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*Social Responsibility and Performance: Does Strategic Orientation Matter for Small Businesses?**

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This paper examines whether strategic orientation toward corporate social responsibility (CSR) is instrumental in shaping small firms' social responsibility practices leading to their enhanced financial performance and reputation. Data were collected from 182 small businesses operating in Malaysia based on random sampling technique and analyzed using Partial Least Squares Structural Equation Modeling. Analysis of the findings confirm that small firms' long-term strategic approach toward CSR is critical in driving their responsible practices toward environment, customer, community, employees, and suppliers which in turn impact small firms' financial performance and better reputation building. These findings suggest that customers' and employees' interests are strategic imperatives that small firms should address in enhancing their financial performance and building better reputation in the community. These findings have important implications for small firms' strategic policy posture which are highlighted in the paper. The paper also identifies the possible limits of the research and suggests avenues for future studies.

Introduction

Corporate social responsibility (CSR) has been the subject of enormous discussion as well as intense debate over the past several decades (Jamali 2008; Quazi and O'Brien 2000; Quazi, Nejati, and Amran 2015). Some authors consider a business to be solely an economic entity devoted to profit maximization within the rules of the game (Chamberlain 1973; Friedman 1970; Gaski 1985), whereas others debate business as a multidimensional entity serving greater societal interests (Carroll 1979; Freeman 1984; Quazi and O'Brien 2000). While the main objective of a business has been argued to be maximizing profits and enhancing shareholders' wealth, the responsibility of a business toward societal welfare cannot be ignored as it is considered a part of the greater society (Sen 1979). Therefore, it can be argued that if firm's performance is an "end" for a business, CSR performance is the "means" to that end (Carroll 1991). In a similar vein, Ken Dyton, quoted in Fernstrom (1986), argued that businesses exist solely to serve the greater interests of society and profit is the reward for such service but not the end.

Research suggests that popularity of social responsibility among firms can be rooted in the leaders' perceived strategic potential in pursuing CSR policies and programs (McWilliams and Siegel 2000; McWilliams, Siegel, and Wright 2006). While strategic orientation has been found to have a positive influence on performance and growth of small firms (Laukkanen et al. 2013; Sarker and Palit 2015), there is

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paucity of research in the extant literature examining the impact of strategic approach adopted by small firms regarding CSR on their socially responsible practices. Additionally, despite extensive research into the possible link between CSR and financial performance, the findings still remain inconclusive (see Quazi and Richardson 2012; Rivoli and Waddock 2011). Also, the impact of CSR policies on firm performance remains uncertain and relatively unclear (Morsing and Perrini 2009). The inconclusive findings concerning the relationship between social performance and financial performance might be mainly attributed to using aggregate measures for assessing social performance of the firm, as noted by Brammer and Millington (2008), Quazi and Richardson (2012), and Jayachandran, Kalaignanam, and Eilert (2013).

Toward addressing the above limitations and filling the gap, we examine the role of strategic orientation of small businesses regarding CSR in both strategic and tactical terms, on small firms' social responsibility practices. Additionally, we investigate how socially responsible practices influence firm's performance in financial and reputational terms. As such, the present study aims to answer the following two key research questions:

(1) Does small firms' strategic orientation toward social responsibility influence their socially responsible practices?
(2) Do socially responsible practices of small firms influence their performance?

This study uses the key constituents of social responsibility practices separately (namely responsibility to employees, responsibility to customers, responsibility to environment, responsibility to community, and responsibility to suppliers), to avoid limitations caused by using an aggregate measurement of social responsibility. This research is a direct response to the call by Morsing and Perrini (2009) for more research toward detailed understanding of the conditions and strategies for small and medium-sized enterprises (SMEs) concerning adoption of CSR practices.

Overall, this paper aims to contribute to deepening our knowledge through examining the degree of strategic choices of small firms toward social responsibility as a vehicle for fostering firm's performance through encouraging firm's involvement in social responsibility practices. The novelty of this paper lies in the comprehensive approach that it takes in investigating whether strategic postures of firms have anything to do with their commitment to socially responsible practices leading to organizational performance in financial and reputational terms. Besides, it provides insights into the issues from an advanced transitional economy setting, namely Malaysia. Small businesses are a vital component of Malaysia's economic development and make major contributions to the Malaysian economic life. Small firms constitute 99.2 percent of the total number of business establishments in Malaysia, and contribute to 31 percent of the nation's Gross Domestic Product (GDP), 56 percent of the total employment, and 19 percent of exports (Bank Negara Malaysia 2006). As a rapidly growing economy, Malaysia is considered a key player in the contemporary world economy. Countries differ in terms of their economic development, cultural standards, legal/political systems, and expectations regarding conduct of businesses (Wotruba 1997) and as such this study sets a platform for advancement of research, broadening our limited understanding of the key strategic drivers of social responsibility perceptions among owners/managers of small firms, which in turn influence firms' social responsibility practices.

This paper offers three unique contributions to small business literature. First, the study delves into the perceptions of the most influential actors (managers) in small businesses as to how their strategic orientations leading to firms' responsible behaviors result in enhanced organizational performance and increased reputational status of small firms. Our primary hypothesis posits that a strategic approach to social responsibility will have a positive impact on the socially responsible practices of small firms, while a tactical approach will not. Second, we investigate the influence of social responsibility practices on firm's performance in a transitional economy (i.e., Malaysia). Finally, by examining orientation-practice-performance nexus, this study offers insights into broadening and deepening our understanding of the complexities associated with the hypothesized relationships amongst firms' strategic orientation toward CSR and performance. Findings of this study will shed light on the SME-CSR field and open up new avenues for further research in this area of growing significance.

Social Responsibility in Small Businesses

The CSR journey that started centuries ago is still growing at an unprecedented pace with no sign of slowing down (Quazi et al. 2015). Recent studies on corporate social responsibility suggest the need for further exploration of the relationship between small and medium-sized enterprises and CSR (Russo and Tencati 2009), due to the potential impact of SMEs on the global economy (Morsing and Perrini 2009). Small firms provide a good environment for CSR because of having a multi-skilled workforce and successful local engagement (Draper 2000). Yet, many small business owners/managers believe that their social and environmental impacts are negligible (Hitchens et al. 2005).

Earlier studies on SME-CSR relationship have investigated various aspects of SMEs' engagement in CSR, such as firms' environmental practices (Gadenne, Kennedy, and McKeiver 2009; Williamson, Lynch-Wood, and Ramsay 2006), CSR barriers and opportunities (Jenkins 2006; Murillo and Lozano 2006; Roberts, Lawson, and Nicholls 2006), and the competitive advantage that can be achieved by small firms through ethical practices and integrity (Avram and Kühne 2008; Fuller and Tian 2006). However, there is a lack of prior studies that investigate how strategic orientation of a firm toward CSR influences firm's engagement in social responsibility practices.

Although engagement in CSR for SMEs is not easy and poses a number of challenges, it has been shown to provide a source of differentiation and visibility (Murillo and Lozano 2006; Spence and Lozano 2000), enhance their relations with key stakeholders (Kurucz, Colbert, and Wheeler 2008; Orlitzky 2008) through creation of trust link with stakeholders (Battaglia et al. 2010), and result in improved financial performance in most cases (Christmann 2000; Epstein and Schnietz 2002; Nejati et al. 2014; Waddock and Graves 2000).

Theoretical Underpinning and Hypothesis Development

CSR actions have been found to assist in building strategic resources for the firm through improved stakeholder relationships and building reputations (Wang and Bansal 2012). The level of firms' strategic benefits achieved from social responsibility practices depends on the degree to which firms leverage their CSR activities (Polonsky and Jevons 2009; Vallaster, Lindgreen, and Maon 2012). Social responsibility practices can create intangible competencies for the business that are difficult for competitors to imitate in the short term as these initiatives involve financial and human resource commitment in terms of staff training (Porter and Van der Linde 1995).

Stakeholder theory is considered as a tool to make the abstract idea of CSR more practical and comprehensible (Jenkins 2006). From the perspective of stakeholder theory, existence and success of a firm depend on the ability to create value for primary stakeholders by meeting their expectations and demands (Freeman and Liedtka 1991). Stakeholder theory offers a new way to organize thinking about the responsibilities of a firm (Jamali 2008). It justifies why firms show responsible behaviors toward their key stakeholders and how such practices contribute to the long-term success and survival of a firm. A small firm, for example, that engages in responsible business practices toward its stakeholders can establish trust and effective relationship with the stakeholders, which might result in improved financial performance and enhanced reputation of the firm in the community.

Since small businesses have close interactions with the community in which they operate (Moyeen and Courvisanos 2012), they have better opportunity than their large counterparts to work with the community. Community members can easily track down small businesses' performance. Small businesses know that the community will reward them for their engagement in social practices and delivering enhanced reputation in the community. This is why socially responsible agenda is essential for small businesses.

The challenge with social responsibility initiatives, similar to all strategic decisions, is that they do not generate immediate returns, since strategic resources do not have explicit short-term value (Hamel and Prahalad 1989, 1994). Firm-level actions, including social responsibility practices, are partially the product of managerial decisions and discretion (Finkelstein and Hambrick 1996). Values applied by managers to guide their decision-making and strategic orientations are critical for insight into CSR practices (Agle, Mitchell, and Sonnenfeld 1999; Pant and Lachman 1998). Individual actors such as managers of small businesses have a strategic role to play in the CSR-related activities and orientation of firms (Wood 1991). As such, the strategic orientation of managers toward social responsibility would influence firms' responsible business actions. Thus, the strategic orientation of executives and decision makers can largely influence the degree to which a company would engage in socially responsible practices.

We classify strategic orientation to CSR into short-term (tactical) and long-term (strategic) approaches. Following how Choi and Behling (1997) and Soltani and Wilkinson (2010) operationalized "tactical orientation," we define tactical approach toward CSR as managers' short-term thinking and view of social responsibility, disregarding a wider vision of CSR and how it impacts firm's future growth or excellence. Tactical approach focuses on the short-term costs/benefits associated with CSR practices, and prioritizes short-term gains without paying attention to long-term benefits. Thus, the tactical approach which is rooted in narrow perspective evaluates any decision regarding CSR practices and its potential costs/benefits in the short-term spanning over one to two years.

In contrast, a strategic approach involves a long-term perspective toward social responsibility by taking into account the costs/benefits of socially responsible practices in the long run. From the strategic approach, short-term expenses (investments) are justifiable with the purpose of creating long-term benefits for the organization.

Social responsibility has been increasingly seen as a vital factor in the long-term survival of firms (Khan, Halabi, and Samy 2009). As Singhapakdi et al. (1995) argued, professionals must first perceive ethics and social responsibility to be important for their businesses before their behaviors are shaped ethically reflecting their greater social responsibility commitments. This implies that business behaviors of small businesses are reflections of their managers' strategic orientation toward CSR. Managers who have a long-term strategic approach to social responsibility are more likely to invest in projects dealing with stakeholders' wellbeing. On the contrary, a tactical approach to CSR will not foster firm's engagement in socially responsible practices. It is therefore expected that firms whose managers have a better understanding of the benefits of social responsibility and posit a strategic approach toward CSR would engage more in CSR activities as compared to firms whose managers withhold a tactical and short-term approach to CSR. Therefore, based on the above discussions, it would be compelling to hypothesize that:

H1: Strategic approach toward social responsibility positively influences small firms' involvement in socially responsible practices.

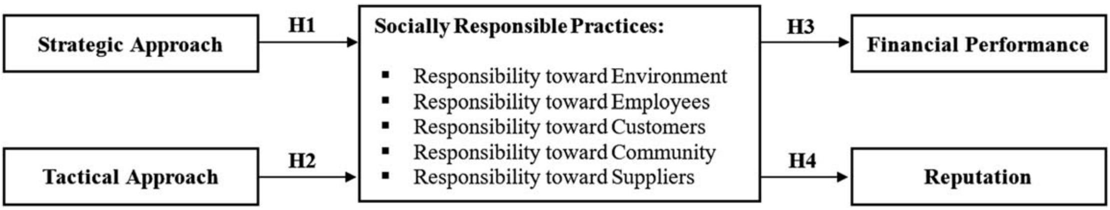
H2: Tactical approach toward social responsibility does not have any influence on small firms' involvement in socially responsible practices.

Various studies have examined the outcomes of CSR. The proponents of Friedman's views claim that CSR encompasses unnecessary costs for the firm which adversely affect its competitive edge against competitors (Aupperle, Carroll, and Hatfield 1985; Jensen 2001; McWilliams and Siegel 2000), simply because cost is often one of the critical issues affecting the survival of small firms in an emerging market (Dawar and Frost 1999). In contrast, other scholars have examined positive impacts of CSR on firm's performance (e.g., Blackburn 2007; Cheng, Ioannou, and Serafeim 2014; Freeman et al. 2010; Margolis, Elfenbein, and Walsh 2007). Despite contradictory findings by prior research, in line with stakeholder theory, it can be expected that genuine responsible practices toward key stakeholders would improve firms' relations with key stakeholders, resulting in improved reputation and enhanced financial performance in the long-run.

Most of prior studies have shown that social responsibility can enhance firm's financial performance (e.g., Christmann 2000; Waddock and Graves 2000) and enhance its reputation in the community (e.g., Bragdon and Karash 2002; Epstein and Schnietz 2002; Hsu and Cheng 2012). Research in an Australasian context demonstrated a positive link between CSR practices and financial performance of small and medium sized firms (Torugsa, O'Donohue, and Hecker 2012). Cheung et al. (2010) found that market rewards Asian businesses for their involvement in CSR practices. The link between socially responsible practices and firm's performance has been primarily explained through stakeholder theory, suggesting that stakeholders tend to reward socially responsible firms in the long run (Hillman and Keim 2001; Lev, Petrovits, and Radhakrishnan 2010).

Socially responsible activities have been found to attract support from major stakeholder groups, such as customers through supporting brands manufactured by socially responsible firms (Schuler and Cording 2006), employees

Figure 1
Research Model



through accepting lower wages (Bunderson and Thompson 2009) and showing extra efforts in work (Story and Neves 2015), and customers agreeing to stay longer with the manufacturer/seller (Rupp, Ganapathi, Aguilera, and Williams 2006). Besides, responsible practices toward stakeholders can create trust link with them, leading to improving the relationship with stakeholders and enhancing firm's reputation in their eyes. Social responsibility practices have been found to be instrumental in gaining community support for the firm (Marquis, Glynn, and Davis 2007; Weiss 2014). In view of the above, we hypothesize that:

H3: Socially responsible practices positively influence small firms' financial performance.

H4: Socially responsible practices positively influence small firms' reputation.

To gain a deeper understanding on the role of social responsibility practices on a firm's performance, we categorize and examine social responsibility practices in relation to five constituents: environment, employees, customers, community, and suppliers. Practices in relation to these constituents are incorporated in the research model (Figure 1).

In response to their social responsibility to monitor the supply chain, many large corporations give priority to responsible suppliers. Since small firms are often suppliers to larger corporations, responsible practices toward environment put these small businesses in a competitive advantage against other passive small businesses. This is because priority will be given to firms with higher level of compliance to environmental standards. Responsible practices toward the environment can improve the image of a firm in the local community by demonstrating the firm's concern for the environment and wellbeing of the people in the community.

Additionally, firms that practice responsible behaviors toward their employees can enhance their morale and motivation, leading to improved productivity and reducing costs through minimizing turnover or absenteeism (Bhattacharya, Sen, and Korschun 2012). Besides, social responsibility toward customers, community and suppliers can demonstrate firms' care and support for the well-being and fair treatment of these stakeholder groups, resulting in better relations with stakeholders, increased support for firms' products and services, and better reputation. This improved stakeholder relation can enhance firms' acceptance among stakeholders and facilitate firms' market penetration and growth. Responsible practices toward employees, suppliers, customers, and community can demonstrate that firms are not merely concentrating on profit-making and also care for the well-being of their community members, thus enhancing their reputation among stakeholder groups.

Research Method

Subjects and Procedures

The study survey was distributed among 450 SMEs operating in Malaysia randomly selected from the database of SME Corporation Malaysia (SME Corp.). A total of 182 completed surveys were returned and used for further analysis in this study, yielding a 40 percent response rate. The low response rate in SME's research is common and has been attested in other similar studies (Acutt and Geno 2000). The largest group of participating firms was from the manufacturing sector (22.6 percent), followed by retail (15.8 percent), consulting (14.7 percent), and construction (11.6 percent). Besides, the majority of firms had a small size with fewer than 50 employees (89 percent). The key respondents were SME owners, managers, and/or founders who would have the best knowledge about the operation of their firms. The majority of respondents were male (77.3 percent), and mostly had either a diploma (33.3 percent) or a bachelor degree (50.8 percent). The diversity of participating firms as well as their distribution across different states of Malaysia warrants the generalizability of the findings.

Measures

Items for measuring the strategic orientation toward CSR were adapted from Singhapakdi et al. (1996). Additionally, social responsibility practices were measured using items adapted from Turker's scale (2009). For example, one item for the responsibility toward environment was "my firm has participated in activities which aim to protect and improve the quality of the natural environment." The scale for measuring financial performance was adapted from Ahmad and Seet (2009). Following the notion of Balmer and Bromley (2001), we defined reputation as a collective image about an entity in a stakeholder or interest group, and measured firm reputation using three items assessing the perceived reputation of the firm in the community.

The application of self-diagnostic and self-assessing CSR questionnaire is a common practice in research involving SMEs (see: Coppa and Sriramesh 2013; Maas and Reniers 2014; Murillo and Lozano 2006). Earlier studies have demonstrated that the managerial evaluation of firm performance is consistent with objective performance data (Dess and Robinson 1984; Venkatraman and Ramanujam 1986). Moreover, due to the unique nature of small business, where one or two people (i.e., managers) make all the critical management decisions of the firm (e.g., accounting, purchasing, processing or servicing, marketing) (Wiltshire Committee 1971), managers of small businesses are assumed to have the most comprehensive knowledge about their firm's practices and strategies. In order to control for the threat of the common methods bias, this study performed Harman's single factor test (Podsakoff et al. 2003) and common method bias did not appear to be a pervasive problem.

Data Analysis

Due to model complexity (many constructs and many variables) and the exploratory nature of this study where the focus is on predicting endogenous variables, we applied Partial Least Squares Structural Equation Modeling (PLS-SEM) for analyzing the research model, as suggested by Hair, Ringle, and Sarstedt (2011). We used SmartPLS (Ringle, Wende, and Becker 2015) to analyze the data in two steps, including the measurement and structural models.

Assessment of the reflective measurement model involved analysis of reliability, convergent validity and discriminant validity, whereas structural model was evaluated using a bootstrapping procedure with 500 subsamples, 182 bootstrap cases, and no sign changes. Additionally, we checked variance inflation factor (VIF) values for all the predictor variables to ensure collinearity is not a pervasive problem.

Results

Results of the analysis confirmed the reliability and convergent validity of the measurement model (Table 1). In terms of reliability, all constructs had a composite reliability higher than the threshold of 0.7. Moreover, convergent validity was established as the average variance extracted (AVE) for all constructs was higher than 0.5, and all indicators were significant with outer loadings of more than 0.5. We then verified the discriminant validity of measurement model through the Heterotrait-Monotrait (HTMT) approach (Table 2), as the HTMT ratio for all constructs was below the threshold of 0.90 recommended by Gold, Malhotra, and Segars (2001).

After confirming the reliability and validity of the measurement model, we performed collinearity diagnostics and found that the highest VIF for predictor variables was 2.09, well below the threshold of 5. Hence, collinearity was not an issue. Upon confirmation of the measurement model, structural model was assessed as summarized in Table 3.

Results of the study confirmed the positive and significant role of strategic orientation toward CSR on responsible business practices among small firms, supporting H1. With the exception of responsibility toward environment, tactical orientation did not show any significant impact on social responsibility practices of small firms as we had conjectured. Thus, H2 was also partially supported.

Study results demonstrated the positive influence of responsibility toward employees on financial performance, partially supporting H3.

Table 1
Evaluation of Convergent Validity and Reliability

Constructs	Items	Loading	Composite Reliability	AVE
Strategic orientation (STR)	STR1	0.81	0.81	0.51
	STR2	0.74		
	STR3	0.67		
	STR4	0.62		
Tactical orientation (TAC)	TAC1	0.91	0.85	0.74
	TAC2	0.81		
Responsible practices toward environment (ENV)	ENV1	0.80	0.89	0.67
	ENV2	0.86		
	ENV3	0.79		
	ENV4	0.83		
Responsible practices toward employees (EMP)	EMP1	0.79	0.89	0.61
	EMP2	0.77		
	EMP3	0.68		
	EMP4	0.82		
	EMP5	0.83		
Responsible practices toward customers (CUS)	CUS1	0.74	0.77	0.53
	CUS2	0.75		
	CUS3	0.69		
Responsible practices toward community (COM)	COM1	0.89	0.90	0.60
	COM2	0.78		
	COM3	0.71		
	COM4	0.80		
	COM5	0.83		
	COM6	0.59		
Responsible practices toward suppliers (SUP)	SUP1	0.73	0.86	0.67
	SUP2	0.83		
	SUP3	0.88		
Financial performance (FIN)	FIN1	0.93	0.94	0.76
	FIN2	0.95		
	FIN3	0.93		
	FIN4	0.64		
Reputation (REP)	REP1	0.95	0.96	0.83
	REP2	0.95		
	REP3	0.82		

Moreover, both responsibility toward employees and customers were found to have significant impact on firm's reputation, partially supporting H4.

The coefficient of determination (R^2 value) of the outcome constructs (financial performance and reputation) reached values as high as 0.35, substantiating the model's predictive power. However, the R^2 values for social responsibility practices ranged from 0.05 to 0.12, which is expected due to the exploratory nature of the study. The blindfolding-based cross-validated redundancy values (Q^2) for all of the endogenous variables were greater than zero, further supporting the predictive relevance of the model (Table 4).

Discussion

Findings of this study suggest that overall strategic commitment to social responsibility encourages small businesses to engage in

Table 2
Evaluation of Discriminant Validity Using Heterotrait-Monotrait Ratio

Constructs	COM	CUS	EMP	ENV	FIN	REP	SUP	STR
COM								
CUS	0.59							
EMP	0.60	0.90						
ENV	0.79	0.61	0.52					
FIN	0.41	0.64	0.61	0.40				
REP	0.41	0.65	0.61	0.39	0.45			
SUP	0.37	0.45	0.43	0.27	0.36	0.37		
STR	0.31	0.40	0.35	0.37	0.21	0.28	0.21	
TAC	0.10	0.14	0.12	0.17	0.09	0.10	0.11	0.42

responsible practices, which in turn can improve financial performance and reputation of small firms. This finding is supported by prior research demonstrating that businesses can benefit from their CSR commitment (Orlitzky 2001) because CSR engagement is associated with better risk management, which enables firms to obtain the license to operate in the community in legitimating their activities by the community (Thorpe and Prakash-Mani 2003). Thus, corporate social performance contributes to lowering the level of risks for an enterprise (Orlitzky and Benjamin 2001). Furthermore, CSR commitment of firms can lower the risk of imposition of further regulation by adopting pre-emptive measures on CSR, which would benefit small firms by avoiding additional costs of regulation which they can never recover in the short term. Hence, practicing social responsibility can act as a mechanism to reduce business risk, thus leading to improved performance. Our findings also corroborate results obtained in previous studies revealing that strategic approach toward CSR pays dividend to SMEs and enables them to enhance their financial performance and reputation, thereby provides greater efficiencies for SMEs in operational and financial terms (Aragon-Sanchez and Sánchez-Marín 2005; Blumentritt and Danis 2006).

It is noteworthy that many small firms are suppliers to large corporations, hence are to comply with their customers' environmental requirements; failure to address environmental responsibility might prove costly and pose a big threat to the firm by putting it at risk of losing its contracts. Thus, as an exception, tactical orientation was found to be a significant contributor to responsibility toward environment among small firms. This is perhaps why addressing environmental issues was not paramount in the strategic vision of small firms.

This study also revealed that small firms' responsible practices toward employees have the most influential impact on the performance of small firms in terms of enhancement of their financial performance and reputation building. Moreover, responsibility toward customers positively influences firms' reputation. These findings suggest that interests of employees and customers are strategic imperatives that small firms should seriously consider in enhancing their financial performance and building reputation in the market and community. The insignificant relations from other areas of social responsibility toward financial performance and reputation could be attributed to the silent nature of socially responsible practices among small businesses (Jenkins 2004), unlike large companies which use formal means for communicating their CSR practices with stakeholders and publish regular sustainability reports.

From the perspective of stakeholder theory, responsible practices toward key stakeholders enhance firm's relations with them and can result in financial and nonfinancial benefits for the firm. A good reputation is strategically important because reputation raises barrier to market entry for competitors, since it is difficult for competitors to build reputation in the short-

Table 3
Results of Partial Least Squares Structural Equation Modeling Analysis ($N = 182$, 500 bootstrapping resamples)

Relationship	Path Coefficient	Decision
H1a: STR → ENV	0.34**	Supported
H1b: STR → EMP	0.28**	Supported
H1c: STR → CUS	0.32**	Supported
H1d: STR → COM	0.27**	Supported
H1e: STR → SUP	0.21*	Supported
H2a: TAC → ENV	0.21*	Not supported^
H2b: TAC → EMP	−0.01	Supported
H2c: TAC → CUS	0.10	Supported
H2d: TAC → COM	0.01	Supported
H2e: TAC → SUP	0.14	Supported
H3a: ENV → FIN	0.13	Not supported
H3b: EMP → FIN	0.39**	Supported
H3c: CUS → FIN	0.15	Not supported
H3d: COM → FIN	−0.02	Not supported
H3e: SUP → FIN	0.08	Not supported
H4a: ENV → REP	0.09	Not supported
H4b: EMP → REP	0.32**	Supported
H4c: CUS → REP	0.19*	Supported
H4d: COM → REP	0.04	Not supported
H4e: SUP → REP	0.11	Not supported

**p-value* ≤ .05.
***p-value* ≤ .01.
^Due to the nature of Hypothesis 2, a significant path does not support the hypothesis.

Table 4
Assessment of Model's Predictive Power

Construct	R^2	Q^2
ENV	0.12	0.070
EMP	0.08	0.043
CUS	0.09	0.035
COM	0.07	0.034
SUP	0.05	0.023
FIN	0.36	0.250
REP	0.35	0.265

term similar to the way small firms' reputation is established (Roberts and Dowling 2002). Given that building a good reputation incurs costs (Barney 1991; Rose and Thomsen 2004), improvement in the firm's reputation through socially responsible practices offers a strategic choice to small firms to embed social responsibility in the vein of the firm's strategic planning approaches. This not only allows small firms to achieve financial benefits, but also improves their favorable image in the community as well as in the industry and in their present and potential target markets.

Finally, this study demonstrated that both short-term (i.e., tactical) and long-term (i.e., strategic) orientation toward CSR encourage small firms to engage in environmental practices, despite lack of any evidence on the significant influence of environmental responsibility on firms' financial performance or reputation. This could be attributed to the fact that environmental practices often take a longer implementation time and sometimes the impacts are not easily observed by stakeholders in the short term. Environmental practices (such as upgrading production line and switching to renewable energy sources) often incur some costs and the investment will take some time to return. Therefore, it may not be reflected positively in the financial performance of a company in the short term. Moreover, as environment is a silent stakeholder and small firms do not use formal channels of social responsibility disclosure, responsibility toward the environment might not be easily observed by the community and reflected in improved reputation. Nonetheless, the key driver for environmental practices by SMEs could be risk avoidance in order to comply with the environmental demands of their customers (i.e., large corporations), and minimize the potential threat of losing their market as a result.

As owner-managed small businesses largely depend on the owner/manager for running the management, an investigation of the social responsibility approach in small businesses is germane toward understanding the strategic orientation of small business owners/managers. This study is among the first attempts to empirically examine how strategic orientation toward social responsibility is translated into responsible practices by small businesses. Thus, this research complements the growing body of knowledge in this regard and contributes to broadening and deepening our knowledge of socially responsible practices of small businesses, by addressing the research gap in the extant literature (Moore and Spence 2006). The findings also point to establishing a bridge between strategic orientation of firms toward social responsibility and their actual practice. Additionally, through examining the observed outcomes of social responsibility practices in terms of improved financial performance and reputation, this study offers additional insights into how strategic orientation toward social responsibility can influence a firm's performance through the medium of responsible practices.

Conclusion

This research revealed some interesting findings pertaining to small firms' strategic choices with regards to their orientation and performance in the context of emerging economies which warrant thoughtful interpretation and discussion. Our findings re-enforce Stoian and Gilman's (2016) argument that strategic CSR pays for small businesses in the long run. The conclusion is drawn keeping in mind the above central argument. Strong support for H1 and H2 suggests that long-term and strategic approaches toward CSR could positively influence firms' responsible business practices, with the exception of environmental responsibility, which is, however, influenced by small firms' short-term tactical approach toward CSR. A tactical approach to environmental obligations of small businesses in the Malaysian context is understandable given the priority of small businesses on economic imperatives (profit making) that are considered vital for their survival in an increasingly competitive market environment. Any additional cost and risk of not addressing environmental issues in the long term may put small firms in a disadvantageous position vis-à-vis their competitors. Since cost is the basis of their survival in the market, small firms make decisions by carefully taking into consideration any possible costs associated with those decisions and the possible strategic gains that can be derived from these costs. Therefore, small business managers are always in a precautious mode with regard to taking any discretionary decisions. In particular, when it comes to decisions on socially responsible actions, small firms make such decisions based on a number of considerations such as the potential benefits of such actions, which may include financial and nonfinancial gains (e.g., social legitimacy), and the risks of inaction (i.e., not practicing any specific social responsibility), as well as other possible strategic advantages (e.g., positive reputation building). Therefore, small business managers tend to make choices between various CSR activities and go for addressing those that are strategically gainful for their firms. It is worth noting that our findings support Finkelstein and Hambrick's (1996) contention on the imperative role of managerial decisions and discretion on CSR practices of the firm as well as the arguments put forward by Pant and Lachman (1998) and Agle, Mitchell, and Sonnenfeld (1999) that values applied by managers impact their insights into CSR practices. Therefore, strategic orientation and CSR-related practices that are seen through the lens of enhanced performance are so paramount in the perception and actions of managers of small firms in an advanced transitional economy such as Malaysia.

Findings of this research, which supported the hypothesized relationships between social responsibility practices and firm's financial and reputational performance (H3 and H4), point to some interesting and relevant issues providing guidelines for small businesses to make strategic decisions on socially responsible choices in an increasingly competitive market. As revealed in the findings of our research, one of such choices obviously involves strategic alternatives driving small firms' CSR actions leading to financial and reputational goals. It follows from the findings that small firms would best benefit from pursuing a long-term strategic path rather than a tactical path reflecting lack of commitment to socially responsible causes. It, therefore, follows from the above discussion that small firms interested in building reputation in the market and at the same time achieving better financial gains should take a long-term strategic commitment to CSR practices in terms of addressing employees' interests. This argument is deemed tenable given the crucial role of staff (often the owners themselves) in maintaining regular communication with key stakeholders, which are considered instrumental in the strategic growth and development of small firms.

Employees who are alternatively called "internal markets" represent a vital constituent of an organization whose cooperation and participation in the social responsibility arenas are crucial in accomplishing continuous organizational success. Research shows that satisfied employees are likely to be more committed to the interests of the firm they work for and committed to make positive contributions to firms' growth and performance in the long run (Paillé, Grima, and Dufour 2015). Furthermore, small businesses have limited number of employees who are very close to the community and keep regular contact with the customers. As such, satisfied and motivated employees are the medium through which small businesses can build a favorable image, which would translate into small firms' positive financial outcomes in the long run.

Small businesses that pursue long-term strategic posture are found to be responsive to CSR constituents such as environment, customers, employees, and community. In other words, commitment to these CSR constituents implies a strong long-term strategic orientation of small firms. Earlier studies demonstrate that responsible environmental practices by SMEs lead to better relations with employees and customers, the two crucial stakeholders for small businesses (Nejati, Amran, and Ahmad 2014). So, in general these responsibilities cannot be undertaken if small firms choose to take a tactical approach toward CSR. This is because short-term approach to these issues would lead to adoption of a "CSR wash" approach, which would be easily detected by customers, employees, and the broader community and threaten long-term economic interests of small businesses. This could put a firm's image in the community and its subsequent financial outcomes at risk. Previous research has provided support for the above in terms of demonstrating that SMEs tend to focus on community involvement in their CSR activities (Mishra and Suar 2010; Niehm, Swinney, and Miller 2008).

Finally, reputation can be the basis of strategic advantage for small firms as this cannot be imitated by competitors in the short term because reputation building requires investing in customer satisfaction, employee welfare, and community development programs in the long term. Lack of link between environmental protection and reputation building is understandable as community expectations for environmental protection programs from small business are not very high. This is perhaps because they cannot take advantage of economies of scale due to their limited operations. Instead, community expects environmental protection issues to be tackled by large businesses, because they enjoy greater power and resources that are endorsed and legitimated by society.

Implications

In an advanced emerging economy such as Malaysia, small businesses play a key role in economic vitality and growth. Most SMEs still fail to see the economic benefits of sustainability practices (Johnson and Schaltegger 2016). Therefore, identifying factors that can foster their improved performance in terms of reputation and financial growth provide invaluable practical and policy implications for small businesses. The implications of the current study are threefold.

First, given the empirical evidence for the positive influence of strategic orientation toward CSR on a firm's social responsibility practices and improved performance, small businesses should frame their business policies on long-term strategic posture, keeping in mind the social demand of CSR constituents such as employees, customers, community, suppliers, and environmental activists. Thus, in a transitional economy such as Malaysia, small businesses can follow the footsteps of large corporations in terms of pursuing their strategic social goals, which points to the parallel role of small businesses in the achievement of national goals in providing economic and social good to the wider community.

Second, toward reaping the competitive advantage from building reputation in the market, small firms should gradually establish specific non-imitable policies on (1) employee welfare comprising health and safety at the workplace, adequate remuneration, recreational facilities, and paid leaves, and (2) customer satisfaction consisting of quality assurance of products and services, warranty and guarantee, refund and replacement, customer complaint handling, and product safety. This is supported by results of the study indicating that responsible practices toward employees and customers influence a small firm's reputation in the community. These findings suggest that community expectations from small businesses are not much different from large businesses as both are part of the same economic and social system. However, small businesses are perhaps under greater pressure from the community to respond to their social demands because small businesses are closely surrounded by the constituents they serve and as such they cannot afford to ignore their obligations to the local community. This is why commitment to social responsibility is dominant in the minds of small businesses, which is reflected in the fact that SMEs make more charitable contributions to the community projects than their large counterparts (Mankelow and Quazi 2007).

Third, public policy makers should formulate specific policies toward encouraging small businesses to have long-term strategic orientation to CSR issues through proving financial incentives such as tax cuts. Industry bodies such a Chamber of Commerce and Industries can also introduce incentives and recognition programs such as awards and prizes for contributions to the community. Findings of this study provide empirical support for an emerging consensus that CSR is also a strategic consideration for small businesses in a transitional economy such as Malaysia where SMEs make substantial contributions to economic prosperity through employment and income generation for people (Husted and de Jesus Salazar 2006; Orlitzky, Siegel, and Waldman 2011; Razak 2011). SMEs are often seen as one of the key contributors to the achievement of Malaysia's 2020 Vision of becoming a developed country with a high income base (Omar, Arokiasamy, and Ismail 2009). Therefore, in the Malaysian context small businesses are as important as large businesses in terms of their contributions to the community.

Limitations and Future Research Directions

This study has some limitations that are to be taken into account while generalizing the findings of this research. First, although the paper makes contributions to knowledge, the scope of the research remains limited in that the study focused on small businesses operating in a single country, Malaysia. Future studies based on broad-based samples drawn from a number of transitional economies in Asia and beyond would contribute to validating these findings in an international setting. Second, the study takes a soft modeling approach by using PLS technique in analyzing data. Finally, future studies may examine the moderating role of firm's vulnerability on the relationship between strategic CSR approach and social responsibility practices of small firms. As suggested by Young and Makhija (2014), differences in vulnerability of firms cause variations in their approach toward societal goodwill, legitimacy seeking, and CSR. A firm's vulnerability depends on the level of power held by that firm in the community, which could be determined by factors such as perceived legitimacy, strategic partnership and networks with other organizations, and resource dependency.

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