moral obligation as the respect for people and the environment, the sustainability element comprising the environmental and community stewardship could enhance the organization's reputation, which serves as a license to operate without the fear of stakeholder scrutiny. Such an approach to business regarding SR is a strategic tool in discovering new opportunities while creating value for the stakeholders (Jarutirasam & Aiyeku, 2010; Porter & Kramer, 2006), while incorporating elements of simplicity, practicality, and effectiveness to the business processes (Cralis & Vereeck, 2004). Consequently, this enables SMEs to reduce the impact on natural resources while promoting social inclusion with stakeholders in working towards improving operational efficiency and financial performance, thus enhancing corporate image and reputation (Ganescu, 2012).

METHODOLOGY

Four objectives, such as (i) to explore the perception of SR among manufacturing SMEs, (ii) to assess the awareness towards strategically inclined SR among manufacturing SMEs, (iii) to explore the perspectives that make-up strategic SR suited for manufacturing SMEs and to, (iv) to propose a strategic SR framework for manufacturing SMEs, were identified. In order to fulfill the objectives, the in-depth interview was preferred as it not only gathers information on behavior, opinions, and other underlying factors (Mack, Woodson, MacQueen, Guest & Namey, 2005), but is suited for needs assessment, program refinement, issue identification, and strategic planning, which makes it appropriate for strategy development (Adams & Cox, 2008; Guion, Diehl & McDonald, 2006; Longfield, 2004). Analysis involves data interpretation and identifying codes while the following stages would develop new codes for further data interpretation in an attempt to explore further meaning (Saldana, 2009) and to strengthen latent findings. As interpretation is based on the initial level of coding, emerging themes or codes will be detected along the analysis.

ANALYSIS

RQ1. How do respondents of manufacturing SMEs perceive social responsibility?

Three prevailing codes, namely, charitable giving, face, and skepticism, surfaced towards SR (Table 1). Generally, the findings realized SR for charitable deeds and to maintain face in the business network, which does not reflect a strategic initiative. One-third of the respondents mentioned 'face' to popularize and maintain position in the business network.

Table 1: Analysis of Common Themes

Interpretation	Perspective
Charity / Notions of giving	Obligation to help / Conscience
	Giving for publicity (motive giving)
	Profit matters prior to SR practices
Face / Benefit	Image, building rapport
Skeptical	Charity is burdensome

Despite philanthropy being driven by conscience or volunteerism, three respondents were skeptical as they expressed financial shortcoming as a limitation to carry out SR and something not beneficial.

RQ2. Are SMEs aware of social responsibility incorporated from a strategic perspective?

Five codes, namely, charity for publicity, skepticism, resource constrains, return-on-investment (ROI), and concern and strategic SR, were identified (Table 2). The respondents expressed charity for developing and maintaining rapport within the business network and among stakeholders. Generally, respondents also expressed skepticism linking charitable SR to business strategy while more than half of them expressed skepticism linking environmental SR to business strategy. Another code is resource constrain towards taking-up strategic SR. Although only one respondent expressed doubts pertaining to the returns-on-investment in the case of strategic SR, three respondents claimed that SR could be adopted for better business positioning.

Initial interpretation revealed the connotation of "what is in for me" as respondents could not view beyond charitable notions. Respondents do not regard SR as beneficial, particularly to the business and positioning of business. Further data analysis pointed to less emphasis on incorporating social and environmental aspects into the business process, which revealed the inability to realize the potentials of TBL for business positioning. In short, the strategic aspect of SR that contributes to business sustainability is not realized.

Table 2: Analysis of Common Themes

Interpretation	Perspective
Charity for publicity	For publicity / rapport
Skepticism	Skeptical linking charitable SR to business strategy
Resource constrain to take-up strategic, non-charity SR.	Skeptical linking environmental SR to business strategy
ROI concern	Finance as the hindrance
Strategic SR	Return-On-Investment from strategic CSR is the main concern
	CSR can be initiated as a business strategy

This explains why SMEs are reluctant towards self-driven initiatives and indicate external pressure to initiate changes in the business process, particularly concerning SR. The main factor is financial resource, which is a prevailing concern among most of the respondents. Overall, besides three respondents who claimed SR for business positioning, data interpretation found no strong link to the strategic understanding of SR.

RQ3. What are the perspectives that are to be factored-in towards developing a framework of strategic social responsibility for manufacturing SMEs?

Two codes prevailed, wherein the first is partnership or synergizing and the second is risk. Business strategy comprises the ability to take-up initiatives on its own and synergize in a network or in a quasi-hierarchical relationship (involving larger business organizations supporting smaller business within the same value-chain.) (Table 3), which actually reflects the options in overcoming arising risks (Figure 1 and Table 5) in assuming strategic SR.

Table 3: SME Relationship Configuration

Quasi-hierarchical relationship	Network synergy
SME-larger organization partnership. Improving SME process while enhancing larger organization's corporate governance. Continuous working partnership for SMEs' competitiveness and larger organization's corporate image. SME works towards business sustainability; larger organization works towards brand image.	SMEs in partnership among themselves. Improving SME partnership for inter-organizational funding, SR/TBL related ideas / expertise. Cluster as a base of reference for SMEs to engage in dialogues / sessions pertaining to strategic SR. SMEs work towards strengthening the network.

Respondents prefer the quasi-hierarchical relationship, which allows larger business entities to absorb business risks when uncertainty is high. Larger business entities help to reduce the risk factor on SMEs by providing finance and expertise in driving SR initiatives among SMEs, as these larger companies are dependent on SMEs for manufactured goods. A lesser preferred method is the network synergy, where a few SMEs come together to work on an SR initiative, which requires funding and expertise within the network for research and development while distributing investment risk. However, conflict of interest, ownership of intellectual property, project leadership and management, confidentiality of business secrets, and other issues pertaining to project ownership were raised, which leaves this option less popular to the former.

Risk is assessed on the basis of return-on-investment (ROI) of the initiative. As SMEs take ownership when risk is at minimum or manageable, independent SR initiatives are expected to commence with low risk and low ROI during the beginning phases towards low risk, high ROI upon maturity. This comprises pursuing potential business of fairly low risk but with financial returns in terms of revenue. In cases where the SME is mentored or when funded by a mentoring business entity (as in the quasi-hierarchical relationship), SMEs are willing to transit from high risk, high ROI to low risk, high ROI, or taking the three-stage transition of high risk, low ROI to high risk, high ROI and progressing to low risk, high ROI (depending on the magnitude and complexity of the initiative). In mentored situations, SMEs accept the fact that the risks associated are beyond their capability, but within the means and affordability of the larger or mentoring companies. Hence, SMEs are willing to pursue risks when mentored or funded by larger entities. However, respondents claim that further understanding of the associated risks is required prior to taking up any initiatives since partnership is difficult to materialize.

RQ4. What is a suitable framework of strategic and sustainable SR practices for manufacturing SMEs?

Based on the findings, three perspectives, namely, (i) Partnership / synergy, (ii) Social and environmental positioning strategy, and (iii) Risk evaluation and transitioning were considered from the previous question (Table 4), while proposing other necessary phases to make a total of six phases (Table 6).

Phase 1- Comprehending a stakeholder defined business environment

SMEs are required to incorporate present and future trends towards positioning SR as an opportunity by understanding stakeholder needs, namely, customers or end-customers which make SMEs better value-chain partners to sustain competitiveness.

Phase 2- Project configuration and risk evaluation

Based on analysis, configuration and risk assessment comprises three major areas of consideration as follows:

- (i) SR as an own, mentored, or network-based initiative;
- (ii) The feasibility assessment from the social and environmental positioning, and
- (iii) The evaluation of the associated risk with reference to the initiative.

Phase 3- Decision to implement

Upon assessing risks associated to the initiative in phase 2, SMEs decide to either implement or call-off the SR initiative (decision making phase in Table 6). This incorporated the SR initiatives into the business process or product for social or environmental positioning.

Phases 4 and 5- Implementation and risk transitioning

Refer to Table 5 and Figure 1 for risk assessment and transitioning.

Phase 6- SR project evaluation

As manufacturing SMEs may take a high concern on project deliverables, a final evaluation is necessary to monitor and project deliverables. Nevertheless, evaluations may also be required in each phase.

Table 4: Consideration for Strategic SR

COMPONENT 1 - Partnership / Synergy	
Own initiative	<p>Quasi-hierarchical SME-larger organization partnership. Improving SME process while enhancing larger organizations' corporate governance. Continuous working partnership for SME's competitiveness and larger organizations' corporate image. SME works towards business sustainability; larger organization works towards brand image.</p> <p>Network synergy SMEs in partnership among themselves. Improving SME partnership for inter-organizational funding, SR/TBL related ideas / expertise. Cluster as a base of reference for SMEs to engage in dialogues / sessions pertaining to strategic SR. SMEs work towards strengthening the network.</p>
COMPONENT 2- Social and Environmental Positioning	
Social positioning	Environmental positioning
Social characteristic is incorporated within the business process.	Environment sustainability initiative is incorporated in the business process.
Not charity-based. Strategic in terms of business outcomes by adding value to business image, reputation and branding in contrast to the common face factor.	Impact of business or product on the natural environmental is reduced.
Supports smaller enterprises in the value chain (micro-enterprises, communities).	Maximizes the green characteristic in the product / process.
Serves markets comprised of less fortunate buyers or deprived communities with affordable products.	Maximizes recycling (depending on type of waste and cost involved).
	Reduces natural resources utilization in the process and product.
	Caters for untapped markets- New business opportunity.
Outcome	Outcome
Corporate responsibility sensitivity.	Reduce natural resources depletion.
New revenue area.	Branding initiative.
	Penetrate / cater new markets.
	Revenue optimization.
COMPONENT 3- Risk Evaluation and Transitioning	
Risk assessment	
Takes-on project ownership when risk is minimal.	
Does not mind risk levels if funded, mentored or partnered.	
Does not mind risk levels as risks are borne across the cluster / network.	

Note- Based on the findings, SR initiatives should relate to the needs of stakeholders and not necessarily defined by the SME.

SR-related-risk is equated to investment of the human resource factor, time and most importantly, monetary investment (refer to Table 5 for overview of risk evaluation and risk transition).

Table 5: Risk Assessment Matrix

<p>High Risk SR, Low ROI Advisable for established SMEs. Suited for high ROI initiative in the long-term. Will reduce risk with mentoring, partnering or collaboration programs with larger entities. Progression route is towards: Low risk CSR, high ROI High risk CSR, high ROI In comparison, the low risk CSR, high ROI will serve as the preferred destination.</p> <p>Low Risk SR, Low ROI Low risk investment in CSR is during high uncertainty of business. Low ROI from CSR investment is acceptable during the beginning stages. Business growth and higher ROI is expected as CSR matures. Taken-up when resource is a constraint, early stage of uncertain product/ service or when ROI is uncertain. As an introductory move for short-term, for market entry and product acceptance testing. Progression is expected with developmental initiative.</p>	<p>High Risk SR, High ROI Advisable for established SMEs. Preferably suited for high ROI initiative in the short- / long-term. Will reduce SMEs CSR with mentoring, partnering or collaboration programs with larger entities or the government. Progression from high risk, low ROI initiative. Progression route is towards: Low risk CSR, high ROI-</p> <p>Low Risk SR, High ROI Low risk investment in CSR is preferred during high uncertainty of business. High ROI is anticipated resulting in lucrative profits due to factors such as fewer players in the market, high specialization that does not permit competition, adherence to vendor management program by larger entities. Risk factor increases when further enhancements initiatives are not factored-in. Regarded as an opportunistic move. Progression from low risk, low ROI initiative. Progression from high risk, high ROI initiative.</p>
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Source: Research findings

Note: As in cases where mentoring takes place, SMEs accept the concept of high risk. SMEs are willing to pursue high risks when guided or mentored by larger entities.

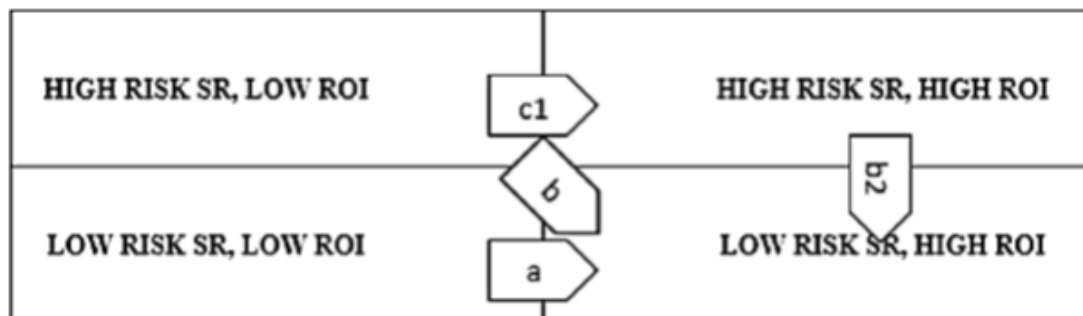


Figure 1. Risk Transition Matrix

Source: Research findings.

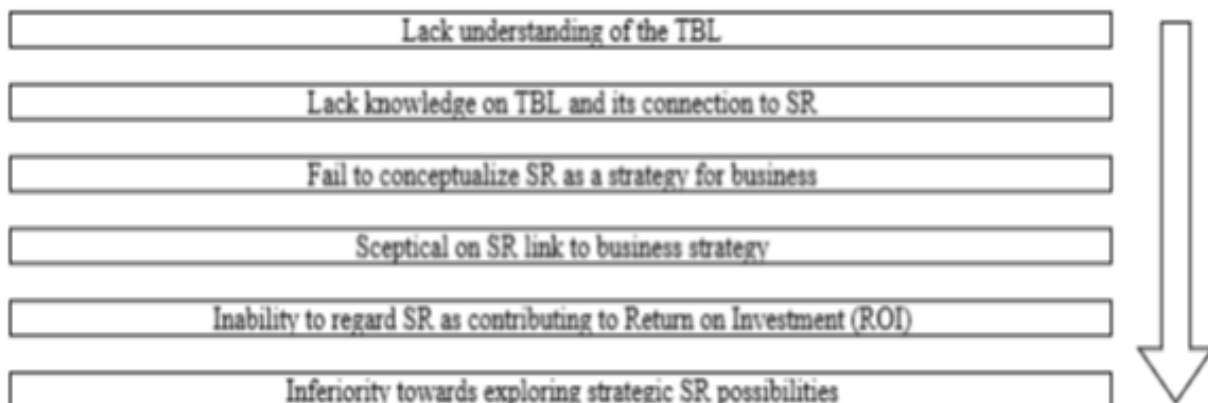


Figure 2. Factors Leading to Skepticism towards Strategic SR

Source: Research findings

Table 6: Proposed Phases of Strategic SR framework

Phase	Phase Description	Activity
1.	External business sphere analysis	Conceive and conceptualize social or environmental SR.
2	Risk and feasibility assessment	
	Risk assessment (refer to risk assessment matrix)	Assess Return-on-Investment Assess Risk / investment vs. Return-on-Investment Evaluate risk(s) based on: Return-on-Investment, Associated risks, Expertise, Finance, Short-term, Mid-term and Long-term outcomes, Competitor strength.
	SR feasibility assessment	Feasibility not within existing resources- Expertise, finance
	Project configuration mapping upon assessing risk	Feasibility within existing resources- Expertise, finance Network synergy Own initiative
3.	Decision making	1. Partnership / mentored
4.	SR Implementation	Decision making based on project configuration, SR feasibility (resources) assessment and risk assessment. Incorporation of social and environmental concepts into process, product or business philosophy.
5.	Project risk transition (refer to risk transition matrix)	Own initiative- Preferably from low risks, low ROI to low risk, high ROI Mentored / in a business partnership- Configuration ¹ From high risk, high ROI to low risk, high ROI Configuration ² From high risk, low ROI, to high risk, high ROI and finally to low risk, high ROI
6.	Project evaluation	Measurement of project outcome- Formative assessment during each phase in the development of the SR initiative, and Summative assessment as a final assessment of the SR initiative. Summative evaluation to evaluate all phases while proposing changes in refining the phases.

Note- Stages described are subject to sequential change depending on the nature of the project.

Evaluations serve to refine the initiatives while ensuring that SMEs develop into better value-chain partners.

DISCUSSION

Overall, respondents showed unwillingness to explore strategic SR mainly due to the lack of resources, the inability to recover losses or, the lack of confidence on certain initiatives, which is also contributed by the lack of visibility on financial returns. SMEs show preference towards initiatives when risk is minimum or when risks are manageable. Based on the findings, SR-related-risks in this study could be equated to the investment of the human resource factor, market entry timeliness, and most importantly, monetary investment. Taking risk is of high concern, which is most probably due to resource limitations that compel SMEs to lower risks while improving the ROI. SMEs find no reason to explore areas of uncertainty that pose risk, as these entities portray a simple need to execute and sustain business while assuming minimum risks. As respondents are confined in their understanding of SR, strategic SR did not prevail in this study. Respondents lacked the ability to address changing conditions through continuous adaptation, improvement, and development (Ring, 1997), while lacking in comprehending business environment changes (Healy, 2008).

One possible explanation is that respondents perceive SR as a charitable deed confined to philanthropy (Lu & Catska, 2009), similar to the perspective of large organizations (Krauss, Rütelioné & Pilgrimiené, 2010). The notion of “should be shared” (be it for ego-centric gratification or as a genuine effort) forms the understanding of SR from an individual-centric perspective and from a closed-concept, of which respondents are unlikely to comprehend the dynamics of the external business environment linked to SR. In justifying the findings, the study refers to the lower two of the six phases in the development of corporate sustainability proposed by (Dunphy, Griffiths & Benn, 2003) Dunphy, Griffiths and Benn (2003), of which the manufacturing SMEs in this study are positioned either at the rejection or the non-responsive phases, which is not conducive for social and ecological business positioning. Such lack of awareness and the inability to link the social and environmental components to business explains as to why respondents lack the ability towards conceptualizing SR for business positioning (Figure 2), thereby not being able to put forth strategic initiatives during the interview in suggesting SR for business competitiveness.

The present study recalls from Carroll’s pillar of SR (1979, 1991) to Porter and Kramer (2006) and reveals a preference towards Carroll’s version of SR, which takes a philanthropy-centric approach. Data interpretation revealed that

respondents put forth charitable act (philanthropy) to justify their moral and ethical obligations to the society, which probably enables SMEs to sustain business. However, considering the outcome of the study from a more strategic approach, it was realized that the pillars suggested by [Porter and Kramer \(2006\)](#) reveal an order of progression while serving strategic SR than the former, namely, moral obligation, reputation, license to operate and finally, sustainability. This is justified by the fact that business would be benefitted by devoting sufficient resources and attention to stakeholders ([Heath & Norman, 2004](#)) in terms of business performance and marketplace financial metrics ([Freeman et al., 2004](#)). While proposing moral obligation as respect for people and the environment, the sustainability element, which comprises the environmental and community stewardship, contributes in improving the company's reputation, which eventually serves as a license to operate without the fear of being scrutinized by stakeholder entities towards improving revenues. This makes Porter's and Kramer's approach more relevant in the context of manufacturing SMEs taking-up strategic SR initiatives even without the mention of philanthropy. With the understanding that charitable deeds contribute towards popularity, but not to business performance ([Jarutirasam & Aiyeku, 2010](#)) whilst considering a need to link SR and financial performance ([Fassin, 2008](#)), this study proposes an SR framework without posing as a burden to SMEs ([Hoivik & Shankar, 2011](#)), but focusing on the adaption of new challenges, strategizing for future survival, and capitalizing on opportunity ([Jenkins, 2006](#)) against the common philanthropic SR (Table 7).

Table 7: Conventional versus Strategic SR

Mode	Configuration	Returns	Sustainability
Conventional	Profit made enables SR to be conducted.	Face Popularity Recognition Rapport	Depends on business situation (profit)
Strategic CSR	SR conducted makes the profit.	Business strategizing (TBL) Profit	Self-generating and further develops

Source: Strategic SR Adapted from [Grayson and Hodges \(2004a & 2004b\)](#)

In line with Porter's and Kramer's version of SR and in developing a different set of SR framework suited for manufacturing SMEs, this study supports the need to adapt a less finance-intensive and a less resource-intensive approach rather than the method practiced by larger organizations. What is required for SMEs is the ability to regard SR as a platform of business positioning while optimizing the utilization of its existing resources. As this supports the fact that the replication of SR in larger organizations may not help SMEs establish their position, one factor that should be explored is the ability to consider the opportunities present in the external business environment for competitive business positioning.

The author also wishes to latently highlight the emergence of social capital, which is an interactive concept represented by the co-operation between networks and business partners and which serves as a critical aspect for the sustenance of small businesses ([Spence, Schmidpeter & Habisch, 2003](#)). The findings in this study also point to the fact that social capital contributes to the long-term performance of SMEs as it comprises elements, such as trust, norms, and networking, which results in high levels of co-operation, reciprocity, civic engagement, and collective well-being ([Perrini, 2006](#)). As SMEs have a strong relationship with stakeholders embedded within the social capital ([Adler & Kwon, 2002](#)), this explains as to why the study found that SMEs are not keen on strategic SR and are not keen to consider beyond the common business loops. It is with this finding that points to the question that if SMEs would consider exploiting local engagement within the social capital to improve their social, environmental, and economic performance, which is in-line with strategic SR ([Perrini, 2006](#)). Whilst comprehending social capital as to suit the framework in accordance to the culture of SMEs, the concept of social capital itself realized in this study may require further investigation. It is probably due to the social capital that results in the lack of comprehending and considering stakeholders beyond the common boundary. The inability to realize and consider the demands of stakeholders could explain why these entities are not able to optimize arising potentials in the business sphere. Such a finding is quite evident to support the fact that researchers cannot generalize their findings and suggestions obtained from manufacturing SMEs similar to large corporations ([Spence & Rutherford, 2003](#)). It is realized that assuming strategic SR for the manufacturing SMEs would mean to break away from the norms of conventional business practices, which means opting risk-taking. This is due to the fact that conventional SR, which takes a philanthropic approach (bolt-on) and a short-sighted orientation to business sustainability, could be deeply rooted among the businesses of this sector. Such a narrowed view probably prevents strategic SR from being considered as an initiative to meet societal and environmental expectations for sustainable economic growth ([Demartini, Kraus & Schulz, 2011](#)).

CONCLUSION

This study has shed light on how competitive positioning could be pursued for the SME business sector by incorporating three main components that make strategic SR, which are:

1. Methodology of SR initiative, which comprises own initiative, quasi-hierarchical, or network synergy,
2. Positioning, which comprises the social or environmental initiative for profit and competitiveness, and
3. Risk factor, which comprises risk assessment, managing the risk, and the transitioning of risk.

The study realizes the potential of strategic SR in its contribution to manufacturing SMEs towards expanding its business possibilities in terms of better customer reach, enhanced image, positive brand outlook, and the reputation that would convert into a more competitive organization. However, to achieve this, it may not only require transformation on how SR has been understood, but restructuring the approach to business trends of contemporary times while implementing such initiatives within the business process. Not to be regarded as a mere one-time activity, this may not only require the commitment to move such initiatives, but a prior effort of being receptive to the realm of stakeholders and the current trend opted by stakeholders. This means that rather than being regarded as an activity, strategic SR could drive the organizational philosophy, which will serve as the base of reference in projecting a positive outlook among the stakeholder constituents.

LIMITATIONS AND STUDY FORWARD

Owing to the limited number of capable respondents participating, this study serves as a preliminary effort towards optimizing the positioning of manufacturing SMEs. Future studies may be able to refine the proposed framework in the bid to gain business positioning through strategic SR initiatives, as a result of a larger cross-section of respondents.

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