

Is CSR a solution for crisis? Assessing the impact of three CSR dimensions on SME performance in the Nordic context

Baltic Journal of
Management

1

Emilia Kangas, Sanna Joensuu-Salo and Anmari Viljamaa
Seinajoki University of Applied Sciences, Seinajoki, Finland

Received 4 April 2024
Revised 26 July 2024
23 September 2024
22 November 2024
Accepted 24 November 2024

Abstract

Purpose – This study aims to investigate the relationship of corporate social responsibility (CSR) dimensions on the financial and nonfinancial performance of Finnish small and medium-sized enterprises (SMEs) amidst crises.

Design/methodology/approach – Survey data was collected from 204 SME owner-managers in Finland during the COVID-19 pandemic using a purposive sampling technique, focusing on SMEs in South Ostrobothnia representing Finnish SMEs. The study tests the direct and indirect effects of CSR dimensions on both financial and nonfinancial performance during challenging times using linear regression analysis and path analysis with SEM.

Findings – The analysis reveals that CSR systems thinking competence positively affects financial performance but does not significantly impact nonfinancial performance. On the other hand, community social responsibility and socially responsible human resource management positively influence nonfinancial performance and have an indirect effect on financial performance.

Originality/value – This research underscores the beneficial performance outcomes of SME engagement in CSR during challenging times, emphasizing the enduring value of investing in employees. It highlights that despite industry performance affecting financial outcomes, CSR systems thinking competence contributes to financial performance and community social responsibility and socially responsible human resource management maintain a positive association with nonfinancial performance. Furthermore, this study enriches the existing literature on the CSR-SME performance relationship by exploring its effects within the unique context of a Nordic welfare society facing a crisis.

Keywords Socially responsible human resource management, Community social responsibility, Systems thinking competence, CSR management, Crisis

Paper type Research paper

Introduction

Corporate social responsibility (CSR) for businesses has its roots in philanthropy, traditionally centered on large corporations. Recently, however, scholarly discussions on CSR in small and medium-sized enterprises (SMEs) have been growing rapidly (e.g. [Oduro et al., 2022, 2024](#); [Tiep Le et al., 2023](#)). Despite this progress, the knowledge in this area remains fragmented ([Oduro et al., 2024](#)).

The literature offers various definitions of CSR, but for this discussion, it is defined as a firm's actions aimed at positively impacting both social and non-social stakeholders, beyond its economic interests ([Turker, 2009](#)). Researchers generally agree on CSR's complex and multifaceted nature ([Gallagher et al., 2018](#)). A central concept underpinning CSR is the Triple Bottom Line (TBL) framework, which divides CSR into three primary dimensions: financial, environmental, and social ([Elkington, 1999](#); [Žak, 2015](#)). The TBL framework underscores the

© Emilia Kangas, Sanna Joensuu-Salo and Anmari Viljamaa. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence may be seen at <http://creativecommons.org/licences/by/4.0/legalcode>

All authors declare that they do not have any conflicts of interest.



Baltic Journal of Management
Vol. 20 No. 6, 2025
pp. 1-19
Emerald Publishing Limited
e-ISSN: 1746-5273
p-ISSN: 1746-5265
DOI 10.1108/BJM-04-2024-0156

importance of evaluating a company's performance across all stakeholders, emphasizing the need for economic, environmental, and social responsibility. Community social responsibility (ComSR) is identified as a crucial element of SMEs' CSR (Peake *et al.*, 2017), positioning the community as a key stakeholder within the SME network (Deigh *et al.*, 2016). Besser and Miller (2001) emphasize community attachment, commitment, support, and collective action as key elements of ComSR, while Deigh *et al.* (2016) focus on practices like donations, employee volunteerism, and community partnerships. In summary, community is a crucial aspect of CSR for SMEs and therefore also one of the dimensions of this study. However, the exploration of social responsibility within responsible human resource management, especially in the context of SMEs, remains relatively underdeveloped. There is a significant research gap in this area, with the existing literature on socially responsible human resource management (SR-HRM) in SMEs being quite sparse, as evidenced by only a few studies addressing this topic (Sancho *et al.*, 2018; Ramos-González *et al.*, 2022). In this context, we define SR-HRM as human resource management practices intended to advance social good beyond the company's immediate interests and legal obligations (Waldman *et al.*, 2006).

Additionally, there is limited research on the impact of the pandemic or other global crises on the social responsibility of small companies. Our study is set in the context of the COVID-19 acute worldwide pandemic (2020–2022), which led many to speculate about the consequences of the crisis on the future of work and enterprises. The pandemic has affected the operations of companies, large and small. According to European Investment Bank (2021) research, 49% of companies operating in the European Union (EU) suffered a drop in sales due to the COVID-19 pandemic. In addition, the study showed that small businesses suffered more than large ones (EIB Investment Survey, 2021).

Small companies have fewer resources to direct to crisis preparation but can usually respond and adapt with agility (Eggers, 2020; Clauss *et al.*, 2022). In periods of crisis, SMEs' survival and financial success rely on socially responsible initiatives (Magrizos *et al.*, 2021). A crisis also produces prospects, particularly concerning the resources companies can harness to assist their employees both in the present and the future. These opportunities may include enhanced social and organizational support from management, the digitization of work processes, the implementation of more efficient teamwork, and modifications to health management policies (Rudolph *et al.*, 2021). Systems thinking, which refers to the ability to view the organization holistically in terms of interrelations (Senge, 1990), can help make sense of the interlinked internal and external networks involved in CSR issues (Maclagan, 2008), and systems thinking competence can be central to sustainable business (Osage *et al.*, 2016; Lans *et al.*, 2014). Galleli *et al.*'s (2020) definition of systemic management includes the analysis of complex systems in several domains and considering their effects and feedback cycles in alignment with the firm's objectives. Systems thinking has been linked to CSR challenges previously (e.g. Maltz and Pierson, 2022; Porter, 2008), but there are very few studies that consider the relationship between systems thinking competence and CSR in the context of SMEs (see Schulte and Paris, 2024 for an exception). Arguably, coping with turbulent environments such as those SMEs faced during the recent crisis calls for systems thinking competence in CSR.

Despite extensive research on the impact of CSR on company performance (Saeidi *et al.*, 2015; Ağan *et al.*, 2016), particularly in large firms and increasingly in SMEs (Ikram *et al.*, 2020; Madueño *et al.*, 2016; Oduro *et al.*, 2022, 2024; Tiep Le *et al.*, 2023), there is still no clear consensus on how and which specific dimensions of CSR influence SME performance. However, Oduro *et al.* (2024) confirmed through a literature review that CSR positively affects the competitiveness and performance of SMEs. Additionally, Oduro *et al.* (2022) demonstrated that CSR activities addressing social, economic, and environmental dimensions significantly and positively improve both the overall performance and the financial and non-financial outcomes of SMEs. Furthermore, the worldwide crisis can exert its influence on the connection between CSR and corporate performance, similar to the way the cultural context can also play a role. Recent CSR research on SMEs has increasingly shifted its

focus towards developing countries (e.g. [Jamali et al., 2017](#); [Choongo, 2017](#); [Ikram et al., 2020](#)), while studies on CSR practices among SMEs in the Nordic countries remain limited (with the exception of [Gjøølberg, 2010](#); [Lee et al., 2016](#)). More context-aware research on small business social responsibility is needed, utilizing methodologies and measurements specifically tailored to small businesses ([Soundararajan et al., 2018](#)). The unique context of this research is Finnish SMEs, which operate in a Nordic welfare society. According to [Gjøølberg \(2010\)](#), the interpretation of CSR is deeply influenced by pre-existing political-economic institutions and cultural norms, which, when combined with ongoing national political processes, results in a significantly transformed understanding of CSR. Therefore, this study aims to address the gap in the literature by focusing on the under-researched context of CSR in SMEs within the Nordic context.

This study, therefore, investigates three dimensions of CSR from the perspective of SMEs during the global crisis. This study explores the impact of (1) socially responsible human resource management, (2) community social responsibility, and (3) corporate social responsibility systems thinking competence on SMEs' performance during a global crisis. SME performance is measured using both financial and non-financial indicators in our study (see [Lämsiluoto et al., 2019](#)). In addition to direct effects, we test the indirect effect of the CSR dimensions on financial performance through non-financial performance. Our research contributes to prior research on the CSR–SME performance relationship by investigating three dimensions of CSR and showing how they are related to financial and non-financial performance. In addition, this research contributes to CSR research by examining the impact of CSR on SME performance in the context of a Nordic welfare society in a crisis. Further, the study contributes by showing the relevance of CSR systems thinking competence for SME performance, thus demonstrating the applicability of systems thinking to CSR. The results also have practical implications especially for SME management, as the importance of the CSR dimensions for performance is highlighted. The remainder of this article is organized as follows: The next section provides a literature review that leads to the formulation of three research hypotheses. This is followed by a detailed description of the quantitative study conducted. The subsequent sections present and discuss the results. The final section offers implications for managers, discusses our theoretical contributions, and provides recommendations for future research.

Literature review and hypothesis development

CSR and triple bottom line

The triple bottom line (TBL) concept, coined by John [Elkington \(1994\)](#), corresponds to the three pillars of sustainable development. TBL is also known as “People, Planet, and Profits,” which reflects a company's economic performance, social impact, and environmental impact ([Abraham, 2024](#)). TBL framework has emerged as a widely embraced model, categorizing CSR into three primary dimensions: financial, environmental, and social ([Žak, 2015](#); [Abraham, 2024](#)). TBL concept suggests that a company should assess its performance in relation to all stakeholders, including local communities, not just those with whom it has direct relationships ([Žak, 2015](#)). In this study, we focus on the social and financial dimensions of TBL, deliberately excluding the environmental aspect, which, while important, is not the focus of our research. The social dimension of CSR encompasses companies' interactions and influence on their socio-cultural environment. According to [Gallagher et al. \(2018\)](#), this dimension involves a comprehensive focus on the health and welfare of employees – the company's human capital, the community, customers, and broader society through various initiatives and human resources strategies. In this study, we have divided the social dimension into two components: SR-HRM and ComSR. The economic dimension includes the responsibilities a company holds towards both its shareholders as owners and society more broadly. [Carroll \(2016\)](#) asserts that economic responsibility is indeed a fundamental condition for existence, highlighting that businesses have an economic responsibility to the society that permitted their creation and sustenance, considering it the most important aspect of CSR.

Impact of CSR on performance

According to [Kotane and Kuzmina-Merlino \(2017\)](#), SMEs' performance can be defined as outcomes of firms' business activities, and it can be measured using various financial (e.g. growth, profit) and non-financial (e.g. product/service development, stakeholder relations, employees) indicators. Previous research offers mixed results on the impact of CSR on a company's performance ([Saeidi et al., 2015](#); [Ikram et al., 2020](#)). Some studies suggest that there is no relationship between CSR and financial performance, while many report either an indirect relationship between CSR and financial performance ([Madueño et al., 2016](#); [Ağan et al., 2016](#)) or a positive relationship ([Vo, 2011](#); [Bahta et al., 2021](#); [Oduro et al., 2022](#)). According to [Hoi et al. \(2018\)](#), a company's future financial performance is positively affected by both its positive CSR initiatives and its overall commitment to social responsibility. In the SME context for example [Torugsa et al. \(2012\)](#) found that employee and environmental responsibility have significant positive relationships with company financial performance. [Martinez-Conesa et al. \(2017\)](#) conducted empirical research on CSR in SMEs and found that the best-performing firms had the most proactive CSR policies but reported that the positive link was moderated by innovation. Likewise, [Gallardo-Vázquez et al. \(2019\)](#) highlight the importance of adopting CSR strategies in SMEs to enhance innovation, competitive success, performance, and reputation. [Ikram et al. \(2020\)](#) discovered a favorable correlation between CSR practices and financial performance. [Oduro et al. \(2022\)](#) demonstrated that CSR activities targeting social, economic, and environmental aspects positively and significantly enhance both the overall performance and the financial and non-financial outcomes of SMEs. Notably, social-oriented CSR activities have the most substantial impact.

The mixed findings may be due to the way performance is measured. [Lämsiluoto et al. \(2019\)](#) showed that SME performance has two dimensions: financial and non-financial. Financial performance relates to financial indicators such as return on investment, profit, cash flow, solvency, and cost control, while non-financial performance relates to business development indicators such as the development of new products, sales volume, market share, market development, personnel development, and political-public affairs. Hence, the effect of CSR on performance may vary depending on whether performance is measured with financial or non-financial indicators. Furthermore, prior research has shown that non-financial performance has a positive effect on financial performance ([Refmasari and Supriyono, 2019](#)). Thus, in this research, we test the direct effect of different CSR dimensions on both financial and non-financial performance, as well as the indirect effect through non-financial performance.

Socially responsible HRM in SMEs

Socially responsible human resource management (SR-HRM) integrates HR practices with CSR principles, including objectivity, justice, transparency, non-discrimination, and empowerment ([Dupont et al., 2013](#); [Jamali et al., 2015](#); [Diaz-Carrion et al., 2019](#)). According to [Paauwe and Fardale \(2017\)](#), SR-HRM seeks to create not only organizational value but also individual and societal value. Hence, this study proposes that SR-HRM is connected to HRM practices that promote social well-being, going beyond the company's immediate interests and legal obligations (cf. [Waldman et al., 2006](#); [Nie et al., 2018](#)). However, according to [Diaz-Carrion et al. \(2019\)](#), SR-HRM differs across countries, and companies sharing a context will adopt a similar CSR approach, which may differ from those adopted in different social and institutional contexts. According to [Diaz-Carrion et al. \(2019\)](#), SR-HRM encompasses actions related to staffing, training, performance appraisal and career management, compensation, work-family balance and diversity promotion, and occupational health and safety. They identified and validated 98 SR-HRM practices. It is not mandatory for SMEs to implement all SR-HRM practices, just as they do not necessarily adopt all conventional HRM practices. Earlier studies indicate that small firms are characterized by informal HRM practices ([Nguyen and Bryant, 2004](#)). Evidence shows that greater use of

selected human resource practices in SMEs is associated with better performance (Michie and Sheehan, 2008; Nguyen and Bryant, 2004; Sheehan, 2014). Sheehan's (2014) study on SMEs also reveals that those firms with a greater number of select HRM practices not only obtain better current performance but are also able to maintain long-term performance. Accordingly, Sheehan (2014) claims that since the HRM system is complex and dynamic in SMEs, it is likely to be an important source of sustained competitive advantage. Previous studies report that incorporating SR-HRM leads to enhanced employee satisfaction and commitment to the organization, ultimately resulting in improved organizational performance (e.g. Barrick *et al.*, 2015; Pham *et al.*, 2023). Hence, SR-HRM positively contributes to long-term organizational success (Beer *et al.*, 2015; Jamali *et al.*, 2015).

Based on prior research, we propose that socially responsible human resource management positively affects SME performance, measured using both financial and non-financial indicators. However, we suggest that the effect on financial performance may be either direct or indirect, mediated through non-financial performance. Hence, we propose the following hypotheses to be tested:

- H1a. Socially responsible human resource management has a positive and direct effect on non-financial performance during a global crisis.
- H1b. Socially responsible human resource management has a positive and direct effect on financial performance during a global crisis.
- H1c. Socially responsible human resource management has an indirect effect on financial performance through non-financial performance.

Community social responsibility in SMEs

One key area of CSR for SMEs is community social responsibility (ComSR). Some scholars even claim that small businesses are more likely than larger companies to volunteer time, rather than just financial resources, to communities as a form of social responsibility (Perrini *et al.*, 2007). Besser and Miller (2001) found that the companies reporting the highest levels of community support and leadership were also the most likely to perceive they were successful in business. Niehm *et al.* (2008) discovered that a strong dedication to the community was a significant factor in perceived family business performance, whereas community support was a key factor in financial performance. The results indicate that engaging in socially responsible business practices can promote the long-term viability of family businesses in small rural areas. Stoian and Gilman (2017) found that SMEs pursuing CSR initiatives focused on the local community experience rapid growth.

Based on prior research, we propose that community social responsibility has a positive relationship with SME performance, measured using both financial and non-financial indicators. However, as with H1, we suggest that the effect on financial performance may be either direct or indirect, as it may be mediated through non-financial performance. Hence, we propose the following hypotheses to be tested:

- H2a. Community social responsibility has a positive and direct effect on non-financial performance during a global crisis.
- H2b. Community social responsibility has a positive and direct effect on financial performance during a global crisis.
- H2c. Community social responsibility has an indirect effect on financial performance through non-financial performance.

CSR systems thinking competence in SMEs

CSR systems thinking competence (CSR-STC) is considered a crucial competence for supporting sustainable entrepreneurship (Osagie *et al.*, 2016; Lans *et al.*, 2014). Competence refers to the knowledge, skills, and attitudes required to deliver successful task performance (Mulder, 2014). According to Senge (1990), the crucial element in systems thinking is the ability to adopt a holistic view of the organization, seeing interrelationships rather than things. Wiek *et al.* (2011), in the context of sustainability, view STC as the ability to analyze complex systems across different domains (society, environment, economy, etc.) and different scales (local to global). Systems thinking in SMEs remains an under-studied area (Kim *et al.*, 2014). Building on Ploum *et al.* (2018) and Wiek *et al.* (2011), CSR-STC can be defined as the ability to identify and analyze all relevant systems across different domains in relation to CSR objectives.

Osagie *et al.* (2016) highlight that systems thinking has both internal and external components; that is, it encompasses the internal subsystem of the company and the larger systems in which the company is embedded. Galleli *et al.* (2020) point to it as a critical competence for strategic transitions toward sustainability. In a recent study on sustainable purchasing and supply management, STC was considered a core competence for sustainable purchasing and supply management (Schulze and Bals, 2020), and Wesselink *et al.* (2015) show STC is relevant to multinational firms' CSR objectives. A recent study by Schulte and Paris (2024) shows that systems thinking is linked to sustainability practices also in SMEs. STC is required to integrate social, environmental, and societal issues into a company's plans and to identify and analyze key operations that might negatively impact the environment or society (Ploum *et al.*, 2018). Systems thinking can help make sense of the interlinked networks of organizations, institutions, and individuals involved in CSR (Maclagan, 2008), albeit practitioners would not necessarily use the term systems thinking competence.

As far as we can discern, the impact of CSR-STC on SME performance has not been studied previously. However, STC is also strongly connected to supply chain management (Schulze and Bals, 2020), which in turn is linked with performance (Söderberg and Bengtsson, 2010). Prior research offers evidence of direct and mediated linkages between STC and performance (Jaaron and Backhouse, 2019; Kim *et al.*, 2014). Furthermore, as described above, CSR-STC describes the ability to consider multiple interlinked systems and their relationships to the focal object, that is, the social, environmental, and societal impacts of the company. Systems thinking enables companies to deal with the changing dynamics of the environment, suggesting that CSR-STC is related to the ability to cope with challenging environments such as those SMEs faced during the recent pandemic.

Based on prior research, we propose that CSR systems thinking competence has a positive relationship with SME performance, measured using both financial and non-financial indicators. As with H1 and H2, we suggest that the effect on financial performance may be either direct or indirect, as it may be mediated through non-financial performance. Hence, we propose the following hypotheses to be tested:

- H3a. CSR systems thinking competence has a positive and direct effect on non-financial performance during a global crisis.
- H3b. CSR systems thinking competence has a positive and direct effect on financial performance during a global crisis.
- H3c. CSR systems thinking competence has an indirect effect on financial performance through non-financial performance.

Methodology*Data collection and the context*

An online questionnaire was distributed to gather data from Finnish SMEs in South Ostrobothnia in October 2021, by which time the COVID-19 pandemic had lasted nearly two

years. We define an SME according to the EU recommendation 2003/361: “The category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 billion.” The study employs a purposive sampling technique (also known as judgmental, selective, or subjective sampling) as described by Sharma (2017), focusing on SMEs in South Ostrobothnia representing Finnish SMEs. This region is appropriate for the study, as over 99% of companies are SME-sized. The presence of a diverse range of SMEs in various industries, including trade, manufacturing, and services, allows for a comprehensive examination within the SME sector. Additionally, judgmental sampling was used to select SMEs in the region that had collaborated with regional research organizations in the previous five years. These SMEs were deemed suitable for addressing research questions related to performance as these SMEs were active in their development work. Prior research supports the successful use of judgmental sampling (Dixit *et al.*, 2021), where researchers rely on their judgment to select the study’s target audience and can justify generalizations (Sharma, 2017). A database of SMEs ($n =$ approximately 2000) meeting the criteria was utilized, and a link to a web-based survey was emailed to all SME owner-managers.

We eventually obtained responses from 204 SME owner-managers. The SMEs represent different sectors: trade 15%, manufacturing 32%, expert services 9%, other services 18%, construction 6%, and other 20%. The firm sizes varied from one person to 240 employees (mean 17).

Variables

The SME performance measure used a scale from Lämsiluoto *et al.* (2019) containing both financial and non-financial performance. The respondents were asked to rate the performance of their firms compared to their competitors during the crisis (i.e. the preceding two years). A 7-point Likert scale was used following Lämsiluoto *et al.* (2019), anchored with *unsatisfactory* (1) and *excellent* (7). The items for SME performance are presented in Table 1. Subjective measures of performance have been used widely in prior research (Richard *et al.*, 2009) due to the non-availability, inconsistency, and noncomparability of objective measures (Singh *et al.*, 2016). Although subjective measures of performance have been criticized (Meier and O’Toole, 2013), prior research proves that subjective and objective measures are strongly correlated (Vij and Bedi, 2016), have good convergent validity, discriminant validity, and construct validity (Wall *et al.*, 2004), and can be successfully employed to assess organizational performance (Singh *et al.*, 2016).

SR-HRM was measured with a three-item scale adopted by Hooi *et al.* (2016) and Diaz-Carrion *et al.* (2019). Community social responsibility was measured based on the work of Besser and Miller (2001) and Hooi *et al.* (2016) with a two-item instrument. CSR systems thinking competence (CSR-STC) was measured with a three-item scale developed by Ploum *et al.* (2018). With all these scales, SME owner-managers were asked to rate their opinion on the presented statements on a seven-point Likert scale anchored with *completely disagree* (1) and *agree completely* (7). All the items are presented in Table 1.

Initial analysis, reliability, and validity

Cronbach’s alphas for the scales were all at least 0.70, as recommended by Nunnally (1978), suggesting the internal consistency of the scales is good. The Cronbach’s alpha for FPERF (financial performance) was 0.84; for NPERF (non-financial performance) it was 0.88; for CSR-STC, 0.87; for ComSR, 0.70; and SR-HRM, 0.73. In addition, factor loadings were greater than 0.50 and composite reliability at least 0.70. Average variance extracted (AVE) values were greater than 0.50 following the recommendation of Fornell and Larcker (1981). Accordingly, the convergent validity was good. Discriminant validity was evaluated through average shared variance (ASV) and maximum shared variance (MSV). The values should be

Table 1. Measurement constructs and items

<p><i>Financial performance (FPERF)</i> Lämsiluoto <i>et al.</i> (2019) FPERF1: Return on investment FPERF2: Profit FPERF3: Cash flow from operations FPERF4: Solvency (equity ratio, gearing) FPERF5: Cost Control</p> <p><i>Socially Responsible Human Resource Management (SR-HRM)</i> Hooi <i>et al.</i> (2016) and Diaz-Carrion <i>et al.</i> (2019) SR-HRM 1: We actively promote diversity in our company SR-HRM 2: We implement flexible policies to encourage a good work-life balance SR-HRM 3: We support our employees who want to acquire additional education</p> <p><i>CSR Systems Thinking Competence</i> Ploum <i>et al.</i> (2018) CSR-STC1: We can identify the key operations of the company that have a negative impact on the environment or society CSR-STC2: We can analyze our company's strengths and weaknesses of production chains and propose improvements to reduce the negative effects on the environment or society CSR-STC3: We can integrate social, environmental, and societal issues into the company's plans</p> <p>Source(s): Authors' own work</p>	<p><i>Non-financial performance (NPERF)</i> Lämsiluoto <i>et al.</i> (2019) NPERF1: Development of new products NPERF2: Sales volume NPERF3: Market share NPERF4: Market developments NPERF5: Personnel developments NPERF6: Political-public affairs</p> <p><i>Community Social Responsibility (ComSR)</i> Besser and Miller (2001) and Hooi <i>et al.</i> (2016)</p> <p>ComSR1: Our company contributes to campaigns and projects that promote the well-being of society ComSR2: Our company takes an active part in strengthening and improving the local community</p>
---	--

smaller than the AVE (Hair *et al.*, 2010). Discriminant validity was good. Construct factor loadings and values of composite reliability (CR), MSV, ASV, and AVE are presented in Table 2.

Podsakoff *et al.* (2003, 2012) highlight the potential issue of common method biases when data for both predictor and criterion variables are collected from the same individual within the same measurement context. To mitigate this bias, they recommend following good measurement practices and implementing additional procedural and statistical remedies. For example, varying scale types and anchoring labels can mitigate common method bias, which was done in this research.

Another remedy is Harman's single-factor test. The underlying assumption is that if substantial common method variance exists, either a single factor will emerge or one general factor will account for most of the covariance among the measures. In our study, we employed Harman's single-factor test to control for method bias using principal axis factoring, as recommended by Podsakoff *et al.* (2003). All the study variables were added to the model with one factor. Since the factor explained only 31% of the variance, substantial common method variance does not appear to be present in our data.

Analysis method

We used linear regression analysis to test the hypotheses. We used firm size and industry performance as control variables. Firm size was measured through employee numbers and transformed into a natural logarithm. Industry performance was measured with a question: "How would you describe the performance of your company's main industry over the past 1–2 years?" The answer was measured on a 7-point Likert scale anchored with *very weak* (1)

Table 2. Convergent and discriminant validity of the scales

Scale	Item	Factor loading	CR	MSV	ASV	AVE
Financial Performance (FPERF)	FPERF1	0.72	0.83	0.22	0.09	0.59
	FPERF2	0.81				
	FPERF3	0.84				
	FPERF4	0.63				
	FPERF5	0.50				
Non-financial Performance (NFPERF)	NFPERF1	0.77	0.86	0.22	0.14	0.56
	NFPERF2	0.72				
	NFPERF3	0.69				
	NFPERF4	0.86				
	NFPERF5	0.71				
	NFPERF6	0.52				
CSR-STC	CSR-STC1	0.67	0.81	0.22	0.12	0.69
	CSR-STC2	0.97				
	CSR-STC3	0.85				
ComSR	CSR1	0.73	0.70	0.24	0.11	0.53
	CSR2	0.73				
SR-HRM	SR-HRM1	0.55	0.75	0.24	0.17	0.51
	SR-HRM2	0.66				
	SR-HRM3	0.88				

Source(s): Authors' own work

and *very good* (7). Creating a dummy variable made it possible to use the question in linear regression analysis. An SME with a value of between one and four was coded as 0 (weak or neutral performance of the main industry), and those with a value of greater than four were coded as 1 (good or excellent performance of the main industry). In the data, 54% of the SMEs evaluated their industry performance higher than four and were coded as one (good or excellent industry performance).

First, linear regression analysis was used to test the direct effects presented in [H1a](#), [H1b](#), [H2a](#), [H2b](#), [H3a](#), and [H3b](#). Second, we used path analysis to test the indirect effects presented in [H1c](#), [H2c](#), and [H3c](#). Path analysis is an extension of multiple regression that allows for the use of complex models and the exploration of scenarios with multiple interdependent variables, including chains of influence ([Steiner, 2005](#)). Thus, indirect effects can be tested.

Path analysis was performed with AMOS, using fit indices suggested by [Byrne \(2010\)](#), which consider an acceptable model fit as having $\chi^2/\text{degrees of freedom (df)}$ ratios (CMIN/DF) less than 3.0, Comparative Fit Index (CFI) values greater than 0.90, Normal Fit Index (NFI) values greater than 0.95, and Root Mean Square Error of Approximation (RMSEA) values less than 0.08. [Hoyle \(1995\)](#) stated that a sample size of 100–200 is sufficient to inspire confidence in the goodness of fit test. In general, a model should contain 10 to 20 times as many observations as variables ([Mitchell, 1993](#)). Our sample size was 204, so it was adequate for testing the goodness of fit. The model has seven variables, which also accords with Mitchell's recommendation.

Results

First, we checked that the assumptions for performing linear regression analysis were met (normal distribution, the expected value of error zero; homoscedasticity, no autocorrelation, no correlation between the error terms and the independent variables, multicollinearity) ([Menard, 2010](#)). The data met those criteria.

The first model tests the effects of CSR-STC, ComSR, and SR-HRM on the financial performance of SMEs. [Table 3](#) presents the results of linear regression analysis. Those results

Table 3. Linear regression analysis for financial SME performance

Variables	B (Std. error)	β
Constant	3.11 (0.39)***	
CSR-STC	0.18 (0.08)*	0.18
ComSR	-0.09 (0.06)	-0.11
SR-HRM	0.10 (0.08)	0.11
LnSize	0.09 (0.06)	0.12
Industry performance	0.65 (0.15)***	0.30
F statistics	8.72***	
Adjusted R^2	0.18	

Note(s): * $p < 0.05$; *** $p < 0.001$

Source(s): Authors' own work

show that the tested model explains 18% of the variance in the financial performance of SMEs ($F = 8.72, p < 0.001$). CSR-STC has a positive impact on the financial performance of SMEs ($\beta = 0.18, p < 0.05$). However, ComSR or SR-HRM do not have a significant relationship with financial performance. The control variable of industry performance significantly explains financial performance ($\beta = 0.30, p < 0.001$). Results of the linear regression analysis give support for hypothesis H3b. CSR systems thinking competence has a positive and direct effect on financial performance during a global crisis. However, H1b and H2b were not supported.

The second model examined the effects on non-financial performance. The results of the regression analysis show that our model explains 34% of the variance in non-financial performance in SMEs ($F = 20.03, p < 0.001$) (see Table 4). Both ComSR ($\beta = 0.17, p < 0.05$) and SR-HRM ($\beta = 0.17, p < 0.05$) positively explain the non-financial performance of SMEs. In addition, the control variables of firm size ($\beta = 0.25, p < 0.001$) and industry performance ($\beta = 0.30, p < 0.001$) are significant in the model. However, CSR-STC has no relationship with non-financial performance. Thus, hypotheses H1a and H2a were supported. Socially responsible human resource management and community social responsibility have a positive and direct effect on non-financial performance during a global crisis. However, H3a was not supported. Additionally, the results of the linear regression analysis show that there is no indirect effect of CSR-STC on financial performance through non-financial performance, as no significant relationship was found between non-financial performance and CSR-STC.

Second, we conducted a path analysis to test the indirect effects of ComSR and SR-HRM on financial performance through non-financial performance. Linear regression analysis had already shown that there was no significant relationship between CSR-STC and non-financial performance; therefore, an indirect effect is not possible, and hypothesis H3c was not supported.

Table 4. Linear regression analysis for non-financial SME performance

Variables	B (Std. error)	β
Constant	2.16 (0.34)***	
CSR-STC	0.07 (0.07)	0.07
ComSR	0.13 (0.05)*	0.17
SR-HRM	0.15 (0.07)*	0.17
LnSize	0.19 (0.05)***	0.25
Industry performance	0.65 (0.13)***	0.30
F statistics	20.03***	
Adjusted R^2	0.34	

Note(s): * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Source(s): Authors' own work

Non-financial performance (e.g. development of new products, market development, personnel development) can positively affect financial performance (e.g. return of assets, profit, cash flow) (Refmasari and Supriyono, 2019). Accordingly, we tested whether ComSR and SR-HRM indirectly affect financial performance through non-financial performance. We used path analysis to test the model with the paths indicated by our data.

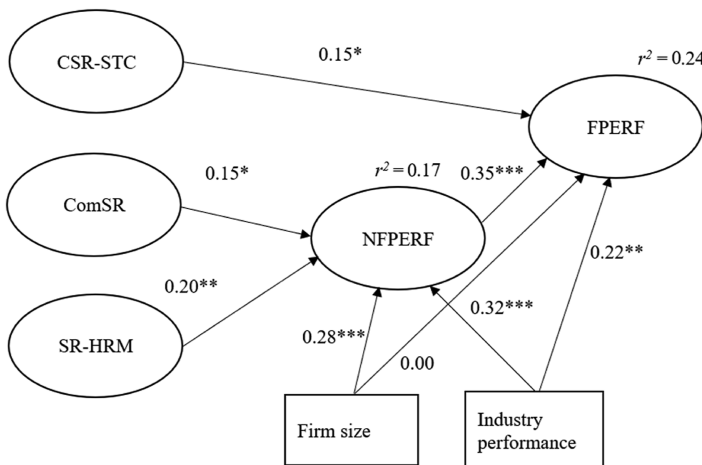
The tested model produced a good fit: $CMIN/DF = 1.56$, $NFI = 0.98$, $TLI = 0.94$, $CFI = 0.99$, $RFI = 0.85$, $RMSEA = 0.05$. In addition, the model produced an insignificant Chi-Square (4.68, $p = 0.197$) as recommended. Table 5 presents the regression weights for the tested model.

The results of the path model give support for hypotheses H1c and H2c. Socially responsible human resource management and community social responsibility have indirect effects on financial performance through non-financial performance. The standardized indirect effect from SR-HRM to non-financial performance is 0.06 with a p -value of less than 0.05, and from ComSR to non-financial performance is 0.06 with a p -value of less than 0.05. Accordingly, there is a statistically significant indirect effect, albeit the effect is quite small. Figure 1 presents the tested path model.

Table 5. Regression weights of the path model

	Estimate	SE.	CR.	Standardized regression weights
NFPERF ← ComSR	0.11*	0.05	2.27	0.15
NFPERF ← SR-HRM	0.18**	0.06	2.95	0.20
NFPERF ← INDUSTRY PERF	0.69***	0.13	5.45	0.32
NFPERF ← FIRM SIZE	0.21***	0.05	4.56	0.28
FPERF ← CSR-STC	0.14*	0.06	2.34	0.15
FPERF ← NFPERF	0.35***	0.07	4.71	0.35
FPERF ← INDUSTRY PERF	0.47**	0.15	3.16	0.22
FPERF ← FIRM SIZE	0.00	0.05	0.01	0.00

Note(s): * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$
Source(s): Authors' own work



Note(s): * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$
Source(s): Authors' own work

Figure 1. Tested path model with standardized coefficients and squared multiple correlations

Discussion

Our results indicate that different areas of CSR affect performance in SMEs differently during a crisis. The CSR-STC variable positively and directly impacts financial performance (return of assets, profit, cash flow, solvency, cost control) but not non-financial performance (development of new products, sales volume, market share, market development, personnel developments, political-public affairs). At the same time, ComSR and SR-HRM contribute to non-financial performance among SMEs. However, ComSR and SR-HRM have a small indirect effect on financial performance. Our results indicate that all the areas of CSR in this study are factors in the performance of SMEs, especially during a global crisis. Our results support the findings of [Madueño et al. \(2016\)](#) for indirect effects and [Vo \(2011\)](#) for direct effects. Similarly, our findings align with those of [Oduro et al. \(2022\)](#), which demonstrate that social-oriented CSR activities positively and significantly influence the overall, financial, and non-financial performance of SMEs. However, our data collected in the context of a crisis contrasts with those of [Torugsa et al. \(2012\)](#) in showing that the effect of employee responsibility on financial performance is more likely to be indirect than direct, at least in the context of a Nordic welfare society. SR-HRM contributes directly to non-financial performance in SMEs and indirectly to financial performance, showing that investment in employees pays off in a crisis, even if financial performance is not directly affected. Accordingly, the results support previous studies indicating that the effective use of HRM practices contributes to the performance of SMEs ([Michie and Sheehan, 2008](#); [Nguyen and Bryant, 2004](#); [Sheehan, 2014](#)). However, our research considered specifically socially responsible HRM practices. Accordingly, our results suggest that in SMEs, the adoption of SR-HRM practices increases employee satisfaction with and commitment to the organization, ultimately resulting in improved organizational performance (e.g. [Barrick et al., 2015](#); [Shen and Benson, 2016](#)). Our results also support arguments suggesting that CSR engagement benefits SMEs. When considering our results in the Nordic context, the fact that the link between SR-HRM and financial performance is indirect rather than direct may be due to the good level of public services provided by a welfare society. Those services include a range of support systems that can be mobilized during a crisis. The result is a business environment in which companies need not address their workers' basic needs, even in times of crisis. Put differently, in the Finnish context, investments in SR-HRM during crises are likely to positively influence a company's non-financial performance. However, their direct impact on financial performance may be less pronounced due to the significant role played by broader societal factors. Moreover, ComSR directly enhances the non-financial performance of SMEs and indirectly influences financial performance, aligning with [Niehm et al. \(2008\)](#), who emphasized the importance of community commitment in driving perceived business performance. Furthermore, our findings partially align with the research conducted by [Stoian and Gilman \(2017\)](#), which demonstrated that SMEs could achieve accelerated growth by actively participating in corporate social responsibility endeavors that specifically target the local community.

CSR-STC differs from the other two aspects of SME CSR discussed: It has a positive impact on financial performance but not on non-financial performance. This finding contrasts with that of [Kim et al. \(2014\)](#) that STC should indirectly affect market performance. The result may reflect differences in context (Korean hi-tech SMEs vs. Finnish SMEs from various industries) or specific aspects of the measures used. The positive impact of CSR-STC aligns with our original thinking, showing that the ability to consider complex systems and their interrelations holistically contributes positively to performance in challenging environments. That same CSR-STC enables SMEs to focus on crucial CSR issues without jeopardizing their ability to maintain and develop competitiveness. Furthermore, well-developed CSR-STC might reflect an overall level of STC, thus extending to competence crucial to financial performance during a crisis. Overall, our results indicate that the three aspects of SME CSR have different performance mechanisms during crises. Subsequent research should finetune instruments for measuring CSR activities in SMEs and scrutinize the pathways to impact in

stable times and crises: the reaction to COVID-19 may have overshadowed impacts on financial performance.

This study makes a significant contribution to the discussions on TBL in SMEs by illustrating that the way a company manages its relationships with both internal and external stakeholders (Žak, 2015) play a crucial role in determining its success during a crisis. The findings emphasize that effective stakeholder engagement is essential for maintaining and enhancing a company's performance in challenging times. Above all, our findings provide a clearer understanding of how specific dimensions of CSR influence SME performance during a crisis. Additionally, our findings contribute to the discussion on the importance of socio-cultural context, particularly in SME CSR research (Gjølberg, 2010; Soundararajan *et al.*, 2018). The cultural context, both at the societal and local levels, can play a crucial role in shaping how small businesses implement CSR practices or how these practices impact their performance. The study also contributes by demonstrating the applicability of systems thinking, and in particular, systems thinking competence, to CSR. Although some prior evidence on linkages between systems thinking competence and performance is available, to the best of our knowledge the impact of CSR systems thinking competence on performance has not been addressed before.

The results have several implications for practice. The fact that the systems thinking competence component of CSR positively and directly impacts financial performance suggests that SME top management needs to adopt a holistic approach to CSR objectives and further, to view them as an inherent component in planning. From the perspective of SR-HRM, the study results strongly indicate that SME management needs to recognize the importance of investing in employees. Adopting SR-HRM practices increases employee satisfaction and commitment and improves organizational performance. Enhancing job resources through actions like participative management, increased social support, and team building can foster greater job engagement (Schaufeli and Bakker, 2004). Therefore, SMEs should invest in SR-HRM, especially in times of crisis. Uncertainty and changes in working practices undermine the overall well-being of employees, whether the threats come from inside or outside the company (Cheng and Chan, 2008). While making substantial contributions to global social impact may present challenges for small businesses, their contributions within their community can be significant and generate goodwill. Therefore, our results imply that SME management should prioritize community social responsibility and investment in their local community. Having a strong reputation and being recognized as reliable can greatly facilitate operations. Businesses that uphold high social responsibility can enjoy various benefits, such as attracting and retaining employees, enhancing their reputation, improving stakeholder relationships, and increasing customer loyalty (Moir, 2001). Additionally, community engagement further strengthens these advantages by boosting community perception, fostering a stronger corporate reputation, and building increased trust and customer loyalty (Deigh *et al.*, 2016). A limitation is that we only surveyed SMEs in one Nordic country. Although the Nordic countries have generalizable characteristics, we cannot say that the results of our study are directly comparable to the other Nordic countries. A further research topic could be to compare Nordic companies in different CSR dimensions. Second, as Kim *et al.* (2014) noted, there is more to learn about systems thinking in SMEs. Future studies are needed to address various aspects of CSR-STC exhibited by SMEs. In addition, objective performance measures could be used to verify the results, even though Wall *et al.* (2004) demonstrated the equivalence of objective and subjective performance measures. Further, longitudinal studies considering the development of STC in SMEs and its relation to performance and growth in different environments would help to establish the long-term impact of systems thinking.

Conclusions

In times of crisis, industry performance is significant for financial performance, but CSR has a positive relationship with the company's performance. The results show that different

dimensions of CSR have different impacts on performance in times of crisis. Overall, our research underscores the crucial strategic importance of CSR for SMEs, particularly in navigating challenging periods. The findings demonstrate that CSR can serve as a significant driver of both financial and non-financial performance (Oduro *et al.*, 2022, 2024), enabling SMEs to maintain competitiveness even in the face of challenging circumstances. By adopting tailored CSR practices, SMEs can enhance their resilience, foster stronger relationships with stakeholders, and ensure long-term sustainability even in turbulent environments.

References

- Abraham, K.T. (2024), "Responsible leadership and triple bottom line performance: imperatives for corporate sustainability", *Journal of Global Responsibility*, Vol. 15 No. 4, pp. 485-500, doi: [10.1108/JGR-06-2023-0111](https://doi.org/10.1108/JGR-06-2023-0111).
- Ağan, Y., Kuzey, C., Acar, M.F. and Açıkgöz, A. (2016), "The relationships between corporate social responsibility, environmental supplier development, and firm performance", *Journal of Cleaner Production*, Vol. 112, pp. 1872-1881, doi: [10.1016/j.jclepro.2014.08.090](https://doi.org/10.1016/j.jclepro.2014.08.090).
- Bahta, D., Yun, J., Islam, M.R. and Ashfaq, M. (2021), "Corporate social responsibility, innovation capability and firm performance: evidence from SME", *Social Responsibility Journal*, Vol. 17 No. 6, pp. 840-860, doi: [10.1108/srj-12-2019-0401](https://doi.org/10.1108/srj-12-2019-0401).
- Barrick, M.R., Thurgood, G.R., Smith, T.A. and Courtright, S.H. (2015), "Collective organizational engagement: linking motivational antecedents, strategic implementation, and firm performance", *Academy of Management Journal*, Vol. 58 No. 1, pp. 111-135, doi: [10.5465/amj.2013.0227](https://doi.org/10.5465/amj.2013.0227).
- Beer, M., Boselie, P. and Brewster, C. (2015), "Back to the future: implications for the field of HRM of the multistakeholder perspective proposed 30 Years ago", *Human Resource Management*, Vol. 54 No. 3, pp. 427-438, doi: [10.1002/hrm.21726](https://doi.org/10.1002/hrm.21726).
- Besser, T.L. and Miller, N. (2001), "Is the good corporation dead? The community social responsibility of small business operators☆", *The Journal of Socio-Economics*, Vol. 30 No. 3, pp. 221-241, doi: [10.1016/S1053-5357\(01\)00094-4](https://doi.org/10.1016/S1053-5357(01)00094-4).
- Byrne, B.M. (2010), *Structural Equation Modeling with Amos: Basic Concepts, Applications, and Programming*, 2nd ed., Taylor & Francis Group, New York.
- Carroll, A.B. (2016), "Carroll's pyramid of CSR: taking another look", *International Journal of Corporate Social Responsibility*, Vol. 1 No. 1, p. 3, doi: [10.1186/s40991-016-0004-6](https://doi.org/10.1186/s40991-016-0004-6).
- Cheng, G.H.L. and Chan, D.K.S. (2008), "Who suffers more from job insecurity? A meta-analytic review", *Applied Psychology*, Vol. 57 No. 2, pp. 272-303.
- Choongo, P. (2017), "A longitudinal study of the impact of corporate social responsibility on firm performance in SMEs in Zambia", *Sustainability*, Vol. 9 No. 8, p. 1300, doi: [10.3390/su9081300](https://doi.org/10.3390/su9081300).
- Clauss, T., Breier, M., Kraus, S., Durst, S. and Mahto, R.V. (2022), "Temporary business model innovation – SMEs' innovation response to the Covid-19 crisis", *R&D Management*, Vol. 52 No. 2, pp. 294-312, doi: [10.1111/radm.12498](https://doi.org/10.1111/radm.12498).
- Deigh, L., Farquhar, J., Palazzo, M. and Siano, A. (2016), "Corporate social responsibility: engaging the community", *Qualitative Market Research: An International Journal*, Vol. 19 No. 2, pp. 225-240, doi: [10.1108/qmr-02-2016-0010](https://doi.org/10.1108/qmr-02-2016-0010).
- Diaz-Carrion, R., López-Fernández, M. and Romero-Fernandez, P.M. (2019), "Evidence of different models of socially responsible HRM in Europe", *Business Ethics: A European Review*, Vol. 28 No. 1, pp. 1-18, doi: [10.1111/beer.12203](https://doi.org/10.1111/beer.12203).
- Dixit, S., Singh, S., Dhir, S. and Dhir, S. (2021), "Antecedents of strategic thinking and its impact on competitive advantage", *Journal of Indian Business Research*, Vol. 13 No. 4, pp. 437-458, doi: [10.1108/JIBR-08-2020-0262](https://doi.org/10.1108/JIBR-08-2020-0262).
- Dupont, C., Ferauge, P. and Giuliano, R. (2013), "The impact of corporate social responsibility on human resource management: GDF SUEZ's case", *International Business Research*, Vol. 6 No. 12, p. 145, doi: [10.5539/ibr.v6n12p145](https://doi.org/10.5539/ibr.v6n12p145).

- Eggers, F. (2020), "Masters of disasters? Challenges and opportunities for SMEs in times of crisis", *Journal of Business Research*, Vol. 116, pp. 199-208, doi: [10.1016/j.jbusres.2020.05.025](https://doi.org/10.1016/j.jbusres.2020.05.025).
- Elkington, J. (1994), "Towards the sustainable corporation: win-win-win business strategies for sustainable development", *California Management Review*, Vol. 36 No. 2, pp. 90-100, doi: [10.2307/41165746](https://doi.org/10.2307/41165746).
- Elkington, J. (1999), "Triple bottom line revolution-reporting for the third millennium", *Australian CPA*, Vol. 69 No. 2, pp. 75-76.
- European Investment Bank EIB (2021), "EIB investment survey 2021 – EU overview", doi: [10.2867/282464](https://doi.org/10.2867/282464).
- Fornell, C. and Larcker, D. (1981), "Structural equation models with unobservable variables and measurement error: algebra and statistics", *Journal of Marketing Research*, Vol. 18 No. 3, pp. 382-388, doi: [10.1177/002224378101800313](https://doi.org/10.1177/002224378101800313).
- Gallagher, V.C., Hrivnak, M.W., Valcea, S., Mahoney, C.B. and LaWong, D.A. (2018), "A comprehensive three-dimensional sustainability measure: the 'missing P' of 'people' – a vital stakeholder in sustainable development", *Corporate Social Responsibility and Environmental Management*, Vol. 25 No. 5, pp. 772-787, doi: [10.1002/csr.1493](https://doi.org/10.1002/csr.1493).
- Gallardo-Vázquez, D., Valdez-Juárez, L.E. and Castuera-Díaz, Á.M. (2019), "Corporate social responsibility as an antecedent of innovation, reputation, performance, and competitive success: a multiple mediation analysis", *Sustainability*, Vol. 11 No. 20, p. 5614, doi: [10.3390/su11205614](https://doi.org/10.3390/su11205614).
- Galleli, B., Hourneaux Jr, F. and Munck, L. (2020), "Sustainability and human competences: a systematic literature review", *Benchmarking: An International Journal*, Vol. 27 No. 7, pp. 1981-2004, doi: [10.1108/BIJ-12-2018-0433](https://doi.org/10.1108/BIJ-12-2018-0433).
- Gjølberg, M. (2010), "Varieties of corporate social responsibility (CSR): CSR meets the 'Nordic Model'", *Regulation and Governance*, Vol. 4 No. 2, pp. 203-229, doi: [10.1111/j.1748-5991.2010.01080.x](https://doi.org/10.1111/j.1748-5991.2010.01080.x).
- Hair, J.F., Black, W.C. and Babin, B.J. (2010), *Multivariate Data Analysis: A Global Perspective*, Pearson Education, New Jersey.
- Hoi, C.K., Wu, Q. and Zhang, H. (2018), "Community social capital and corporate social responsibility", *Journal of Business Ethics*, Vol. 152 No. 3, pp. 647-665, doi: [10.1007/s10551-016-3335-z](https://doi.org/10.1007/s10551-016-3335-z).
- Hooi, H.C., Ahmad, N.H., Amran, A. and Rahman, S.A. (2016), "The functional role of entrepreneurial orientation and entrepreneurial bricolage in ensuring sustainable entrepreneurship", *Management Research Review*, Vol. 39 No. 12, pp. 1616-1638, doi: [10.1108/MRR-06-2015-0144](https://doi.org/10.1108/MRR-06-2015-0144).
- Hoyle, R.H. (1995), *Structural Equation Modeling: Concepts, Issues, and Applications*, Sage Publications, Inc.
- Ikram, M., Sroufe, R., Mohsin, M., Solangi, Y.A., Shah, S.Z.A. and Shahzad, F. (2020), "Does CSR influence firm performance? A longitudinal study of SME sectors of Pakistan", *Journal of Global Responsibility*, Vol. 11 No. 1, pp. 27-53, doi: [10.1108/JGR-12-2018-0088](https://doi.org/10.1108/JGR-12-2018-0088).
- Jaaron, A.A.M. and Backhouse, C.J. (2019), "Fostering sustainable performance in services through systems thinking", *The Service Industries Journal*, Vol. 39 Nos 15-16, pp. 1072-1098, doi: [10.1080/02642069.2018.1551371](https://doi.org/10.1080/02642069.2018.1551371).
- Jamali, D.R., El Dirani, A.M. and Harwood, I.A. (2015), "Exploring human resource management roles in corporate social responsibility: the CSR-HRM co-creation model", *Business Ethics: A European Review*, Vol. 24 No. 2, pp. 125-143, doi: [10.1111/beer.12085](https://doi.org/10.1111/beer.12085).
- Jamali, D., Lund-Thomsen, P. and Jeppesen, S. (2017), "SMEs and CSR in developing countries", *Business and Society*, Vol. 56 No. 1, pp. 11-22, doi: [10.1177/0007650315571258](https://doi.org/10.1177/0007650315571258).
- Kim, Y.A., Akbar, H., Tzokas, N. and Al-Dajani, H. (2014), "Systems thinking and absorptive capacity in high-tech small and medium-sized enterprises from South Korea", *International Small Business Journal*, Vol. 32 No. 8, pp. 876-896, doi: [10.1177/0266242613483632](https://doi.org/10.1177/0266242613483632).

- Kotane, I. and Kuzmina-Merlino, I. (2017), "Analysis of small and medium sized enterprises' business performance evaluation practice at transportation and storage services sector in Latvia", *Procedia Engineering*, Vol. 178, pp. 182-191, doi: [10.1016/j.proeng.2017.01.093](https://doi.org/10.1016/j.proeng.2017.01.093).
- Lans, T., Blok, V. and Wesseling, R. (2014), "Learning apart and together: towards an integrated competence framework for sustainable entrepreneurship in higher education", *Journal of Cleaner Production*, Vol. 62, pp. 37-47, doi: [10.1016/j.jclepro.2013.03.036](https://doi.org/10.1016/j.jclepro.2013.03.036).
- Lämsiluoto, A., Joensuu-salo, S., Varamäki, E., Viljamaa, A. and Sorama, K. (2019), "Market orientation and performance measurement system adoption impact on performance in SMEs*", *Journal of Small Business Management*, Vol. 57 No. 3, pp. 1027-1043, doi: [10.1111/jsbm.12393](https://doi.org/10.1111/jsbm.12393).
- Lee, K.H., Herold, D.M. and Yu, A.L. (2016), "Small and medium enterprises and corporate social responsibility practice: a Swedish perspective", *Corporate Social Responsibility and Environmental Management*, Vol. 23 No. 2, pp. 88-99, doi: [10.1002/csr.1366](https://doi.org/10.1002/csr.1366).
- Maclagan, P. (2008), "Organizations and responsibility: a critical overview", *Systems Research and Behavioral Science*, Vol. 25 No. 3, pp. 371-381, doi: [10.1002/sres.903](https://doi.org/10.1002/sres.903).
- Madueño, J.H., Jorge, M.L., Conesa, I.M. and Martínez-Martínez, D. (2016), "Relationship between corporate social responsibility and competitive performance in Spanish SMEs: empirical evidence from a stakeholders' perspective", *BRQ Business Research Quarterly*, Vol. 19 No. 1, pp. 55-72, doi: [10.1016/j.brq.2015.06.002](https://doi.org/10.1016/j.brq.2015.06.002).
- Magrizos, S., Apospori, E., Carrigan, M. and Jones, R. (2021), "Is CSR the panacea for SMEs? A study of socially responsible SMEs during economic crisis", *European Management Journal*, Vol. 39 No. 2, pp. 291-303, doi: [10.1016/j.emj.2020.06.002](https://doi.org/10.1016/j.emj.2020.06.002).
- Maltz, E. and Pierson, K. (2022), "Maximizing corporate social innovation to enhance social and shareholder value: a systems thinking model of industry transformation", *Journal of Business Research*, Vol. 138, pp. 12-25, doi: [10.1016/j.jbusres.2021.08.071](https://doi.org/10.1016/j.jbusres.2021.08.071).
- Martinez-Conesa, I., Soto-Acosta, P. and Palacios-Manzano, M. (2017), "Corporate social responsibility and its effect on innovation and firm performance: an empirical research in SMEs", *Journal of Cleaner Production*, Vol. 142, pp. 2374-2383, doi: [10.1016/j.jclepro.2016.11.038](https://doi.org/10.1016/j.jclepro.2016.11.038).
- Meier, K.J. and O'Toole, L.J., Jr (2013), "Subjective organizational performance and measurement error: common source bias and spurious relationships", *Journal of Public Administration Research and Theory*, Vol. 23 No. 2, pp. 429-456, doi: [10.1093/jopart/mus057](https://doi.org/10.1093/jopart/mus057).
- Menard, S. (2010), *Logistic Regression: From Introductory to Advanced Concepts and Applications*, Sage, California.
- Michie, J. and Sheehan, M. (2008), "Human resource management and corporate performance: evidence from UK and US small firms", in *International Handbook of Entrepreneurship and HRM*, Edward Elgar Publishing.
- Mitchell, R.J. (1993), "Path analysis: pollination", in Schneiner, S.M. and Gurecitch, J. (Eds), *Design and Analysis of Ecological Experiments*, Chapman & Hall, New York, NY, pp. 211-231.
- Moir, L. (2001), "What do we mean by corporate social responsibility?", *Corporate Governance: The International Journal of Business in Society*, Vol. 1 No. 2, pp. 16-22, doi: [10.1108/EUM0000000005486](https://doi.org/10.1108/EUM0000000005486).
- Mulder, M. (2014), "Conceptions of professional competence", in Billett, S., Harteis, C. and Gruber, H. (Eds), *International Handbook of Research in Professional and Practice-Based Learning*, Springer Netherlands, Dordrecht, pp. 107-137, doi: [10.1007/978-94-017-8902-8_5](https://doi.org/10.1007/978-94-017-8902-8_5).
- Nguyen, T.V. and Bryant, S.E. (2004), "A study of the formality of human resource management practices in small and medium-size enterprises in Vietnam", *International Small Business Journal*, Vol. 22 No. 6, pp. 595-618, doi: [10.1177/0266242604047412](https://doi.org/10.1177/0266242604047412).
- Nie, D., Lämsä, A.-M. and Puçëtaitè, R. (2018), "Effects of responsible human resource management practices on female employees' turnover intentions", *Business Ethics: A European Review*, Vol. 27 No. 1, pp. 29-41, doi: [10.1111/beer.12165](https://doi.org/10.1111/beer.12165).

- Niehm, L.S., Swinney, J. and Miller, N.J. (2008), "Community social responsibility and its consequences for family business performance", *Journal of Small Business Management*, Vol. 46 No. 3, pp. 331-350, doi: [10.1111/j.1540-627X.2008.00247.x](https://doi.org/10.1111/j.1540-627X.2008.00247.x).
- Nunnally, J.C. (1978), *Psychometric Theory*, 2nd ed., McGraw-Hill, New York.
- Oduro, S., Adhal Nguar, K.D., De Nisco, A., Alharthi, R.H.E., Maccario, G. and Bruno, L. (2022), "Corporate social responsibility and SME performance: a meta-analysis", *Marketing Intelligence and Planning*, Vol. 40 No. 2, pp. 184-204, doi: [10.1108/mip-05-2021-0145](https://doi.org/10.1108/mip-05-2021-0145).
- Oduro, S., Bruno, L. and Maccario, G. (2024), "Corporate social responsibility (CSR) in SMEs: what we know, what we don't know, and what we should know", *Journal of Small Business and Entrepreneurship*, Vol. 36 No. 2, pp. 207-238, doi: [10.1080/08276331.2021.1951064](https://doi.org/10.1080/08276331.2021.1951064).
- Osagie, E.R., Wesselink, R., Blok, V., Lans, T. and Mulder, M. (2016), "Individual competencies for corporate social responsibility: a literature and practice perspective", *Journal of Business Ethics*, Vol. 135 No. 2, pp. 233-252, doi: [10.1007/s10551-014-2469-0](https://doi.org/10.1007/s10551-014-2469-0).
- Pauwwe, J. and Farndale, E. (2017), *Strategy, HRM, and Performance: A Contextual Approach*, Oxford University Press.
- Peake, W.O., Cooper, D., Fitzgerald, M.A. and Muske, G. (2017), "Family business participation in community social responsibility: the moderating effect of gender", *Journal of Business Ethics*, Vol. 142 No. 2, pp. 325-343, doi: [10.1007/s10551-015-2716-z](https://doi.org/10.1007/s10551-015-2716-z).
- Perrini, F., Russo, A. and Tencati, A. (2007), "CSR strategies of SMEs and large firms. Evidence from Italy", *Journal of Business Ethics*, Vol. 74 No. 3, pp. 285-300, doi: [10.1007/s10551-006-9235-x](https://doi.org/10.1007/s10551-006-9235-x).
- Pham, N.T., Tuan, T.H., Le, T.D., Nguyen, P.N.D., Usman, M. and Ferreira, G.T.C. (2023), "Socially responsible human resources management and employee retention: the roles of shared value, relationship satisfaction, and servant leadership", *Journal of Cleaner Production*, Vol. 414, 137704, doi: [10.1016/j.jclepro.2023.137704](https://doi.org/10.1016/j.jclepro.2023.137704).
- Ploum, L., Blok, V., Lans, T. and Omta, O. (2018), "Toward a validated competence framework for sustainable entrepreneurship", *Organization and Environment*, Vol. 31 No. 2, pp. 113-132, doi: [10.1177/1086026617697039](https://doi.org/10.1177/1086026617697039).
- Podsakoff, P.M., MacKenzie, S.B., Lee, J.-Y. and Podsakoff, N.P. (2003), "Common method biases in behavioral research: a critical review of the literature and recommended remedies", *Journal of Applied Psychology*, Vol. 88 No. 5, pp. 879-903, doi: [10.1037/0021-9010.88.5.879](https://doi.org/10.1037/0021-9010.88.5.879).
- Podsakoff, P.M., MacKenzie, S.B. and Podsakoff, N.P. (2012), "Sources of method bias in social science research and recommendations on how to control it", *Annual Review of Psychology*, Vol. 63 No. 1, pp. 539-569, doi: [10.1146/annurev-psych-120710-100452](https://doi.org/10.1146/annurev-psych-120710-100452).
- Porter, T.B. (2008), "Managerial applications of corporate social responsibility and systems thinking for achieving sustainability outcomes", *Systems Research and Behavioral Science*, Vol. 25 No. 3, pp. 397-411, doi: [10.1002/sres.902](https://doi.org/10.1002/sres.902).
- Ramos-González, M.del M., Rubio-Andrés, M. and Sastre-Castillo, M.Á. (2022), "Effects of socially responsible human resource management (SR-HRM) on innovation and reputation in entrepreneurial SMEs", *International Entrepreneurship and Management Journal*, Vol. 18 No. 3, pp. 1205-1233, doi: [10.1007/s11365-020-00720-8](https://doi.org/10.1007/s11365-020-00720-8).
- Refmasari, V.A. and Supriyono, R.A. (2019), "The effect of non-financial performance on financial performance moderated by information disclosure", *Journal of Economics, Business and Accountancy Ventura*, Vol. 22 No. 2, pp. 248-263, doi: [10.14414/jebav.v22i2.1694](https://doi.org/10.14414/jebav.v22i2.1694).
- Richard, P.J., Devinney, T.M., Yip, G.S. and Johnson, G. (2009), "Measuring organizational performance: towards methodological best practice", *Journal of Management*, Vol. 35 No. 3, pp. 718-804, doi: [10.1177/0149206308330560](https://doi.org/10.1177/0149206308330560).
- Rudolph, C.W., Allan, B., Clark, M., Hertel, G., Hirschi, A., Kunze, F., Shockley, K., Shoss, M., Sonnentag, S. and Zacher, H. (2021), "Pandemics: implications for research and practice in industrial and organizational psychology", *Industrial and Organizational Psychology*, Vol. 14 Nos 1-2, pp. 1-35, doi: [10.1017/iop.2020.48](https://doi.org/10.1017/iop.2020.48).
- Saeidi, S.P., Sofian, S., Saeidi, P., Saeidi, S.P. and Saeidi, S.A. (2015), "How does corporate social responsibility contribute to firm financial performance? The mediating role of competitive

- advantage, reputation, and customer satisfaction”, *Journal of Business Research*, Vol. 68 No. 2, pp. 341-350, doi: [10.1016/j.jbusres.2014.06.024](https://doi.org/10.1016/j.jbusres.2014.06.024).
- Sancho, M.P.L., Martinez-Martinez, D., Jorge, M.L. and Madueno, J.H. (2018), “Understanding the link between socially responsible human resource management and competitive performance in SMEs”, *Personnel Review*, Vol. 2 No. 2, pp. 23-34.
- Schaufeli, W.B. and Bakker, A.B. (2004), “Job demands, job resources, and their relationship with burnout and engagement: a multi-sample study”, *Journal of Organizational Behavior*, Vol. 25 No. 3, pp. 293-315, doi: [10.1002/job.248](https://doi.org/10.1002/job.248).
- Schulte, M.N. and Paris, C.M. (2024), “Working the system—an empirical analysis of the relationship between systems thinking, paradoxical cognition, and sustainability practices”, *Corporate Social Responsibility and Environmental Management*, Vol. 31 No. 5, pp. 4154-4171, doi: [10.1002/csr.2798](https://doi.org/10.1002/csr.2798).
- Schulze, H. and Bals, L. (2020), “Implementing sustainable purchasing and supply management (SPSM): a Delphi study on competences needed by purchasing and supply management (PSM) professionals”, *Journal of Purchasing and Supply Management*, Vol. 26 No. 4, 100625, doi: [10.1016/j.pursup.2020.100625](https://doi.org/10.1016/j.pursup.2020.100625).
- Senge, P.M. (1990), *The Fifth Discipline: The Art and Practice of the Learning Organization*, Doubleday/Currency, New York.
- Sharma, G. (2017), “Pros and cons of different sampling techniques”, *International Journal of Applied Research*, Vol. 3 No. 7, pp. 749-752.
- Sheehan, M. (2014), “Human resource management and performance: evidence from small and medium-sized firms”, *International Small Business Journal*, Vol. 32 No. 5, pp. 545-570, doi: [10.1177/0266242612465454](https://doi.org/10.1177/0266242612465454).
- Shen, J. and Benson, J. (2016), “When CSR is a social norm: how socially responsible human resource management affects employee work behavior”, *Journal of management*, Vol. 42 No. 6, pp. 1723-1746, doi: [10.1177/0149206314522300](https://doi.org/10.1177/0149206314522300).
- Singh, S., Darwish, T.K. and Potočník, K. (2016), “Measuring organizational performance: a case for subjective measures”, *British Journal of Management*, Vol. 27 No. 1, pp. 214-224, doi: [10.1111/1467-8551.12126](https://doi.org/10.1111/1467-8551.12126).
- Söderberg, L. and Bengtsson, L. (2010), “Supply chain management maturity and performance in SMEs”, *Operations Management Research*, Vol. 3 Nos 1-2, pp. 90-97, doi: [10.1007/s12063-010-0030-6](https://doi.org/10.1007/s12063-010-0030-6).
- Sundararajan, V., Jamali, D. and Spence, L.J. (2018), “Small business social responsibility: a critical multilevel review, synthesis and research agenda”, *International Journal of Management Reviews*, Vol. 20 No. 4, pp. 934-956, doi: [10.1111/ijmr.12171](https://doi.org/10.1111/ijmr.12171).
- Steiner, D. (2005), “Finding our way: an introduction to path analysis”, *Canadian Journal of Psychiatry*, Vol. 50 No. 2, pp. 115-122.
- Stoian, C. and Gilman, M. (2017), “Corporate social responsibility that ‘pays’: a strategic approach to CSR for SMEs **”, *Journal of Small Business Management*, Vol. 55 No. 1, pp. 5-31, doi: [10.1111/jsbm.12224](https://doi.org/10.1111/jsbm.12224).
- Tiep Le, T., Ngo, H.Q. and Aureliano-Silva, L. (2023), “Contribution of corporate social responsibility on SMEs’ performance in an emerging market—the mediating roles of brand trust and brand loyalty”, *International Journal of Emerging Markets*, Vol. 18 No. 8, pp. 1868-1891, doi: [10.1108/ijoom-12-2020-1516](https://doi.org/10.1108/ijoom-12-2020-1516).
- Torugsa, N.A., O’Donohue, W. and Hecker, R. (2012), “Capabilities, proactive CSR and financial performance in SMEs: empirical evidence from an Australian manufacturing industry sector”, *Journal of Business Ethics*, Vol. 109 No. 4, pp. 483-500, doi: [10.1007/s10551-011-1141-1](https://doi.org/10.1007/s10551-011-1141-1).
- Turker, D. (2009), “Measuring corporate social responsibility: a scale development study”, *Journal of Business Ethics*, Vol. 85 No. 4, pp. 411-427, doi: [10.1007/s10551-008-9780-6](https://doi.org/10.1007/s10551-008-9780-6).
- Vij, S. and Bedi, H.S. (2016), “Are subjective business performance measures justified?”, *International Journal of Productivity and Performance Management*, Vol. 65 No. 5, pp. 603-621, doi: [10.1108/IJPPM-12-2014-0196](https://doi.org/10.1108/IJPPM-12-2014-0196).

- Vo, L.C. (2011), "Corporate social responsibility and SMEs: a literature review and agenda for future research", *Problems and Perspectives in Management*, Vol. 9, pp. 89-97.
- Waldman, D.A., Siegel, D.S. and Javidan, M. (2006), "Components of CEO transformational leadership and corporate social responsibility*", *Journal of Management Studies*, Vol. 43 No. 8, pp. 1703-1725, doi: [10.1111/j.1467-6486.2006.00642.x](https://doi.org/10.1111/j.1467-6486.2006.00642.x).
- Wall, T.D., Michie, J., Patterson, M., Wood, S.J., Sheehan, M., Clegg, C.W. and Wast, M. (2004), "On the validity of subjective measures of company performance", *Personnel Psychology*, Vol. 57 No. 1, pp. 95-118, doi: [10.1111/j.1744-6570.2004.tb02485.x](https://doi.org/10.1111/j.1744-6570.2004.tb02485.x).
- Wesselink, R., Blok, V., van Leur, S., Lans, T. and Dentoni, D. (2015), "Individual competencies for managers engaged in corporate sustainable management practices", *Journal of Cleaner Production*, Vol. 106, pp. 497-506, doi: [10.1016/j.jclepro.2014.10.093](https://doi.org/10.1016/j.jclepro.2014.10.093).
- Wiek, A., Withycombe, L. and Redman, C.L. (2011), "Key competencies in sustainability: a reference framework for academic program development", *Sustainability Science*, Vol. 6 No. 2, pp. 203-218, doi: [10.1007/s11625-011-0132-6](https://doi.org/10.1007/s11625-011-0132-6).
- Žak, A. (2015), "Triple bottom line concept in theory and practice", *Social Responsibility of Organizations Directions of Changes*, Vol. 387 No. 1, pp. 251-264.

Further reading

- Diaz-Carrion, R., López-Fernández, M. and Romero-Fernandez, P.M. (2018), "Developing a sustainable HRM system from a contextual perspective", *Corporate Social Responsibility and Environmental Management*, Vol. 25 No. 6, pp. 1143-1153, doi: [10.1002/csr.1528](https://doi.org/10.1002/csr.1528).
- Kull, A.J., Mena, J.A. and Korschun, D. (2016), "A resource-based view of stakeholder marketing", *Journal of Business Research*, Vol. 69 No. 12, pp. 5553-5560, doi: [10.1016/j.jbusres.2016.03.063](https://doi.org/10.1016/j.jbusres.2016.03.063).
- Le, T.T., Huan, N.Q., Hong, T.T.T. and Tran, D.K. (2021), "The contribution of corporate social responsibility on SMEs performance in emerging country", *Journal of Cleaner Production*, Vol. 322, 129103, doi: [10.1016/j.jclepro.2021.129103](https://doi.org/10.1016/j.jclepro.2021.129103).
- Spence, L.J. and Schmidpeter, R. (2003), "SMEs, social capital and the common good", *Journal of Business Ethics*, Vol. 45 No. 1, pp. 93-108, doi: [10.1023/A:1024176613469](https://doi.org/10.1023/A:1024176613469).

Corresponding author

Emilia Kangas can be contacted at: emilia.kangas@seamk.fi