

The Predominant Elements for Strategic CSR Implementation in SMEs

Sandy Gunawan¹, Rizal Syarief², Popong Nurhayati²,
Yudha Heryawan Asnawi², Handito Hadi Joewono³

1. Universitas Prasetya Mulya, BSD City Kavling Edutown I.1, Jl. BSD Raya Utama No.1, BSD City, Kabupaten Tangerang, Banten 15339, Indonesia

2. SB IPB University, Jl. Raya Pajajaran, RT.03/RW.06, Babakan, Kecamatan Bogor Tengah, Kota Bogor, Jawa Barat 16128, Indonesia

3. Sekolah Ekspor, Smesco Indonesia, Jl. Gatot Subroto, No.Kav 94, Pancoran, Jakarta 12780

ARTICLE INFO	ABSTRACT
<p>Keywords: Strategic CSR, SMEs, Integration, Strategy, Education and Socialization, Policy</p> <p>Kata Kunci: CSR Strategis, UKM, Integrasi, Strategi, Edukasi dan Sosialisasi, Kebijakan</p>	<p>Research on strategic Corporate Social Responsibility (CSR) in small and medium-sized enterprises (SMEs) is still not many in number, particularly, in developing countries. Although SMEs play an important role in economic development, this sector has received less attention in research on its competitiveness through social responsibility. According to previous literature, SMEs have unconsciously practiced social responsibility but have not been integrated in their strategy. The same condition has also occurred to SMEs in Badung district, Bali, where they practice social responsibility in running their business as an embodiment of a philosophy based on religious teachings. However, this type of CSR has not yet made a positive contribution to their competitiveness. This study attempts to answer what elements are required to obtain CSR as strategy. Interpretive Structural Modeling methodology was implemented to the SMEs located in Badung Regency, Bali . The study finds that the integration of strategic CSR into SMEs' strategy was focused on new paradigm improve SMEs' competitiveness. This new way of thinking can be achieved by intensively socializing the benefits of strategic CSR through education, relevant policy and collaboration between related stakeholders.</p>
<p>Corresponding author: Sandy Gunawan sandy.gunawan@pmbs.ac.id</p> <p>Copyright © 2022 by Authors, Published by IRJBS. This is an open access article under the CC BY-SA License</p> 	<p>SARI PATI</p> <p><i>Penelitian yang berhubungan dengan Corporate Social Responsibility (CSR) yang bersifat strategik pada usaha kecil dan menengah (UKM) masih belum banyak khususnya di negara berkembang. Meskipun UKM memainkan peranan yang sangat penting dalam pembangunan ekonomi, sektor ini kurang mendapat perhatian dalam penelitian mengenai daya saing melalui praktek tanggung jawab sosial strategik. Menurut penelitian sebelumnya, UKM tanpa menyadari telah mempraktekkan tanggung jawab sosial. Akan tetapi, praktek ini belum terintegrasi pada strategi UKM. Kondisi yang sama juga terjadi pada UKM di Kabupaten Badung, Bali; mereka mempraktekkan tanggung jawab sosial dalam menjalankan usahanya sebagai perwujudan dari falsafah yang berlandaskan ajaran agama. Namun, praktek CSR ini belum secara maksimal memberikan kontribusi positif terhadap daya saing UKM. Penelitian ini mencoba menjawab pertanyaan tentang elemen apa saja yang diperlukan agar CSR dapat menjadi strategi dalam UKM. Penelitian dilakukan dengan menerapkan metodologi Interpretive Structural Modeling dengan objek penelitian pada UKM yang berada di Kabupaten Badung, Bali</i></p>

INTRODUCTION

As a tourist destination, Bali needs Small Medium Enterprises (SMEs) to support tourism activities. Bali is made up of nine districts: Badung, Bangli, Bulelen, Gianyar, Jembrana, Karangasem, Klungkung, Tabanan and Denpasar. Among these nine areas, Badung has the highest local income due to the existence of almost all famous hotels, restaurants, bars, economic and tourist destinations is concentrated in this area. The table below shows the regional income comparison of the nine districts.

As mentioned above, Badung is mainly tourism-based and therefore requires supports from the presence of Small Medium Enterprises. These SMEs play an important role in the tourism sector as this has provided products such as handicrafts,

souvenirs, furniture, cuisine, agricultural and services such as transportation, tour packages and car rentals. Due to the concentration of tourism in the region, the growth of SMEs in Badung has increased over the past five years, as depicted in Figure 1.

According to the 2020 census, Bali’s population is 4,317,404, of which 50.3 per cent are men and 49.7 per cent are women. Most Balinese, around 83.5 per cent of the total population, practice Hinduism as a religion. In Hinduism teachings, there is a philosophy called Three Hita Karana whose meaning are three reasons for happiness. These three reasons for happiness are a harmonious relationship between humankind and God (Parhyangan), humankind with humankind (Pawongan) and humankind

Table 1. Regional income of districts in Bali (000 IDR)

District / City	2017	2018	2019
Jembrana	121.342.475	126.477.267	133.698.784
Tabanan	426.635.751	363.370.469	354.558.239
Badung	4.172.457.396	4.555.716.407	4.835.188.460
Gianyar	662.753.475	770.204.849	997.478.368
Klungkung	153.210.776	186.974.284	225.063.772
Bangli	104.592.163	122.686.254	127.040.436
Karangasem	198.575.057	200.361.247	233.013.033
Buleleng	455.195.426	335.555.494	365.595.301
City of Denpasar	1.008.710.712	940.110.335	1.010.779.481
Total	3.398.472.278	3.718.499.635	4.023.156.316

Source: bali.bps.go.id

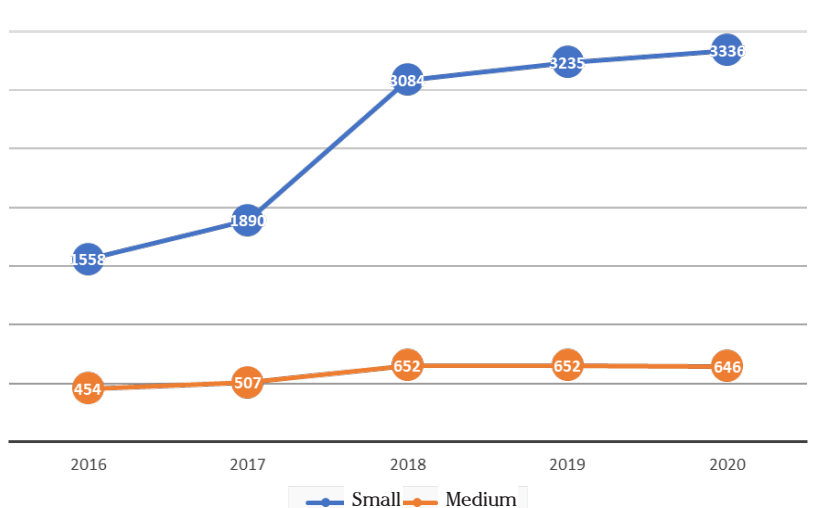


Figure 1. SME growth in Badung district 2016 – 2020

with the environment (Palemahan). Parhyangan is performed when practising religious rituals, common prayer, restoring Pura, etc. Moreover, the expression of Pawongan, for example, refers to all manners in justice, without discrimination and with mutual respect. Finally, Palemahan actions can be expressed in the preservation of the environment, the reduction of air pollution, waste management and other activities. Awareness of these three dimensions must be in harmony, as Balinese believe this is a prerequisite for prosperity in life.

Bali-owned SMEs have been using social responsibility practices as a manifestation of the Tri Hita Karana, according to scholars interviewed for the research. For example, one SME said that customer integrity and full commitment are factors in customer loyalty. Another example of social responsibility exercised by other small businesses is to share successful business experiences with the community. However, these social responsibility practices are not embedded in the corporate strategy of SMEs because they are intended only to conduct religious teaching. SMEs unknowingly carry out social responsibility, usually called implicit CSR (Perrini et al, 2006; Jenkins, 2004). CSR can make SMEs more competitive if incorporated into the SME strategy. This embedded CSR strategy, called Strategic CSR, allows companies to add a social dimension to its value proposition, important to all strategies, meaningful to society, and the social impact of value to business. According to (McWilliams et al, 2005), it is stated that the necessity to view corporate social responsibility as bringing greater economic value to companies is very important. According to previous studies, the benefits of strategic CSR for SMEs are increasing sales, brand image, reputation, customer loyalty, employee commitment and productivity.

By integrating CSR into the strategy, it can create competitive advantage to SMEs as has been analyzed in the previous literature. For example, SMEs can effectively cover operating costs by participating in environmental activities such as

waste reduction and energy efficiency (Jenkins, 2006). In addition, SMEs can improve their reputation by actively applying ethical and environmental standards. (Jenkins, 2009; Murillo & Lozano, 2006; Santos, 2011) and build relationships with local staff, suppliers and customers (Jenkins, 2006; Mandl & Dorr, 2007). Finally, through corporate social responsibility, SMEs can discover new ways of learning, innovating, seizing opportunities and solving problems (Mandl & Dorr, 2007).

However, the benefits offered by strategic CSR amongst SMEs has not yet been realized. The lack of awareness of the business benefits of CSR is mainly due to the lack of understanding and misperception of the concept of CSR not only among SMEs but also among other stakeholders such as government as a policy maker and the association of SMEs. So far, CSR has only been considered in the context of charitable activities, through which large companies have devoted around 2 to 5 per cent of their profits to charities, improving public facilities, education or sponsorship of sporting events. This misconception was confirmed when the researcher conducted interviews with representatives of SMEs. Of the eleven SMEs, only one has integrated its social responsibility practices into the company's strategy. The remaining respondents said they had never heard of CSR or viewed it as a charitable program from large companies.

According to the SME Cooperative and the local government department of commerce, small and medium-sized enterprises in Badung region face a number of challenges in doing business. Common problems for SMEs are unskilled labor, inefficient operating costs, low productivity, poor product quality, lack of innovation, dependent mentality, lack of legal authorization, owner's short-term thinking and disrespecting customer tastes. In fact, these conditions can be minimized if SMEs and other related parties had a thorough understanding of strategic CSR. Moreover, a good understanding of strategic CSR and its implementation should be supported by policies issued by the government to support and

motivate SMEs to apply the concepts of strategic CSR in their business strategy. At the moment, SMEs are not realizing the benefits of the implementation of strategic CSR mentioned above, although they have already been practicing socially responsible actions based on their philosophy. This current study attempts to determine the elements required in order to have strategic CSR implemented in SMEs business. By knowing the important elements, the relevant actions and policy can be made in order to create this into reality. The study has shed on the steps required to integrate the strategic CSR into SMEs strategy and this has added new knowledge as the result of this research stems from people with different perspective about social responsibility.

Literature Review

SMEs unknowingly have practiced social responsibility usually called silent CSR (Perrini *et al* 2006; Jenkins 2004). Grayson (2005:5) stated that many SMEs have already done social activities, but not classified as CSR activities. Therefore, the challenge for SME managers is to think about how they can promote and integrate these activities into the daily routine of a business and into a definable context of CSR. Actually, this silent CSR, if embedded to SMEs strategy, can potentially improve the competitiveness of the SMEs. According to prior research, the benefits of strategic CSR for SMEs are sales increase, branding, good reputation, building customer loyalty and employee commitment and productivity, relationship enforcement with customers and related stakeholders, easy access to funding, quality improvement, cost efficiency, strong connection with community and business references (Jenkins 2006; Santos 2011; Ansong 2017; Martinez 2017; Gahramanova 2019).

CSR can be a mean of SMEs strategy if CSR is viewed as economic value addition to the companies (McWilliams *et al.* 2005). In particular, Porter and Cramer (2006:11) noted that “the most strategic CSR occurs when a company adds a social dimension to its value proposition, making social impact integral to the overall strategy” Thus, by incorporating a so-

cial factor into the CSR strategy within an enterprise, sustainable outcomes that are good for society, the environment, and a competitive advantage can be reached. By incorporating CSR in strategy, this concept can be a tool to create competitive advantage for the firm and shared wealth for the society. The benefits of strategic CSR in SMEs have been analyzed in previous literatures. SMEs can efficiently run its operating cost by the engagement in environmental participation such as waste reduction and energy efficiency (Jenkins 2006). Additionally, SMEs can enhance its reputation by actively engaging in ethical and environmental practices. (Jenkins, 2009; Murillo & Lozano, 2006; Santos, 2011) and strengthen relationships with the local pool of staff, suppliers, and customers (Jenkins, 2006; Mandl and Dorr, 2007). Lastly, through CSR, SMES can discover new ways to learn, innovate, seize opportunity and problems solution (Mandl & Dorr, 2007).

METHODS

The current study was performed by application of qualitative method and analyzing the collected information with content analysis and Interpretive Structural Modelling (ISM). The qualitative method was conducted through in-depth interview with eleven out of sixteen SMEs recommended by Cooperative SME and Trade Division, Badung, Bali, as the maturity level has already been reached. The interviews were done online by using Zoom application as there is a limitation of offline activities due to Pandemic Covid -19. The selection criteria of SMEs interviewed are the SMEs have to be exporter or direct exporter, minimum two years in business, located in Badung district, Bali and Indonesian citizen. In addition to this, the depth interviews were also conducted to local government officers, five experts consisting four academicians and one practitioner in CSR. Their opinion is really important as this will be used in determining elements and sub elements in ISM and its related process. The interviews took place in June to August 2021 and were performed using semi structured interview method. After the interviews, transcripts were summarized and then analyzed by using ISM.

The usage of ISM in research is to assist the users to breakdown complex situation into relevant element and sub elements representing the condition to improve the chaotic circumstance. The interrelation between elements and sub elements are then analyzed to determine the effect of one element to the others. By applying this method, it can determine which element and sub element to be prioritized and require more attention. The priority indicates strategies required for improvement in the situation. The ISM assists this research to obtain necessary steps for SMEs in integrating the strategic CSR in its business strategy. The implementation of ISM in this research accordingly has completed existing similar literature by offering solution from different perspective.

Interpretive Structural Modelling (ISM)

The Interpretive Structural Modeling (ISM) technique is a system modeling technique that is used to deal with habits that are difficult to change from long-term planning which often directly applies operational research techniques and or the application of descriptive statistics (Marimin, 2017). According to Eriyatno (1998), ISM is used for group learning (group learning process) where the resulting structural model is used to photograph complex matters of a system, through carefully designed patterns using graphics and sentences.

The approach taken through this ISM is to break down the complicated or complex state of the system into simpler sub-elements to be able to more easily understand the situation then used to formulate an action to solve the problem. The following are the steps briefly in the application of ISM (Marimin, 2017):

- a. Identify element obtained from research, brainstorming and others. The results are afterward listed and identified
- b. Contextual relationship between elements in accordance to the desired goals
- c. Structural Self Interaction Matrix (SSIM) that represents perspective elements of respondents

on the defined element relationship. The matrix is represented in four symbols, VAXO with respective understanding is as follows:

V ... represents connection of element E_i on E_j , and not vice versa

A ... represents connection of element E_j on E_i , and not vice versa

X ... represents interrelation between elements E_i and E_j (can be vice versa)

O ... represents no relation between elements E_i and E_j

- d. Reachability Matrix (RM) aims to transform symbol of SSIM to binary with patterns as follows:

1) If relation E_i on $E_j = V$ in SSIM, element $E_{ij} = 1$ and $E_{ji} = 0$ in RM

2) If relation E_i on $E_j = A$ in SSIM, element $E_{ij} = 0$ and $E_{ji} = 1$ in RM

3) If relation E_i on $E_j = X$ in SSIM, element $E_{ij} = 1$ and $E_{ji} = 1$ in RM

4) If relation E_i on $E_j = O$ in SSIM, element $E_{ij} = 0$ and $E_{ji} = 0$ in RM

- e. Participation level to classify elements in different level in the ISM structure
- f. Canonical Matrix to classify elements in the same level
- g. Digraph (Directional Graph) as a graph of direct interrelation elements and hierarchy level. This analysis is called MICMAC analysis as shown in the figure 2.

The digraph MICMAC analysis consists of four areas, autonomous, dependent, linkage and independent. The analysis by applying ISM will determine the area of each sub element. If the sub element falls in autonomous area, this indicates weak driver and weak dependent relation while the dependent area implies weak driver and strong dependent. When the result indicates the linkage area, the sub element has strong driver and strong dependent relation. The independent area lastly indicates the strong driver and weak dependent of the sub element relationship. If the sub element falls in the fourth area, this will be key element required in order to improve the complex situation. The strategy has to

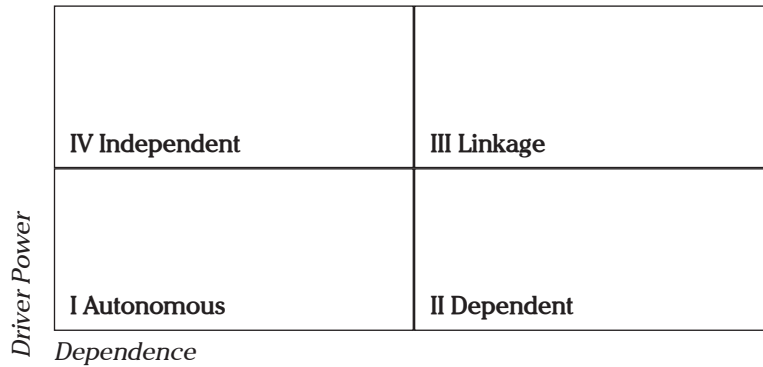


Figure 2. MICMAC analysis

focus more on the sub element falls in this area. When the sub element falls in third area, this shows that the relationship between sub element is strong and influence each other. The area of autonomous and dependent show that the sub element should

be the ones that begin the process of improvement. Interpretive Structural Modelling (ISM) shows clear flowchart of element system. According to Saxena (1992), the chart is as shown in figure 3.

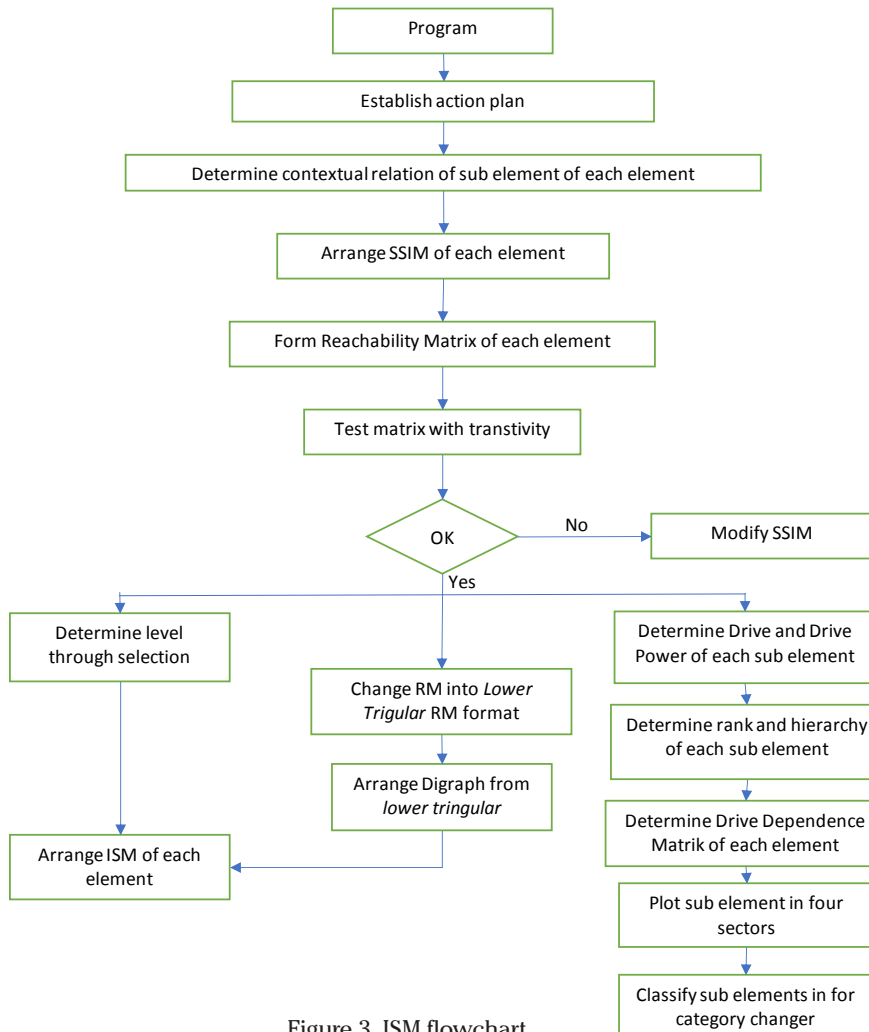


Figure 3. ISM flowchart

Based on Saxena *et al.* (1992), there are nine elements used as basic analysis, those are:

1. Affected stakeholders
2. Required programs
3. Main obstacles
4. Potential change
5. Program goals
6. Indicator for evaluation
7. Required activities for action plan
8. Indicator for activities evaluation
9. Institution involved in program implementation

These nine elements are afterwards divided into sub elements to be determined its contextual interrelation by implementing pairwise comparison. The comparison requires expert opinion to describe interrelation between sub element. Based on the discussion with the experts and literature study regarding strategic CSR and its integration process in SMEs, the nine elements are then simplified into six

elements for the purpose of analysis in this research. The six elements are as follows:

1. Institution involved in program implementation
2. Required programs
3. Main obstacles
4. Potential change
5. Indicator for evaluation
6. Affected stakeholders

Following this step, the related questionnaires were developed and then distributed to seven experts regarding strategic CSR and SMEs. The above six elements are then divided into sub elements determined in a discussion with experts and study on previous literatures. Afterward, the related questionnaires were developed to determine the interrelation between elements and sub elements. Based on this analysis, the respective sub elements of each element are shown in Table 2.

Table 2. Element and sub element CSR strategic in SMEs

Element	Sub Element
Institution involved in program implementation	E1 – SMEs E2 – Division of Cooperative SMEs and Trade E3 – SME Association E4 – Academician / NGO
Required programs	E1 – Education, seminar, dialogue and socialization of CSR understanding as strategy in SMEs E2 – Design and socialization of policy for strategic CSR in SMEs E3 – Sharing knowledge and experience from successful socially responsible SME E4 – Improve awareness and paradigm of SMEs about CSR as strategy E5 – stakeholder expectation analysis E6 – Improve commitment of SMEs owner E7 – Design CSR strategic as needed E8 – Communicate CSR strategic program to employees E9 – Implement CSR strategic
Main obstacles	E1 – Lack of commitment from SMEs owner E2 – Lack of resources E3 – Lack of knowledge about CSR strategic E4 – Absence of related policy E5 – Weak support from stakeholders E6 – Weak strategic implementation
Potential change	E1 – Understanding and paradigm of SMEs about CSR E2 – Policy to support CSR strategic in SMEs E3 – CSR embedded and integrated in SMEs strategy
Result indicator	E1 – Community empowerment E2 – Employee commitment E3 – SMEs efficiency and performance E4 – Quality and environment preservation
Affected stakeholders	E1 – Customer E2 – Employee E3 – Supplier E4 – Community

RESULTS AND DISCUSSION

The relationship determination between sub elements for ISM analysis is based on process of in depth interview with five experts consisting of four academicians and one practitioner in CSR. List of questionnaire was developed as guidance in conduction the interview. The result of the questionnaire was then inputted into program Exsimpro ISM in order to translate VAXO into binary. The result shows the connection between sub element. The following section discusses the result for each element and its respective sub elements.

Element: Institution involved in program implementation

Based on the picture above, it can be seen that the four actors involved, namely SME Actors, SME Cooperatives and Trade Service, SME Association and Academics/NGO Institutions have roles that influence each other. This is illustrated in the MICMAC image above, where the four sub elements are in the linkage area which indicates a strong driver-strong dependent. This is confirmed by the structural model where the four actors are at the same level, namely at level 1. This analysis shows the need for good cooperation between the four sub elements through supporting programs such as education and socialization of social responsibility practices as a strategy in SMEs, policies in providing ease of doing business and others. This requires the

involvement of academics as institutions that have knowledge and also SME associations as a forum for communication.

Element: program required

Based on the MICMAC analysis and the structural model above, E1 is a key factor or independent element in the required program because its position is located in sector IV which is an independent or strong driver-weak dependent area. This shows that education programs, seminars, dialogues and socialization of the understanding of CSR as a business strategy are the main factors so that the practice of social responsibility can be understood by SMEs and integrated as a business strategy. After E1, the sub-element which is also located in sector IV is E2 which represents the activity of designing and disseminating policies regarding social responsibility strategies in SMEs. This shows that the understanding of social responsibility practices as a strategy by SME actors needs to be encouraged by supporting policies so that SME actors are motivated to carry out CSR as a strategy. Policies such as ease of doing business, access to capital, tax incentives or marketing channels are some examples of stimulus that can be given to SMEs that are proven to be socially responsible. At level 3, is E3, E5, E6, E7, E4 and E8 are located in area 3 or Linkage sector whose meaning is strong driver and strong dependent. At this level, the programs needed are

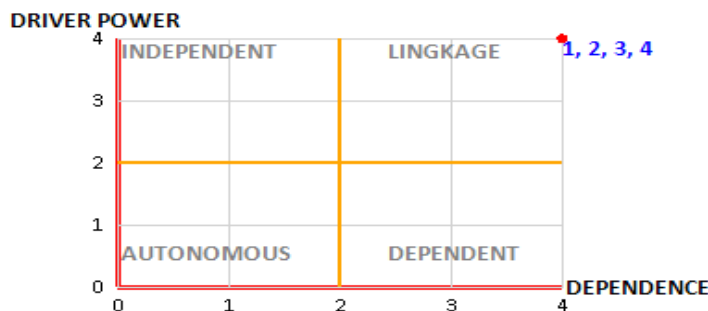


Figure 4. MICMAC Analysis



Figure 5. Structural model

E3 or sharing experiences from SME actors who have successfully implemented social responsibility as a strategy, E5 or stakeholder expectation analysis, E6 or increasing the commitment of SME actors and E7 which represents the activity of designing social responsibility strategies by SMEs in accordance to the conditions or needs of each SME.

These four sub elements, E3, E5, E6 and E7, are sub elements that support and complement each other. After receiving education on the understanding of the importance of CSR as a business strategy and being encouraged by supportive government policies, SME players need to see the role models of SME players who have been successful in running a socially responsible business. This will then increase

the commitment of SMEs to participate in increasing social responsibility through business strategies. To do this, it is necessary to analyze the needs of the stakeholders or E6 which is then followed by the preparation of a strategic program that is tailored to the conditions and needs of SMEs. After the stages of the sub elements are carried out, the next step is the awareness of SMEs about social responsibility strategies is increasing (E4) and this needs to be supported by cooperation from employees by communicating the social responsibility strategies that have been made to employees or E8. SME actors and company employees jointly implement this social responsibility strategy which is the ultimate goal of the strategy element (E9) at level 9.

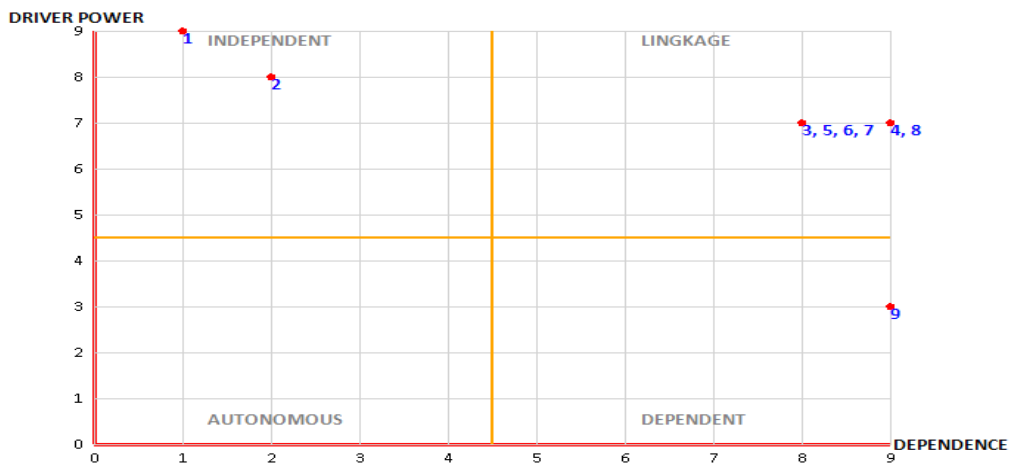


Figure 6. MICMAC analysis

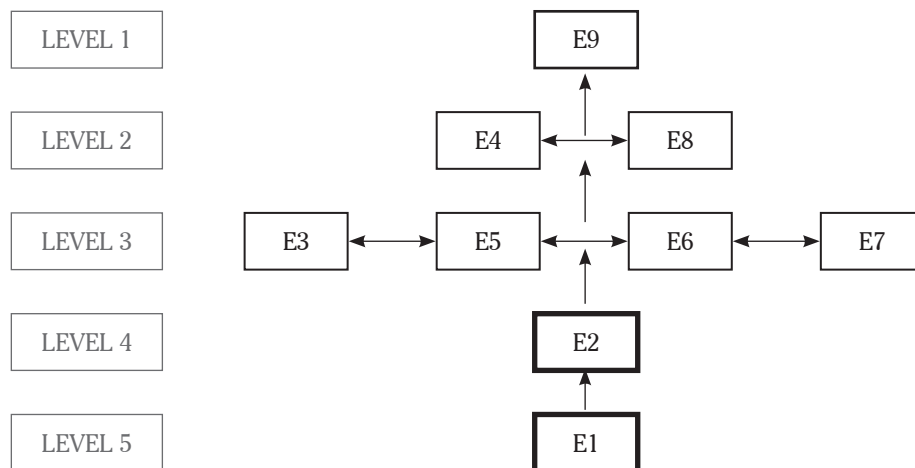


Figure 7. Structural model

Element: main obstacles

Based on the MICMAC analysis and the structural model above, sub-element E1 or lack of commitment from the owner is a very dependent factor on sub-elements E5, E6 followed by E2, E3 and E4. In other words, the key factors that become the main obstacle to increasing the commitment of SMEs to be able to carry out social responsibility strategies in their business are the lack of resources (E2), lack of knowledge of CSR strategies (E3) and the absence of supporting policies (E4). If this main obstacle is not handled properly, this will result in the reluctance of stakeholders to support the SME social responsibility strategy (E5) so that the implementation or implementation of the social responsibility strategy that has been made becomes weak (E6). These five obstacles will have an impact on the commitment of SMEs (E1) to be low.

Element: potential change

Based on the MICMAC analysis and the structural model above, the fundamental change or key factor that needs to be done as the main element is E1 or the understanding and perspective of SMEs on social responsibility. E1 is located in Sector IV or strong driver weak dependent. SME actors need to be given an understanding by broadening the perspective and mindset of SME actors on social responsibility as a strategy in running their business. The practice of integrated social responsibility as a strategy in SMEs (E3) is very dependent on how SMEs understand the importance of this. This is reinforced by the location of E3 which is in the dependent area or sector II. The correct understanding and perspective on strategic CSR needs to be complemented by policies that motivate SMEs to integrate these socially responsible practices into their business strategy (E2).

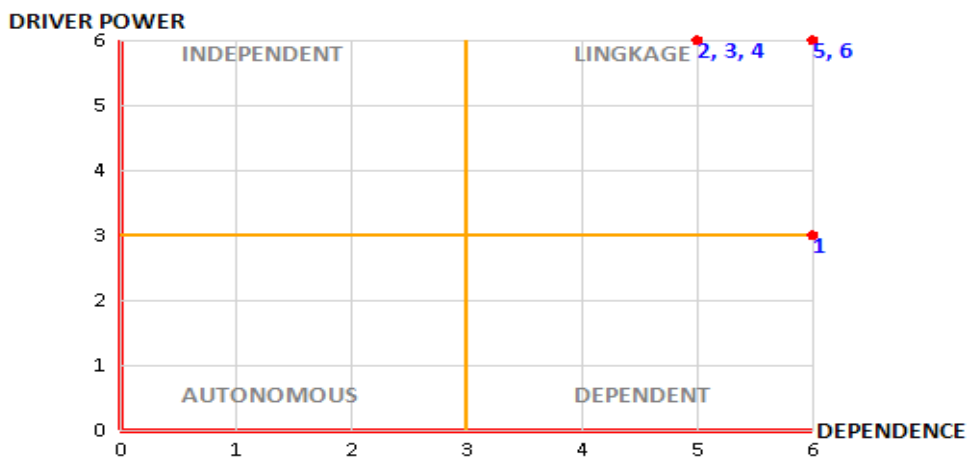


Figure 8. MICMAC Analysis

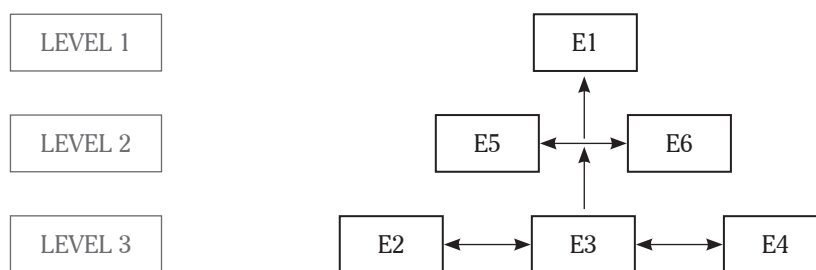


Figure 9. Structural model

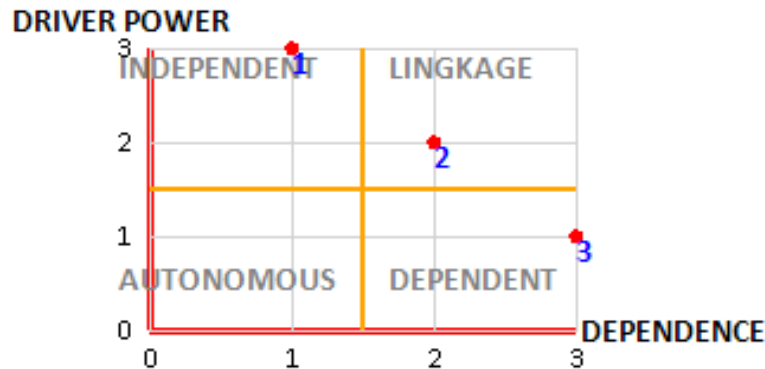


Figure 10. MICMAC Analysis

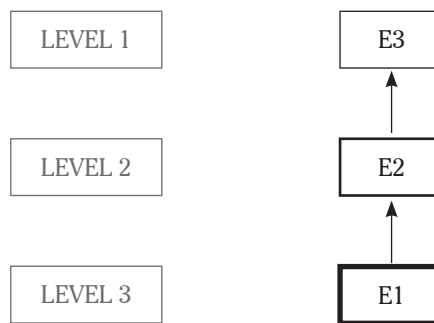


Figure 11. Structural model

Element: Result Indicator

Based on the MICMAC analysis and the structural model above, E2 or workforce commitment is a key factor in achieving the successful implementation of social responsibility strategy practices in SMEs. Cooperation and support from employees in achieving the company’s vision is an important factor. Therefore, employee commitment must be measured using appropriate indicators to determine employee involvement in participating in implementing social responsibility strategies. Employee commitment will be obtained if SMEs also apply the principles of social responsibility in the elements of employment such as appropriate compensation, good communication, kinship, a comfortable and safe workplace and others. Employee commitment will have an impact on the productivity of the employee. The next factor that needs to be assessed for success is how SMEs empower the surrounding community and

preserve the environment. The benchmarks used can be in the form of how SMEs absorb labor from the surrounding community, involvement in social activities, donations, involvement in community activities and others. Environmental preservation can be measured by the efforts of SMEs in processing waste, using renewable energy, recycling, participating in maintaining environmental cleanliness, involving suppliers who produce environmentally friendly raw materials and others. These three sub elements are factors that determine the efficiency and performance of SMEs (E3). This is reinforced by the position of E3 at level 1 as the goal to be achieved. With commitment from employees, support from the community for SME businesses and efforts to preserve the environment through environmentally friendly processes, it will ultimately have an impact on the efficiency and performance of SMEs.

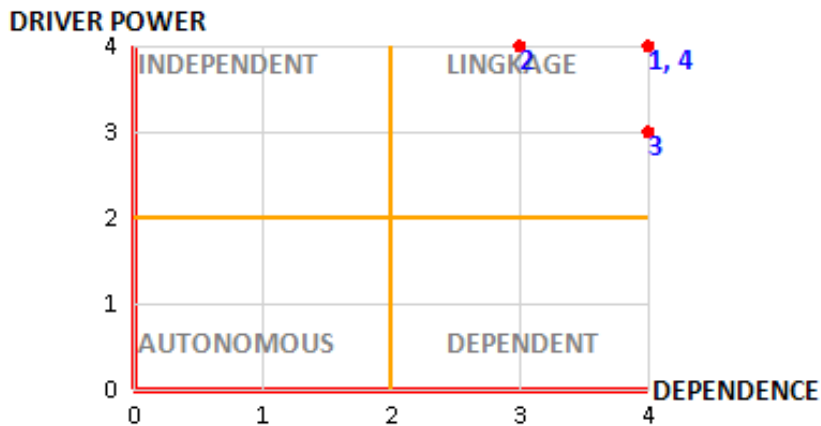


Figure 12. MICMAC Analysis

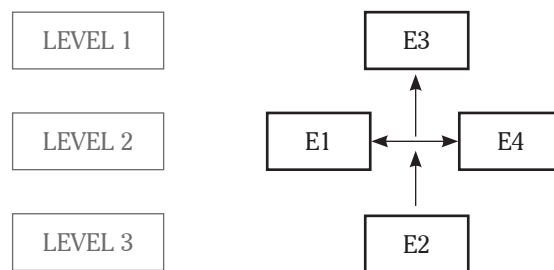


Figure 13. Structural model

Element: Affected Stakeholders

Based on the MICMAC analysis and the structural model above, E1, E2, E3 and E4 are located in Sector III that is strong driver strong dependent. These four stakeholders who are affected by the practice of social responsibility strategies in SMEs are consumers, employees, suppliers and the surrounding community. For example, suppliers will be affected in terms of supplying raw materials in accordance with social responsibility criteria that have been determined by SMEs. Consumers will also be affected in terms of obtaining quality products, reasonable prices, honest information from product specifications and others. The community sector is also affected in terms of community empowerment, the involvement of SMEs in community activities and others. Employees as a sub-element are also affected in terms of improving welfare, a conducive work environment and others. Thus, the interrelation between these four stakeholders are influencing each other.

MANAGERIAL IMPLICATION

The success of efforts to implement CSR as a strategy in SMEs requires mutually supportive cooperation between the SME Cooperatives and Trade Office, SME actors, SME associations and academics or NGO institutions. The first step that plays an important role is education and socialization regarding understanding and the important role of social responsibility strategies in running a business to SMEs. The next factor that also plays an important role is the existence of policies that encourage SMEs to integrate social responsibility as a business strategy. This policy is more of a guide and motivation for SMEs, and not a mandatory regulation. Sharing experiences from SME actors who are successful in implementing social responsibility needs to be done as a way to provide motivation so as to increase the commitment of SME actors by designing the necessary social responsibility strategies in accordance with the results obtained from the stakeholder needs

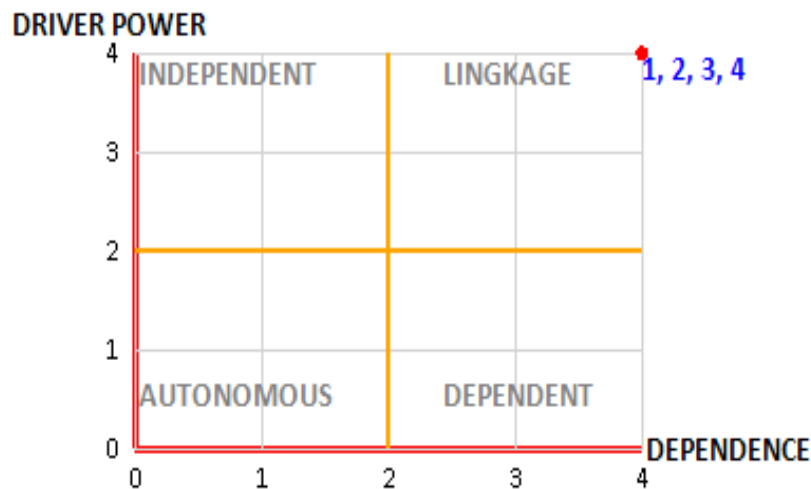


Figure 14. MICMAC Analysis



Figure 15. Structural model

analysis. With the existence of a planned social responsibility program, it increases the awareness and mindset of SMEs on social responsibility, with the involvement of employees through good communication. With the support from the entire organization of the company, SMEs can implement their social responsibility strategies well.

To support the successful implementation of CSR as an SME strategy, the main obstacles that could potentially hinder the success of the process are the lack of SME resources to carry out related strategies and the lack of proper knowledge about social responsibility and unsupportive government policies. As mentioned in the previous paragraph, education and dissemination of strategic CSR understanding and supporting policies are the main factors to encourage SMEs to carry out social responsibility strategies.

The success of the SME social responsibility strategy can be measured through increasing employee commitment, the impact felt by the community around SMEs through community empowerment and community improvement,

environmental conservation through efforts to carry out waste management, recycling, education of suppliers regarding friendly raw material products. All of this will have an impact on the efficiency and performance of SMEs which can be measured from the company's financial statements.

CONCLUSION

Based on the analysis conducted above, it has determined the elements and sub elements required in attempting to have CSR as strategy in Small Medium Enterprises in Badung district, Bali. The mutual cooperation between all related parties is really needed as the collaboration will improve commitment of SMEs in performing social responsible strategy in their business operation. Activities such education and socialization to obtain thorough understanding about strategic CSR are crucial as misperception of this concept is still common. The improvement of better understanding of strategic CSR should be followed by related policy from government in order to ease SMEs in performing socially responsible strategy in their business operation. Another important sub element that can assist to motive SMEs are sharing best

practices from successful SMEs as this might be good inspiration and benchmark for other SMEs and analysis of stakeholder expectation as this will be an influencing factor when SMEs designs socially responsible strategy. The cooperation from employees by involving them in active communication is also another important factor for successful strategic CSR implementation. However,

all of these have to be accompanied by awareness of potential obstacles such as lack of resources in SMEs that might deteriorate the owners' commitment. Thus, this sub element also has to be taken into account by all involved actors so the risk of weak implementation of this strategy can be minimized. ■

Acknowledgement

In this opportunity, the author would like to deliver sincere gratitude for all SMEs participated in the research and Head of Division of Cooperative SME and Trading of Badung District, Bali.

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