Dimensions of Social Responsibility's Management Strategies and Gaining Competitive Advantage in SMEs

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Abstract: In recent years, the concept of Corporate Social Responsibility (CSR) has undergone a dramatic transformation, especially in terms of the strategies which the companies use to gain competitive advantage. This article mainly aims to explain the effect of social, economic and environmental dimensions of social responsibility's management strategies considering the role of performance in gaining competitive advantage in small and medium enterprises located in industrial parks of Guilan. Therefore, 221 companies have been chosen by the simple random method using statistical sample. A questionnaire has been used for data collection. The validity of the questionnaire was certified by face validity and factor analysis (0.876) and its reliability by Cronbach's alpha coefficient report (0.971). For hypothesis testing, structural equation technique was used. The results show that considering the role of performance, the social dimension of the corporate social responsibility, with a coefficient of 27 percent, has a positive and meaningful effect. Additionally, the economic dimension of the corporate social responsibility, considering the role of performance, with 59 percent, has a positive and meaningful effect on the competitive advantages of the companies. And finally, the environmental dimension of the corporate social responsibility, considering the role of performance, with 78 percent, has a positive and meaningful effect on the competitive advantage of the companies.

Keywords: Social Dimension of Social Responsibility, Economic Dimension of Social Responsibility, Environmental Dimension of Social Responsibility, Performance, Competitive Advantage.

INTRODUCTION

Corporate social responsibility is an evolving concept which is used by companies to integrate their social, environmental and economic concerns in values, cultures, decisions, strategies, and operations in order to tackle them and as a result, they can provide better procedures for the company, create prosperity and improve the society (Hassas Yeganeh and Barzegar, 2014). The concept of corporate social responsibility (CSR) has matured during the last three decades. CSR can have a positive effect on the value of the beneficiaries and management strategies (Halkos and Skouloudis, 2018). In fact, the responsibility of the companies is beyond producing goods and providing services for profit-making. Their responsibility also includes contributing to solving major social problems (Sawyer and Evans, 2010). Peter Drucker, one of the most prominent experts in management states that in order to preserve their legitimacy and survival, private organizations should accept that they have public and social roles and duties, too (Arayesh Shokouh, 2014). Some far-sighted companies, develop the social responsibility of their organizations as a way to attract numerous high-quality employees and research has shown that companies with better social responsibilities,
can be more appealing for employees to work in than other companies (Tingchi Liu et al., 2014). This matter is highlighted when governments cannot take the responsibility of improving people's living quality by themselves; the societies' need is more than what can be provided by the governments' ability and capability. In this regard, the focus is shifting from the governments to the companies and individuals' economic activities and businesses in the society in such a way that pioneering companies are trying to stand out among the rivals by their engagement in social responsibilities (Kansal et al., 2014). In fact, the quick changes and the dynamicity in modern businesses have made the companies practice strategies to focus both on the companies' current affairs and on investing in the activities which lead to competitive advantage for the companies' future success.

Using social responsibility plans by companies has attracted many organizations and companies' attention because according to research social responsibility has a positive and meaningful effect on gaining competitive advantage. Important institutions pertaining to quality in the world of business have appointed corporate social responsibility as one of their excellence and evaluation standards for the companies. (Ghasemkhani et al., 2016).

Hence, involving in activities of social responsibility as a tool to improve performance and thus to increase the companies’ competitive advantages is of utmost importance. The present study aims to explain the effect of different aspects of social responsibility activities including social, economic and environmental activities, considering the mediating role of performance, on gaining competitive advantage in a small-to-medium enterprise.

Management Strategies of Social Responsibility and Gaining Competitive Advantage

In recent years, noticeable transformations have occurred pertaining to corporate social responsibility (CSR) especially in the strategies that companies use to gain competitive advantage. (Benlemlih, 2019). As a matter of fact, one of the advantages of social responsibility for the companies is its positive relation with gaining competitive advantage (Arsoy et al., 2012).

Competitive advantage is considered a significant achievement for the companies and is guaranteed by practicing social responsibility. Understanding the companies’ success includes results which are beyond corporate finance. The companies with a good competitive advantage at the regional level can reach a desirable position in the market in addition to superior results while avoiding it can lead to bad consequences for production. In order to define and measure competitive advantage, one should go beyond financial management and consider the competitive aspects related to human resource management and marketing which includes corporate social responsibility. (Gallardo and Sanchez, 2014).

In fact, competitive advantage reflects a superior performance in a specific business index. This superior performance of the company can grant a competitive advantage that can be seen as a positive distinction when measured against the competing companies. (Areias and Eiriz, 2013)

Waddock and colleagues (2002) claim that illegal and irresponsible companies most probably are not very profitable and in the long term do not generate income. Consequently, nowadays organizations are under severe pressure in different aspects to gain public trust and maintain the competition in the global market (Ehsan et al., 2012). Saeidi and colleagues (2015) have conducted a study in order to answer this question: how does corporate social responsibility help the corporate financial performance? The findings from 205 production companies and the product consumers of these companies show that the positive effect of CSR is due to the positive effect of fame, competitive advantage and customer satisfaction. The findings of the research conducted by Gallardo and colleagues (2014) has revealed that social responsibility orientations have a positive and meaningful effect on competitive advantage due to the company's performance. Badavar Nahandi and colleagues (2014) explain that there is a positive and meaningful relation between corporate social responsibility and the company's performance. In addition, Pourali and Hejami’s investigations (2013)
show that the environmental performance does not have a direct influence on the corporate financial performance, but it can lead to improving the financial performance of the companies by explaining the role of corporate social responsibility disclosure.

In social responsibility activities, social dimensions (SocDim), economic dimensions (EcoDim) and environmental dimensions (EnvDim) are hidden. CSR in regional companies is, in fact, a complex, multidimensional variable, which is made up of three specific economic, social and environmental dimensions (Gallardo and Sanchez, 2014). The base of the casual relationships assumed in the model is that companies with a higher tendency toward social responsibility activities have a better performance in the market. Hence, we have the following hypotheses:

H1: The social dimension of social responsibility has a meaningful effect on the performance of small and medium enterprises.

H2: The economic dimension of social responsibility has a meaningful effect on the performance of small and medium enterprises.

H3: The environmental dimension of social responsibility has a meaningful effect on the performance of small and medium enterprises.

Considering that this concept of competitive advantage derives from the concepts of strategic management, it can be said that competitive advantage is the outcome of a dynamic and consistent process which considering the internal and external circumstances of the organization, originates from the performance of the organization and through the ability to use the resources properly, some capabilities will be created and proper use of these capabilities will result in competitive advantages. Managers believe that competition and gaining competitive advantage in the world trade is achievable and possible through having a streamlined policy and strategy and successful performance (Lati and Darvishan, 2016). Büyükbalci (2012) states that in order to maintain performance and competitive advantage, companies should use their resources to create value in economic, social and environmental dimensions. The relation between performance and competitive advantage in business strategies has been dealt with by Porter (1991· 1980). Therefore, in order to complete the conceptual model which is suggested to evaluate the CSR measurement scale, this casual relation between two structures is created. The fourth hypotheses is:

H4: The performance of small and medium enterprises has a meaningful effect on gaining a competitive advantage.

The conceptual method is supported by the literature explained in the previous paragraphs. Figure (1) shows the casual relations between independent, mediator and dependent variables. Considering the conceptual model of the present study, the corporate social responsibility is the independent variable which includes the three social, economic and environmental dimensions. Competitive advantage is the dependent variable. Performance is the mediator variable and can influence the effectiveness of the independent variable on the dependent variable positively or adversely.
Methodology

The present study is applied in nature because its purpose is to gain the necessary understanding or knowledge to determine a tool by which a particular definite need is responded to. On the other hand, its outcome is applicable for different groups of planners and managers of small and medium enterprises in Guilan and consequently is counted as an applicable study. In addition, regarding the method, the present study is a survey study and considered an analytical-descriptive one because it describes and analyzes the present situation. The necessary data is collected by questionnaire and quantitative methods are used to analyze this data. This study is causal in terms of analyzing the variables because the effects of the variables on each other are investigated and, if confirmed in the sample, the outcome is applied to the whole society. Considering the time, it is a cross-sectional study because it is done during one period of time.

The statistical population of the present study is the small and medium firms located in industrial parks of Guilan. In Guilan, 33 industrial parks and zones have been exploited and include 1424 units out of which 495 are active and are being exploited. In the present study, only the active units have been investigated. Therefore, the statistical population is 495 companies. The aforementioned companies have been chosen for their appropriate atmosphere and zone and accessibility of the statistical population for the researcher.

The other important point is the appropriate size of the sample. Since the statistical population in this study is limited to the 495 small and medium firms which are active in Guilan, limited population relation has been used to measure the size of the sample. In order to determine the size of the sample, first, a pre-test was given to 30 managers of the firms to calculate the deviation of the statistical population. What follows is Cochran Formula to measure the sample size in the limited population. As relation (1) indicates, the sample number is an estimated 221 firms.

\[
n = \frac{Nz^2 \hat{p}(1 - p)}{(N - 1)\hat{e}^2 + z^2 \hat{p}(1 - p)} = \frac{521 \times 1.96^2 \times 0.5 \times 0.5}{(521 - 1)0.05^2 + 1.96^2 \times s^2} = 221.362 \approx 221
\]

\[
n = \frac{Nz^2 S^2}{(N - 1)\hat{e}^2 + z^2 S^2} = \frac{495 \times 1.96^2 \times 0.5094^2}{(495 - 1)0.05^2 + 1.96^2 \times 0.5094^2} = 221.13
\]
In this relation $N$ is the statistical population size; $n$, the sample size; $Z_{\alpha/2}$, the size of the studied variable according to the standard normal distribution with the uncertainty level of 5%; $\varepsilon^2$, the error rate; $P$, the sample variance; and $\alpha$ is the uncertainty level which equals 0.05.

The simple random method has been used for sampling. In this method, each member of the statistical population has an equal chance. In fact, in this method, the companies are chosen randomly from a list of the statistical population which is numbered and provided for this purpose. The data about the industrial parks are taken from http://www.gilaniec.ir/. In this website, information about each industrial park in the province is shown separately. Hence, after selecting the company’s number, their address and phone number were taken from the website and after arrangements with the public relation the researcher collected the questionnaires in the companies in person. Considering the fact that in the present study measuring the marketing capabilities and the companies’ performance is focused on, the analysis is organizational. Moreover, the researcher has investigated the relation between the organizational characteristics (the management strategies social responsibility and gaining competitive advantage) under a specific condition, so the analysis will be at the organizational level.

To analyze the exploratory validity (Ebrahimi and Mirbargkar, 2017) of the research questions, factor analysis was used. The initial questionnaire was distributed among 30 members of the statistical population and they were asked to announce their agreement or disagreement with the questions while answering them. Since all the figures in this part are higher than 0.8, it can be said that table (1) indicates that the sample variables chosen for the statistical analysis are sufficient. In addition, the total figure equals 0.876.

<table>
<thead>
<tr>
<th>Table 1: Validity of the Questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>social dimension of the corporate social responsibility</td>
</tr>
<tr>
<td>economic dimension of the corporate social responsibility</td>
</tr>
<tr>
<td>environmental dimension of the corporate social responsibility</td>
</tr>
<tr>
<td>Performance</td>
</tr>
<tr>
<td>competitive advantage</td>
</tr>
</tbody>
</table>

In order to analyze the reliability of the research questionnaire, first 30 questionnaires were distributed and collected in the statistical population. Then in order to calculate Cronbach's Coefficient Alpha, SPSS was used (Ebrahimi et al., 2018b). In the present study, Cronbach's Alpha of the questionnaire is as depicted in table (2). Considering that the calculated alphas are higher than .7, (Ebrahimi et al., 2016; Ebrahimi et al., 2017; Khajeheian and Ebrahimi, 2019; Arbatani et al., 2019) this questionnaire has proper reliability.

<table>
<thead>
<tr>
<th>Table 2: Reliability of the questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Variable</td>
</tr>
<tr>
<td>social dimension of the corporate social responsibility</td>
</tr>
<tr>
<td>economic dimension of the corporate social responsibility</td>
</tr>
<tr>
<td>environmental dimension of the corporate social responsibility</td>
</tr>
<tr>
<td>Social responsibility</td>
</tr>
<tr>
<td>Performance</td>
</tr>
<tr>
<td>competitive advantage</td>
</tr>
</tbody>
</table>
In this study, a standard questionnaire derived from Gallardo and Sanchez’s research in 2014 was used for data collection. The following dimensions have been used to measure the variables.

**Table 3: Dimensions of the questionnaire**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimensions</th>
</tr>
</thead>
</table>
| Social Dimension of Social Responsibility | Employing people who are socially deprived  
Supporting the disabled  
Awareness of the employees’ life quality  
Paying a higher payment than the average payment other service industries  
Paying proper rewards in accordance with skills  
Compiling health and security standards  
Commitment to creating job opportunities  
Training the employees and their progress  
Facilitating employees’ personal and professional life  
Valuing the employees’ creativity |
| Economic Dimension of Social Responsibility | Creating equal opportunities for all the employees  
Participating in social projects  
Doing voluntary work or cooperating with non-governmental organizations  
Using dynamic mechanisms in their interaction with the employees  
Attention to the employees’ retirement plans  
Providing high-quality financial services  
Meeting national and international standards  
Offering the best services in relation to the prices  
Providing precise and full information  
Respecting the customers' rights  
Creating stable relationships with other institutions  
Strengthening trade relations with other companies  
Handling complaints  
National support for efficient managers |
| Environmental Dimension of Social Responsibility | Keeping harmful environmental effects at a minimum level  
Energy saving  
Offering alternative energy sources  
Participating in activities related to preserving the natural environment  
Announcing support for reducing dangerous gasses and waste and also recyclable materials  
Ability to use, purchase and produce products in accordance with environmental standards |
| Performance | Profit before tax  
Level of profitability  
Increasing sales  
Profit margin  
Market share for financial services  
The customers’ satisfaction and loyalty level  
Employee retention and satisfaction  
Market position, the image and reputation of the company |
Quality in managing the resources
The level of educating and empowerment of the personnel
The managers' leadership quality
The companies' ability in marketing
The quality of financial services
The level of administrative and organizational management
Information system and technology resource status
The transparency level of financial management
Integrity in values and organizational culture
The level of awareness of business knowledge and experience

Findings

Table 4 shows the summarization on descriptive statistics of the research variables. As it can be noticed, the social dimension of social responsibility has the highest average, while the lowest dispersion belongs to the social responsibility variable which means the participants have a higher agreement about the questions of this variable.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average</th>
<th>Dispersion status</th>
<th>Distribution type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Responsibility</td>
<td>3.05</td>
<td>Desirable</td>
<td>Normal</td>
</tr>
<tr>
<td>Social Dimension of Social Responsibilty</td>
<td>3.08</td>
<td>Desirable</td>
<td>Normal</td>
</tr>
<tr>
<td>Economic Dimension of Social Responsibility</td>
<td>2.95</td>
<td>Undesirable</td>
<td>Normal</td>
</tr>
<tr>
<td>Environmental Dimension of Social Responsibility</td>
<td>2.94</td>
<td>Undesirable</td>
<td>Normal</td>
</tr>
<tr>
<td>Performance</td>
<td>2.94</td>
<td>Undesirable</td>
<td>Normal</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>2.89</td>
<td>Undesirable</td>
<td>Normal</td>
</tr>
</tbody>
</table>

Data Normality Test

Based on the Kolmogorov-Smirnov test results, it is indicated that all the research variables are normal at one percent error level. Therefore, the Null hypothesis of the data normality can be accepted which means the research data is normal.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Equivalent</th>
<th>Statistic Z</th>
<th>Significance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social responsibility</td>
<td>CSR</td>
<td>0.569</td>
<td>0.902</td>
</tr>
<tr>
<td>Social Dimension of Social Responsibilty</td>
<td>SOD</td>
<td>0.806</td>
<td>0.534</td>
</tr>
<tr>
<td>Economic Dimension of Social Responsibility</td>
<td>ECO</td>
<td>1.032</td>
<td>0.237</td>
</tr>
<tr>
<td>Environmental Dimension of Social Responsibility</td>
<td>END</td>
<td>0.463</td>
<td>0.983</td>
</tr>
<tr>
<td>Performance</td>
<td>PFR</td>
<td>0.849</td>
<td>0.476</td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>CA</td>
<td>0.695</td>
<td>0.719</td>
</tr>
</tbody>
</table>

Goodness of Fit

In the second model, the amount of Chi-squared test has the degree of freedom of 2.73 which is a proper amount. In addition, the amount of the Root Mean Square Error of Approximation (RMSEA) is 0.044. Considering that the amounts of Comparative Fit Index (CFI), Incremental Git Index (IFI), Normal Fit Index
(NFI) (Ebrahimi et al., 2019) and Non-Normal Fit Index (NNFI) are all more than 0.9, the model shows the perfect fit and is accepted.

<table>
<thead>
<tr>
<th>Table 6: Goodness of Fit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index of Goodness of Fit</td>
</tr>
<tr>
<td>Acceptable amounts</td>
</tr>
<tr>
<td>Calculated amounts</td>
</tr>
</tbody>
</table>

We use SEM to test hypothesis (Ebrahimi et al., 2018a). Figure 2 shows the standardized estimates of the structural equation model of the conceptual model of the research based on the relationship between the independent variables and the dependent variables and figure 3 shows the significance numbers of the structural equation model of the conceptual model of the research based on the relationship between the independent variables and the dependent variables.

Figure 2: Standard estimate model of the conceptual model of research
Considering that all the significance numbers of the model's parameters are bigger than the absolute value of 1.96, the hypotheses of the respective variable are confirmed (Ebrahimi, Hajmohammadi and Khajeheian, 2019). As it can be deduced from the table and the above figures, confirmation path analysis of the subsidiary hypotheses is approved considering standard path coefficients and significance numbers.

**Table 7: Path Analysis**

<table>
<thead>
<tr>
<th>Path Analysis</th>
<th>Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social dimension of social responsibility → Performance</td>
<td>0.28</td>
</tr>
<tr>
<td>Economic dimension of social responsibility → Performance</td>
<td>0.61</td>
</tr>
<tr>
<td>Environmental dimension of social responsibility → Performance</td>
<td>0.81</td>
</tr>
<tr>
<td>Performance → Competitive advantage</td>
<td>0.97</td>
</tr>
<tr>
<td>Social dimension of social responsibility → Performance → Competitive advantage</td>
<td>0.28*0.97=0.27</td>
</tr>
<tr>
<td>Economic dimension of social responsibility → Performance → Competitive advantage</td>
<td>0.61*0.97=0.59</td>
</tr>
<tr>
<td>Environmental dimension of social responsibility → Performance → Competitive advantage</td>
<td>0.81*0.97=0.78</td>
</tr>
</tbody>
</table>
The summary of the second model’s results is shown in figure 4:

**Figure 4:** Summary of the second model’s results

**Conclusion and Suggestions**

Considering the test of hypotheses, it can be recognized that considering the role of performance, the social dimension of the corporate social responsibility with the coefficient of 27 percent has a positive and meaningful effect. Additionally, the economic dimension of the corporate social responsibility, considering the role of performance, with 59 percent, has a positive and meaningful effect on the competitive advantages of the companies. And finally, the environmental dimension of the corporate social responsibility considering the role of performance, with 78 percent, has a positive and meaningful effect on the competitive advantage of the company. Based on the results obtained, it is recommended that:

- The companies should try to support the disabled and the poor and offer them positions which can be suitable for them. In fact, by doing this, the companies will consider a share for the disabled in the business world, care about the life quality of their staff and devise a mechanism to be aware of the health and security level of the staff and meet the necessary standards. The payments to the staff shouldn't be lower than the average payment in that industry. Moreover, the company can create a logical relation between the employee's performance and skill with the reward they receive at work. Creating job opportunities and entrepreneurship should be among the companies' priorities. In addition, with conducting constant training courses, they should take the employees' progress into consideration. The companies should try to always produce high-quality products according to the customer's need and desire. That's why it is necessary that they learn about customer needs and expectations by conducting reliable surveys. As well as meeting the consumers' expectations, the companies' products should meet the national and international standards. Respecting the customer rights should be among the companies' priorities. For this purpose, it is suggested that companies always provide customers with elaborate and clear information.

- Attention to the customers' complaints is also one of the important issues in the economic approach of the companies. The companies are recommended to create a complaint handling system by which they can benefit from the hidden knowledge of the customers. Additionally, the companies should try to design the producing process in a way that hardly causes the environment any harm. They should also be aware of investing with
the purpose of reducing environmental effects. They should save energy and detect and use alternative energy sources. They should also try to produce the least amount of waste and greenhouse gasses possible and always take the environmental standards into consideration.

Reference


