

Small to medium sized enterprises (SMEs) that invest in corporate social responsibility can expect financial rewards as well as enhanced reputations, according to a [new study of small businesses](#) in Malaysia.

Corporate social responsibility (CSR) is often considered irrelevant to small companies, as their social and environmental impact is thought to be negligible. But in countries like Australia, small businesses play a key role in the economy and represent the bulk of businesses in number. This means the aggregate social and environmental impact of SMEs is considerable, and it's important to understand [the impact of their engagement in CSR](#).

It is not easy for SMEs to engage in CSR, particularly when they are focused on their core business and ultimate survival. But small businesses don't have to imitate the CSR activities of large corporations. They can adapt the practices after considering the availability of resources, their strategic priorities, and local community issues.

Research shows that social responsibility practices [create trust in stakeholders](#) and [enhance firm growth](#)

. Social responsibility has also been regarded as a crucial factor in [boosting a firm's long-term competitiveness](#)

There is limited understanding as to whether the view of small business managers influences engagement in social responsibility. Our quantitative study of 182 small businesses operating in Malaysia found that the view of the owners or managers of small firms does determine their firms' engagement in socially responsible practices. This in turn was found to be associated with an improvement in the firm's financial and reputational performance.

Specifically, firms whose owners/managers had a long term strategic orientation toward CSR saw it as an investment for their firm that could pay off in the long run. These firms showed greater engagement in responsible practices toward their key stakeholders, resulting in their improved reputation in the local community and enhanced financial performance over three years.

Small businesses get long-term financial boost from social responsibility: study

Written by Mehran Nejati, Senior Lecturer in Marketing and Management, Edith Cowan University

This finding is consistent with [earlier studies in the context of Australia](#) which demonstrated a positive link between CSR practices and financial performance of SMEs. The improved performance could be attributed to their market orientation in meeting stakeholders' requirements for their products and services. This allows them to excel in their social and environmental performance.

In addition, the study showed that small business managers tend to make choices between various CSR activities and prioritise those that are strategically beneficial to their firms (i.e. social responsibility toward customers, employees, and the environment).

The findings suggest that increasing SME involvement in CSR requires growing a more positive and long-term perception toward CSR among owners and managers.

Instead of prescribing an optimal CSR strategy which suits all SMEs, small businesses are better off planning their social responsibility practices based on their resources and capabilities, as well as the priorities of their stakeholders and issues faced by them.

The authors do not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and have disclosed no relevant affiliations beyond the academic appointment above.

Authors: Mehran Nejati, Senior Lecturer in Marketing and Management, Edith Cowan University

Read more <http://theconversation.com/small-businesses-get-long-term-financial-boost-from-social-responsibility-study-68156>