

Implementation of Corporate Social Responsibility as a Key Factor in Enhancing Innovation and Entrepreneurial Orientation for SME Sustainability: Triple Bottom Line Theory Approach

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ABSTRACT

This study aims to investigate the impact of CSR implementation on Entrepreneurial orientation, innovation behavior, and SMEs' sustainability, focusing on the triple bottom line theory approach. This study employs a quantitative approach with SEM-PLS as a tool of analysis. Data were collected by surveying 83 SME owners operating around the PT. NHM mining area in North Maluku, using a structured questionnaire based on validated scales from previous studies. This research adopts a multidimensional approach, measuring CSR across three main dimensions: economic, environmental, and social. The economic dimension assesses CSR's contribution to competitiveness, efficiency, innovation, and business growth. The ecological dimension examines the role of CSR in driving sustainability-oriented innovation and compliance with environmental regulations. The social dimension evaluates the impact of CSR on employee well-being, community engagement, and institutional and stakeholder pressures. Innovation behavior in this study is measured through three key aspects: idea generation, idea promotion, and idea realization. Meanwhile, entrepreneurial orientation is analyzed based on four dimensions: proactiveness, risk-taking, competitive aggressiveness, and autonomy. SME sustainability is assessed using six key indicators: sales growth, profit growth, asset growth, customer base, and market reach. The analysis shows that CSR significantly enhances SME sustainability (0.529, $p = 0.000$). However, CSR negatively impacts entrepreneurial orientation (-0.629, $p = 0.000$) and innovation behavior (-0.300, $p = 0.019$), indicating potential trade-offs. Entrepreneurial orientation positively influences sustainability (0.373, $p = 0.003$), while innovation behavior has an insignificant negative effect (-0.236, $p = 0.275$). The analysis reveals a complex relationship between CSR, indirect effect, entrepreneurial orientation, innovation behavior, and SME sustainability. CSR has a direct positive effect on SME sustainability but negatively impacts it through entrepreneurial orientation (-0.235, $p = 0.004$), suggesting that CSR may constrain entrepreneurial initiatives. Meanwhile, the indirect effect through innovation behavior is positive but statistically insignificant (0.071, $p = 0.360$), indicating that CSR-driven innovation does not necessarily enhance sustainability.

Keywords: Corporate Social Responsibility (CSR), Entrepreneurial Orientation, Innovation Behavior, SME Sustainability, Triple Bottom Line (TBL), Structural Equation Modeling.

JEL Code: M14, L26, O31, Q56, L25

INTRODUCTION

Small and medium-sized enterprises play a crucial role in driving economic growth and employment, yet they often face challenges in achieving long-term sustainability. Corporate social responsibility has been identified as a key factor in promoting sustainable practices and enhancing innovation and entrepreneurial orientation among SMEs (Cantele et al., 2020) (Tsvetkova et al., 2020); (Das & Rangarajan, 2020); (Ahmad et al., 2020). The existing literature suggests that adopting sustainable practices, particularly those related to environmental and social aspects, can significantly impact SMEs' financial performance and growth. Moreover, integrating CSR into the business strategy has enhanced innovation capabilities and entrepreneurial mindset among SME owners and managers (Tsvetkova et al., 2020) (Das & Rangarajan, 2020).

The triple bottom line theory provides a comprehensive framework for understanding the impact of CSR on SME sustainability by emphasizing the integration of social, environmental, and financial considerations (Elkington, 1998); (Dao et al., 2011). In recent decades, the concept of Corporate Social Responsibility (CSR) has gained considerable attention from scholars, policymakers, and businesses. As organizations worldwide strive to balance their pursuit of economic success with the broader social and environmental responsibilities they bear, CSR has emerged as a central element in fostering sustainable practices. Organizations have recognized that long-term success and competitiveness are intricately linked to environmental stewardship and positive social impact (Kaur & Singh, 2020). By integrating CSR into their core business strategies, organizations can contribute to sustainable development while also enhancing their reputation, improving stakeholder relations, and creating new opportunities for innovation and growth (Martin, 2008); (Patil, 2014); (Heslin & Ochoa, 2008). Small and medium-sized enterprises (SMEs), which play a pivotal role in economic growth, job creation, and innovation, have increasingly been recognized as critical players in advancing CSR initiatives. Existing literature suggests that the adoption of CSR practices can contribute to increased innovation and entrepreneurial orientation among SMEs (Ahmad et al., 2020); (Tsvetkova et al., 2020); (Das & Rangarajan, 2020); (Cantele et al., 2020).

Corporate Social Responsibility refers to the voluntary commitment by businesses to contribute to sustainable development by proactively balancing their pursuit of economic growth with a thoughtful consideration of environmental stewardship and social welfare. CSR encompasses a multifaceted approach where organizations strive to positively impact the planet and society while maintaining profitability and competitiveness. This holistic perspective recognizes that long-term business success is intertwined with the well-being of the communities and ecosystems they operate (Thomas et al., 2021); (Kuhlman & Farrington, 2010). CSR is no longer viewed merely as an optional activity but as an essential business strategy component. Organizations have begun to realize that their long-term success is interdependent with the well-being of society and the environment (Barnett & Watkins, 1976); (Gao et al., 2021). CSR encompasses various activities, such as corporate philanthropy, ethical labor practices, environmental sustainability initiatives, and community engagement. The implementation of CSR within SMEs has been found to positively influence their entrepreneurial orientation and innovation behavior (Manasakis, 2018); (Maria, 2015). The significance of CSR has been particularly noted in the context of large corporations. However, in recent years, the focus has shifted toward SMEs, which, despite their size, collectively have a significant impact on local economies and the global market (Peter, 2017); (Morsing & Perrini, 2008); (Ma, 2012); (Choi et al., 2018). While the existing literature suggests that the implementation of CSR within SMEs can positively influence their entrepreneurial orientation and innovation behavior (Manasakis, 2018); (Maria, 2015), there is also evidence that the impact of CSR on SMEs may be limited or even negligible.

Some researchers argue that the significance of CSR has been overstated, particularly in the context of SMEs, which often face resource constraints and may prioritize short-term survival over long-term sustainability (Morsing & Perrini, 2008); (Ma, 2012); (Choi et al., 2018). Moreover, while significant, the collective impact of SMEs on local economies and the global market does not necessarily imply that CSR is a key driver of their success (Peter, 2017). While SMEs are increasingly expected to adopt CSR strategies, the impact of these strategies on their capacity for innovation and entrepreneurial ventures remains a subject of debate. Some researchers argue that the significance of CSR has been overstated, particularly in the context of resource-constrained SMEs, which may prioritize short-term survival over long-term sustainability (Atiq & Karataş-Özkan, 2013); (Scuotto et al., 2019). The collective impact of SMEs on local economies and the global market does not necessarily imply that CSR is a key driver of their success. Instead, SMEs may need to balance their CSR initiatives with other strategic priorities to enhance their innovation and entrepreneurial orientation. SMEs are increasingly expected to adopt CSR strategies that align with their capacity for innovation and entrepreneurial ventures. This expectation raises critical questions regarding how CSR implementation within SMEs can contribute to broader goals, such as sustainable innovation and entrepreneurship orientation (Atiq & Karataş-Özkan, 2013); (Scuotto et al., 2019). Existing research suggests that the implementation of CSR within SMEs can positively influence their entrepreneurial orientation and innovation behavior, but the extent and mechanisms of this relationship remain poorly understood.

The concept of the Triple Bottom Line (TBL), introduced by Elkington (1998), serves as a comprehensive framework to evaluate corporate performance across three dimensions: people, planet, and profit (Elkington, 1998). This theory posits that organizations should measure their success not only through financial gains but also by their social and environmental impacts. The TBL approach aligns with the growing demand for businesses to adopt sustainable practices that serve the interests of all stakeholders, including employees, customers, communities, and the environment (Ho & Taylor, 2007); (James & Carol, 2012); (Venkatraman & Nayak, 2015). In the context of SMEs, TBL provides a valuable lens through which CSR activities can be assessed, especially regarding their capacity to drive innovation and entrepreneurship. By emphasizing integrating social responsibility and environmental sustainability into business practices, SMEs can position themselves as key drivers of innovation (Veleva, 2020); (Schaltegger & Wagner, 2010). In particular, SMEs adopting the TBL framework are better equipped to address the growing concerns around environmental degradation, social inequalities, and economic instability while enhancing their entrepreneurial potential and fostering business growth (Aqueel-Imtiaz et al., 2017).

Innovation is a critical driver of competitive advantage for small and medium-sized enterprises, particularly in dynamic industries where market conditions and consumer preferences evolve rapidly. Existing research has established a strong link between corporate social responsibility and innovation, suggesting that CSR can stimulate creativity, increase resource efficiency, and foster a positive organizational culture that supports innovative thinking (Siltaloppi et al., 2020). By engaging in CSR practices, SMEs can access new knowledge, improve their reputation, and establish valuable partnerships with stakeholders who prioritize sustainability. This, in turn, can cultivate an innovative mindset that allows SMEs to address environmental and social challenges while simultaneously enhancing their product offerings and business models. CSR can be a powerful tool for SMEs to develop innovative solutions, gain a competitive edge, and drive long-term growth and success. By engaging in CSR practices, SMEs can access new knowledge, improve their reputation, and establish valuable partnerships with stakeholders who prioritize sustainability.

The influence of CSR on innovation is particularly notable in industries such as technology, manufacturing, and services, where businesses face pressures to develop sustainable products, processes, and solutions. Through CSR, SMEs can cultivate an innovative mindset to address environmental and social challenges while enhancing their product offerings and business models (Heslin & Ochoa, 2008); (Jenkins, 2008). This, in turn, fosters an entrepreneurial orientation that drives long-term growth and success. While CSR practices can provide benefits like accessing new knowledge, improving reputation, and forming stakeholder partnerships, the impact of CSR on innovation in SMEs may be limited. Some argue that the significance of CSR has been overstated, particularly for resource-constrained SMEs that may prioritize short-term survival over long-term sustainability (Heslin & Ochoa, 2008); (Jenkins, 2008). The collective impact of SMEs on local economies does not necessarily mean that CSR is a key driver of their success. Instead, SMEs may need to balance CSR initiatives with other strategic priorities to enhance innovation and entrepreneurial orientation.

The influence of CSR on innovation is debated, especially in industries facing sustainability pressures, as SMEs may face constraints in effectively implementing CSR to foster innovation and an entrepreneurial mindset. However, many SMEs in Asia, particularly Indonesia, face significant challenges in aligning their corporate social responsibility initiatives with their core business objectives. Despite recognizing the importance of CSR in supporting innovation, SMEs in Indonesia often grapple with resource constraints, lack of technical expertise, and unclear regulatory frameworks, which can impede their ability to effectively implement CSR strategies that foster innovation and entrepreneurship (Tambunan, 2007); (Ratnawati & Budi Eko, 2018). In the Indonesian context, a study by Dwikesumasari and Markumah (2022) and Tjahjadi et al. (2020) found that SMEs often prioritize short-term survival over long-term sustainability, making allocating resources to CSR activities challenging. Additionally, the lack of clear policy guidelines and incentives from the government has been identified as a key barrier to the widespread adoption of CSR practices among Indonesian SMEs (Pratama et al., 2019); (Risa, 2018). This has led to a disconnect between the perceived value of CSR and the actual implementation of sustainable initiatives that can drive innovation and entrepreneurship.

Furthermore, the diversity of Indonesia's SME landscape, with varying levels of awareness, capabilities, and access to resources, presents additional complexities in fostering a cohesive CSR ecosystem (Dwikesumasari & Markumah, 2022); (Rinawiyanti, 2016). Smaller and less-established SMEs, in particular, may lack the necessary expertise and managerial know-how to integrate CSR into their overall business strategy effectively. Nonetheless, the potential benefits of aligning CSR with innovation and entrepreneurship remain significant for Indonesian SMEs, particularly in the country's rapidly evolving business landscape and growing emphasis on sustainable development. It is essential to understand how CSR practices in SMEs can be optimized to unlock innovation and enhance their entrepreneurial capabilities.

Entrepreneurship orientation (EO) refers to the strategic posture of a firm in pursuing new opportunities, taking risks, and engaging in proactive, innovative activities (Eggers et al., 2013); (Handrimurtjahjo, 2014). SMEs

are inherently entrepreneurial due to their flexibility, ability to adapt, and propensity to innovate. The integration of CSR into their operations has the potential to enhance these entrepreneurial traits, making CSR not only a means of fulfilling ethical obligations but also a driver of business transformation and growth (Atiq & Karataş-Özkan, 2013); (Heslin & Ochoa, 2008). Adopting CSR practices can influence several dimensions of entrepreneurship orientation, including risk-taking, proactivity, and competitive aggressiveness. By embracing CSR, SMEs can demonstrate a commitment to sustainability and social welfare, positioning themselves as responsible market leaders (Heslin & Ochoa, 2008). This orientation toward sustainable business practices encourages the exploration of new market opportunities, the development of innovative products, and the creation of value for both the business and its stakeholders. Moreover, CSR initiatives can foster a positive entrepreneurial mindset by motivating employees, attracting investors, and improving customer loyalty (Heslin & Ochoa, 2008). When SMEs adopt CSR strategies that align with their values, they can create a culture of social responsibility that resonates with internal and external stakeholders.

This alignment can foster an entrepreneurial spirit that drives the organization toward more incredible innovation and success. Research on CSR in the context of SMEs has expanded significantly in recent years. Several studies have explored the relationship between CSR and innovation, entrepreneurship, and sustainable business practices (Kankisingi & Dhliwayo, 2022); (Mendes et al., 2021); (Atiq & Karataş-Özkan, 2013) and for instance, examined how CSR initiatives in SMEs impact their innovation processes and concluded that CSR can stimulate creativity and open new business opportunities. Similarly, a study found that CSR practices can enhance SMEs' entrepreneurial orientation by promoting proactive behavior and fostering a commitment to innovation. Other studies have focused on the environmental and social dimensions of CSR, highlighting the importance of SMEs integrating sustainability into their business models to ensure long-term survival (Ying & Wang, 2022). In particular, research emphasized that CSR can contribute to developing green innovations, which are crucial for SMEs seeking to stay competitive in an increasingly environmentally conscious market. Despite the growing body of literature on CSR, innovation, and entrepreneurship, gaps remain in understanding how CSR influences these outcomes within SMEs. Furthermore, there is a need for more research that integrates the TBL framework to explore how SMEs can effectively balance the social, environmental, and economic dimensions of CSR to enhance innovation and entrepreneurship.

This study aims to investigate the impact of CSR implementation on Entrepreneurial orientation, innovation behavior, and SMEs' sustainability, focusing on the triple bottom line theory approach. This study will employ a quantitative research methodology to examine the relationships between CSR implementation, entrepreneurial orientation, innovation behavior, and the three dimensions of the triple bottom line (economic, environmental, and social) in the context of SMEs.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Small and Medium Enterprises are the backbone of global economies, contributing significantly to employment, innovation, and GDP. However, their sustainability remains precarious, constrained by resource limitations, competitive pressures, and regulatory complexities. In recent decades, Corporate Social Responsibility has emerged as a strategic lever for enhancing SME sustainability, aligning business practices with societal and environmental imperatives. This literature review examines the interplay between CSR implementation and SME sustainability through the Triple bottom-line theoretical frameworks and complementary theories, such as Stakeholder Theory, Institutional Theory, and the Resource-Based View. By synthesizing these perspectives, the analysis aims to elucidate how CSR initiatives contribute to SMEs' economic, social, and environmental sustainability. A key literature review highlights the multifaceted roles that SMEs can play in CSR, encompassing community development, employee welfare, environmental stewardship, and supply chain management. SMEs' inherent agility and proximity to local communities position them as prime catalysts for grassroots CSR initiatives, generating positive societal impact while strengthening stakeholder relationships. However, SMEs often face unique challenges in implementing comprehensive CSR programs, including resource constraints, limited management capacity, and a perceived disconnect between CSR and their core business objectives. Extant research suggests that the successful integration of CSR into SME operations can yield tangible benefits, including enhanced innovation, improved competitiveness, and superior financial performance.

SMEs and Sustainability Challenges for SME Context

SMEs face unique sustainability challenges that differ from larger corporations. Their limited financial and human resources constrain investments in sustainable technologies, while their localized operations often expose them to immediate community and environmental pressures (Lin & Koh, 2018)(Minna, 2014). Despite these challenges, SMEs exhibit agility in adapting to market shifts, positioning them as critical agents in achieving the

United Nations Sustainable Development Goals. However, the lack of formalized CSR strategies and short-term profit orientations often hinder their long-term sustainability. Research indicates that SMEs prioritizing CSR reports enhanced stakeholder trust, operational efficiency, and risk mitigation, underscoring the need to integrate CSR into their core strategies (Maria, 2015); (Madueño et al., 2015); (Amberla et al., 2011). Corporate Social Responsibility in small and medium enterprises is often characterized by informal, owner-driven initiatives rather than structured, formalized programs. Unlike multinational corporations, SMEs frequently embed CSR into their daily operations through various practices, such as ethical labor practices, community engagement, and environmental stewardship (Samira & Amina, 2018). This embedded approach allows SMEs to closely align their CSR efforts with their core business objectives and the unique needs of their local communities. Studies by Jenkins (2006) highlight that SME owners' values significantly influence CSR adoption, fostering localized impact. However, the voluntary nature of CSR and perceived costs create barriers (Jenkins, 2006). To address this, scholars advocate aligning CSR with business objectives, demonstrating its economic benefits and social and environmental gains.

Triple Bottom Line (TBL) as an Analytical Framework

The TBL framework, introduced by Elkington (1997), posits that sustainability encompasses economic prosperity, social equity, and environmental stewardship. For SMEs, this triad offers a holistic lens to evaluate CSR outcomes. First, CSR initiatives can drive cost savings through energy efficiency, waste reduction, and improved resource management in the Economic Dimension. For instance, SMEs adopting green practices often experience long-term financial gains despite initial investments. Additionally, CSR enhances brand reputation, attracting customers and investors who are aligned with ethical values. Secondly, SMEs' proximity to communities enables impactful social initiatives, such as fair wages and local partnerships. These efforts build social capital, fostering loyalty and mitigating risks from community dissent. Research by Maráková et al. (2021) links social CSR to employee retention and customer satisfaction, which is crucial for SME resilience. Thirdly, Environmental CSR, including sustainable sourcing and carbon footprint reduction, mitigates regulatory risks and aligns SMEs with global sustainability trends. While environmental initiatives are often resource-intensive, collaborative approaches—such as industry partnerships—can alleviate burdens. The TBL framework thus underscores the interdependence of CSR's three dimensions, advocating for balanced integration to achieve holistic sustainability (Jamali, 2006); (August 2018); (Sitalakshmi & Raveendranath Ravi, 2015); (David, 2018); (Jane, 2015). Freeman (1984) argues that addressing diverse stakeholder interests—employees, customers, and communities—is vital for organizational success. SMEs, reliant on local ecosystems, face heightened stakeholder pressures (Freeman et al., 2010); (Freeman, 2007); (Freeman, 2017). CSR serves as a mechanism to reconcile these interests, enhancing legitimacy and securing stakeholder support. For example, community-focused CSR can preempt regulatory scrutiny and foster goodwill. DiMaggio and Powell (1983) emphasize that organizations adopt practices to conform to institutional norms. Regulatory requirements, industry standards, and cultural expectations drive SMEs to adopt CSR, even symbolically, to gain legitimacy. In emerging economies, regulatory pressures often catalyze environmental CSR adoption among SMEs (Zeledon, 2023); (Maitreyee et al., 2019); (Madueño et al., 2015)—Barney (1991) in RBV posits that internal resources determine competitive advantage. SMEs with robust financial, human, and technological resources are better positioned to implement CSR, translating it into strategic assets. For instance, skilled employees can innovate sustainable processes, while financial slack allows for CSR investments with delayed returns. Based on that, we develop our conceptual framework, as in Figure 1.

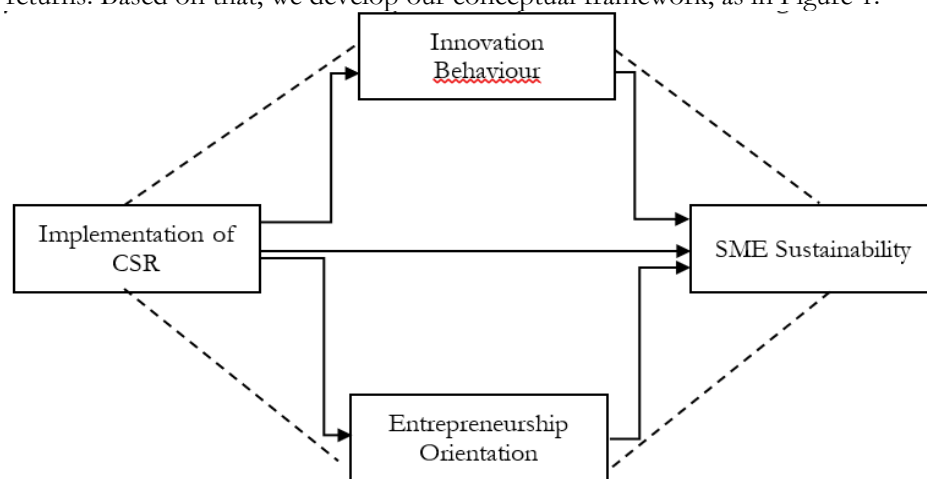


Figure 1. Conceptual Framework

Based on Figure 1, it can be concluded that implementing Corporate Social Responsibility (CSR) plays a significant role in supporting small and medium enterprises (SME Sustainability). Previous studies have identified that CSR enhances a company's reputation and influences innovative behavior and entrepreneurial orientation (Entrepreneurship Orientation) in the context of SMEs. However, a research gap still needs further exploration, particularly regarding the mechanisms and intervening variables that link CSR implementation to SME sustainability. The literature introduction and review section reveal that CSR implementation can encourage innovative behavior among business actors, ultimately contributing to business sustainability. Additionally, entrepreneurial orientation has been identified as a key factor that can strengthen the relationship between CSR and SME sustainability. Nevertheless, no study has comprehensively integrated these variables (CSR, Innovation Behaviour, and Entrepreneurship Orientation) into a single model to explain how they interact in achieving SME Sustainability. Therefore, this study proposes the following seven hypotheses:

- H1: CSR implementation has a positive effect on SME Sustainability.
- H2: CSR implementation has a positive effect on Innovation Behaviour.
- H3: Innovation Behaviour is an intervening variable mediating the relationship between CSR implementation and SME Sustainability.
- H4: Innovation behavior has a positive effect on SMEs' sustainability.
- H5: CSR implementation has a positive effect on Entrepreneurship Orientation.
- H6: Entrepreneurship Orientation has a positive effect on SME Sustainability.
- H7: Entrepreneurship Orientation is an intervening variable mediating the relationship between CSR implementation and SME Sustainability.

RESEARCH METHOD AND HYPOTHESIS DEVELOPMENT

This study employs a quantitative research approach to examine the impact of Corporate Social Responsibility (CSR) implementation on innovation behavior, entrepreneurial orientation, and the sustainability of Small and Medium Enterprises (SMEs) using the Triple Bottom Line (TBL) theory framework. A structured research design is applied to systematically investigate the relationships between these variables, ensuring the reliability and validity of the findings.

The research utilizes a survey design (See Table 1), where data were collected from SME owners operating near PT at a single point in time. NHM mining areas in North Maluku, Indonesia. A structured questionnaire was developed based on established scales from previous studies to measure the key variables. This method allows for efficient data collection necessary for statistical analysis and hypothesis testing. The target population of this study consists of SME owners in the mining-affected areas of PT. NHM in North Maluku. To ensure the findings' representation and generalizability, purposive sampling was employed to select respondents involved in SME operations within the designated mining region. A total of 83 SME owners participated in the study, providing insights into the role of CSR initiatives in shaping business sustainability through innovation behavior and entrepreneurial orientation.

This study employs a multidimensional measurement approach by integrating the concepts of Triple Bottom Line (TBL). This approach is chosen to examine how implementing Corporate Social Responsibility (CSR) is a key factor in enhancing innovation and entrepreneurial orientation for the sustainability of Small and Medium Enterprises (SMEs). The measurement of variables is structured into three main dimensions: economic, environmental, and social. Each dimension is designed to reflect the strategic aspects of CSR implementation relevant to business sustainability. The economic dimension focuses on assessing the impact of CSR on the financial and operational aspects of SMEs, including competitiveness, efficiency, innovation, and business growth. By leveraging the Triple Bottom Line framework in the economic pillar, combined with insights from Resource-Based View and Stakeholder Theory, this study explores the extent to which CSR initiatives contribute to increasing business value through optimal resource utilization and stronger stakeholder relationships (Thaís Vieira et al., 2019) and (María Paula Lechuga et al., 2020). The environmental dimension examines how SMEs integrate sustainability-driven innovations into their CSR strategy. This measurement considers the influence of regulations, external pressures, and compliance with environmental standards in alignment with the Triple Bottom Line environmental pillar. Accordingly, this study aims to assess how sustainability practices drive green innovation, which is crucial for the long-term viability of SMEs (Carla et al., 2020); (Alfonso et al., 2021) and (Alexander-Auer & Katharina, 2017). The social dimension evaluates CSR programs' impact on employee well-being, community engagement, and responses to institutional and stakeholder pressures (Yin et al., 2024).

This measurement of innovation behavior is categorized into three main dimensions: idea generation, idea promotion, and idea realization. Each dimension reflects strategic aspects of the innovation process influenced by CSR, encompassing the creation of ideas, the dissemination of concepts, and the application of innovation in

business practices. The first dimension, idea generation, focuses on how CSR contributes to the emergence of innovative ideas within companies. This measurement considers the role of CSR in fostering creativity, the involvement of stakeholders in idea development, and the influence of regulations and institutional pressures in encouraging sustainable innovation. By incorporating perspectives from TBL (Economic and Environmental), this study examines how SMEs leverage available resources and opportunities to generate new ideas (Khanra et al., 2021) (Irina et al., 2016). The second dimension, idea promotion, assesses how various stakeholders can effectively communicate and support innovative ideas to facilitate broader implementation. In this context, CSR is a catalyst for strengthening internal and external communication, enhancing support from governments and business communities, and increasing corporate credibility in introducing innovations to the markets (Pae et al., 2002). The third dimension, idea realization, evaluates how developed ideas can be effectively implemented in SME business strategies. This measurement considers CSR's contribution to supporting innovation implementation, the utilization of resources acquired through CSR, and the impact of regulations and stakeholders in ensuring the sustainability of applied innovations (Zhou et al., 2020). Entrepreneurial orientation is a multidimensional construct that reflects a firm's strategic posture, decision-making practices, and behaviors oriented toward entrepreneurship.

Entrepreneurial orientation is measured through four key dimensions: proactiveness, risk-taking, competitive aggressiveness, and autonomy. Each dimension reflects different aspects of how CSR influences the strategic behaviors of SMEs in adapting to market dynamics, making innovative decisions, and sustaining long-term business growth (Madueño et al., 2015). The proactiveness dimension assesses how businesses actively engage in CSR-driven strategies to anticipate market changes and leverage opportunities before their competitors. This measurement explores how SMEs use CSR initiatives to foster innovative ideas, involve stakeholders in business development, and respond to regulatory pressures that encourage sustainable business solutions (Maria, 2015). The risk-taking dimension focuses on the willingness of SMEs to allocate resources and make strategic investments in CSR-driven innovation, despite uncertainties. This dimension considers how businesses perceive CSR as an opportunity, even in the presence of financial and regulatory risks. The study also examines how the availability of CSR resources and stakeholder engagement influence the business's ability to take calculated risks (Charles H et al., 2014) & (August 2018).

The competitive aggressiveness dimension evaluates how SMEs leverage CSR as a strategic tool to enhance their competitive positioning. This includes how CSR initiatives contribute to brand differentiation, market expansion, and customer loyalty, as well as how firms aggressively respond to competitors through sustainability-driven innovation. Additionally, this dimension examines how regulatory and institutional pressures push businesses to become more aggressive in adopting CSR-related competitive strategies. (Xingping, 2019), (Bhardwaj et al., 2017). The autonomy dimension measures the degree of independence SMEs have in implementing CSR initiatives without external pressures. This dimension assesses how SMEs maintain strategic flexibility in CSR decision-making, ensuring alignment with business goals while considering stakeholder interests. The study also examines how regulatory frameworks enhance or constrain SME autonomy in CSR implementation. (Rebecca et al., 2018) And (Yin et al., 2024). The measurement of SME sustainability in this study is categorized into six key indicators: sales growth, profit growth, asset growth, customer base, and market reach. Each indicator represents a critical aspect that reflects the impact of CSR on SME growth and long-term sustainability. To ensure data accuracy and consistency, all variable items are measured using a five-point Likert scale, ranging from "Strongly Disagree" to "Strongly Agree." This scale was selected to facilitate quantitative data analysis and provide respondents with flexibility in expressing their level of agreement with this study.

Table 1. Measurement of Variables

Variables	Item	Indicators
Implementation of CSR	Economic Dimension	<ul style="list-style-type: none"> Impact of CSR on business competitiveness CSR as a factor in accessing resources and innovation capital Influence of regulations and institutional pressures on CSR adoption for business growth Contribution of stakeholder involvement in CSR to operational efficiency
	Environmental Dimension	<ul style="list-style-type: none"> Frequency of implementing environmental innovation as part of CSR Influence of stakeholder demands on sustainable environmental policies Impact of sustainable resource management on competitive advantage
	Social Dimension	<ul style="list-style-type: none"> Role of CSR in strengthening SME relationships with customers and communities

		<ul style="list-style-type: none"> • Impact of social responsibility on employee well-being and business productivity • Influence of institutional pressure on SME decisions regarding social CSR programs • Contribution of stakeholder involvement in CSR to entrepreneurial orientation and business sustainability
Innovation Behaviour	Idea Generation	<ul style="list-style-type: none"> • Impact of CSR on generating innovative ideas to enhance business competitiveness • Role of stakeholder involvement in CSR programs in developing new ideas • Influence of regulations and industry standards on sustainable innovation solutions
	Idea Promotion	<ul style="list-style-type: none"> • Effectiveness of CSR programs in enhancing internal communication and collaboration for innovation • Support from external stakeholders in encouraging businesses to propose innovative ideas • Impact of regulations and social norms on marketing sustainable, innovative ideas
	Idea Realization	<ul style="list-style-type: none"> • Contribution of CSR in supporting the implementation of innovative ideas in business • Utilization of resources obtained through CSR to realize innovation • Influence of regulations and industry standards on the implementation of innovation in business
Entrepreneurial Orientation	Proactiveness	<ul style="list-style-type: none"> • CSR-driven strategic development to anticipate market changes and competition. • Stakeholder involvement in CSR as a driver for identifying new business opportunities. • Regulatory and institutional pressures as motivators for CSR adoption in long-term business strategies. • Utilization of CSR resources to develop more innovative initiatives than competitors. • CSR's role in adapting to industry trends and customer demands ahead of competitors.
	Risk-Taking	<ul style="list-style-type: none"> • Willingness to invest in high-risk CSR projects with long-term potential benefits. • CSR supports experimentation with sustainable products and services. • Influence of environmental regulations on risk-taking for sustainability-driven innovation. • Stakeholder involvement in CSR as a risk management tool for business decision-making.
	Competitive Aggressiveness	<ul style="list-style-type: none"> • CSR's role in enhancing competitiveness compared to industry rivals. • CSR strategies for aggressive market expansion beyond competitors. • Regulatory and policy influence on firms' aggressive adoption of sustainable practices.
	Autonomy	<ul style="list-style-type: none"> • Flexibility in CSR decision-making without external pressures. • Freedom to develop CSR strategies tailored to business and community needs. • Utilization of CSR-driven resources to enhance business independence in sustainability strategy.
	Goal Setting and Strategic Vision	<ul style="list-style-type: none"> • CSR's role in defining long-term business objectives for sustainability and growth. • Commitment to achieving CSR-driven innovation targets that differentiate the business.

		<ul style="list-style-type: none"> • Integration of CSR into the company's mission to enhance economic, environmental, and social impact. • Alignment of CSR initiatives with corporate performance metrics and competitive benchmarks. • Motivation to leverage CSR as a strategic asset for achieving higher business performance.
SME sustainability		<ul style="list-style-type: none"> • sales growth • profit growth • asset growth • customer base • market reach

The study employs Structural Equation Modeling (SEM) using SmartPLS to test the proposed hypotheses and analyze the relationships between the study variables. SmartPLS is chosen due to its suitability for small sample sizes and ability to assess complex relationships involving multiple mediating variables. The data analysis process involves several critical steps to ensure the validity and reliability of the research findings.

The first step is data preparation and cleaning, where missing values, outliers, and non-normality are examined to ensure data quality. Once the dataset is ready, the measurement model is evaluated through reliability and validity tests. Reliability is assessed using Cronbach's Alpha and Composite Reliability (CR), where values above 0.7 indicate acceptable reliability. Validity is tested through convergent and discriminant validity. Convergent validity is confirmed if each construct's Average Variance Extracted (AVE) exceeds 0.5. In contrast, discriminant validity ensures that constructs are distinct using the Fornell-Larcker criterion and the Heterotrait-Monotrait (HTMT) ratio.

After confirming the adequacy of the measurement model, the next stage is structural model assessment, where relationships between variables are tested using path coefficients and bootstrapping techniques. The model fit is evaluated using the Standardized Root Mean Square Residual (SRMR), where values below 0.08 indicate a good fit. The significance of the direct and indirect effects is analyzed through p-values and t-statistics, where a p-value below 0.05 confirms statistical significance. R-squared (R^2) values are examined to determine the explanatory power of independent variables on dependent variables, with higher values indicating more substantial predictive capability.

Following the structural model assessment, the final step is hypothesis testing and interpretation of results. Each hypothesis is evaluated based on the path coefficients, t-values, and confidence intervals obtained from bootstrapping. If a hypothesis is supported, it indicates that the independent variable significantly influences the dependent variable. Mediating and moderating effects are also assessed if included in the research framework, further explaining the underlying mechanisms of relationships.

RESULT AND DISCUSSION

Statistical Result

Table 1. Respondent Characteristics

Category	Subcategory	Number	Percentage (%)
Gender	Male	30	37.5%
	Female	50	62.5%
Position in Business	Owner and Manager	65	81.25%
	Owner	10	12.5%
	Manager	5	6.25%
Age	21-30	8	10%
	31-40	28	35%
	41-50	26	32.5%
	51 \geq	18	22.5%
Last Education	Primary School	15	18.75%
	Junior High School	18	22.5%
	Senior High School	30	37.5%
	Diploma	7	8.75%
	Bachelor's Degree	10	12.5%
Business Duration	1-5 Years	20	25%
	6-10 Years	25	31.25%

Category	Subcategory	Number	Percentage (%)
	11-15 Years	20	25%
	16-20 Years	15	18.75%

In Table 1, most respondents are female, accounting for 62.5%, while male respondents constitute 37.5%. Most respondents (81.25%) hold dual roles as owners and managers, while 12.5% are sole owners, and 6.25% serve as managers. Regarding age distribution, the largest group falls within the 31-40 age range (35%), followed by those aged 41-50 (32.5%), indicating that middle-aged individuals dominate the business sector. Regarding educational background, 37.5% of respondents have completed senior high school, making it the most common educational level, while 22.5% have a junior high school education, and 18.75% only finished primary school. A smaller proportion has attained a diploma (8.75%) or a bachelor's degree (12.5%). The duration of business operation shows that 31.25% have been running their businesses for 6-10 years, followed by 25% operating for both 1-5 years and 11-15 years, while 18.75% have been in business for 16-20 years. This data suggests that most businesses are relatively mature, with many owners with more than six years of experience managing their enterprises.

Validity and Reliability

Table 2. Validity and Reliability

Variables	Item	Indicators	Outer Loading	Cronbach Alpha	CR	AVE			
Implementation of CSR	Economic Dimension	ECD1	0.876	0.877	0.916	0.731			
		ECD2	0.899						
		ECD3	0.842						
		ECD4	0.812						
	Environmental Dimension	END1	0.985				0.975	0.984	0.953
		END2	0.963						
		END3	0.980						
	Social Dimension	SOD1	0.946				0.967	0.976	0.912
	SOD2	0.915							
SOD3	0.975								
Innovation Behaviour	Idea Generation	IG1	0.922	0.864	0.935	0.875			
		IG2	0.952						
	Idea Promotion	IP1	0.824				0.697	0.826	0.613
		IP2	0.735						
		IP3	0.787						
	Idea Realization	IR1	0.947				0.873	0.940	0.887
IR2	0.937								
Entrepreneurial Orientation	Proactiveness	PRO1	0.794	0.874	0.909	0.666			
		PRO2	0.846						
		PRO3	0.783						
		PRO4	0.772						
		PRO5	0.879						
	Risk-Taking	RT1	0.812				0.829	0.887	0.662
		RT2	0.817						
		RT3	0.869						
		RT4	0.753						
	Competitive Aggressiveness	CA1	0.892				0.844	0.906	0.762
		CA2	0.886						
		CA3	0.840						
	Autonomy	AU1	0.872				0.863	0.916	0.785
		AU2	0.915						
		AU3	0.871						
Goal Setting and Strategic Vision	GS1	0.692	0.875	0.910	0.672				
	GS2	0.861							
	GS3	0.872							
	GS4	0.801							
	GS5	0.858							
SME sustainability	SME1	0.790	0.796	0.860	0.533				
SME2	0.769								
SME3	0.631								
SME4	0.786								

Variables	Item	Indicators	Outer Loading	Cronbach Alpha	CR	AVE
		SME5	0.732			

Table 2 shows the validity and reliability test results presented in the table, indicating that all research variables exhibit strong validity and reliability. Construct validity was assessed using outer loading values, where all indicators exceed the threshold of 0.7, demonstrating that each indicator significantly contributes to its respective construct. Furthermore, construct reliability was measured using Cronbach's Alpha and Composite Reliability (CR), with all Cronbach's Alpha values above 0.7 and CR values exceeding 0.8, confirming a high level of internal consistency across all variables. All indicators exhibit exceptionally high validity for the Corporate Social Responsibility (CSR) Implementation variable, which comprises economic, environmental, and social dimensions, with outer loading values ranging from 0.812 to 0.985. The environmental dimension records the highest validity, with outer loading values of END1, END2, and END3 exceeding 0.96. Cronbach's Alpha values for each dimension are also strong, with the environmental dimension reaching 0.975, indicating excellent reliability. Moreover, the Average Variance Extracted (AVE) values for all dimensions surpass 0.7, confirming that these variables explain a substantial proportion of variance.

The Innovation Behavior variable, consisting of three dimensions—Idea Generation, Idea Promotion, and Idea Realization—demonstrates robust validity and reliability. The Idea Generation and Idea Realization dimensions show exceptionally high outer loading values, with the highest being 0.952 and 0.947, respectively. Although the Idea Promotion dimension has slightly lower outer loading values, with IP2 reaching only 0.735, its Composite Reliability remains above the acceptable threshold of 0.7, ensuring its reliability.

Similarly, the Entrepreneurial Orientation variable, which includes Proactiveness, Risk-Taking, Competitive Aggressiveness, Autonomy, Goal Setting, and Strategic Vision, exhibits satisfactory validity and reliability. Competitive Aggressiveness and Autonomy display the highest reliability, with Cronbach's Alpha values of 0.844 and 0.863, respectively. However, the Proactiveness, Goal Setting, and Strategic Vision dimensions show more variation in their outer loading values, with GS1 having the lowest value at 0.692. Despite this, the AVE values for all dimensions exceed 0.6, indicating that their respective constructs explain over 60% of the variance in the indicators.

The SME Sustainability variable presents the lowest validity and reliability scores among all variables, with one indicator, SME3, having an outer loading of only 0.631. Nevertheless, its Composite Reliability remains acceptable at 0.860. However, the AVE value of 0.533 suggests that this variable has a comparatively lower ability to explain variance than the others. Overall, the analysis confirms that all research variables exhibit strong validity and reliability, indicating that the measurement instruments employed in this study effectively and consistently capture the intended constructs.

Table 3. f-Square

	Implementation of CSR	SME Sustainability	Entrepreneurial Orientation	Innovation Behavior
Implementation of CSR		0.217	0.655	0.099
SME Sustainability				
Entrepreneurial Orientation		0.094		
Innovation Behavior		0.056		

The f-square (f^2) values presented in Table 3 indicate the effect size of each independent variable on the dependent variables within the research model. In structural equation modeling (SEM) context, an f^2 value of 0.02 represents a small effect, 0.15 indicates a medium effect and 0.35 or higher suggests a significant effect. The results reveal that the Implementation of CSR has a substantial effect on Entrepreneurial Orientation, with an f^2 value of 0.655, suggesting that CSR implementation plays a crucial role in shaping entrepreneurial orientation. Additionally, CSR implementation exhibits a moderate effect on SME Sustainability ($f^2 = 0.217$), indicating that CSR activities significantly contribute to the sustainability of small and medium enterprises. However, its influence on Innovation Behavior is relatively tiny ($f^2 = 0.099$), suggesting that while CSR implementation may support innovation, it is not the primary driver. Entrepreneurial Orientation demonstrates a negligible effect on SME Sustainability, as indicated by an f^2 value of 0.094, implying that while entrepreneurial orientation contributes to SME sustainability, other factors may have a more substantial influence. Meanwhile, Innovation Behavior has a minimal impact on SME Sustainability, with an f^2 value of 0.056, indicating a weak predictive power in explaining SME sustainability outcomes.

Hypothesis Result (T-Test)**Table 4.** Direct Effect

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Implementation of CSR → SME Sustainability	0.529	0.510	0.091	5,795	0.000
Implementation of CSR → Entrepreneurial Orientation	-0.629	-0.626	0.059	10,649	0.000
Implementation of CSR → Innovation Behavior	-0.300	-0.295	0.128	2,351	0.019
Entrepreneurial Orientation → SME Sustainability	0.373	0.373	0.123	3,025	0.003
Innovation Behavior → SME Sustainability	-0.236	-0.238	0.216	1,093	0.275

The direct effect analysis presented in Table 4 provides insights into the strength and significance of the relationships among the key variables in the study. The path coefficient from Implementation of CSR to SME Sustainability is 0.529, with a t-statistic of 5.795 and a p-value of 0.000, indicating a substantial and statistically significant positive effect. This suggests that higher CSR implementation enhances the sustainability of SMEs.

Interestingly, the relationship between the Implementation of CSR and Entrepreneurial Orientation is negative, with a path coefficient of -0.629, a t-statistic of 10.649, and a p-value of 0.000. This significant negative effect implies that entrepreneurial orientation tends to decline as CSR initiatives increase, suggesting a possible trade-off between social responsibility and proactive entrepreneurial behavior. A similar negative relationship is observed between the Implementation of CSR and Innovation Behavior, with a coefficient of -0.300, a t-statistic of 2.351, and a p-value of 0.019. Although significant, this effect is weaker than CSR's influence on entrepreneurial orientation.

Entrepreneurial Orientation positively influences SME Sustainability, with a coefficient of 0.373, a t-statistic of 3.025, and a p-value of 0.003, indicating a significant impact. This suggests that firms with a stronger entrepreneurial orientation tend to achieve higher sustainability outcomes. However, the relationship between Innovation Behavior and SME Sustainability is negative and statistically insignificant, with a coefficient of -0.236, a t-statistic of 1.093, and a p-value of 0.275. This result suggests that innovation behavior alone does not directly contribute to SME sustainability, possibly due to the complex nature of innovation processes that require additional enabling factors. Overall, the findings highlight the crucial role of CSR in promoting SME sustainability while indicating potential conflicts between CSR implementation and entrepreneurial or innovative activities. These results suggest the need for a balanced approach to CSR and entrepreneurship to maximize both business sustainability and innovation potential.

Table 5. Indirect Effect

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Values
Implementation of CSR → Entrepreneurial Orientation → SME Sustainability	-0.235	-0.232	0.080	2,922	0.004
Implementation of CSR → Innovation Behavior → SME Sustainability	0.071	0.080	0.077	0.916	0.360

The indirect effect analysis in Table 5 examines the mediating roles of Entrepreneurial Orientation and Innovation Behavior in the relationship between CSR Implementation and SME Sustainability. The indirect effect of CSR Implementation on SME Sustainability through Entrepreneurial Orientation is negative and statistically significant, with an original sample value of -0.235, a t-statistic of 2.922, and a p-value of 0.004. This finding suggests that entrepreneurial orientation negatively mediates the relationship between CSR implementation and SMEs' sustainability. In other words, while CSR positively influences SME Sustainability directly, its negative impact on Entrepreneurial Orientation weakens the overall sustainability outcome. This result indicates a possible trade-off, where CSR activities might constrain entrepreneurial initiatives, thereby reducing their contribution to long-term business sustainability. On the other hand, the indirect effect of CSR Implementation on SME Sustainability through Innovation Behavior is positive but statistically insignificant, with an original sample value of 0.071, a t-statistic of 0.916, and a p-value of 0.360. This suggests that Innovation Behavior does not significantly mediate the relationship between CSR Implementation and SME Sustainability. The lack of statistical significance implies that while CSR may influence innovation to some extent, this innovation does not necessarily translate into improved SME sustainability outcomes. These findings highlight a complex dynamic between CSR, entrepreneurial activities, and innovation within SMEs. While CSR positively influences sustainability directly, its negative effect

on entrepreneurial orientation presents challenges. Additionally, innovation behavior does not significantly mediate this relationship, suggesting that other factors may be more critical in ensuring that CSR-driven innovation contributes effectively to SME sustainability.

DISCUSSION

The results of the analysis indicate that implementing Corporate Social Responsibility (CSR) has a positive and significant impact on the sustainability of SMEs (SME Sustainability). This can be explained through the indicators that support this relationship. The implementation of CSR, particularly in the economic, environmental, and social dimensions, contributes significantly to the growth and stability of SME businesses. In the economic dimension, CSR helps enhance business competitiveness by facilitating access to resources and innovation capital. Additionally, stakeholder involvement in CSR programs drives operational efficiency, ultimately contributing to improved business performance, such as sales growth, profit, and asset accumulation. In the environmental dimension, CSR practices focused on environmental innovation and sustainable resource management meet stakeholder demands and create a competitive advantage for SMEs. Meanwhile, in the social dimension, CSR strengthens relationships with customers and communities, improves employee well-being, and fosters sustainable entrepreneurial orientation. Thus, the holistic implementation of CSR supports SME sustainability through enhanced economic, environmental, and social performance. In addition to its impact on SME sustainability, CSR implementation significantly affects entrepreneurial orientation (Entrepreneurial Orientation). Although the analysis results show a negative influence, this can be rationally explained through the related indicators. CSR implementation often requires substantial resource allocation, including time, effort, and finances, which can reduce SMEs' focus on more risky and innovative entrepreneurial initiatives. For example, in the proactive indicator, CSR may be used to anticipate market changes and competition through safe strategies rather than taking risky, innovative steps. Furthermore, regulatory and institutional pressures in CSR adoption may limit SMEs' flexibility in making more aggressive entrepreneurial decisions. However, stakeholder involvement in CSR can serve as a risk management tool that helps SMEs identify new opportunities, although this does not always translate into bolder entrepreneurial actions. Thus, while CSR reduces entrepreneurial orientation, this can be understood as a trade-off between the stability provided by CSR and the risks inherent in entrepreneurial initiatives. Meanwhile, CSR implementation also negatively affects innovation behavior (Innovation Behavior). This can be explained through indicators of generating, promoting, and realizing innovative ideas. In the context of idea generation, although CSR can trigger the emergence of new sustainable ideas, the focus on compliance with regulations and industry standards may limit SMEs' ability to explore more radical innovations. Additionally, in the idea promotion stage, CSR programs may be used more to enhance internal communication and collaboration rather than encouraging the submission of risky, innovative ideas. In the idea realization stage, resources obtained through CSR may be allocated more to safe and sustainable projects rather than to innovation initiatives that require significant investment and carry high uncertainty. Thus, although CSR encourages sustainable innovation, it may reduce SMEs' capacity for more aggressive and disruptive innovation.

CSR implementation has a complex and multidimensional impact on SMEs. On one hand, CSR significantly enhances SME sustainability through its contributions to economic, environmental, and social performance. On the other hand, CSR also reduces entrepreneurial orientation and innovation behavior, likely due to the greater allocation of resources to compliance and stability rather than to riskier and more innovative initiatives. Therefore, SMEs need to balance CSR implementation with the development of entrepreneurial orientation and innovation to ensure they can achieve long-term sustainability without sacrificing their ability to adapt and compete in an ever-changing market. The analysis results show that entrepreneurial orientation (Entrepreneurial orientation) positively and significantly impacts SME sustainability (SME sustainability). This can be explained through the indicators that support this relationship. Entrepreneurial orientation, which includes proactiveness, risk-taking, competitive aggressiveness, autonomy, and strategic goal-setting, plays a key role in driving the growth and sustainability of SME businesses. In the proactiveness dimension, SMEs with high entrepreneurial orientation tend to anticipate market changes and competition better. They develop innovative and adaptive strategies that enable them to remain relevant and competitive in the long term. Stakeholder involvement in CSR can also drive the identification of new business opportunities, ultimately contributing to sales growth, customer base expansion, and increased market reach. Additionally, in the risk-taking dimension, entrepreneurially oriented SMEs are more willing to invest in high-risk projects with long-term potential benefits. Although these projects may require significant resources, their success can significantly impact business growth and sustainability.

The competitive aggressiveness dimension also plays an important role. SMEs with high entrepreneurial orientation tend to pursue market expansion and adopt innovative business practices aggressively. This allows them not only to survive but also to excel in industry competition. Meanwhile, autonomy in decision-making

enables SMEs to develop CSR strategies tailored to their business and community needs, increasing flexibility and adaptability. Finally, in the strategic goal-setting dimension, entrepreneurial orientation helps SMEs set long-term sustainable goals and integrate CSR into their company mission. This improves economic performance and strengthens their businesses' social and environmental impact. Thus, entrepreneurial orientation holistically supports SME sustainability through increased competitiveness, adaptation to market changes, and the development of sustainable strategies. On the other hand, the analysis results show that innovation behavior (Innovation behavior) does not significantly impact SME sustainability (SME sustainability). This can be explained through several factors related to innovation behavior indicators. Although innovation is often considered a key driver of business growth, in the context of SMEs, innovation outcomes may not always align with sustainability goals.

Although CSR can trigger the emergence of sustainable, innovative ideas in the idea generation stage, these ideas may not always translate into tangible actions that impact business growth. For example, the innovative ideas generated may require significant resources or advanced technology, which are often beyond the reach of SMEs. Although CSR programs can enhance internal communication and collaboration in the idea promotion stage, this does not always result in marketable or effectively implementable ideas. Support from external stakeholders may also be limited, especially if the innovative ideas are deemed too risky or inconsistent with prevailing social norms and regulations. In the idea realization stage, implementation challenges become more apparent. Resources obtained through CSR may be allocated more to safe and sustainable projects rather than innovation initiatives that require significant investment and carry high uncertainty. Moreover, strict regulations and industry standards may limit SMEs' ability to implement radical or disruptive innovations. As a result, even if SMEs successfully generate and promote innovative ideas, realizing these ideas may not significantly impact sales growth, profit, or assets.

Thus, although innovation behavior is an important component of business strategy, it does not always contribute significantly to sustainability in the context of SMEs. This may be due to resource limitations, implementation challenges, and misalignment between the innovations generated and long-term sustainability goals. Therefore, SMEs must ensure that their innovations are creative, feasible, and aligned with their sustainability strategies. Overall, entrepreneurial orientation plays a key role in driving SME sustainability, while innovation behavior has yet to show a significant impact. SMEs must balance the development of entrepreneurial orientation and innovation while ensuring that their initiatives align with long-term sustainability goals. In doing so, they can achieve sustainable growth without sacrificing their ability to adapt and compete in an ever-changing market.

Further analysis shows that CSR implementation mediated by entrepreneurial orientation (Entrepreneurial Orientation) significantly impacts SME sustainability (SME Sustainability). This indicates that entrepreneurial orientation plays a crucial role as a mediator that strengthens the positive impact of CSR on business sustainability.

Logically, this can be explained through mechanisms where CSR, when well-implemented, creates an environment that encourages proactive attitudes, risk-taking, and competitive aggressiveness in business. For example, CSR programs involving stakeholders can help SMEs identify new opportunities and develop more innovative and sustainable strategies. In the proactiveness dimension, CSR encourages SMEs to anticipate market changes and competition while integrating sustainable practices into their business strategies. Additionally, in the risk-taking dimension, CSR can provide a framework that enables SMEs to take measured risks, such as investing in sustainable projects with long-term potential benefits.

CSR also strengthens the competitive aggressiveness dimension, as SMEs can use CSR strategies to differentiate themselves from competitors and pursue more aggressive market expansion. Thus, entrepreneurial orientation connects CSR implementation with improved business performance, such as sales growth, profit, and assets. This mediation shows that CSR directly impacts sustainability and indirectly enhances SMEs' entrepreneurial capacity. On the other hand, when CSR implementation is intervened by innovation behavior (Innovation Behavior), the results are not significant for SME sustainability. This indicates that although CSR can trigger the emergence of innovative ideas, transforming these ideas into tangible actions that impact business sustainability still faces various obstacles.

Rationally, this can be explained through several factors. First, in the idea generation stage, although CSR can encourage the emergence of sustainable, innovative ideas, these ideas may not always be feasible or align with the resource capacity of SMEs. Second, in the idea promotion stage, although CSR can enhance internal communication and collaboration, this does not always result in marketable or effectively implementable ideas. Support from external stakeholders may also be limited, especially if the innovative ideas are deemed too risky or inconsistent with prevailing social norms and regulations.

Third, in the idea realization stage, implementation challenges become more apparent. Resources obtained through CSR may be allocated more to safe and sustainable projects rather than innovation initiatives that require significant investment and carry high uncertainty. Additionally, strict regulations and industry standards may limit SMEs' ability to implement radical or disruptive innovations. As a result, although CSR triggers innovation

behavior, transforming innovation into tangible impacts on business sustainability remains hindered. Thus, mediation by entrepreneurial orientation shows a more effective pathway linking CSR implementation to SME sustainability than mediation by innovation behavior. This underscores the importance of balancing CSR initiatives with entrepreneurial capacity development while ensuring that the innovations generated are feasible and aligned with long-term sustainability goals. SMEs need to focus their resources on generating innovative ideas and developing strategies that enable the effective and sustainable realization of these ideas. These findings provide important insights for SMEs in designing CSR strategies that enhance direct sustainability and strengthen entrepreneurial orientation as a key mediator in achieving long-term growth and sustainability.

Theoretical Implications: The findings of this study contribute significantly to the theoretical understanding of the relationship between Corporate Social Responsibility (CSR), entrepreneurial orientation, innovation behavior, and SME sustainability, particularly within the framework of the Triple Bottom Line (TBL) theory. The study underscores the importance of CSR as a strategic tool that enhances the economic performance of SMEs and strengthens their environmental and social contributions. By integrating CSR into their core business strategies, SMEs can align their operations with the TBL framework, emphasizing the balance between people, planet, and profit (Elkington, 1998). This alignment is crucial for SMEs aiming to achieve long-term sustainability while addressing the growing demands for environmental stewardship and social responsibility.

The study also highlights the mediating role of entrepreneurial orientation in the relationship between CSR and SME sustainability. This finding aligns with existing literature suggesting CSR can foster a proactive, risk-taking, and innovative mindset among SMEs, enhancing their entrepreneurial capabilities (Atiq & Karataş-Özkan, 2013; Heslin & Ochoa, 2008). However, the study reveals that while CSR positively influences entrepreneurial orientation, its impact on innovative behavior is less significant. This suggests that the mechanisms through which CSR drives innovation in SMEs may be more complex and context-dependent, requiring further exploration. The study thus calls for a more nuanced understanding of how CSR can be optimized to stimulate both entrepreneurial and innovative behaviors in SMEs, particularly in resource-constrained environments. Furthermore, the study contributes to the ongoing debate about the role of CSR in SMEs, particularly in developing economies like Indonesia. While CSR is often viewed as a driver of innovation and entrepreneurship, the study highlights the challenges SMEs face in effectively implementing CSR initiatives due to resource constraints, lack of technical expertise, and unclear regulatory frameworks (Tambunan, 2007; Ratnawati & Budi Eko, 2018). These findings underscore the need for more targeted research on how SMEs can overcome these barriers and leverage CSR to enhance their sustainability and competitiveness.

Managerial Implications: The findings of this study offer several practical implications for SME managers, policymakers, and other stakeholders. First, the study emphasizes the importance of integrating CSR into the core business strategies of SMEs. By adopting a holistic approach to CSR that aligns with the TBL framework, SMEs can enhance their economic performance while addressing environmental and social challenges. This requires a shift in mindset from viewing CSR as a peripheral activity to recognizing it as a strategic tool for driving long-term sustainability and growth.

Second, the study highlights the critical role of entrepreneurial orientation in mediating the impact of CSR on SME sustainability. SME managers should foster a proactive, risk-taking, and innovative culture. This can be achieved by encouraging employees to take ownership of CSR initiatives, providing training and resources to support entrepreneurial activities, and creating an organizational environment that values creativity and innovation. By doing so, SMEs can leverage CSR to enhance their entrepreneurial capabilities and drive sustainable growth.

Third, the study suggests that while CSR can stimulate innovation, its impact may be limited by resource constraints and other barriers. SME managers should, therefore, prioritize initiatives that are feasible and aligned with their business objectives. This may involve collaborating with external stakeholders, such as government agencies, industry associations, and non-governmental organizations, to access resources and expertise supporting their CSR efforts. Additionally, SMEs should explore innovative financing mechanisms, such as green bonds or impact investing, to fund their sustainability initiatives.

Fourth, the study underscores the need for policymakers to create an enabling environment for SMEs to adopt and implement CSR practices. This includes providing clear policy guidelines, offering financial incentives, and building the capacity of SMEs to integrate CSR into their business strategies. Policymakers should also promote awareness of the benefits of CSR among SME owners and managers, particularly in developing economies where the concept may still be relatively new. The study highlights the importance of stakeholder engagement in driving CSR initiatives. SME managers should actively involve employees, customers, suppliers, and local communities in their CSR activities to ensure these initiatives align with key stakeholders' needs and expectations. By fostering a sense of shared responsibility, SMEs can build stronger relationships with their stakeholders and enhance their reputation as socially responsible businesses.

CONCLUSION

This study has explored the intricate relationships between Corporate Social Responsibility (CSR), entrepreneurial orientation, innovation behavior, and SME sustainability, focusing on the Triple Bottom Line (TBL) framework. The findings reveal that CSR implementation positively and significantly impacts SME sustainability, mainly when mediated by entrepreneurial orientation. This underscores the importance of CSR as a strategic tool that enhances economic performance and strengthens environmental and social contributions. However, the study also highlights that the impact of CSR on innovation behavior is less significant, suggesting that the mechanisms through which CSR drives innovation in SMEs may be more complex and context-dependent. The study contributes to the theoretical understanding of CSR by emphasizing the mediating role of entrepreneurial orientation in enhancing SME sustainability. It also sheds light on SMEs' challenges in effectively implementing CSR initiatives, particularly in resource-constrained environments like Indonesia. These challenges include limited resources, lack of technical expertise, and unclear regulatory frameworks, which can hinder the ability of SMEs to leverage CSR for innovation and entrepreneurship. From a managerial perspective, the study underscores the importance of integrating CSR into the core business strategies of SMEs. It highlights the need for fostering a proactive, risk-taking, and innovative culture within SMEs to enhance their entrepreneurial capabilities. Additionally, the study calls for greater collaboration between SMEs, policymakers, and other stakeholders to create an enabling environment for CSR implementation.

FUTURE RESEARCH AGENDA

While this study provides valuable insights into the relationship between CSR, entrepreneurial orientation, innovation behavior, and SME sustainability, it also identifies several areas for future research, such as (1) Future research should explore the impact of CSR on SME sustainability in different cultural, economic, and regulatory contexts. This would help to identify context-specific factors that influence the effectiveness of CSR initiatives; (2) Further research is needed to understand the specific mechanisms through which CSR can drive innovation in SMEs. This could involve exploring the role of organizational culture, leadership, and stakeholder engagement in fostering innovation (3) Future studies should investigate how SMEs can overcome resource constraints to implement CSR initiatives effectively. This could include exploring innovative financing mechanisms, partnerships, and capacity-building programs; (4) Research should examine the impact of government policies and regulations on the adoption and implementation of CSR practices in SMEs. This could involve case studies of countries with successful CSR policies and their impact on SME sustainability; (5) Future research could explore the role of stakeholder engagement in driving CSR initiatives and enhancing SME sustainability. This could involve studying the impact of employee, customer, and community involvement in CSR activities; (6) Comparative studies across different industries could provide insights into how CSR practices vary and their impact on sustainability, entrepreneurial orientation, and innovation behavior in different sectors.

By addressing these research gaps, future studies can provide a more comprehensive understanding of how SMEs can leverage CSR to achieve sustainable growth, enhance their entrepreneurial capabilities, and drive innovation. This will contribute to academic literature and provide practical insights for SME managers, policymakers, and other stakeholders.

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