

Research Article

THE EFFECT OF ETHICAL SENSITIVITY OF SME'S OWNER ON THE CORPORATE SOCIAL RESPONSIBILITY INTENTIONS TO PROMOTE SME'S REPUTATION

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ABSTRACT

Corporate social responsibility (CSR) has become interesting topic on the small and medium enterprises (SMEs). It is believed to be able to increase various advantages for SME's. However most of SME's owner has a lot of barrier to maximize the opportunities of CSR practices. It is believed that different SME's owner's ethical sensitivity may bring over the effect on the practice of CSR's to promote the SME's reputations. Accordingly this paper investigated the effect of owner's ethical sensitivity on the practice of CSR toward SME's reputation and outcomes. The result showed that partially ethical sensitivity affected to the practices of CSR to promote SME's reputation. Managerial implication and suggestion for future research are discussed.

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INTRODUCTION

Corporate social responsibility (CSR) has become widely discussed topic. Most of the focus has remained on large corporations such as Fortune 100 or Fortune 500 companies. Even when the Global Compact was launched in 2000, the focus was on large multinational corporations and their activities. Whereas small and medium enterprises (SMEs) make up more than 90 percent of businesses worldwide and account for between 50 and 60 percent of employment (Vives, 2005). However CSR for SMEs has received a little attention (Gallo, 2004; Spence, 1999; Murillo and Lozano, 2006).

Humphreys, Robin, Reidenbach, & Moak, (1993) argued that several studies are needed for separating research on small business ethical attitudes from those of larger organizations. SME's managers were found to have several different approaches to business in such areas as innovation, risk-taking, and independent action than their counterparts in larger organizations. Perceptions and attitudes of owners or managers of small businesses have various statements about social responsibility which found differ from larger business managers. Small businesses are seemed to be in touch with the expectations of society, for the most part, and, in fact, to be more critical of their performance than is the general public. The important internal and external factors that affect small business ethics are also found significantly different

from large businesses. Internal factors included such things as different norms and pressures from community and peers as well as the differences in fear of punishment. Differences in external factors included the impact of trade organizations, churches, and competition. Differences between the views of small and large business managers on ethical issues were noted. MNC views CSR as their considerable philanthropic engagement for their workforces in and local communities by using their considerable sums of money on promoting the general well-being of their society. It becomes a multi-layered concept, which can be differentiated into economic, legal, ethical and philanthropic responsibilities (Matten, 2006). Large corporations are assumed to have greater resources available to them to do this and stronger imperatives to do so in the form of a greater number of external stakeholders. Whereas small and medium enterprises (SMEs) people are indicated pointing CSR as the process of creating a consensus within the management and leadership network. Scholars believe that CSR practices for SMEs are able to improve various outcomes such as organizational culture, image and reputation, improve customer loyalty, stakeholders satisfaction, and competitiveness that in turn increase their performance (Pastrana & Sriramesh, 2014; Turyakira, 2014). However, the relationship between CSR and sustainable development policy remains unclear (Murillo & Lozano, 2009). Accordingly SMEs' owners are indicated to manage their business by using difference intentions and perspectives than large business institution (McDowell, Harris, Aaron, & Lester, 2014).

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SMEs are likely resist to apply CSR. SME's owner is likely has different concept related CSR and business ethics (Fassin, Van Rossem, & Buelens, 2011). Some of them are indicated to have less informed and unknowledgeable of the literature on CSR and business ethics. Hence sense making occurs among SME's owner related CSR and ethics rather than cognitive perspective. SME's owner ethical sensitivity is indicated to apply on the intention and quality of CSR activities. Scholars argue that SME frequently have to deal with various obstacles implement CSR (Morsing and Perrini, 2009). SME's owners assume that CSR become a burden and financial costs. They believe that to implement CSR, SME's will have various obstacles such as limitations of financial and human resource, lack of accountability, and awareness of environmental issues. However some SME's are voluntary engage CSR as a part of their business activity. Hence SME's owner is indicated to have different intention on CSR as well as various ethical sensitivities that motivate them to adopt CSR (Spece and Rutherford, 2003, Spence *et al.*, 2003, Hemingway & Maclagan, 2004). Hemingway & Maclagan, (2004) indicate that philanthropy and religious values, social changes and personal values bring over SME's owner intention to drive CSR. Personal values and interest in particular social cause can be a motivating factor for CSR. SME's owners are likely adopted a profit-seeking rather than a profit-sacrificing CSR approach. Their perception, the motivation, and part of the CSR activities are well incorporated in the decision to engage in CSR (Lee, Herold, & Yu, 2015). This factor is believed to be absolutely fundamental in the case of small enterprises (Quinn, 1997; Trevino, 1986). As a key decision maker, owner-manager has possibility to shape corporate value and culture in order to manifest their ethical sensitivity toward CSR (Klein and Kellermanns, 2008; Nicholson, 2008). However Lee, Herold, & Yu (2015) argue that SME's owner often has limited in communicating their CSR activities due to a lack of resources and management skills that in turn drives the overall CSR impact on business performance. Hence, their ethical sensitivity are indicate to restricted the optimizing their intention on CSR to promote SME's reputation as well. Accordingly, it is predicted that SME's owner who have more sensitivity to the ethical aspects, have better effort on the intention on CSR, that in turn increase the effect on their firm reputation.

Since Hofstede promoted various national culture empirical studies on different culture are vary. However recent study shows that the effect of nationality has stronger effect on culture rather than religion. It is indicated that the share national history is a potential culture factor (Minkov, & Hofstede, 2014). Models of national culture measure values, expressed by norms and/or behavior. These values are used as guiding principles in life and a value as a preference for one mode of behavior over another (de Mooij, 2013). Rosenbusch, Brinckmann, & Bausch (2011) argue that SMEs in societies characterized by strong collectivism. SME's based in collectivism countries benefit more than firms operating in countries with medium and high levels of individualism. It is believed that Corporate Social Responsibility (CSR) in the Eastern context has distinctive roots and unique expressions that do not always mirror the current understanding and practice in the western context (Jamali, 2014). Accordingly scholars are attracted to investigate the application of different personal value within various national cultures that is believed

to render ones' ethical sensitivity toward CSR practices on SME. Thus this paper explores the effect of ethical sensitivities of SME's owner on CSR promoting SMEs reputation in the case of Indonesia SME's.

LITERATURE REVIEW

Corporate Social Responsibility

Traditionally CSR has believed as associated with huge businesses. However, the SME's business sector is such a significant sector worldwide in terms of the economic, environmental and social impact it makes. Hence, attention has been turned to discussion and analysis of principles and practice of CSR in small and medium size businesses. Kechiche & Soparnot (2012) argue that SMEs are not merely small versions of big businesses. In 1953 Bowen first introduced the idea of CSR- describing it as an obligation for companies to take certain factors into consideration during the course of their business activities. The new awareness encouraged companies to implement practices compatible with the values of their business and to take into account the expectations of all its stakeholders-namely employees, suppliers, clients, consumers, the local community, environmental associations and NGOs.

Jenkins (2009) pointed out CSR as an all-embracing idea that concerns having an awareness of the impact of the business. It is likely to have a positive impact on a wide range of stakeholders through the business decisions that are made. Whereas Blombäck and Wigren (2009) believe that commitment of a company to operational activities, such as the introduction of measures which respect the environment, and can embrace the social by involvement in the community and by maintaining good working relations with local actors. SME's CSR is classified into three main categories included isolated internal social measures, external social measures, and environmental measures (Vives, 2006; Russo & Tencati, 2009). Internal social measures consist of the development of talent, the implementation of health and social security measures, and the improvement of working conditions. External social measures consist of the development of network links with the local economy, professional development and social integration. Environmental measures consist of the reduction of energy consumption, reduction of waste and wasterecycling (Kechiche & Soparnot, 2012).

There are six key responsibilities or dimensions of CSR i.e.: customers, employees, business partners, the environment, communities, and investors. Successful companies build lasting relationships with customers by focusing their whole organization on understanding what the customers want and on providing them superior quality, reliability and service. Socially responsible businesses are doing more to provide work which is meaningful, and which helps employees to develop and to realize their potential. They are seeking to provide fair wages, a healthy and safe work environment, and a climate of respect that in turn increase employees' meaningful work and higher quality of life, productivity, innovation, and increase committed people at all levels. Responsible business leaders are providing clear evidence that sustainable environmental management makes good business sense. There is growing evidence that companies that rate highly on environmental criteria also provide better-than-average returns to shareholders. Business operates in neighborhood, local, regional, national, and global

communities. Companies can make no more important contribution to these communities, and especially to local communities, than to provide meaningful jobs, fair wages and benefits, and tax revenues. Companies relate to communities in various ways such as charity, social investment, partnerships, and business basics.

Empirically Kechiche & Soparnot (2012) summarize that the implementation of CSR brings a certain number of advantages outcomes for a company for instance enhanced reputation and corporate image, improvement of working relations with staff, improvement in production processes and quality, financial advantages such as a reduction of costs and increased efficiency. Accordingly, SME can develop innovative products and services and thus take advantage of new and emerging markets. Furthermore implementing more careful management practices and measures, SME can reduce wastage and secure a reduction in costs or outlay. CSR also believed to be able to be a catalyst for increased motivation and productivity amongst a company’s workforce. At the same time, awareness and understanding of the challenges and issues involved in CSR can actually form a very good basis for competitive differentiation and ultimately contribute towards the improvement of company image. CSR can be viewed as a method of achieving better corporate image and reputation. However, CSR on SME tends to be more intuitive than strategic. Various perspective of SME’s CSR (Kechiche&Soparnot, 2012) is determined at the table 1.

interpersonal and group differences includes perceiving and adjusting to diversity and multicultural adaptation. Preventing social bias involves identifying and countering interpersonal biases. Generating interpretations and options refer to skills to re-evaluate routines and to find another way to act. Finally Ethical sensitivity is about identifying the consequences of actions and option refers to our abilities to reflect to the outcome of actions and behaviors and to create alternative options (Narvaez & Endicott, 2009). Ethical sensitivity as individuals’ cognitive and intrinsic motivating tendencies of SME’s managers affect how they perceive public goods problems in an effort to more fully understand how to encourage them to make sustainability concerns part of their decision-making process including CSR. Accordingly, it is expected that ethical sensitivity of SME’s owners effect intention of CSR of SME. Thus the hypotheses proposed are:

- H1: SME’s owner ethical sensitivityeffect SME’s CSR
- H1a: Ethical sensitivity has positive impact on working condition of corporate social responsibility
- H1b: Ethical sensitivity has positive impact on customers concern of corporate social responsibility
- H1c: Ethical sensitivity has positive impact on community involvement of corporate social responsibility
- H1d: Ethical sensitivity has positive impact on environment concern of corporate social responsibility

Table 1 Theoretical and empirical perspective of SME’s CSR:

Contents	Discussion
Definition of CSR in SMEs and practices	CSR in SMEs is on the increase. SME directors consider CSR not as an add-on but rather as part of their overall day-to-day management. Their responsible practices can be classified into three main categories namely internal social dynamics, external social dynamics and environmental dynamics.
Determining factors for commitment to responsible practice in SMEs	Academic research reveals several factors which predispose towards commitment to CSR in a SME. The central role played by the director himself or herself, internal and external proximity of the company and finally small size of operation all tend to encourage development of ethical rather than economic considerations.
Obstacles to adoption and implementation of CSR in SMEs	SMEs have certain weak spots such as the lack of resources, time and knowledge particularly of matters pertaining to sustainable development. In commitments to CSR a SME faces obstacles linked to the market particularly the difficulty of applying environmental and/or social regulations. Tools available are also poorly adapted to SMEs.
Positive examples and consequences of CSR in SMEs	There are many advantages for a SME as a result of implementing a CSR strategy. For instance reduced costs and increased efficiency bring financial advantage. In effect, by implementing more careful and cost saving measures or introducing products less harmful to the environment, a SME can reduce waste and develop innovative products and services. CSR also enables a business to increase the motivation and productivity of its workforce. Being aware of the challenges of CSR can actually constitute the basis of competitive advantage for the business and enhance corporate image.

Sources: CSR within SMEs: Literature Review by Kechiche&Soparnot (2012)

Ethical Sensitivity

Yetmar and Eastman, (2000) define ethical sensitivity as the ability to recognize or perceive ethical content in a problem situation before an ethical decision is made. It refers to the ability to recognize and understand ethical problems, to deal with conflicts empathically, and to evaluate the consequences of actions. Ethical sensitivity is therefore not a uniform construct, including at least seven areas of skills. At the beginning it is about reading and expressing emotions means understanding and identifying emotional expressions, as well as learning how to appropriately express emotions and manage aggression in different contexts. Taking the perspectives of others refers to the ability to use an alternative perspective, for example, that of other persons from a distinct cultural group or with a different socioeconomic status. Caring by connecting to others involves transcending self-interests and providing care to others. Working with

SME’s Reputation

SMEs are believed to play an important role for economic and technological development and innovation in the context of smaller firms has received much interest in literature. As a business entity, SME is believed to force gaining a unique achievement. Although typically SMEs face considerable resource constraints, they are often has high achievements and success. They have to specify their organizational performance that comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Richard, Devinney, Yip & Johnson (2009) encompasses organizational performance into three specific areas of firm outcomes such as financial performance (profits, return on assets, return on investment, etc.); product market performance (sales, market share, etc.); and shareholder return (total shareholder return, economic value added, etc.). Rosenbusch, Brinckmann, & Bausch (2011)

believe that SME to be more nimble than their larger counterparts, they can move faster and, hence, obtain these monopoly rents for a longer period of time. The introduction of innovative products, services, processes, or business models tailored to attractive niches is an additional opportunity for SMEs to stand out from competition (Porter, 1980). Rosenbusch, Brinckmann, & Bausch (2011) argue that by offering highly innovative products, small firms can avoid price competition. In addition, innovative products may create new demand and, thus, facilitate firm growth.

Godfrey (2005) believe that CSR initiatives to create positive moral capital and to support a company's idiosyncratic intangible assets such as credibility and reputation. The company's reputation is an intangible asset for companies (Branco and Rodrigues, 2006). Reputation is a signal of the main characteristics of the company and as competitive advantage (Melo and Garrido-Morgado (2012). A good reputation will protect the company from the consumer perception of negative information (Lange *et al.* 2011). The company's reputation is the result of management actions and CSR engagement can be an effective way to achieve competitive advantage (Melo and Garrido-Morgado 2012). Fombrun (2005) argues that CSR implementation enhances the reputation of the company as an external motivation. Whereas Lai *et al.* (2010) believe that the consumer perception of the company's CSR activities is positively related to the company's reputation. Hence, Hsu (2012) found a positive effect between CSR initiatives of the company's reputation. The company linked to a certain social issue and is involved in will be perceived for further credible firms (Sego, 2002). Since corporate brand credibility is still one of the most important issues for consumers, therefore SME have to take account as a strategic development. Thus, it is posit that:

- H1: CSR are positively related to SME's reputation
- H2a: Adoption of CSR in terms of working condition concerns has positive impact on reputation
- H2b: Adoption of CSR in terms of customer concerns has positive impact on reputation
- H2c: Adoption of CSR in terms of community involvement has positive impact on reputation
- H2d: Adoption of CSR in terms of environment concern has positive impact on reputation

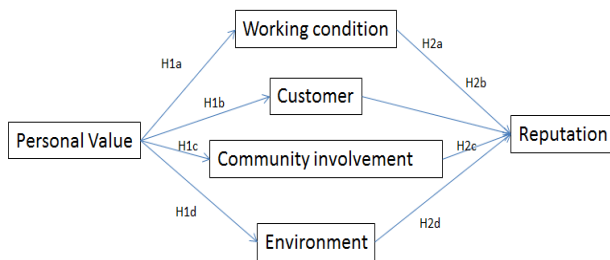


Figure 1 Model of Study

METHODOLOGY

Sample and Data Collection

Cluster random sampling is used at this study to obtain the information from Small and Medium Enterprise samples. From 336 Small and Medium Enterprise chosen, 33% respond rate was taken of 112 responded of the survey questionnaires. However only 93 responds are selected to further analyzes.

Measurement

Ethical sensitivity is measured by using the DIT-2 and its predecessor, the original DIT; psychometric instruments used to measure an individual's stage of moral reasoning (Rest 1986; Rest, Narvaez, Thoma, & Bebeau, 1999). The new iteration has demonstrated construct validity and reliability across contexts and, thus, is the most frequently utilized instrument for measuring moral development today. There are five ethical dilemma scenarios in the DIT-2. Respondents are given a choice of two actions related to the dilemma. Corporate social responsibility is measured by modifying Kinder, Lindenberg & Domini (KLD) instrument. We use only the five dimensions that are relevant to the SMEs. Reputation is measured by instrument developed by Subroto (2002). Demographics of respondents used within the analysis includes gender, marital status, and education level.

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RESULT

Demographic variables assessed in the study reflect gender, marital status, age, experience, and education level: 58 % are female, 42% male; and junior high school 15%, senior high school 38%, bachelor degree 42% and postgraduate 4% . This study examines the assumptions underlying the use of structural equation modeling. According to Kock (2013) standard of fitting, the results of the modified model are indicating a satisfactory fit for the measurement model. The results of model of fit by using WarpPLS version 3.0 are shown at the table 2.

Table 2 the Model of Fit

Fit	Value	Standard	
Average path coefficient (APC)	0.335**	P<.05	accepted
Average R-squared (ARS)	0.211**	P<.05	accepted
Average adjusted R-squared (AARS)	0.198**	P<.05	accepted
Average block VIF (AVIF)	1.422	3.3 – 5	accepted
Average full collinearity VIF (AFVIF)	1.552	3.3 – 5	accepted
		small >= 0.1	
TenenhausGoF (GoF)	0.386	medium >= 0.25	accepted
		large >= 0.36	
Sympson's paradox ratio (SPR)	0.875	>= 0.7 – 1	accepted
R-squared contribution ratio (RSCR)	0.991	>= 0.9 - 1	accepted
Statistical suppression ratio (SSR)	1.000	>= 0.7	accepted
Nonlinear bivariate causality direction ratio (NLBCDR)	0.750	>= 0.7	accepted

The results of reliability analysis include the value of CR and AVE shown at table 3. CR index is found to be greater than 0.7 (Nunnally, 1978; Hair *et al.*, 2006), whereas the values of the AVE are greater than 0.5 (Anderson & Gerbing, 1988; Steenkamp & van-Trijp, 1991). Accordingly, all constructs are internally consistent. Validity tests are included convergent and divergent validity. The convergent validity test is accepted. It is assessed by checking individual item loadings for each corresponding research construct at table 3. It is found that the values of factor loadings are above the recommended value of 0.5. Further Average Variance Constructed (AVE) values are found higher than 0.5. Hence based on Fornell & Larcker (1981), the convergent validity is accepted. Discriminant validity is indicated by correlation between variables and the values of square root of AVE. Table 4 shows that the inter-correlation values for all paired latent variables less than 1.0, and square root of AVE values are higher than correlation within the construct test. Therefore indicating the existence of the discriminant validity and

values less than the recommended 0.7 (Nunnally & Bernstein, 1994). Accordingly, the values for the discriminate validity between variables do not overlap.

Table 3 Factor Loading of Construct

	Items	Mean	SD	Loading	C.R.	AVE
Ethical Sensitivity	EthS1	2.78	2.45	0.945	0.968	0.748
	EthS2	3.38	2.63	0.754		
	EthS3	2.27	2.24	0.951		
	EthS4	2.66	2.3	0.985		
	EthS5	2.8	2.33	0.973		
	EthS6	2.65	2.17	0.967		
	EthS7	2.32	2.32	0.943		
	EthS8	2.7	2.38	0.962		
	EthS9	3.09	2.44	0.891		
	EthS10	2.46	2.34	0.97		
Working Condition	WC1	3.69	1.17	0.815	0.876	0.61
	WC2	3.03	1.38	0.884		
	WC3	2.78	1.59	0.821		
	WC4	3.89	1.38	0.797		
	WC5	3.51	1.22	0.466		
Customer	Cust1	4.66	0.71	0.83	0.816	0.689
	Cust2	2.8	1.32	0.83		
Community Involvement	CInv1	3.17	1.21	0.87	0.875	0.701
	CInv 2	3.09	1.22	0.907		
	CInv 3	2.18	1.09	0.724		
Environment	Env1	3.91	1.21	0.654	0.875	0.748
	Env2	3.58	1.23	0.861		
	Env3	3.31	1.24	0.792		
	Env4	4.17	0.89	0.873		
Reputation	Rep1	4.71	0.61	0.67	0.932	0.754
	Rep3	4.6	0.83	0.93		
	Rep4	4.68	0.74	0.95		
	Rep5	4.6	0.81	0.9		
	Rep6	4.54	0.75	0.81		

Table 4 Mean, Standard Deviation, Square Root of AVE, and correlation of construct

	1	2	3	4	5	6
1. Ethical sensitivity	0.936	-0.529	0.205	0.275	0.088	0.031
2. Working condition	-0.529	0.771	-0.001	-0.047	0.178	0.222
3. Customer	0.205	-0.001	0.830	0.283	0.564	0.257
4. Community involvement	0.275	-0.047	0.283	0.837	0.233	0.254
5. Environment	0.088	0.178	0.564	0.233	0.800	-0.028
6. Reputation	0.031	0.222	0.257	0.254	-0.028	0.857

Diagonal element: square root of AVE; off-diagonal: correlation between construct

The results of hypothesis testing are shown at figure 2. Hypothesis-1 investigates whether Ethical sensitivity of SMEs' owner is indicated to be positively affect CSR. It is found that ethical sensitivity is positively effect on CSR in terms of customer ($\beta=.36; p<.01$), Community involvement ($\beta=.32; p<.01$), and Environment ($\beta=.28; p<.01$). However it is found to be failed to explain on the working condition ($\beta=-.55; p<.01$). Hypothesis-2 tests for further effect of CSR on SMEs' Reputation.

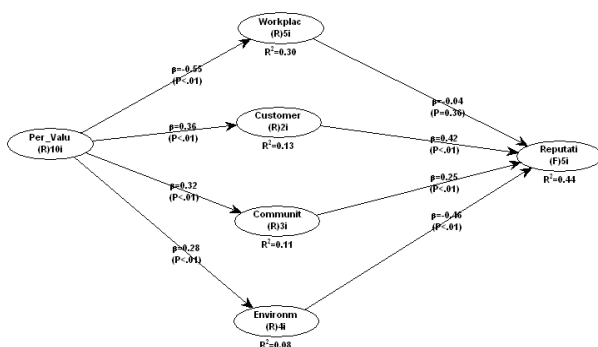


Figure 2 Analysis Result of hypothesis

The result shows that customer ($\beta=.42; p<.01$), community involvement ($\beta=.25; p<.01$), and environment ($\beta=.46; p<.01$) are significantly effect on SME's reputation. Yet the working condition ($\beta=-.04; p>.05$) is not related to SME's reputation. Hence, Hypothesis arepartially supported.

DISCUSSION

This study finds that partially ethical sensitivity affected to the practices of CSR to promote SME's reputation. It is indicated that the SME's owners are able to recognize or perceive ethical content in a problem situation before an ethical decision is made in term of customers concern, community involvement, and environment concern. However this study suggests that they are failed to recognize or perceive ethical content to make decision on working condition. Hence it is consistently resulted that the SME reputation is found to be reflected by customers concern, community involvement, and environment concern of CSR practice of SME.

These finding reflect that the SME's owners may recognize and understand ethical problem of relationships with customers. The highest effect of ethical sensitivity on customer draws SME's owners have a significant attention to their customer want and on providing them superior quality, reliability and service. It is plausible for overall business players to increase their business success (Humphreys, Robin, Reidenbach, & Moak, 1993). Scholars believe that the ethical decision making process of small business owner/managers are related to their customers. The nature of the relationship between a small business firm and its customers is, and must be, one of trust. Naturally they focus on customer service and their network of relationships as a means to develop relationships with others. Hence it is believed that they seem on focusing with connecting to customers (McDowell, Harris, Aaron, & Lester, 2014). They identify the consequences of actions and option refers to customer outcomes that in turn to promote consumers' awareness about their product or service, offer educational channel for general public, enhance sustainability of market place, and may connect with other organizations in the community that in turn increase the reputation of their business.

SMEs' owner is likely to be able to recognize and understand ethical problems, conflicts, and consequences of operating business in neighborhood, local, regional, national, and global communities. They are driven to can make more important contribution to their business communities by using various ways: charity, social investment, partnerships, and business basics. It is believed that SMEs' owner reads and expresses their emotions means to understand and identify wellness of the community within their professional boundaries, limited resources and limits of competence. Accordingly, they are likely to balance their individualist perspective with a need to participate in and contribute to the overall wellness of the community in which their business (Schank, Helbok, Haldeman, & Gallardo, 2010). Even SMEs is likely to avoid cash gifts, the owners prefer to support local causesto express corporate values in the public arena as well as to promote firm reputation (Madden, Scaife, & Crissman, 2006). Scholars believed that SME do give they appear to be more generous than their larger counterparts.Many SMEs were found to engage with the community because it benefited their business, either through increasing sales or building staff

morale. Hence, it is plausible that ethical sensitivity of SME's owner may bring about the respect to community in order to acquire their support on their business.

Responsible business leaders are believed to provide clear evidence that sustainable environmental management makes good business sense. Firms rate highly on environmental criteria to provide better-than-average returns to shareholders. Accordingly SMEs' owner is likely to be compelled by their ethical sensitivity to make a better attention to their business environment. Scholars suggest that business player may have a worth attention to their environment to ensure their sustainable business (Tounés, Gribaa, & Messeghem, 2015). Therefore to promote their firm reputation, SMEs' owner is motivated to engage their business environment management. It is interesting to explain one of the sub- hypothesis results that SMEs' owner ethical sensitivity is negatively related to working condition applied from the sample surveyed that in turn have an inverse effect on firm reputation. CSR orientation is believed to ensure good working condition by various rules and regulations in fair way like paying taxes, and working for society and environment where it makes its operations (Tanveer, Malik, Tul-Habib, & Rizvi, 2012). However it is indicated that the owners may apply a close management within his/her business as well as a family business. Thus the employees seem to be lost their work autonomy. Scholars indicated that some firms may lower its level of CSR undertaking for employees by means of reducing the wage level, extending working hours, provide poor working conditions (Junheng, 2013). It expected to have various inverse outcomes such as poor staff performance, lower employees' loyalty, lower down the image of such corporate, and subsequently lower down the corporate brand value. Employee may perceive that a stronger ethical sensitivity of SMEs' owner on CSR orientation, may increase the external social costs that in turn hold the opportunities of firm profit share on employee such as payment (Salam & McLean, 2014).

Managerial Implication

The current study has various managerial implications such as perspective sharing among internal stakeholders on ethical issues of CSR. Hence there are not differences between top level management and their subordinates in term of intention to CSR. However it may have a difficult solution in term of the communication process of the CSR policy for SME. Accordingly the learning of CSR for all staffs will be important to managers to increase their acceptance of CSR for a long terms orientation. The limitation of budgets and other resources have to be calculated in detail to implement CSR effectively. Hence the allocation of cost and investment center will be clearer.

Limitations and future research direction

Notwithstanding these contributions, this study has its limitations. This study includes single SME industry in Indonesia. A growing and significant SME plays in a Batik business which is inscribed on the UNESCO as world Heritage and has already grows in the international market within various products. However various SME's business are growing and contributing to economic development of Indonesian communities. Accordingly it is an open question as to whether these results can be applied on different broader coverage and level of SME. Different government policies of

SME are suggested to have different effect of CSR intention. Hence, national and local policy of government may explain the different ethical sensitivity and CSR program on SME.

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