



## The Correlates of the Awareness of Corporate Social Responsibility's (CSR) Dimensions and Organizational Performance of Small and Medium Sized Enterprises (SMEs) in Sana'a-Yemeni

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### ABSTRACT

This is a preliminary study on the relationship between the awareness of corporate social responsibility dimensions on organizational performance of small and medium sized enterprises (SMEs) in Sana'a Yemeni. This paper particularly focuses on two dimensions of CSR- Economic and Philanthropy. The effects of CSR on the growth and maintenance of SMEs has made CSR an important element in businesses. Using quantitative research method, data was collected via questionnaires from 30 Entrepreneurs as respondents. Statistical Package for the Social Science (SPSS) was used for the analysis of the data collected. The reliability Cronbach's coefficient of the instruments alpha Cronbach's value of 7.0 was met for the two CSR dimensions tested in the hypothesis in which internal consistency coefficients indicates an acceptable reliability. Regression analysis findings show that there is no significant relationship between economic and philanthropic dimensions of social responsibility and organizational performance. This implies that the two dimensions of CSR are not the predictors of the organizational performance of the small and medium size enterprises in Sana'a-Yemeni.

## 1. Introduction

The competitive nature of the marketing environment in recent times has brought about the longing by organizations, companies, communities and businesses to seek new ways of succeeding in their business ventures as well as stay ahead of their competitors (Porter, & Kramer, 2006). Focusing only on goods and services as well as product quality may not be enough to keep customers loyal or open up new business frontiers. As such, companies are more willing than before to engage their publics thus, leveraging ties with their various stakeholders in order to gain competitive advantage (Kavaliauskė, & Stancikas, 2014). Consequently, one potent avenue of influencing and achieving corporate relationships is through corporate social responsibility (CSR) (Ukpabi, et al 2014).

In recent times, interest in responsible and attentive corporate behavior has significantly increased because of the potential benefits CSR has on the organization and its publics. Ukpabi, et al (2014) contains that the efficiency of an organization can be measured by its ability of meeting the needs and expectations of the public. Studies indicates that a firm's CSR awareness inevitably affect stakeholders' associations with the firm (Sen, 2006). Hence, the focus of this research paper revolves around the awareness of economic and philanthropic dimensions of CSR on organizational performance of SMEs in Sana'a Yemeni.

There are numerous studies with particular respect to relationship between CSR and organizational performance. Accordingly, Aupperle et al., (1985), Malcolm et al., (2007), ACCA, (2009), Crisóstomo et al., (2011), cited in Dhar and Hoque (2015), Dhar et al., (2017a), Dhar et al., (2017b), Rouhoma et al., (2017), Saeed et al., (2017), Saeidi, et al (2015) argued that there is negative or no correlation between CSR and organizational business performance. On the other hand, Orlitzky et al., (2003); Van Beurden and Gössling, (2008); Roshayani et al., (2009); Abu Bakar and Ameer, 2011, Oeyono et al., 2011; posited that there is a positive association between CSR and organizational business performance. However, Saeidi, et al (2015), opines that studies' concerning the relationship between CSR and organizational business performance appears to be spurious and imprecise because some other intervening factors may have been omitted during the research process which has led to the complicated lack of evenness of results as indicated by previous studies. Apparently, diverse factors facilitate the contribution of CSR towards organizational business performance.

Meanwhile, majority of studies showcasing CSR contribution towards organizational business performance are largely conducted in developed/western countries (Galbreath & Shum, 2012). On the contrary, research indicates limited studies on CSR and organizational performance of developing countries which also limits the body of literatures with respect to CSR relationship with organizational business performance in developing countries (Salehi & Azary, 2009, Chapardar and Khanlari, 2011, Nejati and Ghasemi, 2012). Consequently, the main focus of this paper is centered on awareness of economic and philanthropic dimensions of CSR on organizational performance of small and medium scale enterprises (SMEs) in Sana'a Yemen.

There is no gainsaying the fact that a bulk of studies on CSR and business performance or organizational performance focus largely on big corporations with little attention on small and medium enterprises (SMEs) (Aguinis, & Glavas, 2012; Madueño, Jorge, Conesa, & Martínez-Martínez, 2016). However, study shows that SMEs play huge role in the economic development of countries particularly that of developing countries including Yemen (Madanchian, et al 2015; Kruja, 2013; Oduntan, 2014, Al-Abbasi 2011; Al-Samman, & Al-Nashmi, 2016). Notably, improvement in income distribution, job creation and empowerment, improvement in standard of living through poverty alleviation schemes, local technological innovations through local skills and adaptation to locally sourced materials replacing western exorbitant technology were amongst the various contributions of SMEs to the economic development of nations (Obi, et al 2018; Hassan, & Mohamed, 2015).

The impact of CSR on the growth and sustainability of small and medium enterprises has made CSR a major component of business strategy. Yemeni SMEs has experience significant growth although they are believed to focus mainly on profit making (Al-Abbasi 2011; Al-Samman, & Al-Nashmi, 2016), Majid Alawi, Rahman, Amran, & Nejadi. If this is the case what is the reason behind the increasing growth in SMEs business? As such, this paper seeks to examine the awareness of economic and philanthropic dimension of CSR by Yemeni SMEs towards their organization performance. This is against the backdrop that Valmohammadi (2014) observed that SMEs practicing social responsibility activities realize lots of benefits such as attracting foreign investment, building good reputation among customers, competitor, suppliers and strong brand position. As such, adoption of CSR in the SMEs has become a necessity (Agana et al., 2016; Surroca et al., 2010). Hence, this paper seeks to examine amongst the dimension of CSR, the awareness of CSR with respect to economic and philanthropic spheres of CSR on organizational performance of Yemeni SMEs in Sana'a.

## 2. Literature Review

### 2.1 Corporate Social Responsibility (CSR)

The concept of Corporate Social Responsibility (CSR) has been described and defined in numerous perspectives and viewpoints. According to Amaeshi and Adi (2005) the multitude of definitions, descriptions and writers on the topic of CSR has made CSR definition vague, ambiguous, subjective, amorphous, unclear, and fuzzy. The European Commission defines CSR as the responsibility of business enterprises geared at impacting the society in which they are operating on (Macassa, et al 2017). Besides the fact that CSR activities, initiation and schemes must agree with the law of the land, being socially responsible implies incorporating social environmental, ethical, and human rights concerns into the business strategies and operations of organization (European Commission 2017). As such, corporate social responsibility is a business approach that facilitates sustainable growth by conveying social, economic, and environmental benefits for all stakeholders of the corporation (Silveira, & Petrini, 2018).

Lichtenstein et al. (2004) and Lindgreen, & Swaen (2010) posits that CSR is more than an ideology because the concept has moved beyond the idea of possible business plans to actuality. This is because CSR is considered as crucial for organizations to outline their roles in society they operate and exist as well as apply the expected social and ethical standards to their businesses approach. Thus, the realism of CSR in the organization setting is discovering the most beneficial approach for an organization to successfully handle and gratify the needs of their stakeholder's. Nevertheless, the need for corporate social responsibility initiatives in organization and why it must or should be practiced is arguable with particular respect to the perspective and dimension of the concept (Kadlubeck, 2015). According to Carroll, business organizations are expected to be profitable and compliant with the local laws as well as abide to the ethical standards expected of them (Wan-Jan, 2006). While some scholars argue that corporate organizations have a duty or responsibility to ensure that their resources are properly used in a manner that protects and benefit the society/public in order to ensure fair and sustainable benefits for stakeholders and the organization as well (Graafland & van de Ven B 2006). Equally, other scholars view CSR as a social contract requiring the commitment of corporations in acting responsibly and ethically in order to not only portray positive image for the corporation but also ensure business advantage (Macassa, et al 2017). Buttressing business organization either large corporation or SMEs, must be economically, ethically, and legal and not philanthropically responsible because every organization as well as business are goal driven and this perhaps is the reason why expectation of returns for investment showcases performance of the organization monetary and otherwise. The premise that integrating social and environmental concerns into organizational business operations on a voluntary basis is clearly done without obligations, on the other hand, the responsibility of stake holders and the immediate environment or community influence corporate policies and practices to act in orders to reach its goals (Khanifar et al., (2012). Apparently, organization are not compelling to do CSR yet it has becomes obligatory for firms to engage in CSR to competitive advantage and remain relevant and appealing to the public's. Hence, the seems to be a common consensus in recent times amongst scholars with respect to CSR in organization that organizations should and must have some sort of responsibility to their stakeholders and the environment the operate (Macassa, et al 2017).

### 2.2 Economic Dimension of Corporate Social Responsibility

Portney (2008) opines that it is almost impossible now to open the business section of the Wall Street Journal, New York Times, The Economist, or any business publication without seeing the mentioning of measures taken by some firms at becoming more socially responsible. Prospective benefits of CSR program to a firms' reputation have been highlighted by scholarly research. Studies also reveal that awareness of a company's CSR initiative will definitely affect stakeholders' associations with the organization (Sen, 2006; Kavaliauskė, & Stancikas 2014). Customer satisfaction can be greatly

increased through CSR because the publics who perceive a firm as being socially responsible are also very likely to trust the corporation's products, brand and business dealing. Accordingly, the economic benefits of a firm being socially responsible lies in the initiatives it undertakes of which research indicates positive relationship between awareness of CSR activities and intention to use the company's products on the part of consumers (Kavaliauskė, & Stancikas 2014). The relation between CSR and a firm's performance has prompted extensive academic research as observed by over 251 numerous studies devoted to this subject (Margolis et al. 2009). However, some scholars argue particularly on the aspect of determinants of profitability. This is to say that whether or not CSR would lead to firm's financial performance depends on the environmental makeup of the organization and stakeholders involved considering the fact that there are diverse measures of economic and financial performance according to (Delmas and Nairn-Birch 2010). Noticeably there seems to be situational examination of financial performance with respect to business focus of the organization like protecting the environment as a course by the organization may not necessarily bring monetary gain but builds reputation that is rewarded financially with time (Crifo, & Forget, 2012). As such, certain dimensions of CSR may well improve the financial or economic performance of firms thereby ensuring competitive advantage however, the business model and perhaps the industry in which the firm operates is equally important in the build up to economic gains of CSR in an organization setting (Manescu, 2010).

Obviously firms come into existence as a major economic unit providing services to its stakeholders and the public at large. Thus, a major motive of their existence is making profit through the proficient discharge of this function in line with their goals. However, Carroll, (1991) stresses that often there is often swish in firm's business focus particularly when the concept of profit-making degenerates into maximum profit making. Taking nothing away from the notion of profitable performance of the economic responsibility of a company, the other three dimension or responsibility of CSR also complement each other in making the cut at financial benefits. However, the economic element of a company's social responsibility runs with the impression that a firm should perform in a way that is consistent with making the most of earnings from its business activities while still being committed to maintaining a strong ethics at doing so ( Iwu-Egwuonwu, 2010). Worthy of note is the fact that meta-analysis of the data emanating from literature and studies found significant positive relationship between corporate social performance and corporate financial performance, however Allouche, Laroche, (2006) argued that when a firm has positive influence over its stakeholders then only can it have positive impact on its financial side of the organization.

### *2.3 Organizational Constraints and its Impact on the Economic Dimension of CSR*

A popular view among business scholars and economists is the fact that corporation directors have an obligated duty of maximizing profits for the organization and its shareholders. However, this view has triggered a number of economic approaches for company's behavior (Reinhardt, Stavins, & Victor, 2008). Regardless, if a company is capable or likely to engage in CSR act depends on management's assessment and agreement which is in-fact determined by the managers/management preferences, ethical beliefs and goals. How public's especially internal public's views the purpose of the company, ethical standpoint, and long-term goals is largely influenced by the firm's identity. As such, self-monitoring by the organization itself affects the manner in which it interacts with its external stakeholders which is why firms that are conscious about their reputation or image could exert greater effort on communicating and interacting with their publics in a socially appropriate manner than other firms who are not self-conscious (Prutina, 2016). Equally, whether firms can forfeit their profits for social interest is a question of focus and goals along with the size of the firm because bigger firms can afford to let go of their profits into CSR schemes and initiatives as compared to smaller firms where immediate response and profitable outcomes is top on its agenda (Adams and Hardwick 1998). Environmental and communal pressure constrains a firm's intention and participation in CSR. Situation whereby public advocacy groups pressures local authority to mandate firms to act in certain ways or directly pressuring firms to act towards the communal benefit of a particular community or course by way of CSR activities hinders the operational direction of the organization (Brown, Helland, and Kiholm Smith 2006).

### *2.4 Corporate Philanthropy of Corporate Social Responsibility*

Noam Noked (2011) asserts that corporate philanthropy otherwise known as discretionary responsibility is a probable source of adding value to the firm and serves as a reliable means of attaining social status and acceptance by publics. Philanthropic responsibility involves voluntarily choice of allotment of resources to social service or charitable activities in order to attain marketing objectives as well as other business-related goals given the seeming expectations of firm's performance (Ricks 2005; Okwemba, et al 2014). Activity wise corporate philanthropy or philanthropic dimension of CSR involves activities such as donation of cash, products, free services, charitable events, volunteerism, promotion public service announcements to mention etc. Philanthropy dimension of CSR is perceived as a means building of identity and image by the firm (Dhar et al., 2018; McAlister & Ferrell; 2002, Hall; 2006, Fahy et. al.; 2004).

Schwartz, & Carroll (2003) asserts that corporate philanthropy is beyond charitable deeds because it has become a legitimate way of demonstrating values of the company and making a difference in becoming part of solution to social issues irrespective of the firm's turnover or profit state of the firm involved. Strategic corporate philanthropy is geared at creating reward style philanthropy where by the organization interest besides its values is balanced business interests and societal needs. Thus, investing in rational economic schemes with expectation that it brings on measurable value for shareholders and the organization is not only a pre-investment tactics for future marketing achievement, but it also draws prospective clientele with regards to organization products and needs (Leisinger & Schmitt, 2011).

Invariably the existence of business organization practicing strategic corporate philanthropy is amongst the many reason civil society and advocacy publics consider strategic corporate philanthropy as contradictory (Saiia, Carroll, & Buchholtz, 2003). They argue that making corporate philanthropy or discretionary giving is a strategic fit that takes away the fundamental value of philanthropic act and undervalues its benefit. However, this criticism contrasts the value - rational notion with purpose - rational position given the overall level of paucity that exists in our society today. Apparently, when the philanthropic ideals of the organization create the needed social value for its beneficiaries, the enthusiasm of the benefactor should not matter too much because such argument most likely reflects the views of large business corporation as oppose to focusing on solving humanitarian problems (Monachino, 2016).

Based on the literature review done above, the researchers therefore hypothesize as follows:

- H1: The awareness of economic dimension of Corporate Social responsibility influences the organizational performance of Small and Medium-sized Enterprises (SMEs) in Sana'a Yemeni
- H2: The awareness of the philanthropy dimension of Corporate Social Responsibility influences the Organizational Performance of Small and Medium-sized Enterprises (SMEs) in Sana'a Yemeni

### 3. METHODOLOGY

#### 3.1 Sampling

The study is conducted to ascertain the impact of the awareness of economic and philanthropic dimensions of CSR on organizational performance of small and medium sized enterprises (SMEs) in Sana'a Yemeni. Being a preliminary study quantitative research method was used with 30 survey questionnaires distributed to respondents. Sampling population are entrepreneurs, employees and owners of various SMEs organizations from different sectors engaging CSR measures in Sana'a Yemen. Purposive sampling technique was used to select respondents, this is because the focus of the study was on SMEs, and perhaps focusing on the particular characteristics of a study population which is of interest in this instance enabled the researcher answer the research questions because as experts in the business SMEs can best answer the awareness of economic and philanthropic dimensions of CSR on organizational performance of their firms. Sampling respondents came from genders, diverse backgrounds, different business focus and different industries. The survey was carried out in two phases. The first phase was distribution of questionnaires among respondents while the second phase was the collection and analysis of questionnaires from respondents after a reasonable time as reminder was given to them to ensure utmost responses.

#### 3.2 Measurement

##### *Dependent variable*

Organizational performance is the only dependent variable in this study because the study analyses the awareness of two CSR dimension economic and philanthropic responsibility of CSR on organizational performance of small and medium sized enterprises SMEs. Instrument to measure organizational performance was adopted from Ali, et al (2010) Crucke, & Decramer, (2016). Organizational performance has been measured with 5-point Likert scale 1 for strongly disagree, 2= disagree, 3= undecided, 4=agree and 5= strongly agree. The instrument contained 5 items, first item relates to dimension of CSR that aids organizational performance of SMEs, second concerns responsibility of internal stakeholders to ensure organizational performance, the third relates to reflection of social responsibility of firms in their CSR initiatives, the four the concerns stakeholder's engagement for organizational performance and the fifth and item concerns the visibility of communication towards ensuring organization performance. The scale was adapted from Deshpande et al. (1993); and Choi, & Yu, (2014).

##### *Independent Variables*

This study examines the awareness of economic and philanthropic dimension of CSR on SMEs performance; consequently, the independent variables in this study are the economic and philanthropic dimensions of corporate social responsibility (CSR). Review of literatures also provided some scales for measurement of CSR contribution such as Carroll (1979); Maignan and Farrell (2000); Turker, (2009); and Fadun, (2014). The scale contains 15 items in total with 5 items each for each dimension incorporating every aspect of CSR including social responsibility, internal and external stakeholders, the instrument measured 5 point Likert scale (1 for strongly disagree, 2= disagree, 3= undecided, 4=agree and 5= strongly agree).

### 4. Data Analysis and Results

Data was collected and keyed into SPSS software. Transformation of variables was done to ensure reliability of instrument and items. Although primary data was collected through survey questionnaires, however questionnaires was analyzed to substantiate data collected aid researcher in meeting with objectives of the study besides testing for reliability and validity of questionnaire distributed to target group. Questionnaire validity was adjudged using the Cronbach's coefficient alpha test for reliability and internal consistency of responses with Cronbach's coefficient of 0.7 was found adequate for scale collection of data for items tested. The regression analysis test showed the relationship between the independent and dependent variables.

This study is undertaken to explore the awareness of economic and philanthropic dimensions of CSR on organizational performance of SMEs in Sana'a Yemen. The preliminary study was conducted among 30 Yemeni Entrepreneurs. Cronbach's being the most common test to use in ascertaining the internal consistency of instrument with results in the range between 0 to 1. In this study all instruments were tested, and the reliability coefficient of the instruments are presented in Table 1.0 below:

**Table1.0: Pilot Study Result**

Variable	Number of items	Cronbach's Alpha
Organizational Performance	5	0.792
Economic Responsibility	4	0.732
Philanthropic Responsibility	4	0.701

a. all requested variables entered

The result reveals that the alpha values of 3 instruments are above 7.0., particularly the instrument measuring Organizational Performance and Economic Responsibility, and philanthropic responsibility. The original result of the analysis is presented above however to increase the alpha value of instruments measuring organizational awareness, economic responsibility and Philanthropic responsibility one items was deleted from items measuring economic responsibility and philanthropic responsibility. The results of reliability analysis are also very sound with 0.7 and above value of Cronbach's Alpha of all 15 items that were used in the scale. The result of this study collaborates as well as supports previous studies like Alexander and Buchholz (1978); McWilliams and Siegel (2001); Rettab et al. (2009) Ali, et al (2010); and Choi, & Yu, 2014).

*Regression Analysis*

Multiple regression analysis examines the relationship between variables as such it is a statistical technique used to describe relationships among variables. Characteristically, a regression analysis is used for the following purposes modeling the relationship between variables, prediction of the target variable (forecasting) as well as testing of hypotheses (Hu, 2014). With regards to pilot study data from 30 respondents, the result of the analysis is indicated in tables 1.1, 1.2 and 1.3. Below Table 1.2 describes the regression model summary of the analysis to determine if Economic responsibility dimension of CSR is a predictor of Organizational performance.

According to the model summary table, the R Square value shows how much variance in Economic responsibility is explained by the model. The value .073 multiplied by 100 indicates that there is a 7% variance in Economic responsibility according to the model. In order to access the statistical significance of the result, it is important to look at the ANOVA table 1.3. According to the result there is no statistically significant relationship between the dependent variable organizational performance and the independent variable Economic responsibility because the p value of .148 is greater than .05. In order words economic responsibility is not a statistically significant predictor of Organizational performance.

Table 1.1: Variables Entered/Removed<sup>a</sup>

Model	Variables Entered	Variables Removed	Method
1	CSR <sup>b</sup>	.	Enter

a. Dependent Variable: IVECON

Table 1.2: Model Summary

Model	R	R Square	Adj. R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F	df1	df2	Sig. F Change
1	.271 <sup>a</sup>	.073	.040	2.09636	.073	2.218	1	28	.148

a. Predictors: (Constant), CSR

Table 1.3: ANOVA<sup>a</sup>

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.748	1	9.748	2.218	.148 <sup>b</sup>
	Residual	123.052	28	4.395		
	Total	132.800	29			

a. Dependent variable: IVECON” and “b. Predictors: (constant),CSR

Table 1.4 describes the regression model summary of the analysis to determine if philanthropic responsibility dimension of CSR is a predictor of Organizational performance. Accordingly, the R Square value tells, how much variance in CSR is explained by the model. The value .081 multiplied by 100 indicates that there is an 8.1 % variance in Organizational Performance is explained according to the model.

In order to access the statistical significance of the result, according to the ANOVA Table 1.5 there is no statistically significant relationship between the dependent variable Organizational Performance and the independent variable Philanthropic responsibility because the p value of .126 is greater than .05. In order words Philanthropic responsibility is not a statistically significant predictor of Organizational performance.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.285 <sup>a</sup>	.081	.049	1.57236	.081	2.484	1	28	.126

a. Predictors: (Constant), IVPHIL

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.142	1	6.142	2.484	.126 <sup>b</sup>
	Residual	69.225	28	2.472		
	Total	75.367	29			

a. Dependent variable: IVORGAPAF” and “B. predictors: (constant), IVPHIL

**5. Discussion and implications**

Although there is a limited empirical study on CSR relationship or influence on organizational performance in developing countries, (Salehi & Azary, 2009; Chapardar and Khanlari, 2011; Nejati and Ghasemi, 2012; however a large pool of studies on the relationship between CSR and organizational performance comes from developed/western countries (Galbreath & Shum, 2012), however, some studies indicate significant positive relationship between CSR and organizational/business performance (Orlitzky et al., 2003; Van Beurden and Gössling, 2008; Roshayani et al., 2009; Abu Bakar and Ameer, 2011; Oeyono et al., 2011). On the other hand, some other studies indicate no significant relationship or correlation between CSR and organizational/business performance (Fabac, Calopa, & Sestanj-Peric, 2016; Aupperle et al., 1985, Malcolm et al., 2007, ACCA, 2009, Crisóstomo et al., 2011, cited in Saeidi, et al 2015). Hence this study shows no significant relationship between two CSR dimensions and organizational performance which is to say that economic and philanthropic responsibility are not a predictor of organizational performance

**6. Conclusion**

This study was conducted to examine awareness of economic and philanthropic dimensions of CSR on organizational performance of small and medium sized enterprises in Sana’a Yemen. It is an important study in the perspective that it offers Yemeni SMEs owners, managers, and management insight about the impact CSR have on their business as well as motivations to move beyond the notion of philanthropic CSR practice as more than giving back to the poor rather it can be an investment that has long term benefits (Majid Alawi, Rahman, Amran, & Nejati, (2016). The study found no significant relationship between organization awareness of CSR and organizational business performance. Majority of Yemeni SMEs embarking on CSR initiatives in Sann’a do so solely for monetary reasons and gains (Al-Abbasi, 2011). However, findings do affirm previous studies that there is a significant and positive relationship between CSR and organizational performance. Although Yemen SMEs who embark on philanthropic dimension do not see any benefit on that aspect, however sensitization and awareness on the implication of philanthropy as a long-term investment can help breach the gap for SMEs in Yemen to take full advantage of CSR initiatives. This study provides important information and reference for future researches on this topic of CSR awareness in SMEs. Perhaps give that it is a preliminary study perhaps the number of respondents could have been the reason where the hypothesis has not been met. Thus, larger scale study is recommended in this regard to test every dimension of CSR with a large pool of respondent for better understand and generalization of the findings.

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