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The Impact of Corporate Social Responsibility on Organizational Performance: Evidence from Romanian SMEs

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Abstract

The purpose of this study is to analyze the impact of the dimensions of corporate social responsibility (environmental, community services, and human resources) on the performance of Romanian SMEs. A questionnaire has been designed and distributed randomly, questionnaires were distributed among non-financial SMEs in Romania by sending one questionnaire for each firm. Questionnaires were sent via Google Forms to respondents among stakeholders, managers, and directors of financial departments. The number of questionnaire sheets given to customers and used in this survey (540). The results suggest a positive and direct significant impact of the dimensions of corporate social responsibility (environmental, community services, and human resources) on SMEs performance in Romania, collectively and individually.

Keywords: Corporate social responsibility, SMEs performance.

1. Introduction

Dealing with SMEs and considering their role in the economy of a certain country is essential. Where it was stated by Haque et al. (2017) that SMEs play a vital role from different aspects, such as: developing the economy, leading to social welfare & innovation, and also providing better job opportunities. On the other hand, SMEs are essential in the field of employment within developed countries. In addition, Morina and Gashi (2016) added that SMEs are considered important in relation to both social stability and economic development, such as: SMEs are involved in solving and addressing problems related to employment, SMEs are considered useful in the development of large enterprises, SMEs contribute to a country's GDP, and, finally, SMEs are involved in issues related to export-import activities in a country .

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Nowadays, there is a competition among SMEs in the related market, which led to the application of novel systems, such as corporate social responsibility. Keeping in mind that SMEs have become part of the society. Therefore, customers now have a great awareness of social responsibility, so they prefer corporates that apply corporate social responsibility. Generally, when discussing corporate social responsibility, it reflects the corporate social concern within the business process.

Moving to organizational performance, it is useful to mention that basically the performance is related to what and how people are achieving their goals and objectives. Furthermore, Contu (2020) mentioned that in relation to an organization, the organizational performance relies on the adaptation of a certain corporate to the changes within the external atmosphere and environment. Contu (2020) added that when dealing with a performance of a certain company, it is useful to consider financial indicators that present the achieved economic goals and reflect investors' view. However, Chen and Zhao (2020) indicated that non-financial indicators are not being described or analysed from corporate's financial data. Therefore, the need to consider organizational performance in this study came from the inclusion of both financial indicators and non-financial indicators.

In conclusion, it is essential to consider the current situation of the COVID-19 pandemic and its influence. Therefore, the researcher in this current study is going to find the impact of corporate social responsibility on organizational performance. Moreover, since there is an interest in the SMEs expansion within the economy, so that the study will take a place among Romanian SMEs.

2. Literature Review

About Corporate Social Responsibility

As mentioned by Patil et al. (2021), there are different names of corporate social responsibility such as: corporate citizenship, corporate social opportunity, corporate responsibility, and responsible business. It was added that corporate social responsibility is the outcome of business ethics. Where business ethics concern about moral values. However, corporate social responsibility deals with sustainability, environmental, and social issues. Furthermore, Tiep et al. (2021) indicated that corporate social responsibility may include: charity events, creative activities, sponsorships, and voluntary employees. Also, it was mentioned that corporate social responsibility as a serious strategy for a business within its marketing planning and it is vital in marketing of a particular business. Moreover, Zdonek et al. (2021) added that the concept of corporate social responsibility refers to the firm's ability to incorporate voluntarily both environmental and social interests within the related market, besides the firm's relationship with different groups of stakeholders.

In the end, Tiep et al. (2021) concluded that there are several benefits in contributing to corporate social responsibility. For example, brand development, reputation formation, image promotion, increasing sales, and changing customer attitudes.

Dimensions of Corporate Social Responsibility

In this study, the researcher considered three dimensions that are: environmental, community services, and human resources. Where each of these dimensions will be discussed below:

- Environmental dimension

It was mentioned by Chwilkowska-Kubala et al. (2021) that environmental practices are being defined as the activities that are considered by a certain business for the purpose of lowering the effect of these practices on the environment. Based on the study conducted by Seles et al. (2019) where the researchers stated some examples of environmental activities by applying corporate social responsibility that are: evaluating the effect of environmental activities, introducing of activities related to water-saving and energy, encouraging customers to concern about natural environment, and the implementation of control systems regarding pollution and waste.

- Community services

Based on the study conducted by Sudana et al. (2019), it was stated that community reflects a firm's participation into the community in different forms including: arts and education, scholarships and supporting education locally, community services, involvement in public health, and developing performance. In addition, Deigh et al. (2016) added that community concept differs depending on certain disciplines, for example, psychology, anthropology, town planning, philosophy, sociology, and political sciences.

Back to Sudana et al. (2019), the researchers added that following community practices led to enhance relations within a community, gain competitive advantage and operational efficiency, and increase in market performance.

- Human resources

In accordance to Jang Ardichvili (2020), it was mentioned that the participation of human resources in corporate social responsibility is vital through the importance of considering issues related to human and social sustainability. Here that can be attained by connecting human practices with the three major objectives of a certain firm. Furthermore, it was stated by Al Qaisi (2019) that human resources within corporate social responsibility reflect how a certain business decision has an impact on public, suppliers, and employees.

Based on the study conducted by Jang and Ardichvili (2020), the researchers concluded that the development of human resource is involved with both organizational performance and long-term human development based on training and organization development.

Organizational Performance

As was mentioned by Ion and Criveanu (2016), performance referred to the sum of work effects since they presented the strongest relation among strategic goals of an organization, economic involvement, and the satisfaction of customers. Richter et al. (2017) stated that when dealing with the performance of a firm, it is essential to consider the use of financial indicators that present the achievement of the economic

goals by a multinational enterprise in the terms of finance. Richter et al. also added that organizational performance is being affected by the financial performance.

At the end, Chen and Zhao (2020) stated that financial indicators and non-financial indicators are related to each other. Where the non-financial indicators are being used to compensate efficiently the financial indicators defects when assessing firms' performance and the indicators s are vital to the business system in order to evaluate performance.

3. The Study Problem and Its Questions

The concept of corporate social responsibility is being widely applied, where corporate governance has required corporates in different fields to follow and apply corporate social responsibility. However, there are several challenges that SMEs are facing. For example, funding issues where some SMEs do not have sufficient fund to follow entirely what corporate governance has asked them. So that those SMEs tend to follow corporate social responsibility partially. Keeping in mind that any paid expense without gaining any return will end up having a loss that will lead them to exist from the market. Therefore, that might cause several problems to SMEs especially in the current situation of COVID-19 pandemic. Moreover, the crisis has led to a reduction in SMEs profitability based on the increment in row materials since supply chains were disrupted across countries. However, such disruption affected importing and exporting activities which cause obstacles for SMEs, so they did not tend to follow corporate social responsibility for the purpose to avoid experiencing any losses. In conclusion, there were several studies that recommended further studies of corporate social responsibility in different areas and its implementations within SMES, such as the studies conducted by: Tiep et al. (2021), and Maldonado-Erazo et al. (2020).

Therefore, the study has one major question that this:

Q: "Is there any significant impact of corporate social responsibility through its dimensions (environmental, community services, and human resources) on the performance of Romanian SMEs and which dimension has the most impact among the dimensions?"

4. Hypotheses

H1. A: There is a positive impact of environmental dimension on SMEs performance in Romania.

H1. B: There is a positive impact of community dimension on SMEs performance in Romania.

H1. C: There is a positive impact of human resource dimension on SMEs performance in Romania.

5. Study Methodology

The Used Method and Tool

In this current study, the researcher used a quantitative approach. As mentioned by Daniel (2016), the quantitative approach is useful, since it saves time and allows for generalization. Moreover, the researcher collected data by the use of questionnaire. Where it was indicated by Cleave (2021) that this tool is beneficial since it helps in reaching respondents on a wide base and saves costs in comparison to other tools.

Population and Sample

As mentioned before, there are (480,791) SMEs in Romania, where the researcher used an equation by the following link (https://www.calculator.net/ sample-size-calculator.html) in order to get the number of the selected sample, it was found that the appropriate sample size is represented by (384) questionnaires in order for the researcher to be able to generalize the results of this study to the study population. Furthermore, through a specialized agency; questionnaires were distributed among non-financial SMEs in Romania by sending one questionnaire for each firm. Questionnaires were sent by Google Forms to respondents including stakeholders, managers, and directors of financial departments.

6. Statistical Analysis and Hypothesis Testing

Descriptive Examination

Table 1. The results of the descriptive test for the distribution of the study sample

Item		Choice	Frequency	Percentage
Company's Information	**Capital**	Total assets of up to 2 million euros	55	10.2%
		Above 2 million euros to less than 43 million euros	485	89.8%
		All	**540**	**100.0%**
	Number of employees	Above 9 to less than 49	48	8.9%
		50 to less than 249	492	91.1%
		All	**540**	**100.0%**
	Job position	Stakeholder	40	7.4%
		Manager	459	85.0%
		Director of the department	41	7.6%
		All	**540**	**100.0%**
	Type of Sector	Service sector	57	10.6%
		Industrial sector	338	62.6%
		Financial sector	108	20.0%
		Insurance sector	37	6.9%
		All	**540**	**100.0%**

Item		Choice	Frequency	Percentage
Personal Information	**Gender**	Male	480	88.9%
		Female	60	11.1%
		All	**540**	**100.0%**
	Age	Under 25	22	4.1%
		25-30	39	7.2%
		31-36	105	19.4%
		37-42	265	49.1%
		43 and Above	109	20.2%
		All	**540**	**100.0%**
	Level of Education	Diploma	26	4.8%
		Bachelor's Degree	361	66.9%
		Master's Degree	141	26.1%
		PhD	12	2.2%
		All	**540**	**100.0%**
	Level of Experience	Less than 5 Years	33	6.1%
		(5- less than 10) Years	38	7.0%
		(10- Less than 15) years	346	64.1%
		15 years and Above	123	22.8%
		All	**540**	**100.0%**

Source: Author's own research.

Table 1 presents the results of the demographic data for the study sample, and it is noted that the majority of the respondents were males, with a ratio of (88.9%), and most of them work in medium-sized companies based on the size of their capital: Above 2 million euros to less than 43 million euros, at a rate of (89.8%), with 50 to less than 249 employees in a ratio of (91.1%), and the majority of respondents are found to be managers of these companies at a rate of (85%), and most of them work in the industrial sector, at a rate of (62.6%), and most of the respondents were between 37 and 42 years old, with a percentage of (49.1%) of the study sample. Also, most of the study sample are holders of a bachelor's degree, with a percentage of (66.9%). It was also found that the study sample had good experience, where the majority had 10 to less than 15 years of experience with a percentage of (64.1%). These results represent good indicators of the study sample on their having long practical experiences, as well as good academic qualifications that enable the researcher to complete the research and reach results and conclusions that are generalized to the study community. In order to show the rates of answers to the study questions, the researcher relied on the fifth Likert Scale, and the weighted average was therefore calculated to determine the level of importance of the study sample observations for each variable, first by calculating the length of the period (4 divided by 5), where 4 represents the number of distances, 5 represents the number of choices, and the result is 0.80, and accordingly, the results of the descriptive analysis of variables are presented as follows:

Table 2. Results of the descriptive analysis of the study variables

No.	Variable	Mean	Std. Deviation	Degree of Approval
1	Environmental	3.131	0.867	High
2	Community services	4.361	0.305	High Very
3	Human resources	4.126	0.335	High
4	SMEs Performance	4.203	0.297	High
Arithmetical mean has a value between (1 to 1.79), the result of degree of approval is "Very low"; (1.80 to 2.59) the result of degree of approval is "Low";(2.60 to 3.39) the result of degree of approval is "Medium";(3.40 to 4.20) the result of degree of approval is "High";(4.21 to 5.00) the result of degree of approval is "Very High."					

Source: Author's own research.

The previous results of the descriptive analysis of the study variables presented in the above table that the Community services dimension has the highest degree of significance among the Corporate Social Responsibility dimensions, with an arithmetic mean of (4.361), and a Very High degree of importance, Human resources dimension was in second place in terms of importance with an arithmetic mean of (4.126) and a high degree of importance, and Environmental dimension was in the last place in terms of importance with an arithmetic mean of (3.131) and a high degree of importance, while the arithmetic mean of the SMEs Performance variable was (4.203) and a high importance.

Study Hypotheses Test

It was verified that there is no problem with the linear interference in the study models by using the (Variance Inflationary Factor) (VIF) and the Tolerance factor, where all VIF variables are less than (5), and the results of the analysis presented in the table below showed that the Tolerance coefficient for all variables had values greater than (0.20), and according to the study of (Ekiz, 2021; Salmerón et al., 2018), it is clear that all the independent study variables have passed these two indicators, which means that there is no problem of linear interference in the study model, and therefore the multiple regression test was used to test the study hypotheses, as follows:

Table 3. The results of the multiple regression test for the study model

F-statistic:		367.305	Adjusted R-Square:		0.671
Sig (F-statistic):		0.000	R-squared:		0.673
S.E. of regression:		0.170	R:		0.820

Variable	Coefficient	T-Statistic	Sig.T	VIF	Tolerance
Constant	--------------	7.234	0.000	-------	-------
Environmental	0.160	5.393	0.000	1.442	0.694
Community services	0.325	10.826	0.000	1.476	0.677
Human resources	0.490	15.234	0.000	1.695	0.590

Source: Author's own research.

The table indicates that the calculated F value reached (367.305), which is significant at a level of (0.05), which indicates that the first proposed study model is appropriate, and the results of the regression analysis showed that the (Sig. F-statistic) value reached (0.000), and it is less than the significance level of the test, which is (5%), and based on the correlation value of (R = 0.820), it is found that the main hypothesis is accepted, which indicates that there is a positive impact of corporate social responsibility on SMEs performance in Romania. The results of the regression analysis also showed that the adjusted R-square value reached (0.671), which means that only about 67.1% of the fluctuations that occur in SMEs performance can be explained by the changes that occur by applying Corporate Social Responsibility. According to the study of (Purwanto, Sudargini, 2021), which classified the explanatory power, it was found that the explanatory power of this model is high and reliable in the process of predicting and interpreting SMEs performance in Romania.

Also, the results of the regression analysis showed that the level of significance for all dimensions of corporate social responsibility decreased at the significant level of (Sig.T < 0.05), which indicates that there is an effect of all dimensions of corporate social responsibility represented by (Environmental, Community services, and Human resources) on SMEs performance, and all of these dimensions were found to influence positively based on the value of impact coefficients, and therefore all sub-hypotheses of the study are accepted. The Coefficient value of Environmental dimension, which reached (0.160), indicates that Environmental ranks last in terms of impact on SMEs performance in Romania among the dimensions examined by the study within the application of Corporate Social Responsibility, as well as the Coefficient value reached (0.325), which belongs to the Community services dimension, which indicates that this dimension is ranked second in terms of order, and the Coefficient value related to the human resources dimension reached (0.490), which indicates that this dimension ranks first in terms of impact on SMEs performance in Romania among the dimensions examined by the study within the application of Corporate Social Responsibility.

Conclusion

This study aimed to find the impact of corporate social responsibility by its dimensions that are (environmental, community services, and human resources) on SMEs performance in Romania. It is a quantitative research approach by which the researcher collected the data by using questionnaires. Where only (540) questionnaires were applicable to analysis among stakeholders, managers, and directors of financial departments who work within non-financial SMEs in Romania. Furthermore, the study resulted in a group of findings, as what will be discussed below:

First, there is a positive and direct impact of corporate social responsibility on SMEs performance. That can be justified because, in general, corporate social responsibility has an effect on society and building a better community. It also reflects the SMEs success strategy where it helps in creating a critical ethical attitude

among employees by making them responsible to accomplish their public tasks. The result is consistent with the studies conducted by Singh (2021) and Ullah et al. (2020), where their studies resulted in having a positive relation between corporate social responsibility and business performance.

Second, there is a positive and direct impact of environmental dimension on SMEs performance and it is found to have the least impact among other dimensions. That might be justified since environmental dimension of corporate social responsibility plays a vital role among several environmental issues, such as: using water and changes in climate. Where taking environmental issues into consideration will be useful in saving costs and generating revenue that will be reflected by the enhancement of a SMEs performance. The result is consistent with the studies conducted by Al Qaisi (2019) and Naseem et al., (2018), where they found that there is a positive impact of environmental dimension and business performance.

Third, there is a positive and direct impact of the community service dimension on SMEs performance and it is found to have the second most impact among other dimensions. That can be justified where corporate social responsibility can have an opportunity to be involved and participated by communities within different levels in a certain society. Therefore, there is a benefit within a community itself and SMEs by seizing diversified benefits that will lead to enhance SMEs performance. This result is consistent with the study conducted by El Moslemany and Etab (2017) where the study resulted in having a positive impact of the community dimension on business performance.

Fourth, there is a positive and direct impact of the human resource dimension on SMEs performance and it is found to have the greatest impact among other dimensions. That might be justified due to the essential role of human resource in developing corporate social responsibility. Where developing corporate social responsibility at SMEs, is important in dealing with societal issues within its workers. That will ultimately lead to an enhancement in performance. This result is consistent with the studies conducted by Gimeno-Arias et al. (2021) and Franzoni et al. (2021) where there is a positive relation between human resource dimension and business performance.

The researcher faced a set of limitations while conducting the study such as: difficulty in reaching SMEs, lack of studies related to the topic of the study in Romania, where the researcher was unable to perform comparisons, and the researcher was unable to use content analysis for the selected SMEs annual reports so that the use of a questionnaire was required.

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