

**STRATEGIC SOCIAL RESPONSIBILITY
FOR SMALL AND MEDIUM INDUSTRIES
FROM THE PERSPECTIVES OF PUBLIC RELATIONS**

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FROM THE PERSPECTIVES OF PUBLIC RELATIONS**

by

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LIST OF ACRONYMS

CSO	-	Corporate Social Opportunity
CSR	-	Corporate Social Responsibility
DNA	-	Deoxyribonucleic Acid
EC	-	European Commission
GCC	-	Global Corporate Citizenship
GDP	-	Gross Domestic Product
GLC	-	Government Linked Company
MII	-	Malaysian Institute of Integrity
MNC	-	Multinational Corporation
OECD	-	Organisation for Economic Co-operation and Development
PCG	-	Putrajaya Committee on Government Linked Companies High Performance
PR	-	Public Relations
SET	-	Social Exchange Theory
SME	-	Small and Medium Enterprise / Industry
SMIDEC	-	Small and Medium Industries Development Corporation
SR	-	Social Responsibility
TBL	-	Triple Bottom Line

**TANGGUNGJAWAB SOSIAL STRATEGIK
BAGI AMALAN INDUSTRI KECIL DAN SEDERHANA
DARI PERSPEKTIF PERHUBUNGAN AWAM**

ABSTRAK

Kajian ini bertujuan memahami bagaimana komponen sosial dan pemuliharaan alam sekitar diterapkan ke dalam proses di kalangan sektor pembuatan Industri Kecil dan Sederhana (IKS) yang mencerminkan inisiatif tanggungjawab sosial yang strategic, bertujuan menyumbang kepada kelestarian serta daya-saing perniagaan. Objektif kajian ini adalah bertujuan untuk memahami persepsi terhadap tanggungjawab sosial serta memahami komunikasi IKS dengan pemegang kepentingan (stakeholder) bertujuan untuk membangunkan satu rangka kerja tanggungjawab sosial yang strategik menggunakan pendekatan amalan perhubungan awam. Kaedah kualitatif yang mengamalkan pendekatan temu bual mendalam dengan wakil-wakil dari lapang IKS pembuatan telah dijalankan dalam tempoh lapan bulan. Responden telah diperolehi menerusi kaedah sampling secara rawak yang telah dilakukan sebanyak empat kali dan diikuti dengan kaedah 'snowball sampling' bagi memperolehi responden yang selebihnya. Kajian mendapati bahawa IKS menganggap tanggungjawab sosial sebagai satu bentuk pemberian, iaitu aktiviti yang dijalankan yang bertujuan untuk mendapatkan pengiktirafan dan bukannya dianggap sebagai suatu konsep strategik yang mempunyai kecenderungan untuk memantapkan daya-saing atau menjana pendapatan. Dalam usaha penyelidikan memahami komunikasi pemegang kepentingan, IKS didapati berkomunikasi dalam rangkaian gelung tertutup mereka (closed-system), kebanyakannya dengan entiti yang dikenali atau dengan entiti yang IKS perlu berurusan dengan, yang menandakan suatu pendekatan system-tertutup. IKS didapati kurang cenderung berkomunikasi dengan pihak

berkepentingan di luar rangkaian gelung tertutup (open-system) mereka, yang berpotensi menular kepada amalan tanggungjawab sosial strategik jika diamalkan. Hasil dapatan kajian ini merumuskan satu rangka kerja bagi sektor pembuatan IKS dalam usaha mengamalkan amalan tanggungjawab sosial yang strategik dengan menerapkan komponen-komponen sosial dan alam sekitar di dalam proses perniagaan IKS melalui penggunaan model, peranan dan fungsi amalan perhubungan awam.

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ABSTRACT

This research endeavours to comprehend how the social and environmental components are incorporated into the manufacturing-based Small and Medium Industries (SME), as part of a strategic social responsibility (SR) initiative that is beneficial and is sustainable. The objective of this study is aimed to understand the perception of social responsibility and the understanding of stakeholder communication among SMEs in the aim of developing a strategic social responsibility framework through a public relations (PR) approach. A qualitative approach comprising in-depth interviews with representatives from eight manufacturing SMEs was carried out over a period of eight months. Respondents were obtained using the random sampling method over four cycles of selection and through the snowball sampling method. The study found that SMEs have been confined to SR as a form of giving, carried out for the purpose of gaining recognition and unlikely as a means that is strategically inclined towards generating income. On understanding stakeholder communication, SMEs are found to communicate within their closed-loop network, mostly with the entities that the SMEs are commonly dealing with or are familiar with, signifying a closed-system approach. SMEs literally less regard the outer boundaries of the closed-system beyond their network. Besides, it is found that SMEs literally do not understand the concept of stakeholder communication towards comprehending the external business environment beyond their closed-loop network, which could serve as a means to formulate strategic social responsibility practices if realised. The study eventually proposes a framework for manufacturing SMEs to take-up socially responsible practices by

incorporating the social and environmental components in the business process through the perspectives of selected public relations models, functions and roles.

Chapter 1

INTRODUCTION

This chapter serves to introduce the research; with a brief view from the background up to the scope of study, associated problems that result to the need of the study, objectives to be met, research questions associated to the objectives of the study and the significance of the study. Whilst, manufacturing Small and Medium Enterprises (SMEs) inevitably take a major role in contributing to the economy, nevertheless this research regards the importance of studying the possibility of incorporating the social and environmental factors into the business process along with communication initiatives that contribute to SME business communication strategy.

1.0 Background

Businesses today are subject to the scrutiny of entities reckoned as 'stakeholders' which are organisations, societies or people who are directly or indirectly affected by business organisations and vice versa. Consequently, Corporate Social Responsibility (CSR) or also referred to as Social Responsibility (SR) is presently the agenda of contemporary business and is inevitably gaining momentum (Hoivik & Mele, 2009). Where stakeholder relationship and management of stakeholders are topics of concern, the trend-setters are inevitably the larger business organisations, well equipped with the required resources towards influencing their target stakeholders without significant consequence on their humongous profit.

The philanthropic concept of doing good for the society serves not only as a means towards publicity, but the portrayal of business organisations as being sensitive

to the needs of the stakeholders, eventually popularising these organisations with significant returns to their marketing initiatives. Philanthropic deeds are not only about giving but are supposed to make businesses look good in the eyes of the public, thus popularising the business organisations as good corporate citizen to stakeholders. Such efforts taken discretely have resulted in offsetting responsibilities traditionally assumed by the authorities to the hands of private firms with the latent agenda of contributing to the marketability of the products and services.

Though large organisations have served as ideal examples for big numbers of employment and social responsibility practices, the inevitable fact is that the business landscape is infiltrated by smaller entities. Proportionately, the economic world merely functions in the absence of SMEs as this segment of business is vital in the economic puzzle. While SMEs have been well known to sustain societies, nevertheless the fact is that, changes in the business world do not leave these smaller organisations out of focus. With the fact that the end customer today relies on service and products that are produced by organisations regardless of size, the technologically inclined and globalised world makes it easier for the connection between business entities of any magnitude. Nevertheless, it cannot be denied that today's businesses compete not only to remain in the marketplace, but to strive towards ensuring business sustainability, embarking on long-term endeavours by tapping into business opportunities while addressing compelling challenges and adversaries. Likewise, SMEs too need to regard such positioning towards overcoming obstacles in business.

As Global Corporate Citizenship is increasingly becoming popular in large corporations (Hoivik & Mele, 2009) and SMEs being significant contributors to

employment and the economy, how SMEs address SR and the methodology towards taking-up such initiatives serve as vital questions. The endeavours are simple; to exist in business by sustainable means. However the replication of the SR model taken-up by larger organisations into SMEs may impose as issue or as an obstacle rather than being conducive. In the bid towards taking up responsible practices, the shortcoming of SMEs in terms of resource allocation for philanthropic funds should be factored into consideration. While the cost of taking-up SR practices for SMEs is certainly burdensome as compared to larger companies, the limitations of resources among these smaller business entities require a different set of mechanisms (Fitjar, 2011).

1.1 Statement of Problem

1.1.1 Social Responsibility for Business Progress

In the present global business landscape, stakeholders expect businesses to assume responsibility. Such phenomenon opposes the traditional and capitalistic business notion of a purely profit-oriented business concept, inconsiderate towards issues concerning the natural environment and least considering the impact of business on societal issues. Such traits are increasingly becoming the “unpreferred” method for businesses of contemporary times. Despite the fact that SR is being actively pursued by organisations, misperceptions have led to a mere understanding of this area. It is to no surprise that business leaders still regard SR as an unnecessary cost or being burdensome, rather than associating it with long-term business endeavours that enhance market growth, or even being sceptical on having the possibility of opening up to new business opportunities, as a result of being distinct in service or in product (Grayson & Hodges, 2004a).

Shallow misconceptions commonly result in the stereotype among businesses as SR is least regarded or side-lined as a peripheral activity with minimal contribution to business outcomes. From a more common perspective, SR has taken the positioning from the “bolt-on” initiative rather than being “built-in” or incorporated into the business strategy, eventually serving as a distraction and hindrance to business purpose and objectives, rather than being reckoned as a significant contributor (Grayson & Hodges, 2004a & 2004b) and finally regarded a resource outlet. Nevertheless despite the odds, the potential of SR towards contributing to strategic business outcomes is presently being realised.

Taking a wider perspective of SR as a contributor towards competitiveness thus further attributing SR to the strategizing of business, the Institute of Corporate Responsibility Malaysia (2009) makes the claim on the agenda of SR which is to be positioned at the DNA¹ of the organisation, imposing risk and impact related questions on business sustainability such as; the way the business is run, the addressing and managing of risks, strategising for future survival and the managing of business relationship with multiple stakeholders². With such attributes, SR not only links to significant competitive advantages through effective “risk management”³, it explores the possibility of distinguishing an organisation from its competitors from the

¹ DNA- The substance that carries the basic genetic information in nearly all living beings (Oxford Dictionaries, 2013). In other words, CSR initiatives should sprout from the core of the organisation, or as an initiative by the management.

² Stakeholders- Person, organisation with an interest or concern in something, especially a business (Oxford Dictionaries, 2013). Comprise shareholders, customers, employees, suppliers, competitors, regulator, the community in which it operates and society as a whole.

³ Risk management- The act of dealing with risks which includes identifying risks, analysing risks, Developing risk response strategies, monitoring and controlling risks (Kerzner, 2009).

perspectives of brand recognition that serves to satisfy customers, thus contributing towards improved financial performance while ensuring that businesses remain attractive to stakeholders (Wong & Jamilah Ahmad, 2010) depicting a more strategically inclined business outcome.

Indeed when viewed from a strategic perspective, endeavours of SR should connect towards strategic businesses planning, to not only result in profitability, but in achieving superiority over competitors through the understanding on current business situations and the initiation of strategic steps in business (Healy, 2008).

The researcher has arrived to this statement of problem as a result of attempting to understand how businesses are able to enhance their competitiveness from the perspective of SR (replaces the term corporate social responsibility in this study) among manufacturing SMEs. As SR comprises the social, environmental and most importantly the economic aspect, it is not only the economic endeavour which serves as the interest of the researcher but the method of achieving the outcome by the SME that contributes to the competitiveness and sustainability of the SME business segment. As it is understood that the SR models practised among large organisations are deemed unsuitable among SMEs (Lepoutre & Heene, 2006; Fitjar, 2011), the researcher wishes to understand how the environmental and social components are incorporated into the core business strategy for strategic (or for profitable) business outcomes, conducive for SME development and eventually towards business sustainability.

As a sum-up to the statement of problem, business sustainability depends on the level of accountability that organisations have towards their stakeholders. Whilst SMEs are also equally responsible in exerting social and environmental impacts (Battaglia, Bianchi, Frey & Iraldo, 2010), these entities too have to be responsible. However, the common form of voluntary or philanthropic SR (Jenkins, 2006) is unlikely to be regarded conducive for SMEs. Viewed strategically for SMEs however, it is about regarding SR as being related to the core business activity, connecting towards strategic businesses planning but nevertheless to be achieved within a stipulated period of time, a reasonable amount of investment accompanied by profiting results.

Nevertheless, as the importance of SR has been recognised by organisations to ensure long-term business success, the topic of SR should be placed within the company's policies, strategies and programmes depicting commitment toward the social and the environment variables (Siwar & Md. Harizan, 2008) or, embedding SR values within the business culture (Sharma, Sharma & Devi, 2009) of which such conditions may prove as a challenge for SMEs. As literature finds companies engaging in SR because of wanting to do business (Fitjar, 2011) while maintaining competitive positions in the market (Battaglia et al., 2010), it is such moves that SMEs could opt to.

1.1.2 Intertwining Social Responsibility and Public Relations Practices

Concurrently, the other issued addressed in this study is the adoption of public relations (PR) practices for strategic outcomes. This study takes an exploration of how PR practices or elements of PR could be incorporated into the roles of SME proprietors for business results. In the common context of PR merely taking-up communicational roles, this study now attempts to incorporate strategic perspectives of PR into the

context of business, or in other words, adapting PR practices towards contributing more effectively towards profitable outcomes or, PR coupled to the business process. With the earlier statement of trying to address SR from a strategic perspective which serves to profit the business entities involved especially when considering SMEs, one that stands out when considering profitable SR suited for SMEs has been proposed by Grayson and Hodges (2004a). Literature on strategic SR does exist and it is being applied although this study attempts to formulate a similar framework however one which is suited for the manufacturing SME nature and coupled with traits of communication (PR).

However, when PR is viewed from an SME perspective as is being attempted in this study, hardly any literature on cases pertaining to SME application is available although the methodology has been claimed by James Grunig and Benita Steyn in their versions of PR practices at the macro, meso and micro levels. As a result of understanding the need to take PR towards strategic perspectives (of which it may not have been clearly portrayed in any SME-related study to date), when successfully formulated, PR practices or, elements of PR or communication practices may be well regarded as an avenue that entrepreneurs of manufacturing SMEs may opt taking-up. Such a perspective of the study attempts to understand the extent of how the three levels of strategic PR namely the macro (assumed by the strategist), the meso (assumed by the manager) and the micro level (assumed by the technician) are identified to formulate a methodology that incorporates the strategic PR methodology into the practices of SMEs for profitable and sustainable outcomes that contribute to the business competitiveness. This addresses PR not only from the communicational perspective but the contribution from a business outcome perspective, which

concludes that PR takes a more significant schema of direct contribution towards business outcome of the SME. With reference to Steyn (2003) and Steyn & Niemann (2008), the scope towards conceptualising the research is as follows:

1. Strategic PR which is to understand the business environment (mirror-in or the reflective task)- This reflects PR practices at the strategic level by the respective SMEs to take-up boundary spanning roles while performing environmental scanning tasks for the purpose of understanding the needs of stakeholders. In this study, due to the lesser magnitude of professionally inclined communication from the perspectives of PR, the expectation is that SME owner-managers are required to actively interphase between the business and the external entities (stakeholders) while actively attempting to comprehend the business environment.
2. Managerial PR which is the development of SR suited towards stakeholders. This reflects PR practices at the managerial level by SMEs towards developing SR programs that addresses the needs of the stakeholders and to profit the business. Again, this is not limited to the communicational angle but a management related process that involves active project execution. At this stage, the interphase between the management and the respective entities for the purpose of solving business shortcomings takes priority.
3. Tactical PR which is to communicate SR outcomes to stakeholders- This reflects PR practices at the tactical level by SMEs towards reporting the outcome of strategic SR programs. This level however may not be of priority as

compared to both previous levels. Nevertheless it does apply, for the study does take into account communicational efforts in sustaining stakeholder relationship. Despite the lesser degree of emphasis as in comparison to the macro and meso levels, this stage could comprise active communication from two facets, the external and internal of which such PR efforts may be required for constant stakeholder communication and engagement with reference to external stakeholders.

1.2 Research Objectives

The objectives for this research are as follows:

1. To explore the perception / understanding of social responsibility among manufacturing SMEs.
2. To assess the awareness towards strategically inclined social responsibility among manufacturing SMEs.
3. To understand how socially responsible practices could be incorporated from a strategic perspective into the operations of manufacturing SMEs.
4. To explore the perception of stakeholder communications among manufacturing SMEs.

5. ⁴To understand how public relation roles / communicational roles are incorporated into manufacturing SMEs.
6. To formulate a framework incorporating components of public relations that contributes to the sustainable development of social responsibility practices in manufacturing SMEs.

1.2.1 Development of Research Objectives

This research takes interest in SR initiatives taken-up by SMEs. It is from the perspectives of the existing non-strategic SR practices, and the need to understand how social and environmental related initiatives could be strategically incorporated for sustainable economic purposes into the business practices, which reflect long term profitable outcomes, that the research objectives and questions 1, 2 and 3 have been constructed. Advancing further, the concept of PR from the perspectives of stakeholder communications has been considered into the research on the basis that, such a field could serve beyond its stereotypic assumption of merely being regarded as a communicative perspective but one that could possibly be adopted for business related results, much distinctive from the journalistic tasks. As the function of PR is inevitably to communicate, the researcher has conviction that the incorporation of PR into manufacturing SMEs could be an evident of how PR roles could be adopted to serve the business effectively, which connotes surpassing the common schema of communication and one that could serve business of various magnitudes especially in

⁴ Comprising functions such as environmental scanning, boundary spanning, communication facilitating and problem solving functions at the macro, meso and micro levels.

such a case where manufacturing SMEs play a vital part in supporting the global business value chain while doing their bid to address environmental and social issues.

1.3 Research Questions

The research proposes the respective questions in support of the objectives as follows:

RQ 1: How do respondents of manufacturing SMEs perceive social responsibility?

RQ 2: Are respondents of manufacturing SMEs aware of social responsibility incorporated from a strategic perspective and not reflecting charitable deeds or philanthropy?

RQ 3: What is a possible framework of strategic social responsibility suited for manufacturing SMEs?

RQ 4: How do respondents of manufacturing SMEs regard stakeholder communication?

RQ 5: How are public relations / communication practices incorporated into the process of manufacturing SMEs?

RQ 6: What is a suited framework of public relations / communication nature that contributes to the development of strategic and sustainable SR practices in manufacturing SMEs?

1.4 Significance of Research

1.4.1 Significance of Research from the Social Responsibility Perspective

Recent interest shown by stakeholders has resulted in the growing popularity of SR (Fauzi & Idris, 2009) and has been well adopted in business organisations (Justice, 2003). With SR being the present challenge for businesses especially due to the focus of many governments and in international trade, it is crucial for SMEs in general to embrace and develop SR practices and capabilities (Lu & Catska, 2009). SMEs that do not anticipate these developments and requirements, seriously risk losing business to small and medium-sized competitors that invest in sustainable methods of doing business (Crals & Vereeck, 2004).

Nevertheless, with increasing pressure on businesses to take up SR, SMEs require a specific approach much bent towards an entrepreneurial approach and highly adapted to the informal nature of SMEs thus creating the link between SR and financial performance (Fassin, 2008). Uncoordinated SR and philanthropic activities which are disconnected from the company's strategy neither make any meaningful social impact nor strengthen the firm's long-term competitiveness (Porter & Kramer, 2006) as organisations commonly understand SR as undertaking donations or philanthropic activities (Sharma et al., 2009).

Indeed, SR has been found to be costly for SMEs with low payoffs or return on investment while is time consuming, resulting in weaker business case for SMEs (Fitjar, 2011) especially taking-on a philanthropic agenda. For SMEs which are bound tightly by the investment factor, nevertheless the reconfiguration of an SR strategy which is away from the methods practised by larger organisations may prove worthy.

As philanthropy is never sustainable (Jenkins, 2006), the true fact is that strategic initiatives when realised by SMEs as profitable could justify the involvement of SMEs and may be considered for integration into the business process, eventually benefitting not only stakeholders but shareholders as well (Liu & Fong, 2010).

Although profiting, for SMEs however, the solution towards sustainability is one that is simple, pragmatic and effective in terms of returns rather than being a financial burden (Crals & Vereeck, 2004). Such strategizing takes concern on the dynamic capability of the SME towards ensuring sustainability which is defined as the ability to pro-actively adapt to the continuous changes in the business environment while being able to ensure business sustainability (Fang, Chiung-Yao, & Huang, 2010).

1.4.2 Connecting to Core Business Outcomes

As SR has been well researched in large companies, SMEs have received less attention in this area (Jenkins, 2006). With increased global competition and subject to pressure along the business value chain, SMEs are required to adjust and adopt new approaches while fostering competitiveness (Organisation for Economic Co-operation and Development, 2004). Whilst SMEs develop their business outreach worldwide, SR should be considered towards driving innovation from an opportunity perspective and not as a cost or burden to the SMEs (Hoivik & Shankar, 2011). This may be understood as distinguishing the product or service from others in the market for better marketability. This is further reiterated as SR that is strategic and one which connects to the organisational corporate strategies eventually contributing to advantage of business (Husted & Salazar, 2006 in de Sousa Filho, Wanderley, Gómez, & Farache, 2010). This is in accordance to what that has been claimed by Avram & Kuhne (2008)

with reference to responsible business behaviour as an instrument towards the development of sustained competitive advantage through relating to the social and environmental variables.

This research intends to inculcate the competitiveness factor among SMEs which cater to larger business entities, retailers or end customers through the means of SR from the perspective of optimising the opportunities available through the environmental and the social pillars. Such requires the understanding of the SMEs present situation along the value chain, placing the risk-related question towards the position of the business to assess the associated risk(s) that SMEs are subject to. This in other words is the strategic planning imperative of rational decision making by understanding the direction of the business and the incorporation of the respective activities towards achieving a sustainable business outcome (Healy, 2008).

Taking an entrepreneurship approach, the challenge for SMEs is to integrate the social and environmental benefits towards attaining competitive advantages (Amran & Zarina, 2007). Such relates to the concept of risk management which encompasses the identifying of existing and potential issues, analysing their outcome or implication, taking corrective actions of response and taking the respective follow-up of evaluating the process (Kirytopoulos & Malandrakis., 2001).

1.4.3 Significance of Research from the Public Relations / Corporate Communications Perspective

Companies pursue their endeavours in CSR primarily for two reasons; doing good while desiring to continue doing business (Fitjar, 2011). Viewed from the same perspective, both PR and CSR emphasise on the importance of organisations paying

attention to their stakeholders and not primarily only on shareholders and profits (Goi & Yong, 2009) which similarises both PR and CSR on common grounds. However the CSR literature and practices has been found to be a subset of PR and rarely the vice versa (L'Etang, 1994).

The other clarification to be made is the commonality between PR and Corporate Communication (CC). While both terms of PR and CC are interchangeable, no theoretical difference between them prevail (Steyn, 2003). Enlightening on the functions of PR, Cutlip, Center & Broom (2006) claim that PR is the management function that establishes and maintains mutually beneficial relationships between an organisation and the publics on whom its success or failure depends while The First World Assembly of Public Relations Associations, held in Mexico City in 1978, defined public relations from a more strategic perspective as “the art and social science of analysing trends, predicting their consequences, counselling organisational leaders, and implementing planned programmes of action which will serve both the organisation and the public interest” (Kitchen, 1997).

On the other hand, CC is reckoned as a management function that identifies and manages issues pertaining to stakeholders/publics, builds mutual and beneficial relationships with those on whom the organisation depends to meet its goals while assisting the organisation to adapt to its environment by achieving a balance between commercial imperatives and socially acceptable behaviour (Argenti, 2007; Steyn 2003; Steyn & Niemann, 2008 & Van Riel, 1995). Both definitions serve PR and CC as strategic views of not only establishing communication based motive but exploring

further for the survivability of the organisation with reference to strategic business motives as shown in table 1.1

Table 1.1: Definitions of Public Relations and Corporate Communication

	Definition	Key Terms
Cutlip, Center & Broom (2006)	Public relations is the management function that establishes and maintains mutually beneficial relationships between an organisation and the publics on whom its success or failure depends.	Maintains mutually beneficial relationships between organisation and the publics
Argenti, 2007; Steyn 2003; Steyn & Niemann, 2008 & Van Riel, 1995	Corporate Communication is the management function that identifies and manages issues pertaining to stakeholders/publics, builds mutually beneficial relationships with those on whom the organisation depends to meet its goals while assisting the organisation to adapt to its environment by achieving a balance between commercial imperatives and socially acceptable behaviour.	Manages issues pertaining to stakeholders/publics. Builds mutually beneficial relationships. Assists organisation to adapt to its environment.
The First World Assembly of a Public Relations Associations, Mexico City 1978.	Public relations is the art and social science of analysing trends, predicting their consequences, counselling organisational leaders, and implementing planned programmes of action which will serve both the organisation and the public interest.	Analysing trends, predicting consequences, implementing planned programmes, serving the interest of both the organisation and the public.

Relating the three definitions stated earlier, the pattern of PR from a communicational role to a more defined role that places communication scholars in the level of organisation sustainability planning prevails as shown in table 1.1. As stated earlier, definitions for both PR and CC are literally the same.

While there has been claim on the existence of research gap on PR contributions to SR (Goi & Yong, 2009), there is a need to justify the link between PR (also reckoned as CC) and SR which are highlighted in this study as follows:

1. SR which is commonly taken-up by PR practitioners or as a PR initiative in the name of social obligatory practice (also reckoned as social responsibility), this study would serve to re-strategize SR initiatives however suited towards application in the manufacturing SME setting which includes the elements of PR to be incorporated into SME practices;
2. Assuming that SR is a subset of PR (L'Etang, 1994), SR in SMES is to be taken-up from a stakeholder-centric perspective towards addressing stakeholder needs, and not from the perspective of larger organisation practices which may seem as merely performing charitable deeds or as a ⁵window-out business strategy;
3. This study positions elements of PR into strategic areas of business planning suited for SMEs. Through this study, owner-managers or communication practitioners in SMEs taking-up elements of PR practices will be able to contribute towards organisation competitiveness through a strategic approach

⁵ Window-out- Business execution strategy from the organisation's perspective. An organisation taking a plain window-out approach is only concerned of what it produces and reaps profits much synonymous to a closed-system business. Contrary to this, the mirror-in approach that seeks to understand issues from the external business environment, namely stakeholders as part of the business strategy. Organisations take-up the mirror-in approach signify an open-system much relevant for business of present times.

of SR by comprehending stakeholder needs which contributes to business sustainability.

1.4.4 Concluding Significance of Research

Prior to discussing the research scope, it is vital to make an initial understanding on areas related to the benefits of SR. With reference to such an understanding, a brief reference may be made related to the weak influence SMEs have in the value chain (Jenkins, 2004) which where the scope of the study lies on.

Strategically inclined SR framework integrates the economic, social and environmental decision-making (Honnen & Potts, 2007), as ethics and social responsibility are inevitably crucial for SMEs (Ahmad & Seet, 2010). Such is vital as to ensure that SMEs themselves are not to be excluded or disadvantaged in international trade (Lu & Castka, 2009) which is where the scope of the study concentrates on, especially with reference to manufacturing SMEs with an understanding that SMEs are subject to ⁶value chain pressure.

With the notions of Global Corporate Citizenship (GCC) continuing to become increasingly popular in large corporations, the question arises of whether such corporate citizenship is only for large companies, particularly multinationals (Hoivik & Mele, 2009). It is not philanthropy that is the endeavour of this study but the commitment towards excellent customer service through developing long-term

⁶ The value chain describes the full range of activities required to bring a product or service from conception, through different phases of production to delivery to final consumers and final disposal after use (Kaplinsky & Morris, 2001).

business endeavours that contributes in improving overall business sustainability (Jenkins, 2004) sprouting from SR initiatives through the incorporation of PR elements that is aimed as an outcome of this study.

The context of challenge identified for the scope of this research is making SR cost effective, worthy and sustainable for SMEs to take-up which drives towards SME business competitiveness. Common to cite is that, in most cases, the root cause is due to the lack of resources. As a matter of fact, SMEs are at the disadvantageous position when resource is a concern (Grigore & Grigore, 2011a; Jarutirasam & Aiyeku, 2010). Adding on, is the lack of awareness and understanding of CSR concepts which results in low participation rate (Mandl, 2005). With the known fact that SMEs are subject to external pressures, it should be understood that SMEs should be able to explore further for the purpose of making SR worth investing. As to explore further, the agenda of SR for SMEs should be treated as a dynamic approach of continuous development while a one-time activity (the charitable or philanthropic approach) may be deemed as a non-suitable approach.

With the understanding that SMEs are lacking strategic perspectives towards sustainability (Ausra, 2011), the zero sum game which results not in the win-win, serves merely as a generic response (Fisher, Geenen, Jurcevic, McClintock & Davis, 2009) and may not serve worthy for the constrained SME. Instead the focus is for the SME to stay in the market place through the means of competitiveness while being able to save incurred costs of which, such a model differs from the legislation compliant CSR taken-up by large organisations (Yu & Bell, 2007). To remain competitive, the requirement is a framework that helps to create product or service differentiation

(Steiner & Steiner, 2003). Nevertheless, the attainment of strategic SR practices is attempted through the SME owner-manager assuming roles suggested in the PR literature. In other words, the arising question in this study is not only about how social responsibility is embedded into the operations of SMEs, it also considers about how elements of PR could be introduced into the practices of SME owner managers who are most unlikely PR practitioners.

1.5 Conclusion

SR is not only a moral imperative but to be viewed from a sustainability point of view (Institute of Corporate Responsibility Malaysia, 2009) which relates to the act of hedging operations against adverse while building the competitive advantage over competitors. This intended study attempts a deeper exploration of understanding SR from the perspectives of being able to contribute to the economics of value-chain-related SMEs while being able to address the social and environmental components thus contributing towards business sustainability, as in most cases it would be the manufacturing SMEs which cater their products to larger organisations (multinationals, public listed companies or government linked companies).

Chapter 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews scholarly findings on social responsibility (SR), findings on SR inclined to non-strategic and strategic outcomes while reviewing elements of public relation (PR) practices with the inclusion of the theoretical framework and the relative segment of the framework that applies to this study. As manufacturing Small and Medium Enterprises (SME) are the focus of study, this chapter reviews literature on the issue of incorporating SR practices from the Triple Bottom Line (TBL) perspective of incorporating both the social and environmental factors in business. In all chapters, terms such as “corporate social responsibility”, “corporate responsibility” and “social responsibility” are used interchangeably following literature on scholarly work. In most of the literature throughout, the term “social responsibility (SR)” shall be used by the researcher as compared to corporate social responsibility (CSR). Owing to the fact that the term “corporate” associated with “social responsibility” reflects a more significant role expected from “larger” corporations (Jenkins, 2004), social responsibility connotes a lesser magnitude of operations of which such a notion may be suited to the SME being the aim of this study.

2.1 Defining Social Responsibility

The World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as the continuing commitment to behave ethically while contributing to economic development thus improving the quality of life of the workforce and their families as well as of the local community and society at large (Watts &

Holme, 1999). Identified in multitude of terms such as corporate responsibility, corporate citizenship, social enterprise, responsible enterprise, sustainable development, corporate social performance, triple-bottom line, corporate ethics and in some cases corporate governance (Vintilă & Moscalu, 2009), CSR reflects an organisation's commitment to operate in an economical and environmentally sustainable manner while recognising the interests of its stakeholders (Amaesh, Osuji & Nnodim, 2008), a concept in-which companies integrate social and environmental concerns in their business operations (European Commission, 2001) which is the TBL approach to business for business improvement and competitiveness (Castka, Balzarova, Bamber & Sharp, 2004).

However, in the attempt to define what CSR is, there has been no agreed or a universal definition (Fisher et al., 2009). In other words, CSR has not been well defined (Krauss, Rūteliionė, & Piligrimienė, 2010) but is regarded from a holistic perspective; addressing a wider scope of reach that encompasses stakeholders, the economy, the society and the natural environment. Understanding it from the perspective of responsible citizenship, CSR has also been viewed as a mechanism of accountability that compels businesses towards becoming competitive (Gholami, 2011) resulting in the overall impact to the society through the management of the business process (Jenkins, 2009). This relates to the concept of sustainability claimed by Crowther (2008) as the effort to ensure resources are consumed responsibly while ensuring the availability in the future. In other words, SR serves the purpose of businesses becoming sustainable.

In relating to sustainability, the World Commission on Environment and Development (1987) defines sustainable development as the development that meets the needs of the present without compromising the ability of future generations to meet their own needs, with one of the two key concepts focusing on the environment's ability to meet the present and future needs. Despite the several perspectives of SR, exploring possibilities of intertwining the economic perspective with the environmental and social factors that aid businesses progression towards sustainable outcomes takes centre stage as a corporate agenda at the global frontier during present times.

2.2 Present Times Stakeholder-Centric Business

Present global scenario owing to intense competition will in the soonest time require changes to business practices involving all business entities along the value chain. As how the context of globalisation has infiltrated the world along with dominant cultural products sweeping across inferior cultures of less-industrialised nations, the topic of accountability inevitably hovers above industries which include those of lesser magnitude. Such is inevitable as businesses regardless of magnitude are compelled to position themselves as high potential competitors. The 21st century is witnessing compelling issues, parallel to the demands of stakeholders that has to be well regarded by industries in order to be able to earn their share. This now requires a shift from “how businesses operate” to the re-phrasing of “how businesses are expected to operate”. As Steyn & Niemann (2008) claim:

The ‘business of business’ is no longer only business (‘profit’) and shareholders are no longer the only important stakeholders. In their strategic decision-making and behaviour, private and public sector

organisations now need to consider the environment ('planet') as well as strategic stakeholders such as employees, customers, regulators, the community, the media, activists and a myriad of others ('people'). In this new era, society might even be considered the most 'strategic' stakeholder. Organisations of the 21st century therefore have to consider / fulfil / adapt to societal expectations, values, norms and standards in order to secure legitimacy; obtain and maintain a good reputation; and to be regarded as societally responsible, trustworthy and a good (corporate) citizen (p. 1)

In the bid towards distinguishing themselves, businesses of present times are on a two-pronged approach of creating product differentiation while pursuing economic returns (Steiner & Steiner, 2003) illustrated in figure 2.1.

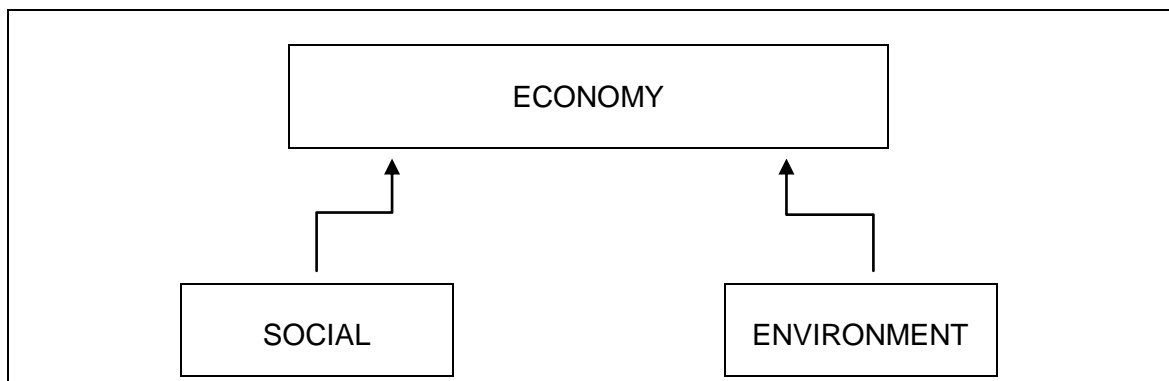


Figure 2.1: Triple-Bottom-Line Approach (Adapted from Elkington, 1997)

With social demands on the rise and corporate governance taking central position, the review of literature will attempt to link between SR and business opportunities in terms of market opportunities, productivity, human competence and