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**CSR logics of owner-managers in SMEs – The case of Malaysia**

**by**

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## **Abstract**

This thesis aims to generate insights into factors that influence CSR understanding and practices in Malaysian SMEs. The research addresses the limited studies of CSR in SMEs by focusing on owner-managers in the construction and catering sectors as the subject of analysis. The thesis adopts the two most influential theories in CSR studies: stakeholder theory and institutional logics to visualise CSR logic among owner-managers. These two theories are embedded in the 3-level CSR classification analysis, where low-level CSR concerns the legal aspects of the firm, mid-level CSR concerns the primary discretions and high-level CSR concerns non-primary discretions of SMEs owner-managers. The classification demonstrates the key stakeholders and the combination of CSR practices that firms can undertake; the results indicate that a ‘one fits all’ CSR approach needs to be reconsidered.

This thesis adopts a qualitative approach and collected primary evidence through face-to-face audio-recorded interviews with 48 owner-managers of SMEs in the construction and catering sectors. The construction firms were chosen using snowball sampling and the catering firms were chosen using convenient sampling. The researcher adopts social constructionist and thematic analysis approaches in investigating multiple perspectives and experiences of owner-managers in relation to CSR. The primary evidence is analysed with computer-assisted qualitative data analysis software NVivo 12 and classifies key themes into 3-level CSR classifications concerning legal, primary and non-primary discretions of owner-managers.

The findings reveal that some owner-managers are aware of the term CSR through their higher education. However, the legal, business, and national cultures are stronger factors that influence CSR behaviour. The legal aspects involve the state and industrial

logics where local authorities and clients, especially in the construction sector, influence the compliance of SMEs (low-level CSR). The business and national culture involve the karma and corporate logics where primary stakeholders (e.g., customers, employees and suppliers) influence the primary discretion (mid-level CSR operations, e.g., employee benefit) and non-primary stakeholders (e.g., local community, suppliers and charitable organisations) influence the non-primary discretion (high-level CSR operations, e.g., donation) of owner-managers. The differences in practices are highlighted in this thesis and showcase sector-specific CSR practices.

There are several contributions of this thesis. First, it addresses the limited studies of CSR in SMEs by providing primary evidence in the Malaysian context. Second, this research is the first sector-specific CSR in the SMEs comparison study between the construction and catering sectors in Malaysia. Third is the development of 3-level CSR classification in order to reveal the firm's different aspects of CSR practices and associated key stakeholders. Overall, the thesis contributes to the knowledge of CSR as well as CSR in developing countries. Furthermore, the development of the 3-level CSR classification approach provides an alternative approach to analyse CSR.

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## **List of Abbreviations**

CSR = Corporate Social Responsibility  
CSP = Corporate Social Performance  
CR = Corporate Responsibility  
CIDB = Construction Industry Development Board  
DASN = Dasar Alam Sekitar Negara  
DBKL = Dewan Bandaraya Kuala Lumpur  
ETP = Economic Transformation Programme  
GLC = Government-Linked Companies  
GTP = Government Transformation Programme  
GRI = Global Reporting Initiative  
ISO = International Organization for Standardization  
MNCs = Multi-National Corporations  
MOHR = Ministry of Human Resources  
MPK = Majlis Perbandaran Klang  
NEM = New Economic Model  
NTP = National Transformation Programme  
NKEAs = National Key Economic Areas  
RBC = Responsible Business Conduct  
SMEs = Small and Medium-sized Enterprises  
SSM = Suruhanjaya Syarikat Malaysia  
SC = Security Commission  
SR = Social Responsibility  
SRI = Strategic Reform Initiatives  
UI = Unemployment Insurance  
UN = United Nations

## **Chapter 1 Introduction to the research**

This chapter outlines the scope of the thesis and sets out its research aims, objectives and questions. This chapter also discusses the building blocks of the research context, methodology and its contribution. Firstly, the scope of the research is demonstrated and theoretical lenses are introduced. Secondly, an overview of the context in which the research was carried out is presented. This is followed by the research methodology supporting this study. Finally, the chapter concludes with an outline of the contribution to knowledge, and both academic and practical implications.

### **1.1 Scope of the study**

Ever since the rise of business scandals in the past years that affected the economic, social and environmental well-being of society, Corporate Social Responsibility (CSR) has become the hot topic in business practitioners and academics (Lee, et al., 2016). The concept of CSR demonstrates the contribution of businesses to the well-being of society. Some scholars define CSR as ‘the actions that appear to further some social good beyond the interests of the firm and that which is required by law’ (McWilliams & Siegel, 2001, p. 117). However, large companies tend to gain the most attention in the CSR literature because of their visibility and size (Jamali, et al., 2009; Iatridis, et al., 2016). Hence, there has been only a limited focus on SMEs by CSR scholars (Soundararajan, et al., 2018; Jamali, et al., 2017b).

Research on CSR in SMEs accelerated at the beginning of the 21<sup>st</sup> century, with an increasing number of scholars looking into the peculiarities of CSR in SMEs (Spence & Rutherford, 2003; Jenkins, 2006; Perrini, et al., 2007; Jamali, et al., 2009; Wickert, et al., 2016). The reason for the increasing attention of SMEs is because they are the majority of business establishments, and in aggregate, will have a significant impact

on the economic, social and environmental well-being worldwide regardless of developing or developed countries (Luetkenhorst, 2004; Eurostat, 2012; de KoK, et al., 2013; ERIA, 2014). In spite of the increasing awareness of the SMEs' imperativeness in CSR, there is still insufficient attention regarding the factors that drive CSR perceptions and practices in SMEs particularly in developing countries (Jamali, et al., 2017a).

There are numerous studies of CSR in SMEs that are conducted in the context of developed countries (Rutherford, et al., 2000; Perrini, et al., 2007; Revell & Blackburn, 2007; Revell, et al., 2010; Agudo Valiente, et al., 2012; Iatridis, et al., 2016; Graafland & Smid, 2017). Hence, according to Jamali et al. (2017a), there is a lack of CSR research on SMEs in developing countries, even though the topic has increasingly captured the attention of a few researchers' interests in recent years (Ibrahim, et al., 2012; Jamali & Sidani, 2012; Demuijnck & Ngnodjom, 2013; Jamali, et al., 2017a; Jamali, et al., 2017b). Besides, the lack of willingness among governments in developing countries to enforce their labour and environmental laws on SMEs (Prieto-Carron, et al., 2006; Lund-Thomsen, et al., 2016) is worrying.

SMEs not only have a substantial impact on the developing countries' income, but also on the well-being of the people (Ruffing, 2007). Concerning environmental problems, SMEs contribute a significant amount of carbon emission, which causes environmental pollution, and some studies are based on developed nations alone where managing environmental issues are more advanced (Marshall Report, 1998; Koirala, 2018; NetRegs, 2005; OECD, 2018; Romano, et al., 2017). Therefore, it is expected that SMEs in developing countries are going to account for even more pollution as a result of little regulation and enforcement (Ruffing, 2007) and also the lack of advanced waste management systems in place (Dhokhikah & Trihadiningrum, 2012).



Furthermore, a study suggests that the long run of economic growth in a developing country like Malaysia might exacerbate the quality of air via CO<sub>2</sub> emission (Begum, et al., 2015) and solid waste is also expected to rise (Mallak, et al., 2018).

Under such adverse conditions, there is a need for conducting CSR research in developing countries through academics but empirical studies remain scant (Jamali & Mirshak, 2007; Jamali & Karam, 2016). The study of CSR in SMEs is expected to fill the gaps between social provision and governance in developing countries, especially where there is weak enforcement that fails to materialise social goods (Romano, et al., 2017). Therefore, this research seeks to reconcile theory and actual practices of CSR in SMEs particularly in the context of a developing country.

This thesis starts with the assertion that CSR is formed by specific factors, including cultural, business relations and institutions. Some research has demonstrated that these factors are the key determinant drivers of CSR (Jamali, 2007; Nejati & Amran, 2009; Amaeshi, et al., 2016; ElBaz, et al., 2016). There are also scholars who have argued that CSR phenomena are subjective and complex (Dahlsrud, 2008; Stewart & Gapp, 2014; Lee, et al., 2016). Therefore, an exploration technique is adopted for uncovering the dynamics and the abyss of CSR perspectives that underpin the actions of the actors.

In spite of the growing literature of CSR, research has tended to focus on one level of analysis, such as micro level, which analyses the social actors; meso level, that analyses the firm, or macro level, where the analysis is on institutions (Aguinis & Glavas, 2012; Jamali & Karam, 2016). This limits the understanding to one level and neglects other levels that may be important links to understand the formation of CSR. Therefore, this research seeks to contribute to CSR understanding by incorporating a

multilevel analysis that reveals different levels of CSR in relation to owner-managers' values, practices, experience, and understanding, all of which informs CSR logics.

### 1.2 Research aim, questions and objectives

This research aims to investigate the CSR logics of owner-managers of SMEs in different sectors by understanding their conceptualisation and practises of CSR in Malaysia. Based on the literature review, this thesis's research questions and objectives are set out as follows:

**RQ1:** What are the understandings of CSR concepts among owner-managers of SMEs in Malaysia?

**RQ2:** How do the institutional logics (market, cultural, religion, economic and political logics etc.) translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia? How do these differ between sectors?

**RQ3:** Why are different logics being used by SMEs? What personal experience(s) motivates and demotivates owner-managers of SMEs regarding the CSR logics?

**RQ4:** Who is/are the key stakeholder(s) that drive the practices of CSR in the catering and construction sectors?

**RQ5:** How do Malaysia SMEs in different sectors practice CSR?

**RO1:** To examine to what extent the CSR concept exists among owner-managers of SMEs in Malaysia.

**RO2:** To examine the institutional logics that translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia and the variation between sectors.

**RO3:** To identify drivers and obstacles behind owner-managers' CSR logics in Malaysia's SMEs.

**RO4:** To reveal the key stakeholders that drive CSR practices in the catering and construction sectors.

**RO5:** To explore CSR practices in Malaysia's SMEs in different sectors.

The findings in Chapter 4 and 5 address the research questions. The achieved objectives are presented in the conclusion chapter of this thesis.

### 1.3 Research context: Malaysia

Research is conducted in Malaysia, a developing country that is located in Southeast Asia. The domains that are covered in this research context are as follows:

#### The Macro-level

- 1) The unique multicultural tradition settings that are rich with different ideologies.
- 2) The political and economic background of the country.
- 3) A developing country that is transitioning into a developed country (EPU, 2015).

#### The Meso-level

- 1) The significant number of SMEs in Malaysia and their contribution to economic, social and environmental well-being (Nejati & Amran, 2012).
- 2) The growing of different sectors that are expected to add substantial and synergistic value to other sectors (SME Corp, 2012; OECD, 2016).

#### The Micro-level

- 1) The SME owner-managers that emerged from a diverse background and socialisation process who shape their perspective/role in CSR practices (Nejati & Amran, 2012).
- 2) Owner-managers' idiosyncratic CSR practices that had been influenced by the growing institutional pressures (Nejati & Amran, 2012).

Malaysia is a multi-racial country that consists of three main ethnic groups: Malay, Chinese, and Indian, which together constitute Malaysian culture. Economic and social problems in Malaysia were apparent; these led to the former Prime Minister Tun Dr Mahathir bin Mohamad (1991) setting out 'Vision 2020', which aims to overcome nine challenges:

- 1) Establishing a united Malaysian nation – a nation at peace with itself, which is territorially and ethnically integrated, and lives in harmony and full and fair partnership.
- 2) Creating a psychologically liberated, secure, and developed Malaysian Society with faith and confidence in itself.
- 3) Fostering and developing a mature democratic society practising a form of consensual, community-oriented Malaysian democracy that can be a model for many developing countries.
- 4) Establishing a fully moral and ethical society, whose citizens are strong in religion and spiritual values, and imbued with the highest of ethical standards.
- 5) Establishing a mature, liberal, and tolerant society, in which Malaysians of all colours and creeds are free to practise and profess their customs, cultures, and religious beliefs, and yet feel as though they belong to one nation.
- 6) Establishing a scientific and progressive society that is innovative and forward-looking.
- 7) Establishing a fully caring society, in which the welfare of the people will revolve not around the state nor the individual, but rather around a strong and resilient family.
- 8) Ensuring an economically-just society where there is a fair and equitable distribution of the nation's wealth.

9) Establishing a prosperous society.

As listed in the Corporate Responsibility agenda, four (4, 7, 8, 9) out of the nine challenges are related to CSR (SSM, 2009, p. 20; Belmonte, 2012, p. 14). This indicates that CSR plays an imperative role in Malaysia to overcome most of the challenges set out by the former prime minister.

SMEs are often referred to as the backbone of the Malaysian economy, contributing to approximately 99% of business establishments and 65% of job employment (SME Corp, 2012; SME Corp, 2016). This suggests that SMEs in aggregate would have a significant impact on the socioeconomic and environmental well-being of Malaysia. Numerous sectors in Malaysia are expected to grow continuously over the next few years, especially in the catering and construction sectors (DOSM, 2016b; OECD, 2016; DOSM, 2017a). Despite the heavy focus of the government on the economic benefit from these sectors, there is a lack of social and environmental focus, especially in the context of SMEs (Tan & Yeap, 2012).

The catering sector, such as restaurants and cafés, are common businesses in Malaysia and most of them are SMEs. The changes of Malaysian lifestyles result in a surge of entrepreneurs to exploit the opportunity for business; hence, the number of restaurants and cafés proliferated substantially over the years and it is expected to grow continuously in the future (Euromonitor, 2016). Therefore, the benefit from this sector to the socio-environmental well-being can be extensive in aggregate. However, according to the International Labour Organisation (ILO) (2011), the working conditions in the catering sector are largely considered as poor. The Thimmakkas Resource for Environmental Education (2004, p. 12) stated: ‘that an average restaurant catering to 1,200 to 1,500 customers a week generates enough garbage to fill two 8-

yard-long dumpsters'. The catering sector is also responsible for oil wastewater creation (Wu, et al., 2009; Alade, et al., 2011) and restaurateurs in Malaysia are weak at maintaining grease traps (Mustafa, 2017; Nathan, 2017; Zahiid, 2017). This has led to some scholars arguing that the implementation of environmentally friendly practices by the restaurateurs in Malaysia remains scant (Kasim & Ismail, 2012).

In the construction sector, on the other hand, their social-environmental practices seem to have a higher level of maturity. It is argued that this is associated with the growth in green/sustainable construction (Kibert, 2012; Yusof, et al., 2016). Moreover, there is also a rising pressure to implement effective working practices across construction (Ikau, et al., 2013; Ikau, et al., 2016). SMEs are the core of construction sectors in Malaysia; they account for approximately 90% of companies that accept construction work (Kamal & Flanagan, 2014). The sector demonstrates promising growth in the fourth quarter of 2016 (DOSM, 2017b), and new growth opportunities for construction-related services in SMEs are expected (SME Corp, 2012, p. 46). However, this sector is still responsible for one of the single largest waste streams in the country, and the increasing demand for infrastructure and residential development exacerbate the problem (Begum, et al., 2010; Ikau, et al., 2016, p. 12). Although there are a number of policies, legislation targeting social and environmental issues (Bohari, et al., 2015; Ikau, et al., 2016) and self-regulation remains one of the crucial drivers in the construction sector for social and environmental well-being (Revell & Blackburn, 2007). Yet, the lack of environmental protection of SMEs in the construction sector remains one of the serious issues that needs to be addressed (Kang & Shahary, 2012; Yam, 2013). However, the increasing pressure from large clients and their growing awareness of CSR due to sustainability seems to be influencing SMEs to become more aware of their CSR practices (Sharma & Henriques, 2005). This is because '...small

businesses are not autonomous and they are subject to the actions of others' (Spence, 2016, p. 32). This is particularly so when SMEs in the construction sector play as general contractors and sub-contractors for large firms (Kamal & Flanagan, 2012). As suggested by Abidin et al. (2013), the involvement and demand of clients in sustainable construction will improve the sustainable condition in the construction sector. Therefore, in practice, SMEs should accommodate their clients' needs in order to win the contract, and one of the ways to do this is to accommodate their clients' requirement for CSR. However, it can also be argued that the opposite might hold true if the client does not practise CSR and is a radical capitalist. Hence, this might be very likely to have an adverse effect on the CSR practices of owner-managers in SMEs.

The government of Malaysia promotes CSR activities and practices regardless of sectors as stated in the Corporate Responsibility Agenda document (SSM, 2009, p. 28). However, enforcement is limited to large publicly-listed firms. Furthermore, with a lack of sector-specific intervention, lack of incentives and limited education and training seem to hamper the implementation of CSR practices. It is apparent through the analysis on the CSR in SMEs literature on Malaysian context that there are theoretical and practical implications as follows:

- At the theoretical level – there is a dearth of comparison between sectors, CSR perspectives and practices; hence, failing to provide a vivid framework for policy and practitioners on a sectoral level.
- At the practical level – the majority of SMEs in Malaysia are managed by owners, and these entrepreneurs are highly specialised in the business that they are doing. However, their social practices are based on their beliefs and tend to be reactive rather than proactive (Lund-Thomsen, et al., 2016). Hence, most of them lack a CSR strategy and perceive CSR as a donation (Abdullah,

et al., 2016), a possible means to get publicity but not being fully aware of the full potential that CSR has on their businesses and social welfare.

Therefore, this study contributes to the existing scholarship by understanding the motivation and obstacles faced by SMEs daily in their business environment in Malaysia, comparing SMEs in different sectors and revealing their peculiar CSR practice and logic.

#### 1.4 Methodological background

This thesis adopts a qualitative approach to explore the limited knowledge of CSR in SMEs in Malaysia (Rosnan & Delaila Abd Aziz, 2012). This qualitative study will reveal a clearer picture of CSR in SMEs pertaining to two sectors. A comparison between sectors reveal the CSR practices, which would provide an understanding to future researchers and policymakers. SMEs in the catering and construction sectors are mainly controlled and managed by owner-managers and they play the key role in the decision-making process regardless of whether it is financial or non-financial (Bos-Brouwers, 2010). Therefore, this thesis analyses their perceptions and attitudes regarding CSR, that would influence their actions or behaviours (Kaiser, et al., 1999). Hence, in order to reveal the emic perspectives of the participants, a social constructionist philosophy is adopted, which will address the research questions in a more holistic view of CSR, illuminating the differences in interpretations, the perceptions of different sectors and the logics that drive the CSR practices of owner-managers in SMEs.

An in-depth semi-structured face-to-face interview approach is conducted in this research, and 48 owner-managers of SMEs were interviewed and electronically recorded. The amount of data collected reached theoretical saturation. All interviews



were transcribed, coded and analysed using NVivo 12 software. The analysis delivers understanding into the CSR logics of SME owner-managers in the catering and construction sectors in Malaysia.

### 1.5 Research significance and contributions

This thesis contributes to both practical and theoretical knowledge. On a theoretical level, this research addresses the significant gap in the literature by developing 3-level CSR classification as an alternative approach to analysing and understanding CSR. This thesis also contributes to the knowledge by providing primary empirical evidence from Malaysia, which some scholars have argued that empirical studies in this area are particularly scant (Nejati & Amran, 2012; Nejati, et al., 2014).

Second, the literature has documented conditions, such as personal values, religion, family etc. that drive the CSR practices of SMEs (Hemingway & Maclagan, 2004; Nejati & Amran, 2009). However, there is a lack of sector comparisons or a focus on individual beliefs in order to help understand the CSR phenomenon (Aguinis & Glavas, 2012; Amaeshi, et al., 2016; Wickert, et al., 2016). It is argued that personal and sector conditions influence CSR practices, and this is addressed in the empirical research and analysis. Hence, this research will be focusing on sector comparisons or on individuals as the core of research, and then linking them to wider levels, such as organisational and institutional levels.

Third, this study contributes to the CSR literature in the context of developing countries, particularly Malaysia. Moreover, the research framework shifts from normally one level of analysis to multi-level analysis (low-, mid- and high-level CSR) in order to provide a holistic analysis of CSR. This multi-level approach is particularly

needed and it is considered as one of the most effective ways of studying CSR (Aguinis & Glavas, 2012).

Fourth, the approach adopted in this research draws upon institutional logics and stakeholder theories. These two influential theories are well known in the study of CSR. Although some authors argued that stakeholder theory is more relevant to the study of large companies (Russo & Perrini, 2010), a recent study suggests that the stakeholder theory for studying smaller firms needs to be redeveloped (Spence, 2016). It is also argued that the 'one fits all CR agenda' adopted by the Malaysian government is not suitable as different businesses in different sectors would have their own motivation and obstacles when it comes to CSR practices.

#### 1.6 Structure of the thesis

There is a total of six chapters in this thesis. Chapter 1 introduces the scope of the study, research aims and objectives and questions to address the gaps in the literature. This chapter outlines the research context, the methodology and its main contributions. Chapter 2 contains an analysis of the literature and policies that encompass CSR in general, including concepts and theories. This chapter also covers the debate between CSR of large and small firms in order to highlight the unique position of CSR in SMEs. Furthermore, CSR in developing countries and in the Malaysian context is discussed and the outline of the conceptual framework is presented as a guideline for the research. Chapter 3 presents the methodology used in the study and its rationale. Chapters 4 and 5 present the results of the research. The findings are supported with selected quotes of participants, and the analysis entails 3-level CSR classification underpinned by the conceptual framework demonstrated in Chapter 2. Chapter 6 concludes the key findings and contributions of the research and its recommendations and suggestions for academicians and practitioners.

## 1.7 Conclusions

This thesis aims to investigate sector-specific CSR logics of owner-managers by understanding their conceptualisation and practises of CSR in a developing country context. The research also addresses the limited knowledge of CSR SMEs in a developing country context, such as in Malaysia, and offers potential CSR policy contribution. The chapter lays out the foundations for the thesis, particularly the recognition of a research gap.

This chapter outlines how the gap will be filled, and an overview of the adopted research methodology for the study is presented with the justification of the geographical choice. The theoretical and practical contributions to CSR, SMEs and developing countries are also laid out in this chapter. The following chapter provides an analysis of the literature. This leads to the formulation of the conceptual framework that guides this research.

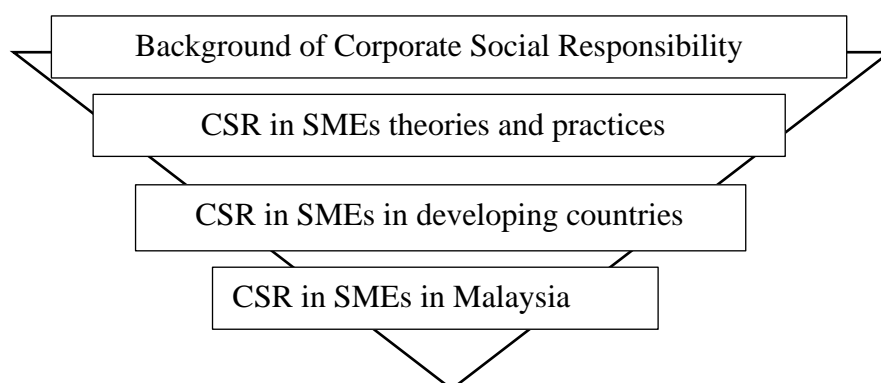
## Chapter 2 CSR in SMEs: A literature review

### 2.1 Introduction

The aim of this chapter is to examine the literature on CSR in SMEs in a developing economy, and set out the research objectives, questions, and the conceptual framework of this thesis. Through a critical review of the literature, the key concepts used in this research will be defined and gaps will be identified, which will lead to formulating the research questions. There are four key sections in this chapter. The first section will start with identifying different key concepts and definitions of CSR by notable authors from the past to present and highlight the contemporary CSR definitions. The second section will present the importance of CSR in SMEs and their unique characteristics, key concepts and theories of CSR. The third section will examine CSRs in developing countries, along with policies and practices, particularly in the context of Malaysia. The fourth section will analyse CSR, particularly on SMEs in the context of Malaysia. The last section will provide a summary and a conclusion for this chapter.

The process of the literature review starts with a funnelling process (Figure 2.1). According to Hart (2014), a standard way of doing a literature review is to start with macro, then narrow it down to micro context. This literature review will be conducted in the manner as follows,

**Figure 2. 1 Literature review structure ‘The four key sections’**



The databases that are used to conduct this literature review are the university's search engine, Scopus, Emerald, Wiley online library and Web of Science and Mendeley. Apart from these search engines, other notable journal publications, such as the Journal of Business Ethics, Business and Society, and Business Ethics: A European Review were also included in the search. The search results will be presented in some of the four key sections in this review. Table 2. 1 shows the keywords being used for searching journals for each section.

**Table 2. 1 The key sections and keywords**

<b>Key Sections</b>	<b>Keywords</b>
Background of Corporate Social Responsibility	History of CSR, Definition of CSR, Sustainability, Corporate Social Performance, Theories of CSR
CSR in SMEs theories and practices	Theories of CSR in SMEs, CSR in SMEs
CSR SMEs in developing countries	SMEs in developing countries, CSR SMEs in developing countries, environmental management in developing countries.
CSR in SMEs in Malaysia	Malaysia, SMEs in Malaysia, CSR in SMEs in Malaysia, SMEs sustainability Malaysia, Green SMEs Malaysia

## 2.2 Walking through the past and present of CSR

### 2.2.1 The beginning phase of CSR

Corporate Social Responsibility (CSR) has a long history. It is estimated that CSR practices appeared more than 4000 years ago (Visser, 2010). The idea of CSR practices is usually associated with philanthropy (Visser, 2008). However, some scholars indicate that philanthropy is no longer the only factor associated with CSR (Amaeshi, et al., 2016). As humans are more aware of their surroundings, they share their knowledge and experiences (Miotto & Rom, 2017); therefore, the notion of CSR has also slowly evolved. Different societies evolved in different ways and moved into different branches of the civilisation tree, and the CSR construct is significantly correlated with the culture and institutions of society (Thanetsunthorn, 2015; Halkos & Skouloudis, 2017; Whitely, 1999). Therefore, CSR is often interpreted differently in different cultural backgrounds, and thus, different definitions of CSR have emerged. As a result, there is no single, universal definition of CSR (Massoud, 2010).

### 2.2.2 The formalisation of the CSR concept as SR (the 1950s)

The concept of CSR was first formally introduced in writing at the beginning of the 1950s by Howard Bowen, in his book, *Social Responsibility of the Businessman*. Since then, various academicians also started to conduct some research on the phenomenon (Carroll, 1999). During the 1950s, CSR was referred to as Social Responsibility (SR), coined by Howard Bowen (Carroll, 2008). His contribution to CSR discourse has earned him a name-recognition known as the 'Father of Corporate Social Responsibility' by Carroll (1999).

Bowen's concept of SR refers to the 'social awareness' of owner-managers; of that is the cost of doing business that is not visible in the accounting records (Bowen, 1953).

In other words, his idea of SR was towards the responsibility of the individual and the entrepreneurs rather than the company itself as an entity.

### 2.2.3 The Iron Law of Responsibility and the intro of CSP (the 1960s to 1970s)

Bowen's definition of social responsibility is focused at the individual level. His definition was later reinforced by another notable CSR author, Keith Davis, who is considered as the 'Second Father of CSR' as a result of his prominent contribution to CSR literature during the 1960s to the early 1970s (Carroll, 1999). Davis indicated that SR is not only limited to the action of individuals, it needs more than that; hence, Davis suggested that the corporations should be referred to as entities that are socially responsible for their acts (1967; 1975), and the rise of corporations has changed the term from SR to CSR (Carroll, 2008). However, in the literature, CSR and SR are often interchangeable. SR is simply the earlier version of CSR with the focus on the social actor.

Davis expanded the concept of CSR by adding the 'Iron Law of Responsibility'. This law implies that '...in the long run, those who do not use power in a manner which society considers responsible will tend to lose it.' (Davis, 1975, p. 20; Davis & Blomstrom, 1975, p. 50). He suggested that the concept arises from social power; the more social responsibilities a firm has, the more social power it possesses. Social power is the power that a firm has that can influence society. Therefore, society should make businesses accountable for their decisions as their decisions will have consequences in society. The five propositions suggested by Davis to guide businesses are demonstrated in Table 2. 2.

**Table 2. 2 Davis’s five propositions for social responsibility**

<b>Proposition 1</b>	Social Responsibility arises from social power.
<b>Proposition 2</b>	Business shall operate as a two-way open system with open receipt of inputs from society and open disclosure of its operations to the public.
<b>Proposition 3</b>	Social costs, as well as benefits of an activity, product or service, shall be thoroughly calculated and considered in order to decide whether to proceed with them.
<b>Proposition 4</b>	Social costs of each activity, product or service shall be priced into it so that the consumer (user) pays for the effects of his consumption on society.
<b>Proposition 5</b>	Beyond social costs, business institutions as citizens have responsibilities for social involvement in areas of their competence where major social needs exist.

**Source:** (Davis, 1975, pp. 20-23)

During the late 1970s, Corporate Social Performance (CSP) was introduced in the literature (Sethi, 1979; Carroll, 1991; Shocker & Sethi, 1973; Sethi, 1975). CSP is one of the measurements for CSR by gathering opinions from different individuals, and they called them the ‘interest groups’ (Shocker & Sethi, 1973). They did not provide a clear or systematic classification of these individuals or groups, but rather a broad classification that results in too many groups (Wood, 1991). Sethi (1975) further developed CSP by using legitimacy as a principle for evaluating CSP, which entails corporate behaviour as Social Obligation, Social Responsibility and Social Responsiveness. However, the dimension of the three social elements was further modified by Carroll (1979), who formed the Social Responsibility Categories and eventually developed them into the pyramid of CSR.

#### 2.2.4 The CSR Pyramid and Stakeholder model (the late 1970s to mid-1980s)

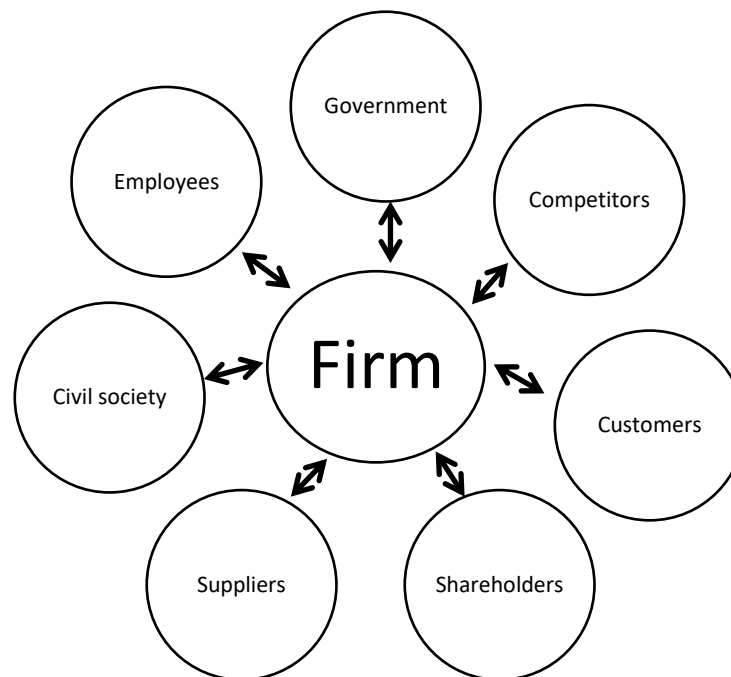
In the late 1970s, Carroll defined CSR by creating a model that concerns four parts of issues in society. He illustrated CSR as ‘The social responsibility of business



encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point in time' (Carroll, 1979, p. 500). He stated that the four categories are not mutually exclusive. They are not cumulative or additive. Neither are they a continuum that illustrates economic concerns on one end or social concerns on the other end. These four categories only suggest what might be fundamental of responsibilities that coexisted constantly within the business. Moreover, such categories would have incorporated motives in it, and the four categories are the reminders of the motives or actions that can be grouped into one of the categories. Carroll (1979) also integrated the four categories into a Corporate Social Performance model.

During the mid-1980s, Freeman (1984) developed a stakeholder model (see Figure 2.2), which allows businesses to further comprehend their stakeholders in a constantly changing business environment. This is now known as the Stakeholder Theory and has also contributed vastly to business ethics and CSR literature. It provides a map for the best practice in business within an imperfect world with numerous ethical problems (Stieb, 2009). This theory has eclipsed the Shareholder Theory by Friedman (1970) (it only focuses on profit maximisation) (Wheeler, et al., 2002).

**Figure 2. 2 The original Stakeholder Model**



**Source:** Freeman (1984)

The Stakeholder Model provides a clearer picture as to what ‘social’ means, or to whom businesses should be responsible for when it comes to CSR. In stakeholder theory, ‘social’ means the different stakeholders (Carroll, 1999). Even though the theory is vastly dominating the CSR literature (McWilliams & Siegel, 2001), the focus of this theory in SMEs is still in its infancy and the development of this theory in SMEs is encouraged (Spence, 2016; Soundararajan, et al., 2018).

At the same time, during the mid-1980s, CSP was extended by Wartick and Cochran (1985). They built the CSP model based on Carroll’s (1979) work on a three-dimensional conceptual model of Corporate Social Performance. Wartick and Cochran’s work focused more on the involvement of Corporate Social Activity rather than on the definition of the concept. However, such an outline of activities provides a conceptual idea of what CSR is. The authors suggested that the CSP model entails three elements: principles of social responsibility, the process of social responsiveness

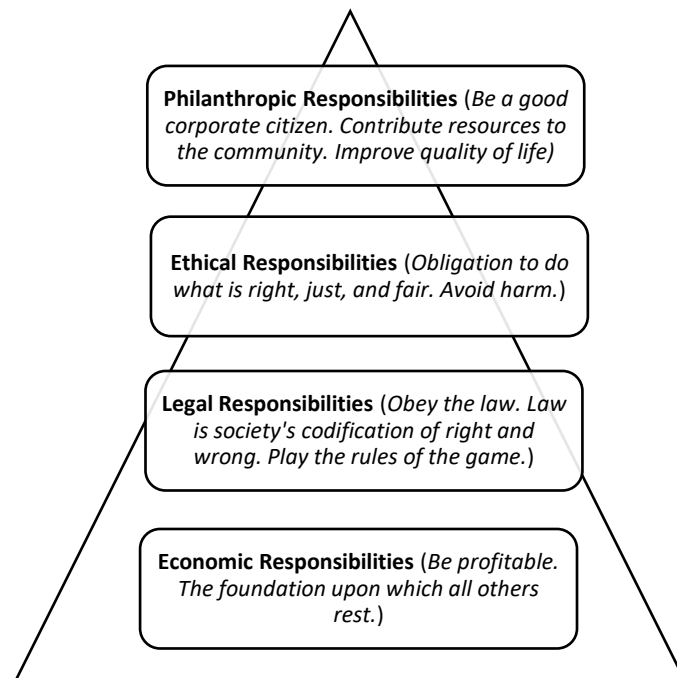
and the policies of issue management. These three elements are later revisited by Wood (1991) and are being further refined.

### 2.2.5 The revision of the CSR pyramid and CSP (in the 1990s)

Carroll revisited his CSR model in the early 1990s. He refined the pyramid of CSR by changing the *discretionary* to *philanthropic* as it embraced ‘corporate citizenship’.

Each domain in the pyramid is further elaborated as shown in Figure 2. 3.

**Figure 2. 3 The pyramid of CSR**



**Source:** (Carroll, 1991, p. 42)

The pyramid of CSR is one of the most widely used graphic depictions of CSR by numerous scholars (Schwartz & Carroll, 2003). However, there are criticisms, especially on the use of a pyramid framework for depicting the four CSR domains, which might lead one to conclude that the top domain is the most highly valued, or that the base of the pyramid needs to be satisfied first (Schwartz & Carroll, 2003).

Ranking the four domains in the pyramid is clearly not what Carroll intended to do:

‘...The pyramid should not be interpreted to mean that business is expected to fulfil its social responsibilities in some sequential, hierarchical fashion starting at the base’ (Carroll, 2016, p. 6). However, the economic responsibility was placed at the base because of its foundation requirement for a business, and the pyramid design is ‘simple, intuitive and withstands the test of time’ (Carroll, 2016, p. 4). Therefore, although the economic domain is at the base of the pyramid, that does not mean that a business should fulfil the economic domain first; rather, the business should fulfil each component at the same time in order to achieve CSR (Carroll, 1991; Carroll, 2016).

Moreover, in the early 1990s, Woods revisited the framework for the CSP model. He proposed his own CSP model, which entails three aspects that defined CSR. The three aspects, which incorporated some of the elements proposed by Waddock and Cragg (1985), are called the Principles of Corporate Social Responsibility, the Processes of Social Responsiveness and the Outcome of Corporate Behaviour (see table 2. 3). These three aspects apply across all operations of the firm, such as economic, legal, ethical and discretionary/philanthropic (Jamali & Mirshak, 2007).

**Table 2. 3 Wood’s Corporate Social Performance Model**

<b>Principles of Corporate Social Responsibility</b>	<b>Process of Social Responsiveness</b>	<b>Outcomes of Corporate Behaviour</b>
Institutional: Legitimacy	Environmental assessment	Social impacts
Organizational: Public responsibility	Stakeholder management	Social programs
Individual: Managerial discretion	Issues management	Social policies

**Source:** found in Jamali, et al., (2009), originated from Wood (1991)

Wood’s created principles of CSR are based on the ideas of a number of CSR authors, such as Davis (1973) on legitimacy, Preston and Post (2012,1975) on public responsibility and Carroll (1979) on managerial discretion. Legitimacy focuses on obligations and sanctions, while public responsibility emphasises on behavioural factors of organisations and how they deal with the social problems they have created (Wood, 1991). Managerial discretion, on the other hand, is directed more towards individual responsibility as the moral actor (Wood, 1991).

Social Responsiveness is an action towards how the three aspects of responsiveness can be achieved. The three aspects are environmental assessment (context), stakeholder management (actors) and issues management (interests). According to Wood (1991), these three facets are interlocked, and thus, Social Responsiveness maps how managers and firms can meet stakeholders’ expectations.

The Outcome of Corporate Behaviour concerns the procedures or programmes that a company has carried out for handling social issues and stakeholder's interests (Wood, 1991). Social Impacts under the Outcome of Corporate Behaviour is a cycle that indicates that issues and problems have been addressed by the company's research in CSP. The result of social impacts leads to the creation of Corporate Social Programs and Policy to essentially manage their social impacts (Wood, 1991). Wood's reformulation of CSP offers a multi-layered analysis on CSR, which articulates the institutional, organisational and individual levels. However, in the growing CSR literature (Matten & Moon, 2008), most studies seem to focus more on the institutional and organisational levels (Frynas & Yamahaki, 2016).

#### 2.2.6 The use of various social science theories to explain CSR (in the 2000s)

The rapid change of social awareness is leading the change in the comprehension of CSR from 'why' to 'how' companies can be socially responsible (Horrigan, 2007). Various theories are used to comprehend the phenomena from an individual-level theory to the agency theory to an organisational-level theory, the stakeholder theory. Moreover, different theories from social science discipline are embraced in the study of CSR (Frynas & Yamahaki, 2016). For instance, the institutional theory, which originated from sociology and economics (DiMaggio & Powell, 1983; Davis & North, 1971), has been used by various authors in the early- to mid-2000s in order to understand the differences of CSR in different nations (Matten & Moon, 2008; Aguilera & Jackson, 2003; Aguilera, et al., 2007). Matten and Moon (2008) suggested that the new institutionalism provides a good theoretical perspective in understanding CSR because it captures how firms respond to their complex institutional environments in order to gain legitimacy. The theory manifests the isomorphism of companies in relation to CSR, where firms are becoming more and more similar to

each other when it comes to gaining legitimacy through CSR strategies. Therefore, isomorphism indicates the institutionalisation of CSR (Jackson, et al., 2019). The process of the institutionalisation of CSR has also captured a number of CSR scholars to look into the logic of different institutions that shape the CSR phenomena (Glynn & Raffaelli, 2013; Höllerer, et al., 2013; Raynard, et al., 2013; Ioannou & Serafeim, 2015; Jamali, et al., 2017c).

### 2.3 Institutionalisation of CSR

The proliferation of CSR in academics and in practice manifests the institutionalisation of CSR (Lindgreen, et al., 2009; Haberberg, et al., 2010; Bondy, et al., 2012) and globalisation further pollinates CSR in different regions of the world (Higgins & Debroux, 2009; Carroll, 2015). The increase of social awareness in society (Bowen, 1953; Murphy, 1978; Carroll, 2008; Lindgreen, et al., 2009; Zhu & Zhang, 2015) regarding different problems, such as inequality, injustice and environmental pollution has formed different demands from people, which leads to the formation and change in CSR (Tilley, 2000; Carroll & Kareem, 2010). For example, the implementation of the Sustainable Development Agenda 2030 in the G20 Summit 2017, along with different countries that signed up for the Paris Agreement, indicate strong response towards the aforementioned ongoing societal problems. Therefore, the support of the institutionalisation of CSR can be seen in the change of government policies in both developed and developing economies. For example, in the UK, the Department for Environment Food & Rural Affairs (2018) started charging 5p on single-use plastic bags that began in the UK in 2015, environmental taxes in different countries (OECD, 2017) and CSR reporting and compliance or explanation of corporate governance as part of the listing rule (ECGI, 2002).

Apart from some clear signs of governments pushing the CSR agenda, companies are also subject to the pressure of institutionalising CSR. As for big firms, for example, they adopt International Organization for Standardization (ISO), volunteer CSR reporting, emphasise fair trade and participate in social events, such as Pride, in order to support the fight for equality and promote inclusion (BBC, 2017; Vilá & Bharadwa, 2017). All these actions are not required by law and what companies did was beyond the requirement of law, which satisfies the definition of CSR ‘as the actions that appear to further some social good beyond the interests of the firm and that which is required by law’ (McWilliams & Siegel, 2001, p. 117). Even in some SMEs, such behaviour exists, but because they are not as visible as MNCs, their CSR is often hidden (Jamali, et al., 2009). For example, a study conducted by Amaeshi et al. (2016) shows that SMEs in Sub-Saharan Africa are involved in institutional works that are aimed to address some institutional gaps through CSR practices. Similarly, a study conducted by (Hamann, et al., 2017) shows that owner-managers of SMEs in the wine sector in Africa are the drivers of SMEs engaging in pro-environmental behaviour. Therefore, the studies indicate that the institutionalisation of CSR also exists in SMEs.

An indicator of the institutionalisation of CSR can also be seen in the participation of firms in the United Nations Global Compact (n.d.) database where many firms are voluntarily participating in the agenda. Despite the institutionalisation of CSR being more prominent amongst MNCs (Bice, 2017), the database in the United Nations Global Compact shows that SMEs consist of almost half of the total participants. Therefore, it signals that the institutionalisation of CSR is not limited to MNCs, but is also in some SMEs. However, the definition of CSR remains elusive and a fixed definition of CSR is absent (Bice, 2017). A study conducted by Dahlsrud (2008) analyses 37 definitions of CSR and suggested that most of the definitions cover five



dimensions: economic, social, environmental, stakeholder and voluntariness. The study further concluded that the five dimensions change depending on the current social need, and hence, the definition of CSR varies and changes. This shows that despite institutionalisation of CSR, the logic of CSR varies and can be changed over time.

Different authors also have different theories and logics regarding what influences the adoption of CSR. A study conducted by Frynas and Yamahaki (2016) discovered that at least six theories were being used for CSR studies. Their study indicates that stakeholder and institutional theories have been the most widely used in examining CSR-related issues for more than two decades. This implies that there is some consensus amongst the academicians for adopting aligned approaches for CSR-related studies and also indicates the institutionalisation of CSR. Consensus regarding the adoption of CSR in business and management is not limited to academicians; business practitioners are also feeling the heat of CSR despite the practices of CSR normally reflecting norms and values from the West and developed nations (Muthuri & Gilbert, 2011). Globalisation has bridged CSR to the other parts of the world (Carroll, 2015); therefore, CSR is now a worldwide phenomenon.

#### 2.4 The contemporary definitions of CSR

A single unified definition of CSR is absent in the literature, albeit there is a broad consensus regarding the nature of CSR, which is to ‘do the right thing’. CSR is very contextually based because the formation of CSR highly depends on different local factors, such as culture, religion, government and legal frameworks (WBCSD, 2000; 2002; Abdulrazak & Ahmad, 2014; Tilt, 2016). Some scholars define the beginning of CSR as being where the law ends (Sen & Cowley, 2013), which implies that the law is not part of CSR. However, other scholars signal that the law is the beginning of

CSR where regulations are enforced, such as safety standards and employee benefits (Lee, et al., 2012).

This thesis supports the legal aspects as being part of CSR, which is similar to CSR as defined by Carroll (2016), where economic, legal, ethical and philanthropic/discretionary responsibilities are taken into account. The review of the chronology of the CSR literature shows the complex factors that form CSR. This involves certain stakeholders, such as the government, which influences the legal aspect of the business, along with primary and non-primary stakeholders that influence the discretions and responsibility of the business. Therefore, the definition of CSR should reflect the dimensions that incorporate stakeholders and institutions that could potentially form CSR. Table 2.4 summarises the important types of CSR in the literature, which will be used as the foundation of 3-level classification analysis in this thesis (see Chapter 5.2), and which is also an approach to defining contemporary CSR that is focused on specific context. This thesis defined CSR broadly: as responsibilities towards different levels of stakeholders in line with the institutional logics.

There are three aspects of CSR that can be identified in the literature, as shown in Table 2. 4. The three aspects of CSR are: 1) the regulation responsibilities, which focus on the legal aspect of the business, 2) the discretionary responsibilities within the boundary of the business that focus on the aspect of internal CSR and stakeholders who are crucial for the ongoing concerns of the business, and 2) the wider contribution of the business in the society; this responsibility is usually not directly related to the survival of the business and sometimes they are negligible.

**Table 2. 4 Types of CSR in relation to levels of CSR**

<b>Types of CSR</b>	<b>Associated Authors</b>
Regulatory as an important aspect of CSR	(Mena & Palazzo, 2012), (Jamali & Mirshak, 2007), (Wood, 1991), (Carroll, 1979), (Carroll, 1991), (Carroll, 2016), (Campbell, 2007)
Discretionary within the business, the internal CSR	(Spence, 2016), (Barakat, et al., 2016)  (Kim & Ham, 2016), (Low & Ong, 2015), (Hur, et al., 2019), (Campbell, 2007)
Contribution towards society, external CSR	(Brammer & Millington, 2004) (Aguinis & Glavas, 2012) (Santos, 2011), (Campbell, 2007)

### 2.5 CSR in SMEs: The importance and debate

There is no unified definition of an SME (Spence, 2016). However, the European Commission's definition of an SME is widely used for categorising SMEs (OECD, 2015) where the staff headcount less than 250, the turnover is less than €50M and the balance sheet total is less than €43M (European Commission, 2003). SMEs are an important part of the world's economy and they account for approximately half of the GDP across 55 countries (Kelley, et al., 2016). According to OECD (2015), SMEs represent 99% of all firms and account for approximately 50% of employment in most of the countries.

CSR studies are often conducted in MNCs; thus, resulting in unbalancing attention in the CSR literature (Spence, 2007; Jamali, et al., 2009; Baumann-Pauly, et al., 2013; Russo & Tencati, 2009). Even though SMEs hold such a significant position in the global economy, most existing research on CSR focuses on MNCs (Jenkins, 2004). Therefore, studies of CSR in SMEs are still in their embryonic stages. This is

confirmed by a search of published journals regarding CSR in SMEs from different search engines. Table 2. 5 shows the number of articles of CSR in SMEs found in four different types of search engines. The search was limited to business, management and social science subjects.

**Table 2. 5 Published journals of CSR in SMEs**

<b>Types of search engines used</b>	<b>Articles from the years 2000 to 2010</b>	<b>Articles from the years 2011 to 2016</b>	<b>Articles from the years 2017 to 2020</b>	<b>Total articles</b>
Web of Science	34	104	96	234
Scopus	41	97	97	235
Emerald	7	9	5	21
EBSCO	24	35	39	98
<b>Total articles</b>	106	245	237	588

As shown in Table 2. 5, the number of articles of CSR in SMEs has increased over time, which indicates that studies of CSR in SMEs have captured the attention of the research community (Spence & Rutherford, 2003; Jenkins, 2006; Perrini, et al., 2007; Jamali, et al., 2009; Wickert, et al., 2016). The studies of CSR in SMEs were widely based on western countries (Rutherford, et al., 2000; Perrini, et al., 2007; Revell & Blackburn, 2007; Revell, et al., 2010; Agudo Valiente, et al., 2012; Iatridis, et al., 2016; Graafland & Smid, 2017). This has sparked a debate on whether it is feasible for CSR in SMEs in the west to be adopted in the east (Tang & Tang, 2012; Hou, et al., 2016), whether developed nations' CSR in SMEs should be adopted in developing and underdeveloped nations (Tsang, 1998; Abdulrazak & Ahmad, 2014), or whether CSR strategies in MNCs should be transferred to SMEs (Tilley, 2000). Through the analysis of the literature of CSR in SMEs and CSR in general, it seems there is a

consensus that it is challenging and inappropriate to transfer CSR practices from one context to another.

As mentioned before, CSR is contextually based, which means that CSR varies between different countries. For example, owner-managers of SMEs in the context of Italy signal that employment, supply chain and local community logics lead to their commitment towards CSR strategies (Perrini, et al., 2007). On the other hand, owner-managers of SMEs in the context of Malaysia show strong religion logic that underpins the commitment towards CSR in their businesses (Nejati & Amran, 2009). Therefore, the study of CSR in SMEs should not be assumed that it is translatable from one country to another. Rather, a closer investigation on the formation of CSR logics in owner-managers of SMEs in a different context will help to shed more light on effective CSR strategies and potential policy implementation that is currently needed to be addressed.

Some studies have drawn attention to a lack of government policies and regulations regarding the promotion of CSR (Kasim, et al., 2011; Graafland & Smid, 2017). In some cases, SMEs identified government as ‘a negative influence, in that it restricted pro-environmental initiatives through bureaucratic requirements’ (Hamann, et al., 2017, p. 43). For example, the cost for grease trap maintenance was enforced by Kuala Lumpur City Hall on the first of January 2017, but it was only limited to 6000 restaurants, which upset some restaurateurs as they thought it was an unnecessary bureaucratic process that was costly and politically motivated (Mustafa, 2017; Zahiid, 2017). However, some studies do indicate that despite the weak regulation and enforcement of the law, owner-managers do take initiatives to address the gap of governance and social provision. For example, the study conducted by Hamann, et al. (2017) implies that owner-managers of SMEs in the wine sector respond to

environmental responsibility not for legitimate seeking (obey laws and regulations) but because they see it as 'the right thing to do'. Therefore, the study supports the idea that owner-managers of SMEs are the key agents for the firm to exercise social good.

Some scholars imply that owner-managers are not the key agents of the firm. Rather, they emphasise on the regulatory or on the government aspect as the key agent. For example, Williamson et al. (2006) indicated that SMEs are unlikely to voluntarily practice CSR as market logic dominates the sector, and therefore, SMEs will not commence activities that are not driven by the market logic. As a result, SMEs view CSR practices as optional, expensive and burdens the business. For example, cost was one of the main reasons why restaurateurs were upset about the enforcement of grease trap maintenance in restaurants in Kuala Lumpur, Malaysia (Mustafa, 2017; Nathan, 2017; Zahiid, 2017). Therefore, this implies that regulations or the government could be an effective means to an end for SMEs to undertake CSR initiatives.

#### 2.5.1 Cultural difference between MNCs and SMEs

Given the organisational differences between MNCs and SMEs, along with their strategic and operational activities, it is suggested that SMEs are not the smaller version of MNCs (Westhead & Storey, 1996; Welsh & White, 1981). This is because the behaviour of SMEs is influenced by the owner-managers' behaviour, attitude and values (Blowfield & Murray, 2014; Tilley, 2000; Russo & Tencati, 2009; Preuss & Perschke, 2009). Therefore, CSR policies and practices from MNCs will be difficult or impractical to simply apply to SMEs. Table 2. 6 shows the differences and unique characteristics of SMEs.

**Table 2. 6 Cultural differences between corporate and small businesses**

<b>Corporate/ Large Business (seeking to achieve)</b>	<b>Small Business (often characterised as)</b>
Order	Untidy
Formal	Informal
Accountability	Trusting
Information	Personal observation
Clear demarcation	Overlapping
Planning	Intuitive
Corporate strategy	‘tactically strategic’
Control measures	‘I do it my way’
Formal standards	Personally monitoring
Transparency	Ambiguous
Functional expertise	Holistic
Systems	‘Freely’
Positional authority	Owner-managed
Formal performance appraisal	Customer/ network exposed

Source: Jenkins (2004), originated from Gibb (2000)

SMEs tend to be informal, and this is also indicated in the literature of CSR where SMEs prone to practice CSR informally (Jamali, et al., 2009). Even though studies on SMEs are inclined to be grouped in the same category, especially in comparison with large listed companies in CSR literature, there would be some differences within the population of SMEs. The difference can range from the level of resources to the level of informality in SMEs. However, some scholars indicate that, despite the differences

between SMEs, certain dimensions remained the same (Pett, et al., 2012). It can also be argued that because SME tend to be controlled by owner-managers (Jamali, et al., 2009), their CSR practices are therefore normally aligned with an owner-manager's personality, values, behaviour, and beliefs (ElBaz, et al., 2016). On the other hand, MNCs tend to be formal with clear systematic structure and a high level of reporting standards to communicate with a wide range of stakeholders. SMEs tend to operate locally, and hence, indicate the proximity with their stakeholders, which leads to the argument that SMEs are more likely to 'walk' CSR genuinely.

#### 2.5.2 The walk and the talk: MNCs and SMEs CSR strategies

The cultural difference between big firms and smaller firms also mirror CSR practices between the two groups. The summary of CSR differences between MNCs and SMEs when it comes to walking and talking CSR is demonstrated in table 2. 7.



**Table 2. 7 The difference between MNCs and SMEs in terms of CSR**

<b>Indicator</b>	<b>MNCs</b>	<b>SMEs</b>
Implementation of CSR	Formal and often follow international standard guidelines, e.g., GRI, ISO (Jenkins, 2004; Jamali, et al., 2009; Russo & Tencati, 2009)	Informal and often follow personal perceptions/ values/ norms/ religions (Jenkins, 2004; Jamali, et al., 2009; Russo & Tencati, 2009; Nejati & Amran, 2009)
CSR Reporting	Extensive reporting (Baumann-Pauly, et al., 2013)	Minimum reporting (Baumann-Pauly, et al., 2013; Murillo & Lozano, 2006; Jamali, et al., 2017a)
CSR practices	Often follow the guidelines (Baumann-Pauly, et al., 2013)	'Do what is right' (Jamali, et al., 2009)
Resources for CSR activities	Often have resources for exercising CSR (Baumann-Pauly, et al., 2013; Russo & Tencati, 2009)	Aware of CSR issues, but often do not have sufficient resources for exercising CSR (Russo & Tencati, 2009)
Impact of CSR	Society (Jenkins, 2004)	Community (Jenkins, 2004)
Attention of CSR in public/ media	Largely visible and media attention (Baumann-Pauly, et al., 2013; Wickert, 2016)	Low visibility/ absent in media (Baumann-Pauly, et al., 2013; Wickert, 2016)
Genuineness of CSR	Pressure of expectations from the public makes the implementation of CSR superficial (Baumann-Pauly, et al., 2013; Desta, 2010)	The close relationships with their stakeholders make CSR more realistic, effective and more willingly to be practised (Singh, et al., 2008; Perrini, et al., 2007)
CSR dictator	Usually has CSR managers	Owner-managers

According to Wickert, et al. (2016), big firms are extremely skilled when it comes to CSR 'talking' as they have the resources, such as human and financial capital. The way that MNCs manage CSR reports is highly advanced (Baumann-Pauly, et al., 2013) and their reporting is often being encouraged to follow the Global Reporting Initiative (GRI) guidelines. A CSR report is not legally required, but companies have been producing them for many reasons. One of the reasons is that the CSR report acts as a means of communication with stakeholders (de Vries, et al., 2015). However, some scholars have argued that MNCs are also particularly manipulative by overstating or misrepresenting the truth about CSR in their reports (Greenwashing) (de Vries, et al., 2015); therefore, there is a lack of genuineness of CSR in MNCs. Some authors have also argued that the misrepresentation of CSR in their report is because of the heterogeneous stakeholders of MNCs, and thus, MNCs produce unrealistic CSR goals (Wickert, et al., 2016).

On the other hand, in some studies, SMEs are considered to be more effective in CSR 'walking'/ CSR engagement (Hammann, et al., 2009; Brammer, et al., 2012; Hoogendoorn, et al., 2015; Wickert, 2016; Wickert, et al., 2016). This suggests that SMEs are more genuine when it comes to CSR and not necessarily less advanced in implementing CSR practices in comparison with MNCs (Baumann-Pauly, et al., 2013). One of the reasons for this is because of the close engagement, long-term relationship and quick responses to their stakeholders' needs compared with MNCs (Singh, et al., 2008; Wickert, 2016; Wickert, et al., 2016). Moreover, SMEs tend to operate in the local community (Spence, 2016; Wickert, et al., 2016). However, owner-managers themselves are not fully aware that they are practising CSR. Such informal CSR is also called the 'sunken CSR' by many authors (Russo & Tencati, 2009; Jamali, et al., 2009; Jenkins, 2004) and tends to be 'locally focused' rather than

‘nationally focused’. As a result, CSR in SMEs is often considered as more genuine and effective by some scholars (Wickert, et al., 2016).

The ‘holisticness’ of CSR in SMEs is currently complex and elusive. The operation of CSR very much depends on the perspective and logic of the owner-managers in SMEs (Hamann, et al., 2017). Owner-managers can have many different viewpoints and logics about the formation of CSR and practices; therefore, it is imperative to be able to understand their perspectives and CSR logics in order to create a better approach for SMEs.

## 2.6 Widely used theories for CSR studies

Ever since CSR was formally established in academia, different authors have had different theories and logics regarding what influences the adoption of CSR. According to the study conducted by Frynas and Yamahaki (2016), they indicate that the stakeholder theory and the institutional theory are the most influential theories in CSR-related studies. This implies that there are some accuracies with the theories when it comes to investigating CSR phenomena. Therefore, stakeholder theory and institutional theory will both be used as theoretical lenses for this study in order to examine the CSR logics of owners-mangers in SMEs.

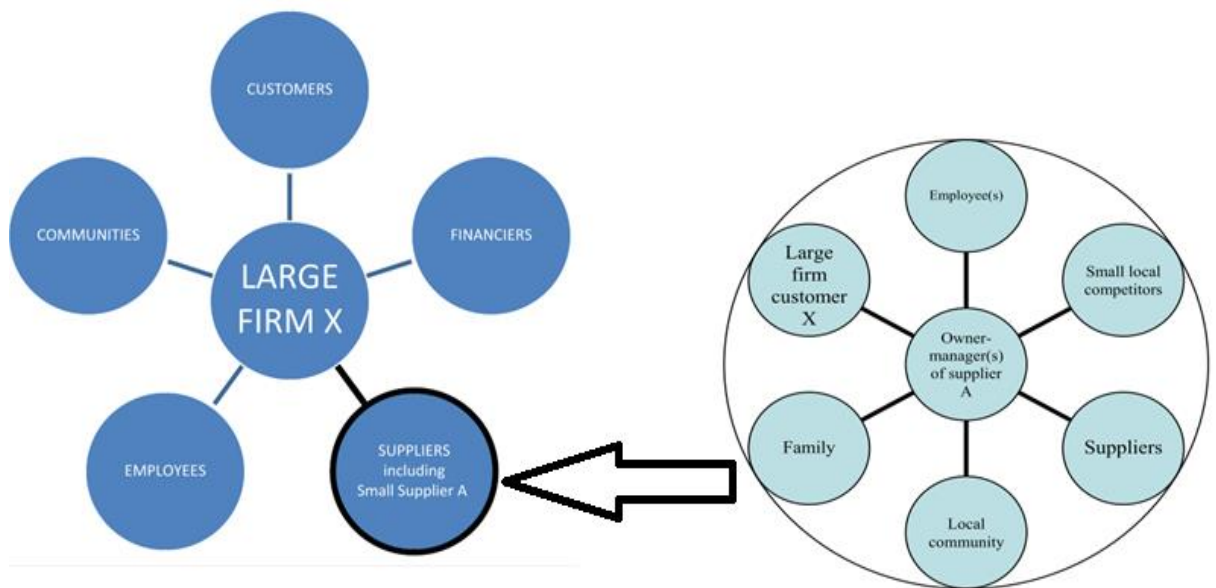
### 2.6.1 Stakeholder theory

Stakeholder theory and its model were originally created by Freeman (1984). The use of this theory in CSR studies has proliferated and has become one of the most widely used theories in CSR literature (Frynas & Yamahaki, 2016). This theory challenges the traditional view of a firm in which firms should put their shareholders first because of financial obligation (Freeman, 1984). Stakeholder theory argues that there are other parties involved (Stakeholders), not just the shareholders, and they are just as

important because of their ability to influence other stakeholders as well as the firm. As a result, this theory helps to explain the motivation and strategies of the company's social and environmental initiatives (Agle, et al., 1999; Frooman, 1999; Mitchell, et al., 1997; Herrera Madueño, et al., 2016).

Although stakeholder theory is generally used for evaluating MNCs in terms of CSR, many authors have been using stakeholder theory for evaluating SMEs as well. For example, Tang and Tang (2012) used the stakeholder theory for evaluating Chinese SMEs in terms of their CSR engagement and CSR orientation. Hoogendoorn, et al. (2015) applied stakeholder theories in order to investigate an SMEs motivation towards environmental practices in 36 countries. The wide use of stakeholder theory in CSR studies indicates that the theory should not be ignored, and new, redeveloped stakeholder theories for SMEs should be considered. This is because SMEs would have their own particular number of stakeholders regardless of size, and the theory can also be used for complementing other theories; thus, it has the potential to be part of the CSR analysis in SMEs. Spence (2016) further developed stakeholder theory from its core into a stakeholder model that fits more into SMEs (see Figure 2. 4).

**Figure 2. 4 Stakeholder model of a small firm within a large firm**



**A = SME**

**X = Key customer of the SME**

**Source:** Spence (2016)

Spence (2016) argued that a list of generic stakeholders might not be appropriate or transferable to SMEs. Therefore, Spence (2016) further redeveloped the stakeholder model for a better fit in SMEs. The difference between the generic and the redeveloped stakeholder model for SMEs is the emphasis on family and stakeholders, which is led by personal relationships.

Spence (2016) also argues that SMEs are not at the centre of the stakeholder map because the role and identity of an SME will normally have a relationship with an MNC that would normally be their key powerful customer. The illustration implies that SMEs are less powerful on their own because they are depending on their key customer, which usually appears to be MNCs. The illustration also shows that the aggregation of SMEs would appear to be one of an MNCs important stakeholders.

In conclusion, Spence (2016) suggests that the four key elements from an ethic-of-care standpoint, which can enrich the use of stakeholder theory for understanding an SME's CSR, are as follows:

- The inside of the black box of the firm is best represented by the owner(s)-manager(s) of the business.
- The small business is more likely to be defined by their role as a stakeholder of other organisations than as a central organisation in its own right.
- The key stakeholders for small businesses are likely to be employees, small local competitors, suppliers, local community, family and customers.
- Stakeholder salience is influenced by proximity, which adds a new dimension to the 'urgency' perspective.

Source: Spence (2016)

Despite the wide use of stakeholder theory in CSR-related studies, the theory is widely used in the firm-level analysis (Frynas & Yamahaki, 2016). This implies that the theory is limited to single-level analysis, and in order to gain a much richer understanding of CSR issues, a multilevel analysis would be the preferable approach (Aguinis & Glavas, 2012). Stakeholder theory for a small firm depicts six stakeholders; however, depending on the business and sectors, the number and types of stakeholders can be different. It is beyond dispute that the core of stakeholder theory is to focus on stakeholders who are closely related and have an interest in the business. This is further delineated in some scholars' work; they show that stakeholder theory

is used by a firm as a means to gain ‘legitimacy’ by fulling their stakeholders’ needs and ultimately fulling their CSR duty (Mena & Palazzo, 2012).

However, the cost can be substantial when it comes to fulfilling the needs of multiple stakeholders, including communication and implementation. As for small firms, communicating to multiple stakeholders such as CSR reporting can be a substantial cost that burdens small firms, but when it comes to implementation, SMEs can be the champion because of their small size and close relationships with their stakeholders (Wickert, et al., 2016). The implementation of CSR strategies on how to fulfil the needs of stakeholders of a firm entirely depends on the logics of owner-managers. This is because owner-managers are the drivers of a firm; they are the ones who make strategic decisions and ensure its survival. Therefore, the interpretation of owner-managers on the logic of each stakeholder is a crucial justification for obtaining ‘legitimacy’ and ultimately the survival of the business.

The interpretation of owner-managers regarding multiple salient stakeholders’ logics are not without the influence of bigger societal factors, such as the taken-for-granted rules. In order to further understand such a complex phenomenon, institutional theory is also adopted in this research. As suggested by some scholars, a combination of two or more theories will help to further clarify CSR phenomena (Frynas & Yamahaki, 2016).

#### 2.6.2 Institutional theory – an institutional logics perspective

The institutional logics perspective is a meta-theory of institutional theory (Thornton, et al., 2012). Friedland and Alford (1991) are the original contributors of institutional logics, and Thornton developed and further refined their ideas (Thornton, 2004). Thornton and Ocasio (1999, p. 804) defined institutional logics as:

‘...the socially constructed historical patterns of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality’.

Intrinsically, ‘logics can be viewed as *bundled sets or ensembles* of higher-order meanings, values, norms, and/or rules that frame how individuals make sense of the world around them and consequently know how to act’ (Cloutier & Langley, 2013, p. 361).

Institutional logics bridge individual agency and cognition and socially constructed institutional practices and rule structures (Thornton & Ocasio, 2008, p. 101). There are seven institutions: market, family, religion, state, corporation, profession and local community, which are identified by Friedland and Alford (1991) and Thornton, et al. (2012). Thornton, et al. (2012) imply that these seven institutions are implanted in an interinstitutional system where these institutions and their order are related to each other. They further indicate that individuals and organisations are embedded within interinstitutional systems with the seven ideal-type institutional logics.

Apart from the seven logics, some scholars also present other logics that are embedded in an interinstitutional system, and some new logics have emerged on a sectoral level (Thornton & Ocasio, 1999; Vargo & Lusch, 2004; Daudigeos, et al., 2013; Pache & Santos, 2013b; Currie & Spyridonidis, 2016). Despite these less-apparent logics being often ignored, they play an important role in humans’ subconscious behaviour, which could be the foundation of dominant logics (Daudigeos, et al., 2013). In a complex interinstitutional system, it is expected that each institution should have their unique structure, norms and symbols (Thornton, et al., 2012) that are influenced by other institutional logics, ultimately forming their own logics (Voronov, et al., 2013). There are constant battles between logics in a complex multiple-logics environment, and it is not surprising if there are more than one dominant logic embedded in the system (Pache & Santos, 2013a). Some past logics could also interfere with the current dominant logics; for example, the study conducted by Raynard, et al. (2013) shows



that multi-faceted CSR initiatives are interpreted and implemented based on the rooted legacies from the past state logics in China that are embedded in local institutional infrastructures.

Institutional logics are represented by individuals, and albeit, the constant battle of logics individuals play is an important role in interpreting and processing these logics (Pache & Santos, 2013a). Dominant logics that still exist and new logics that emerge are subject to individuals' interpretation and execution of logics. The existence of dominant logics or the newly accepted logics are based on the exposure level of a logic to an individual and can be categorised as follows, as suggested by Pache and Santos (2013a):

- Availability refers to the knowledge and information that individuals have about a given logic.
- Accessibility refers to the degree to which knowledge and information about a given logic may come to mind.
- Activation refers to whether available and accessible knowledge and information are actually used in social interaction.

Pache and Santos (2013a) suggest that the degree of availability, accessibility and activation of a given logic would determine whether an individual is a novice, familiar or identified. A novice is an individual who was not previously exposed to a logic but was given or forced to have one; hence, he is new and has little to no knowledge and information or possibly is blinded by other logic. Therefore, individuals who classify as a novice are very likely to ignore the given logic. For example, a study of university recycling programs conducted by Lounsbury (2001) delineates that detachment occurs to novices who have limited understanding about recycling and its importance and, as

a result, have little interest in the recycling program. Similarly, the findings of Ismail, et al. (2010) signal some restaurateurs in Penang Malaysia show strong capitalist logic that overshadows environmental logic as a result of limited knowledge regarding the benefit arising from the implementation of environment-friendly practices.

An individual who is identified as being familiar with a certain logic would have some availability and accessibility to information and knowledge through direct or mediated social interactions (Pache & Santos, 2013a). Therefore, the activation of logic is possible, but it would not be a priority as a result of loose ties to the particular logic. In other words, an individual who is familiar with a particular logic might obey the rules with the motive of gaining legitimacy, but by doing so, it does not necessarily mean that the logic is aligned with their identity or as taken-for-granted. For example, a study conducted by Pache and Santos (2013b) regarding social enterprises delineates that social entrepreneurs have sufficient knowledge to enact selective harmonised practices for securing legitimacy in the field where social welfare is the dominant logic, but the logic is not aligned with their identity.

The identified refers to individuals who are given a certain logic that is available and highly accessible to knowledge and information, and therefore, it is very likely to be activated (Pache & Santos, 2013a). In other words, this individual is committed to the given logic by not only obeying its principles but also being emotionally and ideologically aligned. Therefore, the logic not only tells the identified what to do or what not to do but the logic is also their identity and their way of relating to the world. For example, the study conducted by Glynn (2000) shows that the alignment of logic between two different groups of individuals, musicians and administrators, shapes their expected behaviour. Their commitment to the artistic and managerial logic shapes their perceived identity and their roles in the world.

The three categories are a continuum process, which means that an individual is likely to be a novice at the start when a particular logic is being introduced, and once the individual becomes familiar with the logic, activation of the logic will likely happen (Pache & Santos, 2013a). As individuals are exposed to the logic over a period of time, there is the possibility that strong and positive ties with the logic might develop. For example, Rossouw (2002) asserts that countless SMEs in Africa are operating on the basis of 'bread first and morality later'. However, Amaeshi, et al. (2016) discovered that despite the challenging context in Africa (e.g., corruption, lack of rules and regulations, weak enforcement) that SMEs have to face, there is some awareness and effort being made, which manifests their social responsibility. Some scholars pointed out that education plays a significant role in influencing the ethics of an individual (Spence & Lozano, 2000). Therefore, the understanding towards ethical business practices through other institutional logics, such as education, influences and redirects individual's CSR logics towards an alignment with their identity (Painter-Morland & Dobie, 2009; Hamann, et al., 2017). A similar finding has been found by Wilson, et al. (2012), which shows the pattern of state logic regarding CSR-related legislation gradually becoming accepted as the modern business environment.

CSR logics are nested within the interinstitutional systems, Jamali, et al. (2017c) delineate a comparative analysis of CSR logics in four developing countries. They imply that the seven ideal-type logics constitute the adoption of CSR logics and the logics are further edited into localised material practices in developing countries. Interestingly, in the case of Malaysia, some of these institutions, for example, religion and family, have been mentioned by some authors, and their findings imply the existence of dominant logics underpinning CSR logics (Nejati & Amran, 2009). Other underpinning logics, such as stakeholder logics, particularly on the employees and

customers' logics, can also be identified in a study conducted by Nejati, et al. (2014). However, there are limited studies regarding institutional logics influence in sector-specific conditions that operate in a developing country. Therefore, this research seeks to reveal the logics of owner-managers in the conditions that influence the formation of CSR logics.

## 2.7 CSR and SMEs in developing countries

The term 'developing country' or 'developed country' has been scrapped by the World Bank and it is no longer visible in the World Development Indicator, but instead, the terms 'high income', 'middle income' and 'low income' are being used as indicators (The World Bank, n.d.). Despite the terms no longer being used as classification and indicators by the World Bank, they are still widely used by many academicians as there is strong existing literature on CSR in developing countries (Tsang, 1998; Jamali & Mirshak, 2007; Jamali & Neville, 2011; Ibrahim, et al., 2012; Said, et al., 2013; Spence & Frynas, 2014; Karam & Jamali, 2015; Giuliani, 2016; Jamali & Karam, 2016; Soundararajan, et al., 2018). For the purpose of this research, the term 'developing countries' will be used as a differentiation convenience without any judgemental purpose, and it will be interchangeable with developing nations, emerging countries or economy and low- or middle-income nations.

Developing countries are home to a substantial part of the world's population (Jamali & Neville, 2011). Moreover, SMEs are an important part of the economy in developing countries (Lee, et al., 2012; Jamali, et al., 2017a). They provide jobs and employment to the society, give experiences to people who have fewer qualifications to work (Gao, et al., 2011), alleviate poverty and foster innovations through entrepreneurs (Jamali, et al., 2017a). However, social and environmental problems in developing countries, particularly among SMEs, could be problematic as few authors

have highlighted the labour rights abuses and the environmental pollution created by some SMEs (Lund-Thomsen, et al., 2016). Furthermore, some studies signal that SMEs in developing economies have a poor track record of complying even with basic laws (Blackman, 2010; Tewari & Pillai, 2005; Khan, et al., 2007; Lund-Thomsen, et al., 2016; Demuijnck & Ngnodjom, 2013).

Labour rights violations and environmental pollutions are pervasive in most of the developing countries because of weak or entirely absent CSR practise (Lund-Thomsen, et al., 2016). The main reason behind these increasing violations of both labour rights and environmental pollutions is ‘the lack of willingness among developing-country governments to enforce their own labour and environmental law’ (Lund-Thomsen, et al., 2016, p. 20; Jamali, et al., 2017a). As globalisation becomes more and more apparent, more firms are capitalising on weak government capacity and law enforcement by extorting resources from developing countries (Giuliani, 2016).

CSR studies are frequently conducted based on western firms or developed countries (Chapple & Moon, 2005; Said, et al., 2013; Dumitrescu & Simionescu, 2014). Hence, the lack of knowledge about CSR in developing countries has led to an unbalance in the CSR discourse. CSR theories are derived from developed countries and are applied to developing countries (Karam & Jamali, 2015). Some scholars have argued that the application may not be compatible (Abdulrazak & Ahmad, 2014), and it could be dangerous to generalise findings from developed countries to developing countries (Tsang, 1998).

The concepts of CSR are not new to developing countries because of different factors, such as community norms, values and religions being the drivers that shape the CSR

environment (Desta, 2010; Jamali & Karam, 2016; Barkemeyer, 2007; Hou, et al., 2016). In other words, CSR has been long established as a part and a role of the value system in developing countries without being formally recognised and practised systematically. Globalisation is also one of the more recent factors that drive the CSR movement in developing countries (Jamali & Karam, 2016; Scherer & Palazzo, 2008; Visser, 2008). The internationalisation of firms has spread the formalised idea of CSR and practise across various countries. In order for firms to win contracts or become a part of the global supply chain, they have to comply with the institutionalised CSR (Soundararajan, et al., 2018). For example, a study conducted by Lim and Phillips (2008) shows that some contractors of Nike were incentivised to confirm to Nike's CSR code in order to win business relations. However, some owner-managers of firms frequently violate such demands (Soundararajan, et al., 2018; Jamali, et al., 2017b), which creates the notion of SMEs being poor at CSR.

Some scholars suggest that CSR exists within SMEs in developing countries (Jamali, et al., 2017a), although they do not always apply ethical practices in their business. However, the existence of CSR is rather unsystematic and it largely depends on individuals or owner-managers' perceptions, personal values and philosophies (Jamali & Karam, 2016). As a result, this leads to inconsistencies in the CSR practices of SMEs. Therefore, in order to raise levels of knowledge in the CSR literature and potentially impose appropriate CSR policy, more studies are needed in developing countries. This would help to depict a more accurate picture of CSR in developing countries, contribute to the literature and help them to achieve a more sustainable future.

## 2.8 A developing country context: Malaysia

Malaysia has one of the strongest economies among the countries in Southeast Asia (World Economic Forum, 2016). The Malaysian population is 31.7 million and consists of 68.6% of Malay, 23.4% of Chinese, 7% of Indian and 11.3% of other races and non-Malaysian citizens (DOSM, 2016a). Malaysians are also further classified into Bumiputera<sup>1</sup> and non-Bumiputera status. The unique combination of different ethnicities, cultural backgrounds and religion in Malaysia signals that such context might sprout unique CSR logics.

Malaysia is aiming to transform into a developed nation. The government proposes plans every couple of years to ensure that Malaysia is driving towards a developed nation by overcoming the challenges in 'Vision 2020', which was set out by the Prime Minister, Mahathir Mohamad. The vision includes the well-being of all aspects of life. The Eleventh Malaysia plan and National Transformation Programme (NTP) is the new agenda for realising Vision 2020 (EPU, 2015). The NTP entails two components that underpin the Eleventh Malaysia plan, and they are: The Economic Transformation Programme (ETP) and The Government Transformation Programme (GTP). The ETP comprises 12 National Key Economic Areas (NKEAs) where growth will be focused and Six Strategic Reform Initiatives (SRI)<sup>2</sup> that comprise 51 policy suggestions where competitiveness is focused (Pemandu, 2014a). The other component of NTP is the GTP that focuses on the well-being of Malaysians. The GTP comprises eight National

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<sup>1</sup> Bumiputera (son of the soil) consists of all Malays and indigenous people in Malaysia, the rest are classified as non-Bumiputera even though they were born in Malaysia. A Bumiputera will have privilege access to benefits from the government, choice of public higher education, jobs, businesses, and so on (Amran & Susela, 2008; Selvaratnam, 2016)

<sup>2</sup> The six SRIs are: 1) Competition, standards and liberalisation 2) Public Finance Reform 3) Narrowing disparity 4) Reducing Government's role in business 5) Human capital development and 6) Public service delivery (Pemandu, 2014a, p. 255).

Key Result Areas (NKRAs)<sup>3</sup> that are chosen by Malaysians, and addressing these key areas appropriately will enhance the quality of life in Malaysia (Pemandu, 2015).

The current social, economic and environmental issues remain prominent in Malaysia despite the government's effort to address them. Social issues in Malaysia include racism, religion, and cultural issues (Lino, et al., 2015; OfficeParrots, 2016); economic issues include but are not limited to cost of living, the low level of Ringgit and the outflow of capital (Khor, 2017); environmental issues include but are not limited to lack of awareness, poor environmental management and practices (Musa & Chinniahb, 2016).

The aforementioned issues emerged as a result of a series of past events, such as political, cultural, religion and economic conflict. In other words, past events shape and construct present and future events (Liu & Hilton, 2005). These conflicts are self-evidently linked to power, greed, distrust and fame, which manifest in self-interest and self-centred individuals. However, there are also individuals, especially the younger generation of Malaysians, who are beginning to realise that these conflicts are a form of social sickness that would only hinder their country's progression towards a better and more sustainable country. Living in a strong and sustainable country is every individual's hope despite political, cultural and religious differences.

Apart from 'Vison 2020' and the Eleventh Malaysia Plan, the government of Malaysia has also proposed a new roadmap for Malaysia branded as TN50<sup>4</sup>, a. k. a. The 2050 National Transformation Plan, in order to ensure that the objective of becoming a

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<sup>3</sup> The seven NKRAs are: 1) Reducing Crime 2) Anti-Corruption 3) Rural Development 4) Urban Public Transport 5) Low-income Household 6) Education 7) Cost of Living and 8) Public Service Delivery Transformation (Pemandu, 2015, p. 13)

<sup>4</sup> TN50 is the abbreviation for Transformasi Nasional which means National Transformation.



developed nation has not faded (Pemandu, 2017). This was announced in the 2017 budget speech in parliament on 21 October 2016, and the plan is to ‘create a successful “New Generation” within 30 years’ (PMO, 2016, p. 53).

Malaysia has many plans that are introduced by the government of Malaysia, and they are being run concurrently. In spite of the effort from the Malaysian government to improve the well-being of Malaysians, the targets appear to be over optimistic, resulting in decoupling with actual reality. Therefore, in order to be able to achieve a strong and sustainable country, it will have to depend not only on the effort of the government, but also on the companies in the private and public sectors.

#### 2.8.1 CSR and government policies in Malaysia

CSR policies, guidelines and encouragements are promoted by several governmental bodies in Malaysia. The Companies Commission of Malaysia (SSM)<sup>5</sup> regulates and encourages responsible business in all established firms in Malaysia. The Bursa Malaysia (2015) provides guidelines and enforces Corporate Social Reporting in MNCs as part of the listing rules. The Security Commission (SC) of Malaysia is responsible for the corporate governance code in Malaysia (Suruhanjaya Sekuriti, 2016). These government bodies are correlated with their CSR agenda.

The only CSR agenda was published by the Companies Commission of Malaysia (SSM) as Corporate Responsibility (CR) in the year 2009<sup>6</sup>. SSM (2009, p. 27) and it defines CR as

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<sup>5</sup> SSM is the abbreviation for Suruhanjaya Syarikat Malaysia that is widely used in English translated policy documents or English written journal articles. Therefore it is common to see The Companies Commission of Malaysia with the Malay abbreviation SSM.

<sup>6</sup> The government has not published a new CR agenda since 2009.

‘Commitment by corporations and businesses towards achieving sustainability in the social, economic and environmental conditions in furtherance to the pursuit of profitability.’

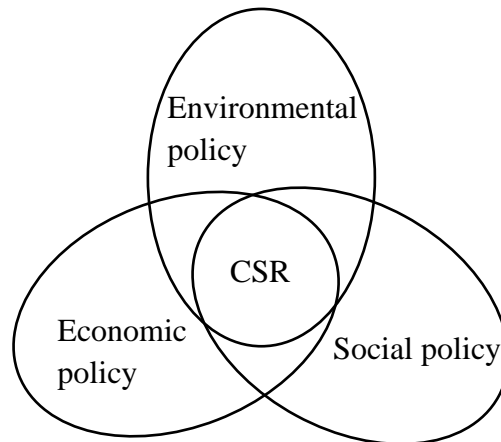
According to SSM (2009, p. 28), the definition above encompasses four elements. The first element suggests that the CR concept is applied to all companies regardless of whether they are public or private, their operational size, the nature of the business and whether it is listed or not. The second element highlights the concept of the triple bottom line (people, planet, profit). This should not be limited to large companies with separate legal entity status, but should also be available to sole traders and partnerships. The third element includes the quest for sustainability and conduciveness, which encourages businesses to co-exist with the concept of sustainability that dictates the triple bottom line. The fourth element suggests the potential of harmonisation of profitability and sustainability, which also implies that sustainability can be one of the drivers for pursuing profitability. Despite the elaboration of the elements regarding CSR, its definition reflects a minimal of these four elements. Hence, it manifests the extent of elusiveness when it comes to the definition of CSR.

The CR agenda promotes CSR activities and it applies to all firms in all sizes and sectors (SSM, 2009). However, the one-fits-all idea is rather too general and loses its relevance in reality. It is clear that firm size, business model and sectors would have an impact on the way they operate, and therefore, it would also have an impact on the way CSR is being shaped. Some scholars also indicated that the one-size-fits-all CSR agenda overlooks sectoral-specific concerns and responsibilities, and they found significant differences in CSR between sectors as a result of institutional pressures (Jain, et al., 2017). However, their studies are limited to large firms, and SMEs in this condition are underexplored.

The CR agenda (SSM, 2009) is the only government document that provides illustrations as to how CSR activities can be operationalised by SMEs, which is indicated on pages 37 to 40; however, the materialisation of such illustrations remains inconclusive. Although there is increasing attention in CSR in SMEs, most of the CSR guidelines and attention in Malaysia are currently catering to big firms (Lu & Castka, 2009). The CSR guidelines that cater to big firms are the corporate governance code by SC (2011), sustainability reporting guidelines from Brusa Malaysia (2015) and the silver book for government-linked companies (GLC).

Although SSM established a Training Academy in 2007 to promote communication on expected Responsible Business Conduct (RBC) among owner-managers (OECD, 2013), the lack of CSR initiative for SMEs is still very prominent (Yacob, et al., 2013). For example, the Corporate Responsibility: Guidance to Disclosure and Reporting, published by SSM (2013), stated that no reporting is required for SMEs despite their highlight on the importance of SMEs' contribution (SSM, 2013, p. 6). This is due to the fact that SSM (2013, p. 7) presumes that CSR of SMEs is likely to be influenced by the CSR policies of the larger companies they worked with. However, in reality, not all SMEs are incorporated in the supply chain of large companies, especially on certain sectors such as the catering sector. Therefore, this indicates that the CSR agenda in Malaysia needs improving as it is impossible to have a CSR policy that fits all sectors; hence, a more sector-based CSR policy is needed. It is rather apparent that other policies are underpinning the CSR agenda of Malaysia (Belmonte, 2012). Figure 2. 5 demonstrates the overlapping of social, environmental and economic policies in relation to CSR.

**Figure 2. 5 Government policies and CSR**



#### 2.8.1.1 The environmental policy

The National Policy on the Environment (DASN)<sup>7</sup> is the only policy document by far proposed by The Ministry of Science, Technology & the Environment to harmonise the profitability objective and sustainability of the environment (Mosti, 2002). There are eight imperative principles in the policy (see table 2. 8) that are also applied to SMEs and are being reviewed and monitored by the National Development Council (Mosti, 2002).

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<sup>7</sup> DASN is the abbreviation for Dasar Alam Sekitar Negara and it means National Policy on the Environment. English terms with Malay abbreviations are commonly used on the website of the Ministry of Natural Resources & Environment. (see: <https://www.doe.gov.my/portalv1/en/tentang-jas/pengenalan/dasar-alam-sekitar>)

**Table 2. 8 The eight principles of national policy on the environment (DASN)**

<b>Eight principles of DASN</b>	<b>The purpose of each principle</b>
Stewardship of the environment	Exercise respect and care for the environment in accordance with the highest moral and ethical standards.
Conservation of Nature’s Vitality and Diversity	Conserve natural ecosystems to ensure integrity of biodiversity and life support system.
Continuous Improvement in the Quality of the Environment	Ensure continuous improvement in the productivity and quality of the environment while pursuing economic growth and human development objectives.
Sustainable Use of Natural Resources	Manage natural resources utilisation to sustain the resource base and prevent degradation of the environment.
Integrated Decision-Making	Integrate environmental dimensions in the planning and implementation of the policies, objectives and mandates of all sectors to protect the environment.
Role of the Private Sector	Strengthen the role of the private sector in environmental protection and management.
Commitment and Accountability	Ensure the highest commitment to environmental protection and accountability by all decision-makers in the public and private sectors, resource users, non-governmental organisations and the general public in formulating, planning and implementing their activities.
Active Participation in the International Community	Participate actively and effectively in regional and global efforts towards environmental conservation and enhancement.

Source: (Mosti, 2002)

DASN mainly concerns the environmental well-being of Malaysia. The policy also sets out strategies towards key areas that would enhance the knowledge of private and public sectors regarding the management and importance of the environment (Mosti, 2002). However, the question as to what extent and how effective these principles and strategies are for SMEs still remains inconclusive. Besides, the environmental policy in Malaysia is also subject to critiques from scholars as being weak, fragmented and inconsistent (Hezri & Hasan, 2006). Despite that, the environmental policy of Malaysia does play an important role in the basic well-being of the environment. Also, the rise of global standards, such as the International Organization for Standardization (ISO) and the United Nations Global Compact have influenced CSR in some Malaysian firms (Hezri & Hasan, 2006). Therefore, despite the weak, fragmented and inconsistent environmental policy, the global standard has been reinforced with standards that cover some imperfections of Malaysia's environmental policy.

Overall, it is clear that environmental policy in Malaysia does play an important role in fostering CSR policy in firms. Despite the fragmentation of the policy itself, the rise of international standards has covered some of the imperfections that further strengthen CSR in some Malaysian firms.

#### 2.8.1.2 The social policy

The Malaysian government also has their specific policy, laws and regulations for social issues that are managed by the Ministry of Human Resources (MOHR) and they apply to all workers in Malaysia regardless of sector, age, sex and race. This shows that social policy is also one-fits-all and tends to be applied to all kinds of employment. This generalisation, therefore, reduces the extent of effectiveness in business reality. Even though the policy is not sector-specific, it provides minimal protection for employees and vulnerable groups. For example,

MOHR has specific laws that protect employees, along with child and young labour, such as Act 265 and Act 1966, respectively (Employment Act, 1955; Children and Young Person Employment Act, 1966). The law sets out specific working hours, but the minimum wage is still varied and subject to the Minister's approval (Employment Act, 1955, p. 18). Although both Acts seem to have control and fairness toward employees, the actual workload being given from the employers remains questionable. In other words, the laws and regulations may protect Malaysian's labour to a certain extent, such as the number of working hours; however, there are more underlying issues behind the veil that are not protected by the laws, such as workload that exceeds the number of working hours, yet is not paid or is simply the minimum wage.

Work overload and poor conditions of work in SMEs are very common (Lai, et al., 2015) and work-life balance is also particularly poor in Malaysia SMEs (OECD, 2016), which is difficult to cover by the law. Apart from laws and regulations, the government also introduces Unemployment Insurance (UI) in the New Economic Model (NEM) (NRAC, 2010). The UI protects laid-off workers by providing allowances to cover expenses and training programmes for up-skilling (NRAC, 2010). However, the funding for UI is through levies on employers and employees (NRAC, 2010). The government considered this as being part of CSR obligations, which has raised questions on whether such a CSR initiative is actually beneficial, or just another additional burden for businesses (The Star, 2016).

This section shows that the social policy of Malaysia has its limitations, and although there is some legal protection, such protection is insufficient and some could be seen as a burden for businesses. Therefore, there is a need to understand the discretion of owner-managers in order to reduce the gap between policy and practice.

### 2.8.1.3 The economic policy

Malaysia's economic policy comprises some imperative elements of the environment and social policy. These elements are part and parcel to achieve the objectives of the 'Vision 2020' that was set up in the 1990s, which is to become a high-income nation. There are four out of nine strategic challenges in 'Vision 2020' related to CSR (Belmonte, 2012, p. 14). The Eleventh Malaysia Plan 2016–2020 and 'Vision 2020' both incorporated some imperative elements of CSR. The most prominent suggestion from the plan is to avoid the costly model of 'grow first, clean up later' (EPU, 2015). This indicates that the Malaysian government is promoting CSR practices as wealth creation rather than more towards philanthropy, particularly in the form of 'donations'. However, philanthropy has always been a part of CSR in the literature, even in some criteria for CSR awards in Malaysia.

Even though CSR in SMEs is still in the embryonic stage, the policies from the Malaysian government encourage MNCs to influence the practices of CSR in SMEs (OECD, 2016). As the majority of MNC's suppliers are SMEs, the Malaysian government's strategy is to influence SMEs practices through their business activities with MNCs. This is because MNCs have a stricter guideline, better knowledge and policies regarding CSR management. The Prime Minister's CSR Awards, which is open to all types of firms, would also act as an incentive for SMEs to participate in CSR activities (OECD, 2013; Belmonte, 2012; OECD, 2016). Apart from awarding firms, the government also offers incentives for firms that endorse CSR practices (Belmonte, 2012; OECD, 2013). For example, investing in green technology assets listed on the MyHijau directory and the green project will have a tax allowance of 100%; however, the allowance only lasts until the year 2020 (MIDA, 2015; PWC, 2016).



Thus, in summary, the economic policy of Malaysia encourages CSR practices through rewards and incentives. This policy is not limited to big firms, as intervention is aimed at SMEs are apparent. However, the participation of SMEs appears to be weak (ACCA, 2015).

### 2.8.2 The influence of international CSR standards in Malaysia's CSR

There are well-known international standards that influence CSR in companies in general. The International Organization for Standardization (ISO) is one of the international standards that appears to be adopted by large firms. SMEs, on the other hand, seem to be fewer when it comes to participating in international standards. However, it appears that some SMEs in Malaysia are also part of the UN Global Compact Movement. The database of the UN global compact shows that there are 40 Malaysian SMEs that joined the UN agenda in 2016. This indicates that some SMEs in Malaysia do have some awareness and have begun their journey of CSR. However, some authors in the literature suggest otherwise (Siwar & Harizan, 2009), which indicates that more research needs to be done to shed more light on the current CSR phenomena of SMEs in Malaysia.

### 2.8.3 The literature of CSR in Malaysia SMEs

The number of studies of CSR in SMEs is particularly limited in Malaysia. This shows that the research on this ground is still in its infancy and more evidence-based studies are needed in order to expand the knowledge of Malaysia CSR in SMEs. Table 2. 9 shows the total number of published articles regarding CSR in SMEs in Malaysia up to the year 2020.

**Table 2. 9 Published articles of CSR in SMEs in Malaysia**

<b>Search Engine/ no. publication</b>	<b>Articles (authors, year of publication)</b>
Emerald (5)	Amran and Nejati (2014), Nejati and Amran (2009), Siwar and Hossain (2009), Nejati and Amran (2013), Nejati and Amran (2014)
Web of Science (1)	Rosan and Abd Aziz (2012), (Zahidy, et al., 2019), (Nejati, et al., 2017), (Chelliah, et al., 2017)
Scopus (5)	Haron et al. (2015), Haron et al. (2015), Hossain et al. (2013), Nejati and Amran (2012), Shetty et al. (2008), (Beh & Rajaratnam, 2017), (Lucky, 2018), (Pazil, et al., 2019), (Krishnan & Ahmad, 2019)
Google Scholar (2)	Ghazilla et al. (2015), Lu and Castka (2009), Norbit, et al. (2017), (Low, et al., 2017)

**(The search is limited to abstract and keywords only from Year 2000 to 2020)**

This table indicates that research regarding CSR SMEs in the Malaysian context is not only limited but also limited to a number of researchers. Therefore, this subject area is still extremely underexplored. Nejati and Amran seem to be the main active researchers in this area; however, most of their research is limited to the northern part of Malaysia where their university is based. Hence, there is a lack of studies in other parts of Malaysia, such as Selangor, as it is one of the most concentrated areas for

SMEs. Some quantitative and qualitative studies had been carried out by the authors, but sample sizes are limited as the respond rate of SMEs is generally pretty low. Besides, their sample selection of SMEs lack sectoral focus, and hence, evidence has provided a lack of detailed illustrations of the actual CSR conceptualisation and practices in sectors.

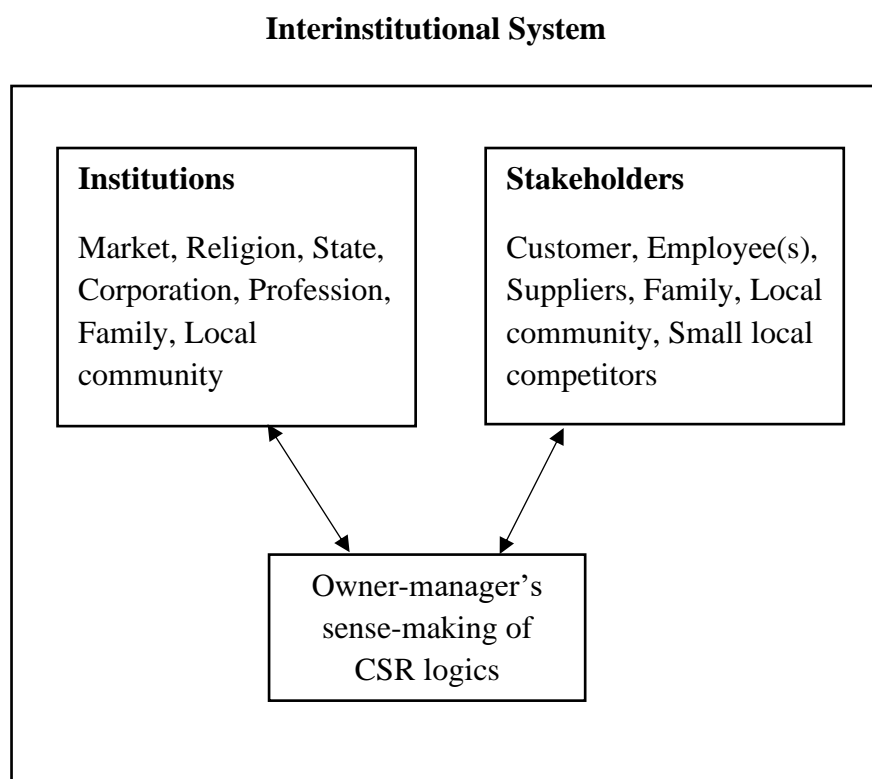
The concept of CSR in SMEs in Malaysia is certainly not new and terminologies of CSR are recognised by some SMEs (Nejati & Amran, 2009; Nejati & Amran, 2012; Nejati & Amran, 2013). According to Nejati and Amran (2009), most of the SMEs believed that practising CSR does not give them any benefits, but their own beliefs and values, religion, pressure and encouragement from stakeholders are the reasons why they practise CSR (Nejati & Amran, 2009). However, the perception of practising CSR in SMEs in Malaysia seems to change, and evidenced from a survey by Nejati & Amran (2014) suggested that owner-managers of SMEs in Malaysia see a significant positive impact on employee's relations and improvements in financial performance if CSR is being practised.

Further evidence by Ghazilla, et al. (2015) suggested that the motivation behind SMEs practising CSR is to improve a company's image because of the increasing awareness of consumers towards CSR. Based on their findings, they suggest that SMEs who practise CSR activities did receive benefits that were intangible to the company (Ghazilla, et al., 2015). However, their research was limited to manufacturing SMEs in Malaysia that only made up 6% of the total established SMEs in the country (SMEcorp Malaysia, 2016). Furthermore, their research is still in the preliminary stage. Therefore, this research will provide further knowledge in filling the gaps of CSR in SMEs literature by investigating sectoral-specific CSR logics among owner-managers of SMEs in Malaysia.

## 2.9 Conceptual framework for the research

A conceptual framework consists of a synthesis of the existing theories and concepts with a view of developing a fieldwork approach (Imenda, 2014). In order to have a more thorough understanding of the CSR phenomena in Malaysian SMEs, the thesis synthesises two theories, which aim to portray CSR amongst SMEs in Malaysia. Synthesising theories is increasing in popularity in CSR studies, especially among a combination of theories from different levels as it helps to illuminate differences and aids a richer understanding (Frynas & Yamahaki, 2016). Figure 2. 6 presents the conceptual framework of this thesis as a guideline for investigating CSR phenomena in SMEs.

**Figure 2. 6 The research conceptual framework**



The theories that the researcher used for this synthesis is the stakeholder theory for small firms (Spence, 2016) and the institutional logics perspective (Thornton & Ocasio, 2008) (see Figure 2. 6). The focus of analysis is on the individual's (owner-managers of SMEs) sense-making of CSR that forms CSR logics. The stakeholder theory for small firms provides a sense of direction for the researcher to focus on particularly the potential key stakeholders that drive CSR.

The synthesising of these two theoretical lenses also helps cover a range of institutions, for example, the overlapping institutions between stakeholder theory for small firms and the institutional logics perspectives of family and local community. However, institutional logics perspectives do not include other aspects, such as employees, suppliers and small local competitors. Therefore, in order to create a more relatable approach for this research, the combination of both theoretical lenses is necessary to offer better coverage and understanding of CSR logics.

#### 2.10 The formulation of the researches' aim, objectives and questions

The aim of this research is to investigate the CSR logics among owner-managers of SMEs in Malaysia by understanding their conceptualisation and practices of CSR in sector-specific conditions. Table 2. 10 presents the main and sub-research questions and research objectives.

**Table 2. 10 Research questions and objectives**

<b>Research questions</b>	<b>Research objectives</b>
<b>RQ1:</b> What are the understandings of CSR concepts among owner-managers of SMEs in Malaysia?	<b>RO1:</b> To examine to what extent the CSR concept exists among owner-managers of SMEs in Malaysia.
<b>RQ2:</b> How do the institutional logics (market, cultural, religion, economic and political logics etc.) translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia? How do these differ between sectors?	<b>RO2:</b> To examine the institutional logics that translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia and the variation between sectors.
<b>RQ3:</b> Why are different logics being used by SMEs? What personal experience(s) motivates and demotivates owner-managers of SMEs regarding the CSR logics?	<b>RO3:</b> To identify drivers and obstacles behind owner-managers' CSR logics in Malaysia's SMEs.
<b>RQ4:</b> How do Malaysia SMEs in different sectors practice CSR?	<b>RO4:</b> To explore CSR practices in Malaysia's SMEs in different sectors.
<b>RQ5:</b> Who is/are the key stakeholder(s) that drive the practices of CSR in the catering and construction sectors?	<b>RO5:</b> To reveal the key stakeholders that drive CSR practices in the catering and construction sectors.

### 2.11 Conclusion

This chapter developed and set out the research agenda of this thesis through examining the existing literature regarding CSR in SMEs, particularly in developing economies and in Malaysia as a focus for empirical attention. Through the critical review of the literature, this chapter concludes that there is an absence of a worldwide definition of CSR concepts. The concept appeared to be elusive and it depended on the authors' own definitions. Therefore, this thesis argued that the concept depends on an individuals' interpretation because it is related to norms, personal values and traditions. Furthermore, this chapter identified that CSR tends to involve three aspects

that are regulatory and discretionary within the business, yet contribute to society. However, the proportion and focus on these aspects varied across studies and scholars. This may indicate the difficulty when it comes to establishing a universal definition of CSR and, in some cases, is inappropriate, as the problems that one context faces can be different from another, and cultural elements are also the driving factors. Therefore, it results in an asymmetry notion of CSR, which is reflected in the difference of practices and processes of the three aspects.

To understand the concepts in CSR, this chapter developed a conceptual framework to best explain the CSR phenomenon in both the construction and catering sectors in Malaysia. The literature shows different theories undertaken by scholars to understand CSR. However, studies tend to use one theory to explain CSR. Therefore, this chapter set out to adopt two theories: stakeholder and institutional logics to explain CSR. These theories complement one another: the stakeholder theory identifies the key social actors involved, while the institutional logics theory reveals the processes and behaviours of owner-managers towards them.

In addition, this chapter concluded that CSR is mostly studied in MNCs and SMEs context is limited and should not be ignored. This suggests that there is a lack of what CSR is from the perspective of SMEs. Furthermore, this chapter argued that the unique characteristics of owner-managers of SMEs and the context of sectors affect how CSR is being practised in SMEs. This chapter set out construction and catering sectors as the focus of CSR studies, as these two sectors have strong growth in the Malaysian economy, which indicates important social responsibility in the future.

The lack of studies of CSR in SMEs in developing economies and also in sector condition has revealed that a gap remains in the CSR literature. Therefore, this

research aims to address the gaps by answering the formulated research questions (see Table 2) based on the literature review. This chapter has built the case for the research agenda in this thesis, with the aim to capture and examine CSR logics in owner-managers of SMEs within sector specific conditions in Malaysia. The next chapter explains the research methodology adopted in this thesis, in order to accomplish the research objectives.



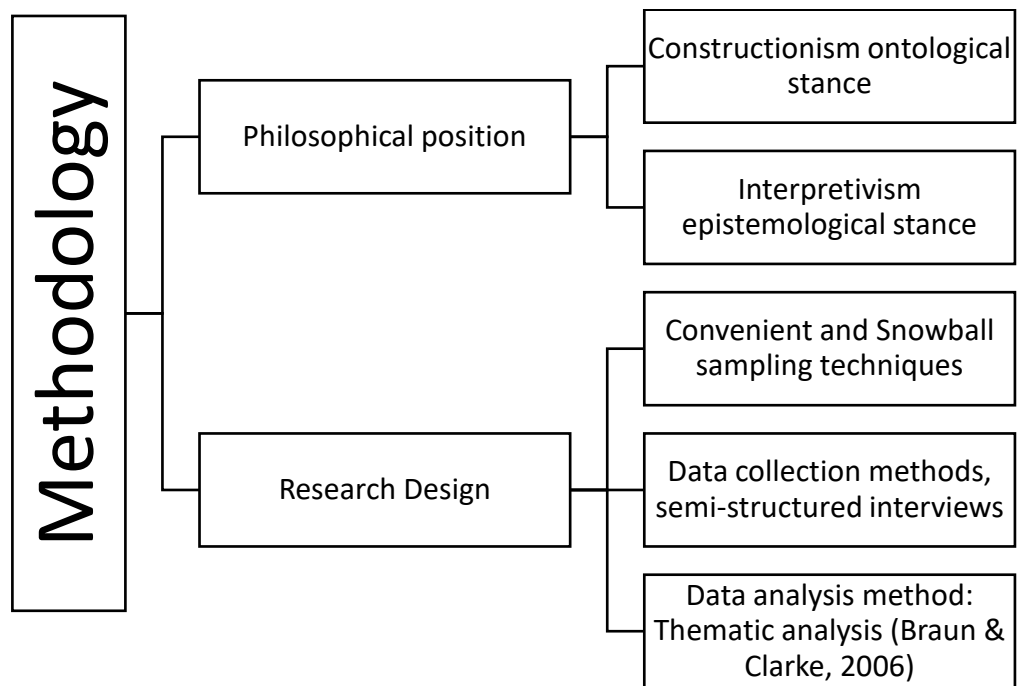
## **Chapter 3: Research methodology**

### 3.1 Introduction to the chapter

This chapter aims to explain the research paradigm and approach adopted in this thesis. The chapter starts off with the justification of research paradigm adopted, which led to the research approach, design and research methods for data collection and analysis. Therefore, this chapter (methodology) explains how the knowledge was generated by the researcher in line with the social world and the methods that were used (Easterby-Smith, et al., 2018). Moreover, the philosophical assumptions are intertwined with the methodological arrangement. As a result, this chapter will discuss both the philosophical stance and the research methods that have been selected for conducting the research.

The remainder of this chapter is organised and presented as follows. Firstly, the philosophical position fostering the research and what way it aligns with the research objectives are delineated. Secondly, a description and assessment of the data collection methods used to conduct the research and the process of data analysis are explained. The final section presents the credibility of qualitative research. Figure 3. 1 is a representation of the methodology in this research.

**Figure 3. 1 Overview of the research methodology for the thesis**



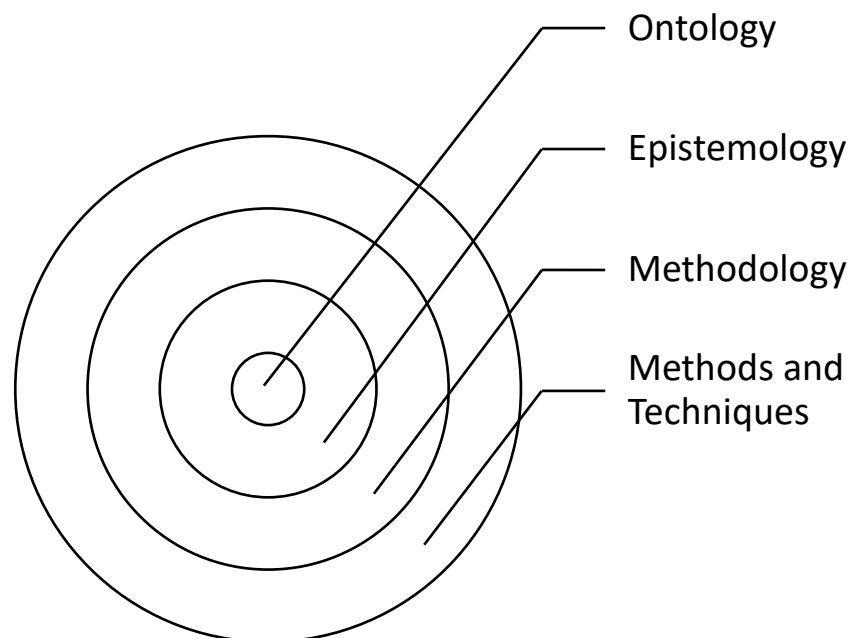
### 3.2 The research philosophy and paradigm

A paradigm is defined as a common means of viewing the world or social reality (Burrell & Morgan, 1979) that consists of ‘shared rules, assumptions, and points of view as the source of coherence for normal research traditions’ (Kuhn, 1962, p. 42). The concept of a paradigm is useful as it articulates, providing a lead and guiding the approach taken for research, even when the rules are lacking (Guba & Lincoln, 1994; Strati, 2000).

The paradigm is sometimes referred to as the research philosophy (Silverman, 2013). This is because philosophy and paradigm underpin the methodological approaches of the researcher in identifying contexts and form relationships in the process (Ritchie, et al., 2014; Corbin & Strauss, 2015). Therefore, the basic belief that shapes the researcher’s world would also shape the entire research process, which aims for knowledge production.

There are four main paradigms proposed by Burrell and Morgan (1979): functionalist, interpretivist, radical humanist, and radical structuralist. However, new paradigms, such as positivism and social constructionism have been developed over the last centuries (Easterby-Smith, et al., 2018). These paradigms can be further defined in detail through ontology, epistemology and methodology. These are the building blocks of the methods and techniques used for knowledge generation, as depicted in Figure 3. 2.

**Figure 3. 2 Research philosophy**



Source: Research philosophy and paradigm adapted from Easterby-Smith, et al. (2018)

The social constructionism paradigm is the building block of this thesis, and this paradigm has been developed by several authors in order to seek to understand the ways that people make sense of their social reality (Berger & Luckman, 1966; Watzlawick, 1984; Shotter, 1993; Potter, 1996). It is also considered as an interpretive approach (Habermas, 1970; Bryman & Bell, 2015). The choice of paradigm in this research also depends on the type of knowledge to be obtained (Ritchie, et al., 2014).

The research pursues to achieve a general understanding of CSR logics in the SMEs of construction and catering sectors in the Malaysian context. This consists of the contextual factors that influence the conceptualisation and operationalisation of CSR through the lenses of owner-managers in SMEs.

### 3.2.1 Ontology

Ontology concerns the assumption about the nature of reality and what there is to know about the world. In order to address such phenomena, an understanding of the researcher's assumption on the form and nature of reality and how the world operates is imperative, as the researcher contextualises about the nature of reality (Easterby-Smith, et al., 2018). There are two main schools of thought when it comes to the perception of social reality: objectivism and constructionism (sometimes being called realism and relativism) (Bryman & Bell, 2015; Easterby-Smith, et al., 2018).

Objectivism argues that social reality is fixed, and therefore, it is independent from the cognitive structure of the social actor. On the contrary, constructionism views the stance of social reality as a conception of the social actor's perspective through a continuous state of revision in social interaction. Constructionists contest the views of objectivists whose belief is anchored on the world being independent and having its own reality. On the other hand, constructionists see that the world has multiple realities and they are competing with each other for legitimacy; hence, the world is socially constructed by social actors. In other words, people's sense-making are on the situation and experiences through interactions; thus, developing their own realities (Berger & Luckman, 1966; Shotter, 1993; Hacking, 1999).

This research takes into account the social structure in which the individuals are rooted, along with their actions. The logic of CSR is socially constructed because the

conceptualisation and perceptions of each individual towards their experiences as a business owner in society are different and elusive; therefore, they cannot be seen as a separate reality that exists on its own. For that reason, the view of the reality in this research is socially constructed and subjective. The following section will detail the justification of this adoption.

### 3.2.2 Epistemology

While ontological questions concern the nature of reality, epistemological questions refer to how we come to know reality. In other words, it is how the researcher comprehends the world and how knowledge can be obtained and studied from social reality (Easterby-Smith, et al., 2018). Therefore, epistemology reflects the relationship between the researcher's assumption and the proper means of examining the nature of the social world.

There are mainly two distinct approaches used by researchers to inquire knowledge: quantitative and qualitative methodology. As a result of their different methods in relation to their opposing paradigm about the world, there has been a constant debate about the two approaches in social science (Morgan, 2018).

Quantitative research is structured and assumes that social reality is independent of individuals. Its use is inherently deductive and for theory testing (Deshpande, 1983). Data collection methods in quantitative research are generally very structured, number oriented and rigid. Therefore, it tends to be seen as able to produce reliable and solid data.

Qualitative research, on the other hand, focuses on experiences, feelings and meanings, and further develops them into important concepts (Corbin & Strauss,

2015). Data collection methods in qualitative research are generally more flexible, heavily text-oriented and open to new discoveries. Therefore, it produces detailed, rich and in-depth data (Ritchie, et al., 2014), which gives more information to studies that are underexplored.

The choice of research method is highly dependent on the research context (Ritchie, et al., 2014). In this research, the focus is on CSR logics of SMEs owner-managers in Malaysia. Such research is still underexplored with limited published articles and journals in the literature. Therefore, a qualitative approach is adopted in this study to further uncover the social reality among the owner-managers of SMEs regarding CSR.

### 3.2.3 Axiology: Theory of values

Axiology is the philosophical study of values and the ability of the researcher to recognise their values and ethics, which have impacted the research process (Hart, 1971; Li, 2016; Saunders, et al., 2016). Values are the reason behind all human action; therefore, the researcher should exhibit axiological skills by articulating their values as a source for making judgements in the process of their research (Heron, 1996).

Researchers who are possessed with positivist beliefs will remain detached from their own values during the course of the research process; therefore, their axiological position is value-free (Saunders, et al., 2016). On the other hand, the axiological position of social constructionist researchers is value-bound, which means the researchers are part of what is researched and their interpretations are imperative to the contribution of knowledge.

In this thesis, the researcher aims to investigate and unfold the logics of CSR among sector-specific SME owner-managers in Malaysia. The researcher believes that the

social reality of CSR among owner-managers of SMEs is socially constructed, and therefore, interaction with them is pivotal for understanding their formation of CSR.

Concerning this, the study emphasises strongly on the perceptions, conceptualisation and actions of owner-managers in SMEs, as these are the fundamental building blocks of their social world. Therefore, the researcher is intertwined with the research process in order to interpret the socially constructed pattern of CSR in SMEs. Based on this logic, the axiological position of this study is value-bound as the researcher cannot be detached from the process of sense-making (Easterby-Smith, et al., 2018).

### 3.3 The leading paradigms in social science

As mentioned before, there are several paradigms when it comes to social science. However, the most common or the main paradigms in social science are generally separated into two groups: positivism and social constructionism. Positivism views that knowledge is produced over careful observation and it is measurable through objective methods (Easterby-Smith, et al., 2018; Lincoln, et al., 2018). As a result of that, it is argued that knowledge produced by positivism is, therefore, definite and accurate. A positivist's work is often associated with quantitative research methods because knowledge tends to be depicted in figures and numbers in a structured form.

Despite positivism being the key influencer on how the social enquiry was developed over the last century (Ritchie, et al., 2014), their scientific method and belief are criticised by social constructionist researchers who consider it to be too conservative and fail to provide crucial explanations. This is because social constructionist researchers believe that social science itself is not objective and exterior (Easterby-Smith, et al., 2018). Rather, it is socially constructed and it is given meaning by the

social actors and their daily interactions. Therefore, human interest and social science are intertwined.

Positivist studies treat the social world as a highly systematic one, which, according to Crotty (1998), such studies ignore the complexity of the social world that we are experiencing every day. Hence, social constructionists derive information from the social actors (their experiences) and highlight the important subjective meanings that provide an imperative explanation of a particular phenomenon. For example, when it comes to the study of managerial stress, a social constructionist researcher would try and tease out what is considered as stressful by talking to a few managers (Easterby-Smith, et al., 2018); therefore, unfolding a detailed picture of social reality in a context, which tells a story that reflects the reality of social actors.

#### 3.4 Social constructionism: From background to institutional logic and research position

Social constructionism has its roots in phenomenology and symbolic interactionism (Fairhurst & Grant, 2010). This paradigm was unfolded by Berger and Luckman (1966) and was popularised in the last half-century to address what positivists had failed to achieve in social science inquiry (Easterby-Smith, et al., 2018). Albeit social constructionism has created substantial value in the social science community, there are criticisms particularly on the definition of social construction. Even the original authors did not clearly define what ‘Construction’ is and the word ‘Social’ remains elusive (Pearce, 1995; Alvesson & Sköldberg, 2018).

Despite criticism from some authors regarding the detailed meaning of social construction, the term remains an important pioneer and a popular means in understanding the social world through human interaction. For example, social



constructionists argue that institution occurs as a result of ‘habitualization’ that is constantly reproduced by humans (Berger & Luckman, 1966). This process is also called institutionalisation, where certain individuals are expected to carry out a certain type of action. For instance, the legal system is an institution that forms rules and actions against certain crimes performed by certain actors. Therefore, through institutionalisation, humans are subject to social control and also the creation of social reality (Alvesson & Sköldberg, 2018).

Institutionalisation occurs in many forms, such as in the form of family, religion, the legal system, etc. Each institution will have its own social order which unfolds institutional logic that is created and legitimised by humans (Alvesson & Sköldberg, 2018). Similarly, Thornton and Ocasio (2008) define an institutional logic as the

‘socially constructed, historical patterns of cultural symbols and material practices, including assumptions, values, and beliefs, by which individuals and organizations provide meaning to their daily activity, organize time and space, and reproduce their lives and experiences’.

Therefore, the theory of institutional logic fits hand-in-hand with the social constructionist paradigm. The current study employs institutional logic as one of the theories for investigating CSR among owner-managers in SMEs, and thus, the researcher follows the view of social construction through the basic truism of Berger and Luckman (1966), where they view institutionalisation as a ‘reciprocal typification of habitualized actions. Put differently, any such typification is an institution’ (Berger & Luckman, 1966, p. 72). In other words, humans develop habits and routines over time and such acting can be reproduced in similar circumstances. Humans create social relations within society through new habits and routines that are delivered over actions; these actions are then spread between individuals and become institutional logics, such as family, religion, organisational logic etc.

Typification is disseminated by individuals; therefore, language becomes the key component for knowledge transmission between individuals in society at a certain time and also between generations (Alvesson & Sköldbberg, 2018). Thus, language is imperative in forming traditions and cultures and legitimising them. This generally can be seen in CSR studies where cultures and traditions underpin CSR. Therefore, this research views CSR as a tradition and a cultural phenomenon that is socially constructed and situated at different levels of stratification.

Following the social constructionist paradigm, the individual's cognitions and perceptions become the underlying focus in this research. Therefore, the research questions in this study focus on the individual level, such as: 'What the understandings of CSR concepts are among owner-managers of SMEs in Malaysia'. Such a research question is linked to the social constructionist paradigm in order to explore the structure and logic behind the construction of CSR among owner-managers in SMEs. The research questions do not treat the context as disconnected and independent from the individual's cognitions; rather, context, perspectives and experiences are taken into account, which leads to the formation of individual's behaviours and logic.

The research is attempting to understand the phenomena by not only imposing the 'what' questions but also the 'how' and 'why' questions. With these questions, the research will provide insightful implication into what, how and why social reality is constructed in such a manner.

### 3.5 Social constructionist philosophical stance in line with research objectives

Table 3. 1 restates the research objectives and delineates the link in line with the social constructionist paradigm. This philosophical position is restricted to the nature of the

subject being investigated in this research. The belief of reality is socially constructed and its link with the formulation of research objective are reflected in Table 3.1.

**Table 3. 1 Research objective link to the social constructionist paradigm**

<b>Research objective</b>	<b>Social Constructionist</b>
<b>RO1:</b> To examine to what extent the CSR concept exists among owner-managers of SMEs in Malaysia	What is the reality of CSR and how is it being constructed by owner-managers of SMEs in Malaysia?
<b>RO2:</b> To explore CSR practices in Malaysia’s SMEs in different sectors. <b>RO3:</b> To reveal the key stakeholders that drive CSR practices in the F&B and construction sectors. <b>RO4:</b> To examine the institutional logics that translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia and the variation between sectors.	What are the construction functions of CSR in different firms and sectors? How different is the social reality between sectors?
<b>RO5:</b> To identify drivers and obstacles behind owner-managers’ CSR logics in Malaysia.	Why is CSR reality constructed the way it is?

### 3.6 Research settings: catering and construction sectors in Malaysia

The chosen sectors for this study are the construction and catering sectors in Malaysia. A cross-sectoral and sectoral-specific study for CSR is increasingly vital because one-size-fits-all CSR tends to overlook the actual responsibilities and dynamics of the respective industries (Capelle-Blancard & Petit, 2017; Jain, et al., 2017). Capelle-Blancard and Petit (2017) show that the actual responsibilities between sectors are often very large; one sector could face more environmental scrutiny than the other; hence, revealing the heterogeneity of CSR among sectors. Therefore, it signals that more cross-sectoral and sectoral-specific studies are needed to understand CSR that is specifically catered towards the industry rather than one-size-fits-all. Therefore, this research seeks to contribute to this specific need by selecting sectors that are to be

investigated based on three key criteria: economic, social and environmental. In the economic aspect, the sector should be resilient and have a good prospect for growth. The social aspect mainly focuses on employment where employees' well-being could be compromised easily. The environmental aspect focuses on the potential pollution and waste creation in the sector.

The catering sector in Malaysia consists mainly of restaurants and cafés and Malaysian cuisines are not only served to Malaysians but also non-Malaysians. Therefore, as far as the longevity and growth of the sector is concerned, the social and environmental aspects are under scrutiny. As the sector expands, more waste will be created, but weak proactive measures are common in Malaysia (Ismail, et al., 2010; Tan & Yeap, 2012) and more employees could potentially be working in poor working conditions. Therefore, this sector is included as one of the subjects for investigation.

The construction sector in Malaysia, on the other hand, shows a positive growth of 8.1% as the surge of construction projects is reflected in the fourth quarter on performance and growth in the Department of Statistics Malaysia (DOSM, 2017b). The construction sector is doing well in an emerging economy like Malaysia, but there is an increasing concern regarding their social and environmental issues. According to Nagapan et al. (2012), illegal dumping in the construction sector is an increasing problem in Malaysia and despite the fact that there are regulations and policies in place, they do not cover all aspects of construction waste management. Moreover, Ibrahim et al. (2010) highlight that the construction industry in Malaysia tends to have a high rate of accidents, poor job security and low wages for such a high-risk job. However, the increasing pressure of sustainability awareness and institutional pressures in the market are imposing CSR initiatives on the construction sectors.

Therefore, this sector will also be included in the subject for the investigation to reveal the extent of their CSR, particularly when SMEs are the majority in the sector.

### 3.7 Research design and strategy

According to Bryman and Bell (2015), a research design sets a framework for the collection and analysis of data and it reflects decisions and the priority of the researcher in the research process. Therefore, the research design is the map that guides the researcher from a means to an end of the research.

#### 3.7.1 Research approach: Qualitative exploratory with a comparative element

This study employs a qualitative exploratory research method. The decision for the approach is made based on the limited subject studies in the literature, the nature of the subject which involves an in-depth understanding of individuals and the need of more detailed primary evidence to guide future research. The literature review in chapter 2 shows that cultural factors are important, and detailed studies that entail qualitative studies are more desirable and appropriate. Such view is also in par with some small business social responsibility scholars (Soundararajan, et al., 2018). The qualitative exploratory approach is quite common and is considered as one of the most appropriate techniques for studying CSR phenomena in a context that is lacking investigation or relatively new to such logic. For example, the study conducted by Carrigan et al. (2017) employed the exploratory qualitative technique to highlight CSR challenges on SMEs in Birmingham Jewellery Quarter where studies are considered limited.

Qualitative research is conducted through contact, understanding and reflection of the subjects' (individuals, groups, organisations and society) everyday life in a specific

field (Miles & Huberman, 1994). Similarly, Creswell (1994) states that in any given situation, there will be multiple realities that will exist. Therefore, the need for qualitative research is imperative due to the existence of different life worlds, and such a method would enable the researcher to uncover and understand the diversification that is rapidly changing (Flick, 2009). CSR manifests itself in the literature as a constantly changing phenomenon, and the constitution of CSR varies as a result of pluralistic views by individuals who are aroused from different socialisation processes that have been influenced by institutions. For example, Beschorner and Hajduk (2017, p. 637) state that ‘CSR takes place differently in deferent cultural contexts...hence (CSR) can be seen as ‘frames’ for the actors, which see themselves and are seen by others as belonging to a specific group with a distinct identity and distinct problems and ‘institutional ‘logics’.’ Therefore, qualitative research serves as the most appropriate tool for exploring and understanding CSR logics through the social actors, which are the owner-managers of SMEs in this study.

In order to reveal the emic perspective of the actors regarding CSR logics, an appropriate research method needs to be exercised. Interviews are the common research method being used in qualitative research and other methods, including filed notes, conversations, recordings, observation and memos (Denzin & Lincoln, 2011). The aforementioned research methods allow the researcher to generate rich data for qualitative analysis. The investigation and interpretation of the data would ultimately develop useful empirical knowledge for understanding the social phenomena, in this case, CSR phenomena. Some studies have shown promising results when an interview is used as the primary technique to uncover the complex web of shared meaning where actors have a similar perception towards CSR (Carrigan, et al., 2017; Hamann, et al., 2017).

Quantitative research and its method of analysis tend to homogenise and generalise the findings (Bryman & Bell, 2015; Saunders, et al., 2016). Moreover, quantitative techniques are viewed as objective with large samples and statistical validation for a study, but are often criticised for only touching the surface of actors' attitudes and feelings, where the intricacy of the human soul is vanished in algorithms (Wright & Crimp, 2000). Every entrepreneur is different, and hence, SMEs are heterogeneous (Devi & Samujh, 2010; Revell, et al., 2010; Vo, 2011; de KoK, et al., 2013; Aragon, et al., 2016). Therefore, quantitative research would be limited in capturing CSR logics of owner-managers in SMEs. On the other hand, qualitative research would be stronger in capturing the logics underpinning CSR phenomena with a high level of detail.

The studies of CSR in SMEs generally show that context is sensitive to the way CSR is constructed and practiced. Therefore, exploratory studies are ideal for this research as it aims to discover new perceptions in a phenomenon by shedding new light on the subject (Saunders, et al., 2016). However, exploratory studies regarding CSR in SMEs in Malaysia are still in the embryonic stage, and only a few authors are particularly active in this subject area (see Chapter 2). Therefore, the limited and fragmented empirical studies in Malaysia mean that more exploratory studies are needed for theorising CSR in SMEs.

The use of qualitative exploratory research not only contributes to CSR in SMEs literature about the context of Malaysia but also expand the underdeveloped research area of CSR in developing countries with rich empirical findings. The use of qualitative research as a methodology is also widely used for examining CSR in SMEs (Vázquez-Carrasco & López-Pérez, 2013); thus, it manifests the legitimacy of qualitative research methodology in this field.

This research would also incorporate some comparison between the construction and catering sectors, which would highlight the differences of CSR logics between these two sectors. The comparison would provide better comprehension, as social phenomena are better understood when they are being compared (Bryman & Bell, 2015).

### 3.7.2 The sample parameter and the sampling approach

The sample parameter sets out the coverage of the sample that was included in this thesis. Table 3. 2 shows that the sample parameter of this thesis consists of questions regarding what the sectors were, who were involved, why two sectors were selected, where the research took place and how data was collected.

**Table 3. 2 Sample parameter**

<b>Sample Parameter</b>	<b>Samples</b>
What	SMEs in the construction and catering sectors
Who	Owner-managers of SMEs in the selected sectors
Why	Gives a comparison of CSR conceptualisation and practices between both sectors
Where	Klang Valley a.k.a. Greater Kuala Lumpur. This region has the largest population of SMEs and also individuals that have higher education in comparison with other regions (MOHR, 2016), which indicate greater knowledge and awareness towards social and environmental issues. Besides, the development of this region is the perfect ecosystem for transforming from a developing to a developed country.
How	Participant's information is obtained through local directories and personal networks. Face-to-face audio-recorded interviews are used for data collection.

This research employs the non-probability purposive sampling technique, which is widely used and considered as an appropriate technique for qualitative research



(Marshall, 1996; Etikan, et al., 2016). The technique is driven by the researcher's judgement on whether the sample would have potential data generation for addressing the research questions. Therefore, the purposive sampling technique is used 'to collect data from places, people and events that will maximise the opportunities to develop concepts in terms of their properties and dimensions, uncover variations and identify relations between concepts' (Corbin & Strauss, 2008, p. 143).

The purposeful sampling technique is used in this research to determine the region and the boundary of what is considered as SMEs in Malaysia. The following sub-sections will explain in detail.

### 3.7.3 The selection of the research sample, steps and criteria

#### 3.7.3.1 Step 1: Location selection

The choice of the region in Malaysia is Klang Valley a.k.a. Greater Kuala Lumpur. The reasons for choosing this region include the rapid transitioning as a result of greater economic activity (Pemandu, 2014b), the substantial number of SMEs (DOSM, 2011) and that it has higher education and certification institutions in comparison with other regions (MOHR, 2016). Therefore, it serves as the perfect ecosystem for understanding how CSR logics change and form when a developing country is rapidly transitioning into a developed country. There is no official map that illustrates the regions within Klang Valley; it is generally assumed that Klang Valley consists of the capital of Malaysia, Kuala Lumpur (inner KL) and other cities surrounding the capital, such as Klang, Shah Alam, Subang Jaya, Petaling Jaya and so on (outer KL). However, instead of relying on general assumptions, this research will

use the Klang Valley rail transit map provided by SPAD<sup>8</sup> (2014), which will justify that the regions selected are indeed in the parameter of Klang Valley.

The research was conducted with SMEs around Kuala Lumpur and the Klang area. Kuala Lumpur is a well-developed area in comparison with Klang, and hence, this would highlight any regional difference.

#### 3.7.3.2 Step 2: The legal definition and classification of SMEs in Malaysia

The legal definition of SMEs for services and other sectors in Malaysia is used in this research. The criteria for being an SME from different industries are demonstrated in table 3.3.

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<sup>8</sup> Suruhanjaya Pengangkutan Awam Darat (SPAD) is the Land Public Transport Commission in Malaysia, see <http://www.spad.gov.my/klang-valley-rail-transit-map>

**Table 3. 3 Classification of SMEs in Malaysia**

<b>Company Category</b>	<b>Manufacturing firms</b>	<b>Services and other sectors</b>
Medium-sized	Sales turnover: RM15 mil ≤ RM50 mil <b><u>OR</u></b> Employees (full-time): From 75 to ≤ 200	Sales turnover: RM 3 mil ≤ RM20 mil <b><u>OR</u></b> Employees (full-time): From 30 to ≤ 75
Small	Sales turnover: RM300,000 < RM 15 mil <b><u>OR</u></b> Employees (full- time): From 5 to < 75	Sales turnover: RM300,000 < RM3 mil <b><u>OR</u></b> Employees (full- time): From 5 to <30
Micro	Sales turnover: <RM300,000 <b><u>OR</u></b> Employees (full-time): <5	Sales turnover: <RM300,000 <b><u>OR</u></b> Employees (full-time): From <5

Source: SME Corp Malaysia (2013)

Besides, not all SMEs are qualified as SMEs under the definition of SMEs in Malaysia, even though, in reality, they are SMEs. The exclusions include SMEs that are publicly listed on the main board, Bursa Malaysia, subsidiaries of publicly listed companies (PLC) on Bursa Malaysia, Multinational Corporations (MNC), Government-Linked Companies (GLCs), and state-owned enterprises; see SME Corp. Malaysia (2013). Both the catering and construction SMEs had satisfied the criteria prior to being chosen to be interviewed.

### 3.7.3.3 Step 3: Multiple sampling methods

This research has employed two sampling methods, which are convenient sampling and snowball sampling. Convenient sampling was used for recruiting participants in the catering sector. The logic behind this is that restaurants and cafes are commonly

available and they tend to cluster together; hence, they are easy to find. Therefore, the researcher recruited the participants on a walk-in face-to-face basis.

Snowball sampling was employed for recruiting participants in the construction sector. This is because SMEs in the construction sector are not clustered together like SMEs in the catering sector. They tend to be difficult to find and the rejection rate is a lot higher in comparison. Therefore, snowball sampling was a way to enhance the success rate and gain access to more participants.

#### 3.7.4 Data collection

Data collection is a vital part of the research design as it demonstrates the means for collecting data that captures the phenomena (Bryman & Bell, 2015). There are numerous techniques in data collection and the most commonly used techniques are interviews and survey questionnaires (Bryman & Bell, 2015).

In the literature of CSR in SMEs, the preferential techniques for exploratory studies (Vázquez-Carrasco & López-Pérez, 2013) are interviews to collect data. Moreover, some scholars also indicate that human interactions are imperative in understanding the conceptualisation and practices of CSR in SMEs (Soundararajan, et al., 2018). Therefore, the interview was the main data collection technique for eliciting in-depth information.

##### 3.7.4.1 Interviews

The face-to-face interview method was used in this study because

‘Face-to-face social interaction (or other live interaction via technology) is the most immediate and the most frequently experienced social reality. The heart of our social and personal being lies in the immediate contact with other humans’ (Peräkylä, 2008, p. 358).

Therefore, verbal communication provides an understanding of human feelings and social situations (Miles & Huberman, 1994). However, owner-managers of SMEs tend to be busy and they are often difficult to get to. Even if access is successful, only limited time is provided for participating in the interview. Therefore, a semi-structured interview was introduced in the study because it provides a vivid set of directions for the researcher. Thus, the researcher gets the most relevant data out in a limited time, and such data can then be used as reliable and comparable qualitative data (Cohen & Crabtree, 2006).

The semi-structured interview in this study was driven by the conceptual framework, focusing on uncovering the CSR logics of owner-managers and key stakeholders in SMEs in the catering and construction sectors in Malaysia. The questions started off with a general enquiry about the background of the owner-managers and then were followed by a series of questions that encompassed their business logic. This has uncovered the different logics associated with CSR, which constituted the conceptualisation of CSR and practices.

Companies in the construction sector were contacted via phone and after the initial verbal agreement, a time, date and location were set up. As for companies in the catering sector, there was mostly face-to-face engagement for recruiting the participants; contact via phone was introduced to some participants if the owner(s) were not around.

The face-to-face interview was carried out in the workplace, mainly in the offices of the participants or any available meeting rooms for some construction companies. The rest were conducted in participants' preferred restaurants or cafés. As for catering companies, all interviews were conducted on the business premises of the owner-

managers. Semi-structured recorded interviews were conducted with owner-managers of SMEs in both sectors. A total of 48 companies were interviewed; 23 in the catering sector and 25 in the construction sector.

Interviews lasted between 30 minutes to two hours and were also split into Klang and Kuala Lumpur areas in order to highlight any regional differences. Interview-based data collection is commonly used in institutional logics studies, e.g., (Greenwood & Suddaby, 2006; Reay & Hinings, 2009; Dahlmann & Grosvold, 2017). It provides a rich source when the research focus is to understand individuals' patterns of activities. Recorded interviews allow the researcher to replay their thoughts, interpretations, justifications and explanations, and therefore, tap into emic perspective of owner-managers and reveal their CSR logics and practices.

The interview questions were open-ended so as to promote freedom and encouragement in continuous discussion and provide rich information in comparison with closed-ended questions (Patten, 2002). Examples were also encouraged to tease out participant's recent experiences, which gave insights to CSR practices (Sharma, et al., 1999). Questions were designed with basic simple wording and indirectly teased out CSR thoughts and activities.

The interviews were conducted in English, but only for those who were comfortable with it and who were able to express themselves. For those who preferred to use Malay or Mandarin, interviews were conducted as such. The non-English data was translated into English by the researcher. All participants were given a formal letter of description regarding the research and assurance of their confidentiality. Contacts for the University, the researcher and the researcher's supervisory team were provided to the participants. This was to ensure that the participants could reach out to the

researcher for any problems that they might have regarding the research, including complaints or to erase their data. Participant's consent was requested verbally at the start of the interview and audio recorded to ensure that non-literate interviewees fully understood the nature of the research and the ethical issues and commitment of their involvement (see Section 3.7.7 for more details). The researcher verbally explained their rights and confidentiality of the material to be collected before proceeding with the interview. Table 3. 4 presents the total number of sampled participants in the sectors and regions.

**Table 3. 4 Interviews**

Attributes of the owner-manager (O/manager) in the construction sector

<b>O/manager</b>	<b>Bumi Status</b>	<b>Education level</b>	<b>Ethnicity</b>	<b>Gender</b>
CPKG1	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG2	Bumiputera	Higher education or equivalent	Malay	Male
CPKG3	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG4	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG5	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG6	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG7	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG8	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKG9	Non-Bumiputera	Primary education	Chinese	Male
CPKG10	Non-Bumiputera	Primary education	Chinese	Male
CPKL1	Bumiputera	Higher education or equivalent	Malay	Male
CPKL2	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL3	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL4	Non-Bumiputera	Secondary education	Chinese	Male
CPKL5	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL6	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL7	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL8	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL9	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL10	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL11	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL12	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL13	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL14	Non-Bumiputera	Higher education or equivalent	Chinese	Male
CPKL15	Non-Bumiputera	Primary education	Chinese	Male



Attributes of the firm in the construction sector

<b>Firm</b>	<b>Age of Firm (Years)</b>	<b>Business Structure</b>	<b>Location</b>	<b>No. of full-time employees</b>
CPKG1	5	Limited company	Klang	2
CPKG2	2	Limited company	Klang	10
CPKG3	26	Limited company	Klang	7
CPKG4	12	Limited company	Klang	100
CPKG5	20	Limited company	Klang	0
CPKG6	9	Limited company	Klang	10
CPKG7	6	Limited company	Klang	11
CPKG8	20	Limited company	Klang	12
CPKG9	3.5	Limited company	Klang	7
CPKG10	6	Limited company	Klang	12
CPKL1	6	Limited company	Kuala Lumpur	33
CPKL2	12	Limited company	Kuala Lumpur	8
CPKL3	12	Limited company	Kuala Lumpur	8
CPKL4	11	Limited company	Kuala Lumpur	7
CPKL5	10	Sole Proprietorship	Kuala Lumpur	20
CPKL6	15	Limited company	Kuala Lumpur	8
CPKL7	10	Sole Proprietorship	Kuala Lumpur	5
CPKL8	20	Limited company	Kuala Lumpur	0
CPKL9	4	Limited company	Kuala Lumpur	23
CPKL10	9	Limited company	Kuala Lumpur	7
CPKL11	2	Limited company	Kuala Lumpur	19
CPKL12	10	Limited company	Kuala Lumpur	35
CPKL13	6	Limited company	Kuala Lumpur	20
CPKL14	8	Limited company	Kuala Lumpur	5
CPKL15	4	Limited company	Kuala Lumpur	10

Attributes of the owner-manager (O/manager) in the catering sector

<b>O/manager</b>	<b>Bumi Status</b>	<b>Education level</b>	<b>Ethnicity</b>	<b>Gender</b>
EPKG1	Non-Bumiputera	Higher education or equivalent	Chinese	Male
EPKG2	Non-Bumiputera	Primary education	Chinese	Male
EPKG3	Non-Bumiputera	Higher education or equivalent	Chinese	Female
EPKG4	Bumiputera	Secondary education	Malay	Male
EPKG5	Bumiputera	Higher education or equivalent	Malay	Male
EPKG6	Non-Bumiputera	Secondary education	Chinese	Male
EPKG7	Non-Bumiputera	Secondary education	Chinese	Female
EPKG8	Non-Bumiputera	Primary education	Chinese	Male
EPKG9	Non-Bumiputera	Primary education	Chinese	Male
EPKG10	Non-Bumiputera	Secondary education	Chinese	Male
EPKL1	Non-Bumiputera	Higher education or equivalent	Others	Male
EPKL2	Bumiputera	Higher education or equivalent	Kadazan	Male
EPKL3	Bumiputera	Higher education or equivalent	Malay	Female
EPKL4	Non-Bumiputera	Higher education or equivalent	Indian	Male
EPKL5	Non-Bumiputera	Primary education	Chinese	Female
EPKL6	Non-Bumiputera	Higher education or equivalent	Indian	Male
EPKL7	Non-Bumiputera	Higher education or equivalent	Chinese	Male
EPKL8	Non-Bumiputera	Higher education or equivalent	Chinese	Male
EPKL9	Non-Bumiputera	Higher education or equivalent	Chinese	Male
EPKL10	Non-Bumiputera	Higher education or equivalent	Chinese	Female
EPKL11	Non-Bumiputera	Secondary education	Chinese	Female
EPKL12	Non-Bumiputera	Secondary education	Chinese	Male
EPKL13	Non-Bumiputera	Higher education or equivalent	Chinese	Male

Attributes of the firm in the catering sector

<b>Firm</b>	<b>Age of Firm (Years)</b>	<b>Business Structure</b>	<b>Location</b>	<b>No. of full-time employees</b>
EPKG1	3	Partnership	Klang	6
EPKG2	1	Limited company	Klang	6
EPKG3	5 months	Partnership	Klang	5
EPKG4	10	Limited company	Klang	7
EPKG5	1	Limited company	Klang	8
EPKG6	10	Partnership	Klang	20
EPKG7	12	Sole Proprietorship	Klang	2
EPKG8	30	Sole Proprietorship	Klang	18
EPKG9	28	Sole Proprietorship	Klang	8
EPKG10	54	Partnership	Klang	3
EPKL1	1	Limited company	Kuala Lumpur	8
EPKL2	2.5	Partnership	Kuala Lumpur	5
EPKL3	1.5	Partnership	Kuala Lumpur	14
EPKL4	1	Limited company	Kuala Lumpur	14
EPKL5	7 months	Limited company	Kuala Lumpur	8
EPKL6	2 months	Limited company	Kuala Lumpur	2
EPKL7	12	Partnership	Kuala Lumpur	13
EPKL8	2	Limited company	Kuala Lumpur	0
EPKL9	5	Limited company	Kuala Lumpur	6
EPKL10	2	Limited company	Kuala Lumpur	3
EPKL11	7	Limited company	Kuala Lumpur	30
EPKL12	2 months	Sole Proprietorship	Kuala Lumpur	1
EPKL13	3 months	Limited company	Kuala Lumpur	5

#### 3.7.4.2 Field notes

Notes were jotted down by the researcher while observing the surrounding in restaurants if it was being permitted by the owner-managers. The post-interview conversations were also carried out and data was written down by the researcher. This will later be elaborated by the researcher at the end of the interview. This will further enrich the etic perspective of qualitative research.

#### 3.7.4.3 Secondary data

Furthermore, limited secondary data was collected during the fieldwork, as it was subject to availability. The secondary data includes: company websites, social media, customer reviews, and company documents collected during the interviews. Prior to the interviews, the researcher familiarised themselves with information on company websites and the relevant social media where it was available. Likewise, customer reviews were used. This enabled the researcher to frame additional questions that are tailored to the company, in order to generate more in-depth primary data.

#### 3.7.5 Data analysis – The way it is being done

Data analysis is the process where data is being managed, reduced and generating useful concepts by the researcher (Bryman & Bell, 2015). In this research, the data analysis process begins while transcribing is in progress instead of post transcribed. This will ensure that the researcher does not miss any interesting detail. The analysis process is inductive.

##### 3.7.5.1 Data analysis – The inductive approach

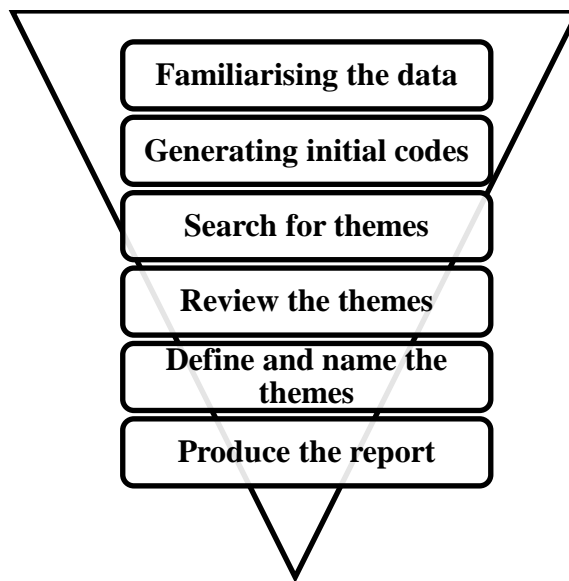
The inductive process adopted in this research is to ensure that the researcher captures the story that the data is telling. In this process, the researcher ignores the themes suggested from previous studies and code diversity (Braun & Clarke, 2006). This

approach will reveal the potential useful themes and patterns that were not suggested in previous studies. However, the pitfall of this approach is that these useful themes and patterns might not be useful in terms of answering the research questions and achieving the research objectives. Nevertheless, it opens new doors for future research; thus, it is imperative to recognise it.

### 3.7.5.2 Data analysis process – Thematic analysis

There are six phases entailed in the process of data analysis and coding. This process is adopted from Braun and Clarke (2006, pp. 15-23) on doing thematic analysis: a step-by-step guide. The phases are demonstrated as follows:

**Figure 3. 3 Six phases of thematic analysis**



#### **Phase 1: Familiarising the data**

In this phase, the researcher familiarises the recordings and transcribes them into Word documents. Multiple readings or repeated readings are employed to ensure that the

data makes sense to the researcher. This phase is essential in research to generate initial codes.

### **Phase 2: Generating initial codes**

After the researcher has familiarised with the data, a list of initial ideas about the data is produced. This involved generating initial codes from the data by using computer-assisted qualitative data analysis software (CAQDAS) NVivo 12, which allows the researcher to structure and classify the codes in many levels in a hierarchical order. During this process, many potential themes and patterns are coded, and the researcher then continues searching for different levels of themes.

### **Phase 3: Search for themes**

During this phase, all data is coded and collated into a long list of different codes that the researcher has recognised across the pool of data. The researcher then refocuses on the broader-level themes and then sorts them out according to their relevancies to the research. During the process, the researcher combines the codes, which will form an overarching theme to form a main theme or categorise some into sub-themes. The researcher has also retained the codes that do not belong to any theme into a new theme called miscellaneous. By doing this, the researcher ensures that these themes are reviewed again for potential classification, combination, separation or discard.

### **Phase 4: Review the themes**

By reviewing the themes, it has become apparent that some themes were not useable or they were not really themes at all because of insufficient data for supporting. For example, themes that are not useable are ones that are not, or are indeed, poorly related to the research questions, or themes that are only supported by one or two codes. At

this stage, some themes were broken down into separate themes or else combined into one, which entailed two levels of refinement. At level one, all collated themes will be reviewed and identified whether or not there is a coherent pattern. If there is a coherent pattern, then the researcher will move on to level two; if there is no coherent pattern, then the researcher would reconsider whether the theme needs to be reworked or discarded.

At level two, the researcher considers the validity of individual themes in relation to the entire data set to ensure that the themes are accurately reflecting the meanings in the entire data set. The process of re-reading the entire data set is applied in order to confirm that the themes flow smoothly in relation to the data set and code any additional data that is missed in the earlier stage of coding. This process is repeated until the themes fit well and tell the story of the data overall.

#### **Phase 5: Define and name the themes**

At this stage, the researcher defines the facets of each theme captured. This means that each individual theme contains a ‘story’ that tells the reader about the data in relation to the research question(s). The researcher ensures that the defined themes and names are not overlapping, and if there are any further sub-themes within a theme, they are also defined and named appropriately. At this phase, clearly defined themes that describe the scope of the content are presented. The themes are further classified using the 3-level CSR classification to show the variation of drivers and practices of CSR.

#### **Phase 6: Produce the report**

This phase begins after the set of fully functional themes are concluded, and writing a report has commenced. The report depicts the results in a succinct, articulate, non-

repetitive and logical manner, detailing the story of the data within and across themes. The report is presented in a statement-quote-and-comment (SQC) manner as this manner demonstrates a systematic way of reporting (Golden-Biddle & Locke, 2007). The stated paragraph entailed ‘setting the scene’ for the reader. The quoted paragraph was essentially the quote directly extracted from the data without any alteration of its originality. Finally, the comment paragraph is the researcher’s interpretation, which involved the researcher’s analytical skills, knowledge, personal experience and familiarity with the research context.

The number of codes and references created after the analysis of the interviews are presented as follows:

Construction sector

<b>Name</b>	<b>Codes</b>	<b>References</b>	<b>Name</b>	<b>Codes</b>	<b>References</b>
CPKL1	34	48	CPKG1	43	93
CPKL2	41	71	CPKG2	23	29
CPKL3	48	109	CPKG3	32	60
CPKL4	34	73	CPKG4	29	72
CPKL5	32	51	CPKG5	29	46
CPKL6	33	67	CPKG6	11	14
CPKL7	39	73	CPKG7	39	73
CPKL8	25	57	CPKG8	37	70
CPKL9	45	83	CPKG9	34	49
CPKL10	20	21	CPKG10	35	45
CPKL11	33	58			
CPKL12	22	70			
CPKL13	34	60			
CPKL14	32	54			
CPKL15	44	96			



Catering Sector

<b>Name</b>	<b>Codes</b>	<b>References</b>	<b>Name</b>	<b>Codes</b>	<b>References</b>
EPKL1	18	19	EPKG1	18	20
EPKL2	26	47	EPKG2	14	14
EPKL3	35	90	EPKG3	24	39
EPKL4	28	64	EPKG4	32	65
EPKL5	24	39	EPKG5	29	32
EPKL6	42	68	EPKG6	22	24
EPKL7	32	55	EPKG7	5	6
EPKL8	16	23	EPKG8	35	76
EPKL9	35	51	EPKG9	27	56
EPKL10	31	97	EPKG10	26	39
EPKL11	25	29			
EPKL12	30	44			
EPKL13	11	15			

The number of quotes used for the presentation purposes in Chapter 4 and 5 were:

No.	Interview	Number of quotes	No.	Interview	Number of quotes
01	CPKG1	3	15	EPKG3	2
02	CPKG3	1	16	EPKG4	1
03	CPKG7	2	17	EPKG6	1
04	CPKL1	1	18	EPKG8	1
05	CPKL10	1	19	EPKG9	2
06	CPKL13	3	20	EPKL10	2
07	CPKL15	2	21	EPKL12	1
08	CPKL2	2	22	EPKL13	1
09	CPKL3	3	23	EPKL2	2
10	CPKL4	1	24	EPKL3	4
11	CPKL6	1	25	EPKL6	1
12	CPKL8	3	26	EPKL7	1
13	CPKL9	1	27	EPKL9	2
14	EPKG1	1			

### 3.7.6 Credibility of qualitative research

In a positivist point of view, validity is the precision and correctness of research. However, in qualitative research, the alternative term is credibility (Ritchie, et al., 2014). Qualitative research focuses on how precise the study reflected the population being investigated (Ritchie, et al., 2014).

This research followed the criteria of credibility proposed by Lincoln and Guba (Lincoln & Guba, 1986); see table 3. 5. During the fieldwork, it is not unusual to have participants that are concerned about the duration of the interview. Therefore, a minimum spent time is introduced, in order to ensure that the researcher has ample

time to extract information. Furthermore, post-interview conversation enables the researcher to extract information that are useful but not covered by the audio recorder. This is useful particularly when sensitive issues were discussed during the presence of the audio recorder, which could discourage the participants to discuss issues further. Therefore, a post-interview conversation may help further the discussion and extract further information from the participants.

Persistent observation enables the researcher to look around the environment of the business. For example, in this study, apart from interviewing restaurants owner-managers, observation around the premise enables the researcher to collect more information, such as the hygiene condition of the restaurant, certificates, the presence of donation boxes and any information posted regarding their business or philanthropic activities. This allowed the researcher to gain more information and ask questions that were tailored to their business activities in relation to CSR.

Triangulation of source is where more than one source is used in the same method to examine the consistency and inconsistency of the data (Patton, 1999). For example, in this thesis, data from different owner-managers from two completely different sectors was collected, and the result showed consistencies and inconsistencies in the data. This type of triangulation highlighted the opportunities for deeper insights into the CSR phenomenon. The inconsistencies are also known as negative cases, where some participants' perspectives are deviated from the majority of the interviews.

Member checks and peer debriefing were also employed in this research. For example, the researcher consulted other qualitative researchers to review the accuracy of the interpretation. Peer debriefing is done through disinterested peer to ensure that the presented data and its meaning is thoroughly explored (Lincoln & Guba, 1986). For

example, the researcher presented the data to other qualitative researchers with similar interests in CSR, in order to gain insights into the possible multiple meaning in the data. Furthermore, the researcher presented and discussed the work in a conference and workshop, which further enhanced the quality of work through feedback from different scholars.

**Table 3. 5 Credibility in qualitative research by Lincoln and Guba**

<b>Credibility</b>	<b>Application to research</b>
Prolonged engagement  Persistent observation	The interviews conducted were at least 30 minutes long, and a post interview conversation was carried out whenever possible. Access to their business operation site was investigated whenever it was permitted.
Triangulation  Negative case analysis	This research employed more than one sector, and 48 different companies were involved in the discourse, hence developing diversity in the sample. Website and company documents and social media were also analysed.
Peer debriefing  Member checks	Data was verified by research participants and colleagues in the field. Conference and workshop were attended to showcase this research to the experts in the field.

### 3.7.7 Ethical Considerations

The aim of this section is to carefully consider the various ethical issues related to the research. According to Bryman and Bell (2015), social researchers could face a variety of ethical issues at different stages of their research journey. Therefore, ethical considerations are vital part for justifying the researcher's integrity, transparency, and morality aspects seriously while conducting research.

In this research, a risk assessment on ethical issues were covered before obtaining formal approval from Kingston University's ethics committee. The assessment encompasses key ethical principles suggested by Diener and Crandall (1978), which consists of the following areas:

1. Whether there is harm to participants
2. Whether there is a lack of informed consent
3. Whether there is an invasion of privacy
4. Whether deception is involved

Before each interview, the researcher explained to the participant face-to-face about the nature of the research and ensuring there will be no deceptions and no risk of harm whether it is psychological and physical. The information (details of the research and the participant consent form) shared with participants can be found in Appendix 3 and 4. The contacts of the researcher, university, and supervisors will then be given to participants. This is to ensure that participants have a point of contact if they needed to raise any issues that may concern them later or end of the study. This study also offers the option for participants to withdraw if they no longer wanted to participate in the research. The participant can choose either a written or verbal informed consent recorded with a digital audio recorder. Therefore, the informed consent is obtained by whichever the participant finds most comfortable with. The researcher also ensured that the confidentiality of the subject studied remained at the highest level by making sure that the recorded data are safely stored in password secured locations and anonymised. The data was analysed using legitimate licenced software, NVivo.

### 3.8 Conclusion

This chapter explained the methodology adopted in this thesis by beginning with debates about paradigms and philosophical stances. This research employed a qualitative exploratory approach to investigate CSR in SMEs, which is a preferential

approach, for CSR is often associated with cultural values (Soundararajan, et al., 2018). This led the researcher to employ a social construction paradigm (ontological stance), for the study involves two social worlds: the construction and catering sectors in Malaysia. The paradigm fits well with institutional logics, as the theory studies the logic of the social actor in the particular social world. The epistemological stance of this research is interpretive by nature, and the axiological position is value-bound.

Non-probability purposeful sampling was employed. Convenient and snowball sampling techniques were used as a result of the nature of each sector, as explained in Step 3: Multiple sampling methods. The research settings were chosen as a result of their potential future growth and influence regarding the economic, social, and environmental well-being of Malaysia.

This chapter also demonstrated the analytical journey of the researcher, and the step-by-step process was delineated. This shows how the research transformed the raw data into meaningful inference.

Finally, the credibility of the research was also presented using the criteria proposed by Lincoln and Guba (Lincoln & Guba, 1986). The research showed how each criterion was applied to the study, and thus showcased its credibility. Ethical considerations are also presented by showing the range of coverage in this research when comes to ethical issues.

## **Chapter 4: A comprehensive understanding of CSR logics from the perspectives of SMEs owner-managers.**

### 4.1 Introduction

This chapter aimed to address research questions one, two, and three. The analysis added knowledge to the understanding of CSR in developing countries. The empirical evidence was based on the SMEs in the construction and catering sectors in Malaysia. SMEs are generally viewed as an important part of the economy in developing countries (Lee, et al., 2012; Jamali, et al., 2017a), and they also have the potential to address societal issues (Gao, et al., 2011; Jamali, et al., 2017a). However, limited knowledge is available when it comes to CSR amongst SMEs in developing countries (Jamali, et al., 2017a; Soundararajan, et al., 2018); therefore, the findings of this chapter contributed to the understanding of CSR among owner-managers of SMEs in Malaysia.

This chapter started with an overview of the factors influencing CSR among owner-managers, followed by a detailed analysis of these factors. Overall, this chapter showed that the understanding of CSR among owner-managers of SMEs in Malaysia is uneven and shaped by regulation, business, and national culture. Institutional logics associated with these factors were presented to showcase the motivation behind the operations and constraints of CSR in SMEs between the construction and catering sectors.

The results of this chapter addressed the research questions set out in Chapter 2. Findings 1 addressed RQ1, while Findings 2 addressed RQ4 and RQ5. The chapter concluded with contributions addressing the gap in knowledge of CSR in SMEs in developing countries.



#### 4.2 Findings 1: The understanding of CSR among owner-managers of SMEs

It is generally accepted that CSR has become a worldwide phenomenon as a result of globalisation (Carroll, 2015). However, a lack of CSR studies in developing countries has been highlighted in the literature (see Chapter 2) (Jamali & Mirshak, 2007; Karam & Jamali, 2015; Jamali & Karam, 2016). This led to the question: to what extent CSR has been adopted in developing countries. Knowledge of CSR in SMEs in developing countries is, however, remarkably limited (Jamali, et al., 2017a), and CSR sectoral studies are encouraged (Aguinis & Glavas, 2012; Spence, 2007), for some sectors seem to be more advanced than others (Chiu & Sharfman, 2011). Therefore, this section aimed to address the gap in knowledge of CSR in developing countries. It did so by presenting the main results of the fieldwork concerning the understanding of CSR in the owner-managers of SMEs in the catering service and construction sectors in Malaysia.

This section presented the findings for RQ1: What is the understanding of CSR concepts among owner-managers of SMEs in Malaysia? The findings in this section contain the important elements that influence CSR in the general business environment of the two sectors in the context of a developing country.

The chapter drew upon 48 audio-recorded interviews with owner-managers of SMEs in the construction and catering sectors, and the results showed that some owner-managers are aware of the term CSR. Table 4. 1 showed the difference between sectors when it comes to the awareness of the term CSR.

**Table 4. 1 Awareness of the term CSR**

<b>Aware of the term CSR</b>	<b>Construction sector</b>	<b>Catering Sector</b>	<b>Total</b>
No	11 (44.00%)	14 (60.87%)	25 (52.08%)
Yes	14 (56.00%)	9 (39.13%)	23 (47.92%)
Total Number (Percentage)	25 (100.00%)	23 (100.00%)	48 (100.00%)

This finding is consistent with Nejati and Amran (2013) where 100 SMEs from various sectors in Malaysia were examined regarding CSR terminologies. This study provides a more detailed analysis by providing sector-specific owner-managers' accounts of the term CSR. Overall, more SME owner-managers in the construction sector recognise the term CSR in comparison with the catering sector (See Table 4. 1).

Some owner-managers attributed their acknowledgement of CSR as a result of their education, specifically their higher education. This is because some higher-education institutions have started to introduce CSR in their degree programs (Carroll, 2008). One of the owner-managers in the construction sector describes that he knows about the term CSR through his higher education as follows:

*I: So, what is your degree?*

*R: Marketing, Business and Administration.*

*I: Have you heard of CSR in your degree?*

*R: Yes, that is why I know. I think this is very important because in this society, if we do not take care of the gap in wealth, it is very sad; the rich become richer and the poor become poorer. This is what happens in this world now .../... ' (CPKG9)*

Similarly, one of the owner-managers in the catering sector also states his familiarisation of the term CSR as a result of higher education as follows:

*I: Have you heard of the term Corporate Social Responsibility?*

*R: Yes, I was in a management background so I have touched a little bit about this .../...During my few years of local diploma and degree studies.*

*I: What does it mean to you when you heard about it?*

*R: For me, straight to the point, that social responsibility is a cycle [in] which you help people and people help you and everything comes around. So, as a business, you need to be true to your customers, that is one of the points of social responsibility in my opinion'. (EPKL9)*

The number of owner-managers in the construction sector who hold a higher education qualification is higher than the number in the catering sector (See table 4. 2). This assertion of having higher education and acknowledgement of CSR is confirmed (see table 4. 1).

**Table 4. 2 Education level of owner-managers**

<b>Education level</b>	<b>Construction sector</b>	<b>Catering Sector</b>	<b>Total</b>
Higher education or equivalent	21 (84.00%)	13 (56.52%)	34 (70.80%)
Secondary education	1 (04.00%)	6 (26.09%)	7 (14.60%)
Primary education	3 (12.00%)	4 (17.39%)	7 (14.60%)
Total Number (Percentage)	25 (100.00%)	23 (100.00%)	48 (100.00%)

Despite education helping to realise the term CSR, the impact of understanding seems shallow, disperse and inconsistent because the descriptions of owner-managers as shown above do not always manifest their understanding of CSR the same way from one owner-manager to another. Furthermore, one of the owner-managers in the catering sector who holds a degree from one of the universities in Australia shows that he recognised the term CSR but not its meaning.

*I: So, have you ever heard of the term corporate social responsibility?*

*R: Yes I did.*

*I: When did you become aware of this term?*

*R: My background, I was an international business student. So, I kind of know some of these terms, but practically, I'm not sure what it is'. (EPKL8)*

This result shows that education does not seem to be the major influencer on the understanding of social responsibility in owner-managers, albeit the term was recognised through education. This further clarifies the current position of education in SME owner-managers in relation to CSR understanding in which the literature asserts that it plays a significant role in CSR understanding (Spence & Lozano, 2000; Painter-Morland & Dobie, 2009; Carroll, 2008). The inconsistent description of CSR among owner-managers shows some other factors that determine their understanding of CSR. One of the owner-managers who is a degree holder describes his understanding of CSR as follows:

*'You have to do contribution, create awareness in terms of the environmental effect, the sustainability of the economy so you also pay your tax and try not to evade and er...the predominantly what social responsibility is about .../...'* (CPKL11)

Although the term CSR is not recognised and well understood by some owner-managers, in practice, CSR manifested in their behaviour when they described their business operations (see Chapter 5). Overall, the data suggests that the initiative of responsibilities among owner-managers is influenced by the regulatory, business and national culture. This result is consistent with the literature that consists of studies that focus on different aspects of CSR in SMEs in a different context (Tang & Tang, 2012; Lee, et al., 2012).

#### 4.2.1 Regulatory influence on CSR

Some scholars imply that CSR should begin where the law ends (Sen & Cowley, 2013), which implies that the law is not part of CSR. However, other scholars signal that the law is the beginning of CSR where regulations are enforced, such as safety standards and employee benefits (Lee, et al., 2012).

The primary evidence of this thesis supports regulation as the beginning of an important influence on CSR practices in SMEs. Like many other countries, the rule of law is generally applied to all business types, sizes and sectors. Malaysia is no different and not immune to the coercive isomorphism where firms become similar as a result of government mandates. Complying with the regulation is considered as one of the important pillars to achieving legitimacy (Scott, 2014), and hence, regulation plays a vital role as a start for promoting CSR in developing countries (Barkemeyer, 2007; Desta, 2010; Soundararajan, et al., 2018).

This pattern is supported by evidence from both sectors. Owner-managers were found to stress their responsibility on complying with the basic law. As part of their compliance, they sought to achieve at least a low level of CSR.

*'Every restaurant is the same, they must have a grease trap and it is part of the registration for the licence...'* (EPKG9)

*'...all construction-related companies need to have CIDB.'* (CPKL11)

Despite differences between law and morality, the actions of owner-managers to comply or to avoid the law still lies on their morality, which is socially constructed. From the evidence, owner-managers comply with the law because it is mandatory for them to do so. However, there are some cases where businesses are still operating without complying with the law fully. This is due to the norm of the industry, which

is also known as the taken-for-granted practice (see also Findings 2 for the detail process).

#### 4.2.2 Business culture of SMEs' influence on CSR

The distinctive cultural aspect of SMEs (Gibb, 2000) is one of the prominent discussions in the CSR literature (Baumann-Pauly, et al., 2013; Wickert, et al., 2016). Some suggest that smaller-sized firms are considered as better performers in CSR (Perrini, et al., 2007). This is because of the close relationships with their stakeholders related to their competitive environment (Singh, et al., 2008). Some scholars see this as the driver for their 'sunken CSR' (Jamali, et al., 2009; Russo & Tencati, 2009; Jenkins, 2004).

Key stakeholders in the literature related to CSR in SMEs are customers, suppliers and employees (Nejati & Amran, 2013; Lähdesmäki, et al., 2019). The findings of this chapter are consistent with the literature showing that the customers, suppliers and employees are associated with the actions of owner-managers in SMEs that are relative to CSR. However, the comparison between the two sectors also shows that Business Associates are one of the key stakeholders in the construction sector, which the catering sector does not have. This is a result of the nature of the sector and business where sub-contracting culture is widely practised in the Malaysian construction industry (Kamal, et al., 2012).

The analysis shows that SMEs in the construction and catering sectors demonstrate care and responsibility for their key stakeholders. Although there are some keys stakeholders associated with CSR in both sectors, the CSR practices are slightly different. For example, the customers/clients in the catering and construction sectors are key stakeholders. The mentality of 'the customer is always right' in business is

significantly embedded in both sectors. Two owner-managers from different sectors signal the power of their customers/clients:

*'...customer is always right, there is no point arguing with the customers, if they don't pay, they don't come, you don't get your salary' (EPKL3)*

*'...the customer always wins; they have the upper hand...'* (CPKL11)

Customers/Clients bring revenue to the business and help the business to be financially sustainable. Therefore, owner-managers will avoid conflicts with their customers/clients by providing quality services. This indicates customer/client-focused CSR, as owner-managers are ensuring that their customers/clients are properly taken care off. However, when it comes to basic CSR compliance, clients in the construction sector seem to hold more power over owner-managers. This is due to the difference in the financial power of clients between the two sectors. Generally, the financial loss of one client in the construction industry could be far greater than one customer in the catering sector. Therefore, it is argued that this influences differences in CSR practices. This is consistent with the study conducted by Jackson and Apostolakou (2010) regarding asymmetrical CSR practices between industries but from the perspective of large listed firms in Western Europe.

Similarly, owner-managers in both sectors also treat their employees with care by providing employee benefits over and above those required by law. However, the findings also show the similarity and differences between the benefits provided by different owner-managers in both sectors (See Chapter 5). This suggests that the 'sunken/silent' CSR, also known as the 'not formalised CSR', is influenced by the business culture which manifests some form of corporate logic.

Corruption seems to be the business culture in the eyes of SMEs owner-managers in Malaysia (see Findings 4.3.1.2). The level, process and motive of corruption vary

between sectors, but one aspect remains the same, which is the involvement of the local authorities. The findings suggest that bribing in the catering sector minimises the costs of sanctions, as paying a bribe is cheaper than paying a summons, whereas the construction sector speeds up the process of obtaining approval for a project (see Findings 4.3.1.2 for detailed evidence for both sectors). This clearly shows the importance of looking into the process and action of owner-managers, which reveals not only the CSR perspective but also the obstacle in the owner-managers of Malaysian SMEs.

#### 4.2.3 The influence of the ‘Malaysian culture’ on CSR

Culture and values are some of the most prominent and widely discussed factors in the CSR literature (Thanetsunthorn, 2015; Halkos & Skouloudis, 2017; Jamali & Karam, 2016). However, studies about culture and values that influence CSR in Malaysian SMEs is limited. Nejati and Amran (2009) found religious thoughts to be one of the motivations for CSR in SMEs, but they did not provide sufficient details as to what kind of religious thoughts these owner-managers followed.

The analysis in this thesis identifies the concept of Karma, which is associated with Buddhism and Hinduism, as one of the main thoughts governing the ethical and philanthropic behaviour of owner-managers in the catering and construction sectors. This is often manifested in donations to non-profit organisations and the local community in Malaysia (Norbit, et al., 2017). The concept of Karma is widely adapted by owner-managers from different backgrounds. A Muslim, a non-Muslim and a freethinker owner-manager described it as follows:

*‘We always think that give more to receive more. Yeah, you help people, and hopefully, one day, people will help you back...’ (EPKL3)*



*'...from young the teaching from parents. This would be good for us, but it depends what you do and what kind of donation you make if you donate to old folks home and orphanage will be better'. (CPKL4)*

*'...I do not pray...I don't believe but I believe in one thing, if you don't do bad things no matter what, there will be people who will help you .../...there will be good things coming back to you .../... if your attitude is good, your friends will like you, and when your friends like you, then your environment become positive then your business will become positive, too, how do say this, religion? I don't think it is related to religion ...' (CPKG1)*

Although Karma is mostly associated with Buddhism and Hinduism, this particular logic stands out from the other religious beliefs. Therefore, this study suggests that there might be a wider acceptance of Karma detached from religion that is becoming a cultural practice associated with a conscience. Karma is similar to win-win or reciprocity where there is an expectation of exchange. However, Karma logic is always associated with the thinking of consequences from ethical and/or unethical actions that might affect others, and eventually, oneself. This concept is similar to the substance of social responsibility defined by Davis (1967, p. 46), which signals that the concept of Karma might have been long embedded in the minds of individuals when it comes to ethical business practice and contribution to society.

*'...contractors they are working so hard until their underwears are wet, and yet you don't give them the money, that is not right and I believe there will be retribution (Karma)'. (CPKL13)*

*'...we donate to schools as well and we will also donate money to old folks home every month, not a lot, just about RM1000 every month we donate, this is our way of contributing to the society and I believe a lot of Chinese would do the same.' (CPKL3)*

Although the concept of Karma influences owner-managers' contribution to society, there are obstacles that deter the extent of CSR owner-managers performance. One of the findings in the study is the fact that Malaysia is a multi-racial country. The division between racial groups suggests that the adoption of CSR may be uneven as a result of

different government treatments between ethnic groups, and this has serious implications on CSR. The ethnic Chinese dominates the business sector in Malaysia but it has been suggested that this group faces institutionalised discrimination, as described by some ethnic Chinese owner-managers as follows:

*'Our government does not take care of the Chinese people...'* (EPKG3)

*'In Malaysia, there is no fairness, it is all depending on the skin colour...'*  
(CPKL15)

The inequality of treatment might have driven some owner-managers to practice preferential CSR activities, such as donation and sponsorship, but it is limited to their ethnic groups (see also Chapter 5). Therefore, inequality also creates a barrier that limits the owner-managers in addressing social problems that relate to the main ethnic group in society.

#### 4.3 Findings 2: Institutional logics that influence CSR operations in sectors

Some scholars indicate that context matters in understanding CSR in SMEs, particularly in a developing-country context (Jamali, et al., 2017a; Jamali & Carroll, 2017). Malaysia is a developing country with a strong presence of different cultures and ethnic groups; therefore, it is argued that it is not appropriate to transfer concluded ideas especially from developed to developing countries. This argument is mentioned by scholars in the literature (Jamali & Karam, 2016; Moon & Shen, 2010). Furthermore, some scholars have argued that there are practitioners who are interested in the differences between Western and Asian CSR (Hou, et al., 2016). Therefore, these findings contribute to the emerging body of CSR in the East and the developing-country context by showcasing the presence of institutional logics in a unique multi-cultural context in Malaysia, where ethnic minorities such as the ethnic Chinese group

dominate the business sector. In order to understand this in detail, this study compares the construction and catering sectors, showcasing the institutional factors and logics that drive CSR in SMEs (Soundararajan, et al., 2018; Jamali, et al., 2017a).

The section addresses RQ4 and RQ5 of this thesis: How do different institutional logics translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia? How do these differ between sectors? And RQ5: Why are different logics being used by SMEs? What personal experience(s) motivate and demotivate owner-managers of SMEs regarding the CSR logics?

The analysis reveals the State, Industrial, Karma and Corporate logics that influence CSR, which are also related to Findings 1, which is concerned about regulatory, business and national cultural factors. The importance of this section highlights the norms of both sectors that link to the salient institutional logics, which is part of the conceptual framework in Chapter 2. The comparison of the two sectors also reveals the institutional logics that translate into CSR operation through the experiences of owner-managers. This further contributes to the literature regarding the importance of understanding the institutional logics that link to CSR complexity in sectoral-specific SMEs. Each logic reveals the important process that has potential use in implementing highly relevant sector-specific CSR policy for SMEs.

#### 4.3.1 Industrial and state logics

The industrial logic in this study represents the specific norm of the sector, which is the acceptable material practices in business operations. On the other hand, the state logic represents the legal system where laws are in place to ensure that businesses met the legal standards. The findings of this section showcase the selected important processes in the industrial logic, which conflict with the state logic. The importance

of these findings reveals the specific industry practice, which conflicts with the standard set by the states.

#### 4.3.1.1 Complication, conflict and fragmentation of the basic law

The basic law enacted by the state is to ensure that businesses operate within the legal requirement; therefore, the state logic is the driving force behind owner-managers' basic responsibility, which is an important component for legitimacy. However, the procedure for getting approval can be complicated. In the catering sector, the lack of clear steps has resulted in owner-managers spending time repeatedly going through the registration. The quote below demonstrates the frustration of an owner-manager trying to comply with the basic requirements:

*'...they did not tell you how.../...they do not have a proper mechanism.../...nobody knows, you will have to like try an error .../... it is really draining energy .../... You see, when you submit the document, they will just say that is not enough and they will just give it back to you .../... of course I know they are busy, but .../... make sure .../... have a proper way of telling us'. (EPKL6)*

This indicates that the lack of proper mechanism results in a longer process, which consumes time and energy of owner-managers and imposes a potential obstacle for basic compliance. One of the participated owner-managers hinted that there are other catering businesses that fail to comply with the basic law in the right way. This indicates the consequences of such complexity and fragmentation of the basic law.

*'So far, we try to follow all the rules and regulation from the beginning. So that's not really an issue for us, unlike some, they would try and do some other way round or not licence in the right way.' (EPKL7)*

The complexity of the law seems to link to improper compliance with the basic law, which poses as a constraint on complying. One of the owner-managers describes his

experience of conflict between complying with the basic law and satisfying the customer's need.

*'Sometimes, we have chairs outside...So in this modern world, people want to smoke. If you don't put the chairs outside, customers will not like about it. But if you put chairs outside, the people from the local council will say that it is against the law. Then, we asked if we are allowed to apply a licence to put the chairs outside? They say no such law and they fine us...' (EPKL2)*

Although the owner-manager is willing to apply for a licence, improper knowledge of the basic law was delivered by the local councils. Putting tables and chairs outside their premises is a very common practice for catering businesses in Malaysia. It is not against the law if a certain legal procedure is carried out. However, the owner-manager above seemed to not be aware of the procedure and was told that there was no such ruling. This indicates that the basic rules are not always fully understood by everyone, including the members of the local councils. The other argument to this would be that this is some form of corruption practice in the sector which involves the state (see 4.3.1.2).

On the other hand, in the construction sector, some owner-managers seem to think that registration with CIDB is only limited to large-scale projects. This seems to be the normal practice in the Malaysia construction industry, and trust plays an important element for completing the project as described by one of the owner-managers as follows:

*'...in Malaysia, if you want to register with CIDB, that means you want to build high rise buildings...So far, in Malaysia, it is not that strict .../...it is common for not registering, especially you are carrying out small projects.../... Actually, it is based on trust because, for example, if you trust me, you are going to give me the whole office. CIDB is a government thing and tender stuff and all the documents stuff. If, let's say you are a very big company, then yes, you will need a CIDB'. (CPKG1)*

The CIDB states that any firm that engages in any form of construction within the construction sector of Malaysia must be registered<sup>9</sup>. However, in practice, this is not always followed, especially where small firms undertake small projects. One of the owner-managers described the common practice in the sector of not registering when carrying out small construction projects as follows:

*'It is common for not registering, especially you are carrying out small projects, but if you are going to do the medium-range job, then you must register'. (CPKG1)*

This also indicates that the industrial logic seems to eclipse the state logic where compliance with the basic law is neglected and presumed common in the sector. The construction sector in Malaysia is a fast-moving and competitive sector where reducing costs not only improve profit margin but also create competitive pricing (the industrial logic). This seems to become problematic when it comes to basic compliance with the law (the state logic), where some costs are inevitable, especially when firms are trying to apply for the higher grades for bigger projects. An owner-manager described the process of compliance and costs exacerbating the conflict with the basic law as follows:

*'...now is quite difficult if you want to apply for G5 CIDB. You must have an engineer in your company and you must go for lectures, then only you can get the score .../...The hardest one is G7; the company must have 2 full-time engineers then only can submit for G7.../... Even now, G3 is difficult because a lot of people are not paying the 0.15%, they only pay when CIDB comes and inspect their site .../... that is why now, it is very strict CIDB .../... If they catch you and you don't pay, then they will not let you renew the next year. You have to pay, then only they will renew for you .../... Like some of the companies with G3, they will ask them to go and update to G5'. (CPKG9)*

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<sup>9</sup> Lembaga Pembangunan Industri Pembinaan Malaysia Act 520 also known as Construction Industry Development Board (CIDB). CIDB, 1994 Part VI, Registration of contractors 25. (1) page 27, viewed 15 January 2020 <<http://www.cidb.gov.my/images/content/akta/Act-520-As-at-1-October-2015.pdf>>

It seems that lack of resources, particularly the costs, is the obstacle for getting higher grades because owner-managers have to pay a substantial amount of wages to hire professionals, such as engineers and consultants, to meet the requirements for the upgrade. Therefore, some owner-managers will try and find ways to manoeuvre around the rules as described by one of the participants as follows:

*I: So, currently, you are...*

*R: G3, only take a project that is not more than 1 million, but actually, we have separated the project into a few contracts and still following the law. For example, if the project is 3 million, then 1 million can be assigned to machinery, 1 million to a carpenter and 1 million to the painter'. (CPKG4)*

These firms are relying on projects to survive, as they are their main source of income; however, basic compliance with the law can sometimes stand in their way of undertaking certain projects. Therefore, owner-managers try to come up with solutions and strategies to manoeuvre around the rules, in other words, bending the rules of the game, which, in some cases, corruption is involved to a certain level (see also 4.3.1.1).

Despite the state logic being an important factor that translates into low-level CSR operations, the industrial logic could also play a strong part in influencing the behaviour of owner-managers in basic compliance. This is because the clients in this sector are the sources of income for SMEs, and therefore, they have the power to influence the behaviour of owner-managers when it comes to complying with the basic law. One of the owner-managers described his experience with his client as follows:

*'...of course, they are situations where you know it may not be legally compliant so, for example, you want to build a house. You know certain things need to be 10 feet and you want it 5 feet. You can build, but it is not legally compliant .../... we will make you aware and also make you sign a form, so if you agree, then we will proceed. If the authorities come and give us summons, they will have to pay for it because we have already gone through it with them about the consequences'. (CPKL11)*

This description demonstrates that clients have the power to influence the degree of compliance in SMEs. It seems to be the norm for contractors to obey their client's needs, even though they might not be legally compliant. However, an owner-manager would safeguard this by transferring the risk to their client via drawing up a legal agreement. Therefore, any summons that might arise would be payable by the client instead. This indicates that owner-managers are manoeuvring between the state logic (compliance) and the industrial logic (treatment towards customers).

According to some scholars who specialised in institutional logics, social actors (in this case, it is the owner-managers) are micro-foundations of institutional logics and crucial for understanding institutional tenacity and conversion (Thornton, et al., 2012; Smets, et al., 2015; Ocasio, et al., 2016). The findings of this study show institutional manoeuvre by owner-managers in both sectors in a different context, where owner-managers move skilfully between the two logics. This further adds to the CSR in SMEs literature with the new understanding of institutional manoeuvre by owner-managers of SMEs through the lens of institutional logics. The findings are also consistent with some scholars, indicating that SMEs are poorly equipped to fund compliance with standards (Wickert, et al., 2016), which our findings also show that some owner managers are struggling with CIDB compliance in the construction sector.

#### 4.3.1.2 Corruption

Corruption is common in Malaysia and it is perceived as part of the culture by both academicians (Siddiquee, 2010; Nordin, et al., 2013) and practitioners (see descriptions of owner-managers below). The result shows the process of corruption perceived by owner-managers in both sectors, which involves dealing with the government agencies or local councils.



In the catering sectors, the practice of corruption ranges from securing an operating licence to inspection. As mentioned by one of the owner-managers, this process is embedded in the Malaysian culture and it is regarded as a necessary step to get things done.

*'We have a runner that runs everything for us. Without a runner, we cannot get our licence... A government office runner, he is an agent or something like that. If we walk in ourselves, we don't know how many thousand times we need to go in and out again because they will inquire a lot of things. Malaysia is like that, everything needs an agent to make things move more smoothly and faster to get what we want'. (EPKL12)*

This could also explain why some of the owner-managers are not aware of some of the basic laws because they are depending on agents and did not go through the whole procedure themselves. However, in their view, it is necessary to do this if they want quicker and smoother progression without the need to go back and forth as mentioned in 4.3.1.1. Some owner-managers associate the local councils or authorities as 'troublemakers'. As mentioned by one of the owner-managers, they could obstruct their business operation. Therefore, in order to avoid conflict and stress, owner-managers will try to accommodate as much as they can as indicated as follows:

*'...it's better not to go into a conflict with them .../... because I won't have the feeling of stress they won't come and create trouble. No trouble, no stress, if you everything also cannot, and do not give, those from the government/ council will come and create trouble.../... We do things here, must consider the circumstances, we must know how to bend the rules, not follow it blindly, If you follow it blindly, it is going to be very difficult for you'. (EPKG8)*

The word 'give' implies some form of bribery; usually, money is involved as indicated by another owner-manager as follows:

*'...they would just come and check, like those local councils, just inspection to see whether cleanliness are up to the standard, that's all...they did not inspect this area because a lot of us pay them money*

*.../... Pay money, which means I pay money to you so that you won't come here again, so now, a lot of them are like that. I mean the ones who are doing business... This is very normal, Malaysia is like that, it is the same out there if you are being blocked by them and they said that you did not fasten your seat belt and you are using a mobile phone. Do you want to pay them or you want them to give you a summon .../... Summons is more expensive'. (EPKL11)*

The 'pay money' method seems to be a way for owner-managers to avoid conflict with the local authorities and also minimise disturbances in their business. This signals that corruption is involved between some owner-managers and the local authorities. Furthermore, the 'pay money' method is viewed as 'normal' by some SME owner-managers, and it is used to deter inspection and minimise the cost when it comes to the summons. As described by one of the owner-managers, the amount of summons is as follows:

*'...most of the time, the summons are a couple hundred...'* (EPKL7)

A different owner-manager explains the way they deal with the summons and inspections as follows:

*'Recently, we have 2 new employees coming in and they need injections.../... they all need injections, it is set by the government, the ministry of health and it is compulsory... but if they [local authorities] really come and check, in Malaysia, we can just give them RM50 and they will leave us alone. That's true in Malaysia is like that, they [local authorities] all want money'. (EPKG2)*

The owner-manager above indicates that a summons is more expensive than a bribe. Therefore, there is a tendency for owner-managers to bribe the local authorities as a way of minimising their hassle in terms of paying a summons. Such behaviour indicates that potentially, there are some firms who are not consistently complying with the basic laws and are simply paying the local authorities to skip the compliances.

Similarly, in the construction sector, owner-managers establish close relationships or connections with the authorities. The condition of whether the firm meets the basic requirements of the law is subject to the approval of the authorities. Therefore, firms that 'befriend' with the authorities would help their business substantially and enable them to stay competitive in the market.

*'...it depends on your power link, your cable link with the government people, through the immigration people, you got the cable there, then you can do wonders, so you can employ all those illegal workers, so if you want to go and employ all those legal workers, then you cannot be competitive...when you have the cable link inside (government link), you can effort to use all those illegal workers. When I don't have the cable there, how to survive? It is all corruption again; you must have a link to the government or else you cannot survive, you cannot build a business, everything also links to them'. (CPKG5)*

Firms are able to employ illegal immigrants and yet legally operating is one of the examples that shows the importance of such connections with the authorities. Employing foreign workers is usually the cheaper option for firms because foreign workers are usually used to low pay wages<sup>10</sup>. Yet, if firms employ illegal immigrants, they would have their costs cut further as they would offer lower wages to these workers compared with legit workers, which gives them a competitive advantage against other firms in the sector. This indicates why some firms are able to offer a very cheap price, but this could come with another cost, such as low quality of craftsmanship. Some firms hire illegal immigrants and yet are able to stay in operation because of the connection they build with the authorities. However, building this connection comes with a cost, as described by one of the owner-managers as follows:

*'You have to give them money, you have so social with them, you have to bring them to... the spa... have to take them there for all these government people, treat them there for them to enjoy themselves .../... that is how they*

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<sup>10</sup> AFP, 2017, 11 dead in Malaysian construction site landslide. Daily mail, viewed 15 January 2020, <<https://www.dailymail.co.uk/wires/afp/article-5005511/11-dead-Malaysian-construction-site-landslide.html>>

*get the link .../... that is why in Malaysia, there is a famous saying that, it is not what you know is whom you know. You may have your degree and all that, if you have no connection there, you cannot find work...'* (CPKG5)

With sufficient cash, firms are able to settle their problems and cover up incidents that happen at the construction site. While government legislation provides some control on the standard of the sector, ultimately, the responsibility still lies on the firms that are handling the project and their implementation of safety procedures and supervision<sup>11</sup>. However, if an incident occurs, some firms with sufficient cash might bribe their way through their problems as described by one of the owner-managers as follows:

*'Government did control but the developer is more powerful, if the government authority comes, they just use the money to settle it. Even there are Aedes cases where people died because of dengue, it was also being solved using money. There is no site close, nothing. There are people accidentally fall down and die, things all scholars in 3 days, all use the money to settle things...'* (CPKL3)

Another owner-manager highlights the connection with the higher authorities as follows:

*'Unless you know someone inside the government department, then it will be easier, they will help you, and this is all about money. Even when comes to doing big projects, you need to know people inside. This is all about connections and money.../... But sometimes, certain things are not in your control because I still need a job and I also need the money and I need them to cover the expenses'.* (CPKL4)

The construction industry in Malaysia is moving at a very fast pace, and firms are constantly under pressure to get their projects done on time. This is because, firstly, they want to avoid penalties, and secondly, they want to get their payment as soon as

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<sup>11</sup> Lee, 2018, Construction site accidents rising. New Straits Times, viewed 15 January 2020, <<https://www.nst.com.my/opinion/letters/2018/01/324931/construction-site-accidents-rising>>

they can in order to cover their expenses and move on to the next project. Therefore, some firms use a ‘special relationship’ with the authorities to speed things up, and this often is related to bribery. One of the participated owner-managers stated that according to his experience in the industry, things can be faster through ‘the Malaysian way’.

*‘It can be faster, but then you know what I mean...Some developer may try to find their way to make things faster, expedite things. .../... It's the Malaysian way, you know. That is what I said before. In this industry, it is not as simple as you want to be, especially when you deal with bigger projects because they have so many departments, so when they come to the site, they will give you a lot of comments but the thing is, at that time, is already handover time. We have no time to argue with them, so the only way out is to do something for them, then they will close their eyes and say okay, I'll let you pass. But those things are normally done by the main contractor or the developer’. (CPKL7)*

The owner-manager is referring to ‘the Malaysian way’ in this context as bribery, and it seems that the bigger the project, the more serious corruption would be involved. This is seen as a common practice in the industry as there are many processes and procedures that firms need to go through, especially when dealing with the authorities because the authorities will be involved in almost every step that the firm makes until the completion of the project. This ranges from land, design, and operation approvals to hiring foreign workers for the construction work.

Some scholars in the literature of CSR in SMEs in developing countries indicated corruption as one of the problems that SMEs have to face (Amaeshi, et al., 2016), and the findings of this study are consistent with the assertion in the literature of the contribution of the SMEs in Malaysian sector-specific contexts.

#### 4.3.2 Karma and corporate logics

Some scholars of CSR in SMEs indicate that contextual institutions pressure SMEs to engage in CSR activities (Jamali & Mirshak, 2007; Jamali & Karam, 2016), and therefore, institutional predictors are common discussion in the wider CSR literature. Numerous studies have covered institutional influences on CSR but are limited to firms in developed countries (Hou, et al., 2016). The findings of this study uncover the CSR logic that is influenced by the Karma and Corporate logic of Malaysia.

The Karma logic in this study refers to the owner-manager associated with the thinking of consequences from ethical and/or unethical actions that might affect others, and eventually, self. This concept is similar to the substance of social responsibility defined by Davis (1967, p. 46). The Corporate logic in this study refers to the owner-managers' concerns about the economic situation of the firm, such as profit-making and business growth.

Karma and Corporate logic are important elements influencing the business and national culture of Malaysia. These two logics usually go hand-in-hand with the exception of when a firms' financial position is unstable, i.e., when corporate logic becomes the obstacle for firms to carry out philanthropic activities because the survival of the firm is the priority.

*'...if I cannot survive, how am I going to look after and take part in social responsibility? It is not that I do not want to do, I want to do, but I cannot .../... when I buy the things, there all become expensive, so how am I going to contribute towards the social part? (CPKG5)*

This is because CSR is often perceived as some form of monetary benefit, which involves employment benefits and donations, at least in the Malaysian context (See Chapter 5). Therefore, philanthropic activities, such as donations, are perceived to be

more sensitive to the financial position of the firm in comparison with emotional support, such as showing care to their employees, which can be exercised without the need to involve any financial resources. Donations and other support provided by the SME owner-managers are subject to their discretion. The analysis shows that Karma and Corporate logics are significant institutional logics behind such discretions of SMEs owner-managers in both sectors.

#### 4.3.2.1 Religion and the secularised Karma concept

The study regarding religion as one of the factors that influence CSR in SMEs is not new in the literature. Religion is considered as one of the most influential factors associated with CSR in SMEs (Jamali, et al., 2009). Despite religious differences, the principle of religion appears to be similar because care and compassion manifest in many major religions (Puchalski & O'Donnell, 2005). In the context of Malaysia, one particular religion principle stands out from the rest, and that is Karma. Even though the majority of the population in Malaysia are Muslims, this logic is identified in the owner-managers of SMEs from different backgrounds in the construction and catering sectors.

There is a mixture of religious beliefs among owner-managers in the construction sector despite most of them being ethnic Chinese. This indicates that even though the concept of Karma is part of Buddhism and Hinduism, owner-managers seem to incorporate this concept and transform it into ethical business practice. This suggests that the Karma concept is in the development of secularisation.

*'...I still considered myself as a free thinker.../...it comes back to win-win because of the concept of causal loop. For me, straight to the point, you know that kind of thing, Karma, you can say it's Karma, I think .../... if you believe in Karma or causal loop, somehow, all these things are tied together. (CPKL7)*

Similarly, the same pattern is identified in the catering sector where the secularisation of religion concept is realised, particularly the Karma logic. One of the owner-managers who came from a Catholic background but believes in the concept of Karma stated the following:

*'I do not subscribe to any organized religion.../...I was born and brought up a Catholic .../... I have experienced people of many religious beliefs. So, there will be some form of influence. However, I choose to not espouse any major organized or disorganized religious belief .../... I prefer to call it the philosophies of life...I subscribed to the core philosophy of all the religions, compassion, consideration, care, love .../... I would say what comes around goes around, and yeah, on a higher level, there is a karmic aspect.../...it makes sense, if you know you are going to continuously have bad customer service, for instance, it will come around to you...'* (EPKL10)

The result indicates that the logic of Karma can be translated into ethical business practice. Therefore, the rise of Karma logic as one of the important factors influences owner-managers of SMEs when it comes to CSR. The findings are consistent with one of the earlier scholars who associates Karma in business as follows:

*'More often, when a person fails to succeed in business, he rationalised his failure in terms of karma rather than think of it in advance. Conversely, when he achieves success, he hardly attributes it to karma'* (Rao, 1972, p. 66).

However, the analysis also indicates that some owner-managers attribute Karma when it comes to their success in business, not just their failure (See 4.3.2.2 for detailed evidence).

#### 4.3.2.2 Corporate philanthropy

Financial and non-financial donations are normal practice in Malaysia SMEs (Norbit, et al., 2017). Karma logic influences owner-managers of SMEs to become involved in philanthropic activities as some owner-managers view it as good deeds and



opportunities to benefit their business. This is described by one of the SMEs owner-managers in the construction sector as follows:

*'...actually, Pahang is really small, so there are not many competitions, we just need to do a bit of CSR (donation), change a bit, use better materials, and then the business can be built .../... I think CSR is mandatory for business because as a business, yes, of course, we have to be profitable, but being profitable is not just only because of taking care of ourselves, but also taking care of society .../... Among the goodness that I have done, it brought some positive changes (CPKG7).*

The description by the owner-manager above indicates that Karma and Corporate logic translate into the operation of CSR. Similarly, in the catering sector, Karma and Corporate logic can be seen in the thinking process and business operation of owner-managers. One of the SMEs owner-managers describes this in the catering sector as follows:

*'R: ...volunteers.../...who participate will earn some points from the social work.../... we do sponsor .../... you can come and redeem certain items or get a certain special discount with the points.../...*

*I: Do you see any benefit so far in your business?*

*R: Yes, definitely. For me, if you do not make a profit from marketing and break-even only, at least the visibility is there .../... So, at least, people can see the brand there'. (EPKL9)*

It seems that the motive of the owner-manager is to create some publicity for growing the business via awarding volunteers in social work. This shows that SME owner-managers have the intention to do good for the local community in exchange for publicity. This demonstrates Corporate and Karma logic in action, where CSR operations benefit both the local community and the business owners. Furthermore, this shows that CSR is not purely altruistic.

#### 4.3.3 Ethnic discrimination and its influence on CSR

Despite the growing literature of CSR in SMEs, it pays little to no attention regarding CSR in ethnic-minority SMEs (Worthington, et al., 2006). Even though a few studies have been conducted, the context is limited to the UK and employee diversity (Worthington, et al., 2006; Vermaut & Zanoni, 2014). This part of the findings has a potential implication to policymaking, at least in the Malaysian context.

The findings indicate that the legacy of the May 13 incident forced the government to implement the Malaysia New Economic Policy (NEP), which favours the ethnic Malay (Bumiputera), leading to some resentment from some non-ethnic Malays (non-Bumiputera)<sup>12</sup>, which has caused some implications on the social responsibility of ethnic-minority SMEs. The implication of the policy is deeply rooted in the minds of collective non-ethnic Malays, particularly the ethnic Chinese, which is the second-largest ethnic group in Malaysia that dominates the business sector<sup>13</sup>, particularly in the construction sector, where most owner-managers are ethnic Chinese. One of the ethnic Chinese owner-managers speaks about his experience as follows:

*I: Do you think this is the result of the government's pressure?*

*R: Yes, definitely yes, because they don't care, in Malaysia .../... They only care about themselves, we Chinese just left to emerge and perish on our own, it is not easy for Chinese to build a school here. We have to take out our own money, find the land, and still need to wait for them to approve, and also need to give them money. In Malaysia, is like that... ' (CPKL15)*

Most civil servants are ethnic Malay (Chin, 2011) and, as a result of the past history of racial division, this has influenced the mindset of ethnic Chinese owner-managers.

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<sup>12</sup> Bumiputera (son of the soil) consists of all Malays and indigenous people in Malaysia, the rest are classified as non-Bumiputera even though they were born in Malaysia. A Bumiputera will have privilege access to benefits from the government, choice of public higher education, jobs, businesses, and so on (Amran & Susela, 2008; Selvaratnam, 2016)

<sup>13</sup> Gomez, Who owns Corporate Malaysia, Malaysiakini viewed 15 January 2020  
<<https://www.malaysiakini.com/opinions/39516>>

Therefore, it seems that ethnic Chinese owner-managers are more likely to feel or experience discrimination. One of the owner-managers from the construction sector describes it as follows:

*'R: Yes! For our skin colour, don't even think about government projects, for sure 100% have to go through them. Even if they do not know how to do the project, they still can get the project, all they do it sit and take the money, they just throw the project out for the Chinese and we have to depend on them. We got no choice; we need to earn money rather than robbing and snatching ...' (CPKL15)*

Despite the end of Malaysia's NEP in 1991, the legacy of the NEP is institutionalised and has become a commonly taken-for-granted practice in Malaysia. This is reflected in both the construction and catering sectors:

*'When comes to the government projects, normally, Malays are the in the priority'. (CPKG9)*

*'There are no incentives because we are not Bumiputera'. (EPKG3)*

*'Our government does not take care of the Chinese people'. (EPKG8)*

Owner-managers' personal experience of discrimination would have implications on their CSR operations, especially on ethnic-minority SMEs. Their contribution to the wider community could be limited because of the inequality they are facing, and therefore, result in 'cherry-picking CSR'. This indicates that CSR in SMEs, particularly in the ethnic-dominated sector, is very likely to support their own race, especially on the grounds of being discriminated.

*'...we are Chinese; we should support our own kind .../... Malays schools they got more subsidy from the government. For Chinese schools, they have to depend on Chinese support'. (CPKG9)*

The inequality that is caused by the past government policy has influenced the mindset of some ethnic Chinese owner-managers in SMEs and this has also influenced and limited their CSR contribution.

#### 4.4 Conclusion

This chapter has delivered an understanding of the factors influencing sector-specific CSR in SMEs in a developing-country context. The findings of this chapter have provided primary evidence that contributes to the limited knowledge in the literature of CSR in SMEs in a developing-country context, which is home to a substantial part of the world's population (Jamali, et al., 2017a). The uniqueness of the analysis is where the context of multicultural society in Malaysia that formed a particular perspectives and logics of owner-managers of SMEs in the construction and catering sectors. The analysis highlighted aligned logic among owner-managers and also sensitive issues, such as the experience of racial discrimination.

The overall results of the analysis show that nearly half of the participated owner-managers are aware of the term CSR and some of them acknowledge that their higher education is the source for the awareness of the term CSR. However, the understanding of CSR is uneven. The SME owner-managers in the construction sector are more aware of the term CSR than those in the catering sector. This result is similar to the educational level of owner-managers in both sectors, which is consistent with studies suggesting that education plays a significant role in CSR (Spence & Lozano, 2000; Painter-Morland & Dobie, 2009; Carroll, 2008). However, the findings show that the significance is limited to the recognition of the term; hence, there is much to improve in terms of communicating the substance of CSR through education.

Despite the results showing nearly half of the participated owner-managers having never encountered the term CSR, their behaviour in business practices manifests factors that influence their CSR operations. These factors are regulations, business and national culture and are intertwined with institutional logics, such as State, Industrial, Karma and Corporate logics. The State logic influences compliance of the basic law, which for SME owner-managers, is mandatory. These compulsory regulations set minimum requirements that SMEs need to meet in order to operate legally and responsibly, which are important for firms to achieve legitimacy. This is sometimes contrasted with the Industrial logic, where practices such as not complying with CIDB is seen as normal. The sectoral comparison also shows that CSR operation is different as a result of the financial power of clients between the two sectors. This is consistent with the study conducted by Jackson and Apostolakou (2010) regarding asymmetrical CSR practices between industries, but from the perspective of large listed firms in Western Europe.

Karma and Corporate logics influence the CSR operations within the business environment of SMEs in both sectors. The results show that the discretion of owner-managers is motivated with an expectation of return, which indicates that CSR operation in SMEs is not purely altruistic. Furthermore, the personal experience of some owner-managers concerning the discrimination of ethnic minority groups imposes an obstacle on their wider CSR operation, which leads to 'cherry-picked' CSR. The findings have illuminated the factors and logics that motivate and demotivate owner-managers of SMEs on CSR operations. The next chapter will reveal the stakeholders that drive CSR practices in both sectors.

## **Chapter 5 The role of key stakeholders in SMEs CSR practices**

### **5.1 Introduction**

The emerging research on CSR in SMEs still has more room for improvement, particularly on theorising CSR in SMEs (Spence, 2016; Soundararajan, et al., 2018). SMEs are not ‘little big firms’, which has captured the attention of various scholars (Tilley, 2000; Aragón & Iturrioz, 2016; Wickert, et al., 2016; Spence, 2016) (see also Chapter 2). Therefore, the findings of this chapter aim to improve the knowledge of CSR in SMEs by providing detailed primary evidence that is analysed using 3-level CSR classification in line with stakeholder theory. The analysis also compares the two sectors and the result strengthens the explanatory power of CSR in SMEs in a sector-specific context. This chapter will address research questions four and five.

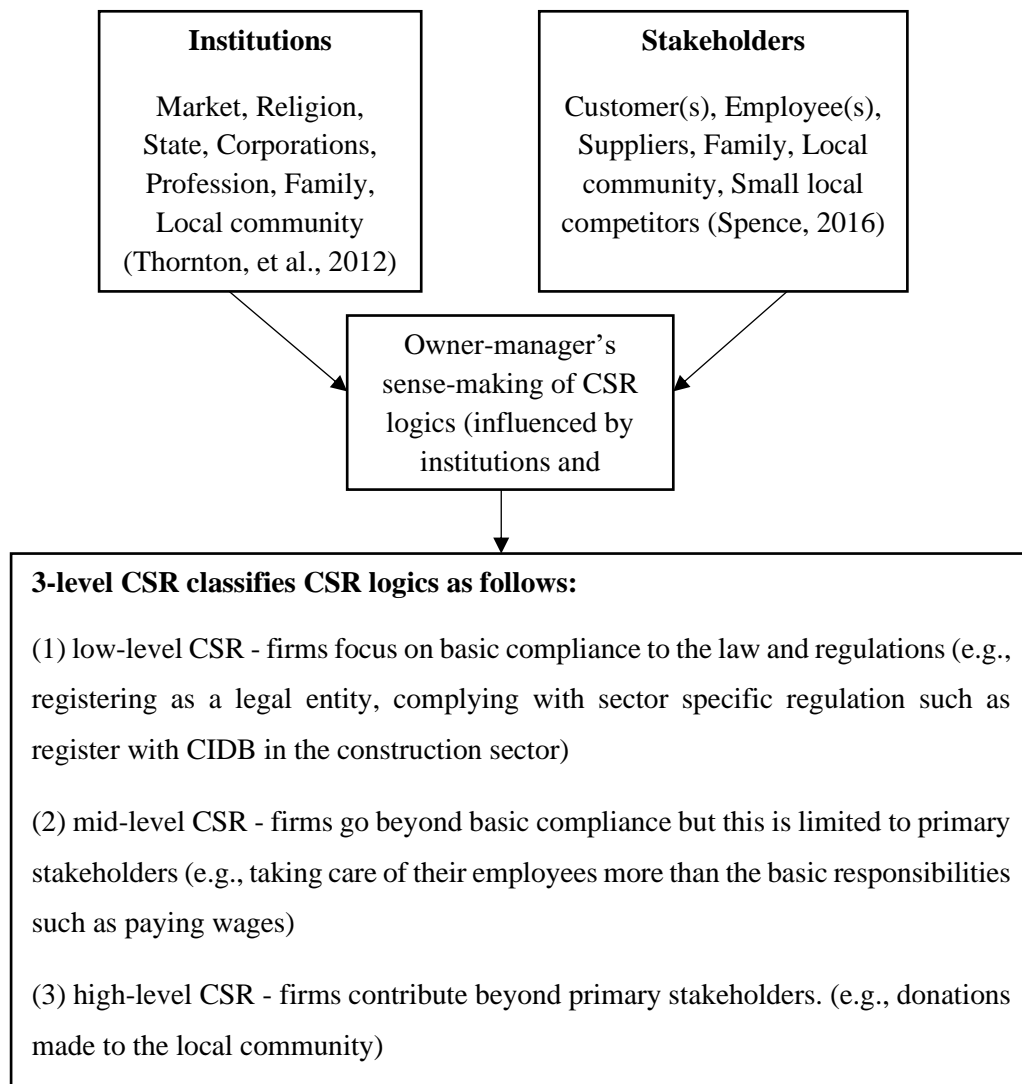
The chapter will start with an explanation of the 3-level CSR classification, which consists of low-, mid- and high-level CSR. This classification is used to analyse the key stakeholders and CSR practices of SMEs in the construction and catering sectors. The analysis shows that the construction sector has more key stakeholders in low- and mid-level CSR compared with the catering sector. The findings also reveal the similarities and differences in the practices of CSR in SMEs pertaining to the key stakeholders.

This chapter is structured as follows: (1) the use of 3-level CSR in the analysis is explained, (2) the identified key stakeholders that drive CSR and (3) the business practices that manifest CSR towards their key stakeholders. The chapter concludes with an overall degree of CSR in each sector (see Table 5.6).

## 5.2 The 3-level CSR classification

A 3-level CSR classification is used in this study to reveal and categorise the different levels of CSR and key stakeholders involved in the construction and catering sectors in Malaysia. The data was obtained from audio-recorded interviews with a total of 48 owner-managers in both sectors being classified into: (1) low-level CSR which focuses on basic compliance to the law and regulations, (2) mid-level CSR is where firms go beyond basic compliance but limited to primary stakeholders<sup>14</sup> and (3) high-level CSR is where firms' contributions are beyond primary stakeholders.

**Figure 5. 1 The relationship between the key concepts and CSR logics**



<sup>14</sup> Primary Stakeholders – Stakeholders that are essential for the survival of the firm (Clarkson, 1995).

The development of 3-level CSR is connected to the conceptual framework of this study. Figure 5.1 shows the relationship between the key concepts (as show in the conceptual framework) and CSR logics (the 3-level CSR classification). The conceptual framework of this study depicts the general institutions and stakeholders that influence CSR logics of owner-managers in SMEs. The CSR logics of owner-managers are classified systematically into three levels. Each level represents different types of CSR activities, which are influenced by institutions and stakeholders. This classification provides a more realistic CSR picture of a particular nation, sector, or firm and therefore, it minimises the gap of CSR elusiveness and potentially provides a more tailored version of CSR.

The three levels are equally important and they are not meant to be hierarchical, sequential or mutually exclusive. Such equal position is common as the CSR literature tends to consider all CSR elements such as economic, legal, ethical and philanthropic responsibilities as relevance (Carroll, 1979, p. 499; Carroll, 2016, p. 6). However, the reality of CSR can be different from the assertions in the literature because of constant changes in the business, social and political climate and differences between economies and sectors (AICD, 2018). Therefore, depending on the setting of the subject, the proposed classification (see Chapter 3) captures the key stakeholders that influence CSR practices in SMEs.

The classification is not to categorise firms solely into each level but to present the types of CSR activity that firms undertake. The phenomenon of CSR is quite complex, and the use of this classification enables the analysis to demonstrate the key stakeholders and the combination of CSR practices that firms can undertake. This



approach may help minimise the gap between policy and practice by creating specific CSR policies that are highly relevant according to sector.

### 5.3 Findings 3: The key stakeholders that drive CSR practices

Stakeholder theory is widely used in CSR studies (Frynas & Yamahaki, 2016) and the purpose of the model is to identify any group or individual who can affect the business. This study adopts the stakeholder theory approach, which is part of the conceptual framework (See chapter 2) and further classified the stakeholders into different levels in relation to the 3-level CSR classification. A firm relies on its relationship with different stakeholders, as it cannot exist on its own, and CSR plays an important part in strengthening this relationship through responsible business practices.

Therefore, the aim of this section is to present the important key stakeholders that drive CSR practices in different levels, addressing RQ3: Who is/are the key stakeholder(s) that drive the practices of CSR in the catering and construction sectors? The findings reveal that key stakeholders are treated differently and the different logics interplay in the formation of CSR; the comparison between two sectors further highlights the importance of sectoral consideration which echoes in the literature (see Chapter 2).

#### 5.2.1 Low-level CSR stakeholders

Some scholars recognise legitimacy concerning legal aspects, such as regulations being increasingly important and stakeholders playing an important role in the legitimacy input (Mena & Palazzo, 2012). In this study, low-level CSR stakeholders are defined as those who influence the attitude and behaviour of owner-managers when it comes to compliance. This refers to legal and any other compliance that leads to legitimacy. The analysis reveals that local council and government agencies are the drivers for low-level CSR in the catering sector, whereas in the construction sector, the project provider/client is the additional key stakeholder that drives low-level CSR.

##### 5.2.1.1 Local council and government agencies

The local council and government agencies are the ones who enforce the law, and therefore, owner-managers in both sectors have to satisfy the legal compliance demanded by them. As a result of this, the local council and government agencies are the key stakeholders that drive the legal compliance of owner-managers in the construction and catering sectors. The typical associated government agencies include: the construction industry development board (CIDB) under the Ministry of Works (for the construction sector), the Companies Commission of Malaysia, also known as Suruhanjaya Syarikat Malaysia (SSM), SME Corporation Malaysia, and other agencies, including the Ministry of Human Resources and Ministry of Health. The local councils are: Kuala Lumpur City Hall, also known as Dewan Bandaraya Kuala Lumpur (DBKL), that is responsible for the Kuala Lumpur region, and the Klang Municipal Council, also known as Majlis Perbandaran Klang (MPK), that is responsible for the Klang region.

*'...when the health inspector comes, when these people come to inspect, you will need to have the licencing and bomba (Fire Brigade) certificate...'* (EPKL6)

*'...of course, government, they have a lot of control either by the guidelines and so on in that way; we cannot simply do things. .../...so, a lot of acts so the way they are doing is quite alright'.* (CPKL8)

The descriptions of the owner-managers indicate that the agencies related to the government are the crucial stakeholders, which influence low-level CSR. These agencies set out the rules and regulations that are mandatory for firms to comply with. Firms that fail to comply with the rules and regulations will face summons from these agencies. As for the sectoral comparison between the construction and catering sectors, the construction sector also displays the projects' provider/client as the key stakeholder that influences the basic law compliance of the owner-manager.

#### 5.2.1.2 Project provider/client

Some small- and medium-sized construction firms depend on big ‘powerful’ clients, such as developers for projects, and normally their client requires firms to have CIDB as part of the tender.

*‘...listed companies, when they award projects.../...they do prefer.../...contractors with all these certifications, it is a trend .../...means you are qualified to meet certain criteria that they need...’ (CPKL2)*

*‘...let's say, suddenly, today, I have a client that wants this requirement. Then I will faster go and apply for CIDB.’ (CPKG1)*

It is not unusual for local SMEs to have large listed companies as their clients. Projects provided by large listed clients often pay substantial returns for SMEs. Therefore, if their client insists that they comply with the basic law, they would have to do so in order to get the tender. As a result of this, large listed firms are considered as one of the key stakeholders that drive SME owner-managers to strictly comply with the basic law.

The result is consistent with the conceptual framework in this study, which has integrated stakeholder theory for small firms as suggested by Spence (2016), where a large-firm customer is one of the core stakeholders of SMEs. However, this is only limited to some SMEs in the construction sector. In comparison with the caterings sector in Malaysia, customers are not in a great position as the client in the construction sector in driving basic compliance. Nevertheless, the sectors still show local council and government agencies and customers/clients as important stakeholders for operating businesses.

The result of this examination shows government-related members, along with the client (the project provider) in the construction sector as stakeholders that drive CSR

in relation to legitimacy. The findings shed light on the sectoral stakeholder variation pertaining to basic compliance with the law, which is one of the aspects of CSR.

#### 5.2.2 Mid-level CSR stakeholders

The scholars who use stakeholder theory in CSR studies often identify employees, customers, and suppliers as the key stakeholders and drivers for CSR in SMEs (Nejati, et al., 2015). However, in other times, some scholars identified employees and customers as the stronger drivers for CSR in SMEs (Nejati, et al., 2014). The differences in the literature indicate that stakeholders that drive CSR in SMEs could change over time and the focused stakeholders vary across different settings. Therefore, the aim of this section is to reveal the important key stakeholders that drive the mid-level CSR of owner-managers in the two sectors, which addresses RQ3 of this thesis.

The stakeholders that are involved in the mid-level CSR are the ones who could influence the owner-managers to do more than just comply with the basic law. These stakeholders are crucial for the going concern of the business, and therefore, they are one of the main reasons why owner-managers practice mid-level CSR activities.

##### 5.2.2.1 Employees

The CSR studies on Malaysia SMEs have identified employees as one of the important stakeholders when it comes to CSR (Nejati, et al., 2015). The findings in this study are consistent with the findings of other scholars regarding CSR in SMEs (Nejati, et al., 2015; Lee, et al., 2016). Employees play an important role in a firm; they drive the firm forward and are vital for its going concern. In both sectors, owner-managers generally treat their employees like family and reward them with benefits for their

hard work. This phenomenon is manifested in both sectors as described by owner-managers in both sectors as follows:

*'We actually give more than the usual in terms of general F&B (Food & Beverage) in Malaysia, we are quite generous in terms of pay and in terms of living and facility.../...Sometimes, if we have extra cash, we do something in the day, we brought them to Skytrex, that is like jungle tracking thingy.'* (EPKL3)

*'We treat all our employees very well, for example, we gave them bonuses, if the company earns money, we won't be stingy about it .../...we also believe they are the reason why we are earning money as they contribute as well...'* (CPKL3)

Employees are not the only key stakeholders that drive CSR; depending on the sector, additional key stakeholders would need to be taken into account, such as business associates, when it comes to the construction sector.

#### 5.2.2.2 Business Associates

In this study, business associates are limited to the construction sector, which is also known as the sub-contractor in Malaysia. They are normally appointed by other construction firms, similar to an employee, as they are working on the project as directed by the firm who appointed them (i.e., electric work, roofing etc.). Therefore, they play an important role in the success of completing a project. This indicates the reason behind owner-managers securing good sub-contractors by establishing good relations.

*'...they (subcontractors) are with me for almost more than 10 years .../... I always have this er...gentlemen agreement .../...any subcon who wants to claim extra I will give them. But when I want to fight for some projects .../... they must lower down [their quoted price] and they also agreed. This is the kind of relationship we have .../... For example, a plaster ceiling, I quoted 100k (for the client) .../...my subcon give me 70k [quoted by his subcon to him] .../...I will .../...make it 95k (quote this price to the client), .../...my subcontractor liaises directly with end-user, on the other hand, end-user know that they are saving another 5k on this .../...they (subcontractor) [are] making another 15-20k more.'* (CPKG3)

The 'gentlemen's agreement' indicates trust in the 10-year relationship between the owner-managers and their sub-contractors. As described in the quote that, in exchange, the sub-contractors are benefiting by obtaining business from the clients of the owner-manager. The quote also suggests that the owner-manager will keep his promise of benefiting his sub-contractors if they want to earn some extra cash.

The owner-manager also liaises the customer directly to their sub-contractors instead of being the middle man who takes a percentage of the margin. This showcases the generosity of the owner-manager who might be rewarded with good relationships with the clients and the subcontractors by helping them without engaging in the work. At the same time, the client benefits from saving some cost and the subcontractors get to earn an extra margin.

The findings of this study reveal that sub-contractors are limited to the construction sector; they are similar to employees as they are appointed by the owner-managers to work on a specific project, but they do not receive the same treatment as the employees.

#### 5.2.2.3 Suppliers

Some scholars indicate that suppliers can be one of the drivers of CSR in SMEs in developing countries depending on the sector and business orientation (Jamali, et al., 2017a). The findings in this study are consistent with this argument. Suppliers are indeed one of the important key stakeholders of the company, and they have the potential to influence the CSR orientation of owner-managers. However, the level of importance varies between the sectors.

In the construction sector, owner-managers tend to further develop their relationships with their suppliers. This is because the nature of this sector is that delayed payment

is common, and therefore, trust becomes an important factor to be built between the owner-managers and their suppliers in exchange for a longer payment period. Therefore, the length of the payment period is dependent on the level of trust between the owner-managers and their suppliers.

*'...but, so far, a lot of suppliers support us and they still follow us because of one thing, trust. We don't owe anyone money and that is why we [have] a lot of them [who] will still come back to us'. (CPKL3)*

An owner-manager who has a good record in repaying their debt would likely gain trust in the form of a good relationship. Responsiveness and communication are the basic building blocks of trust.

*'...our suppliers are still with us because we highlighted to them regarding our conditions so they also understand, they do push us, but once we got the money, we will pay...' (CPKL13)*

Firms that are able to fulfil their promises are seen as trustable firms, which is an important element. As described by the above owner-managers, the communication with their suppliers is key to retaining their suppliers.

In the catering sector, however, they have a higher tendency to change suppliers, especially when one is cheaper in price and also able to provide decent quality. This indicates that the relationship with their suppliers might not be a long term one.

*'...it depends on which one would give us the nicer things .../... in the beginning, we used supplier A, but after 1 or 2 years, supplier B came and look for us and let us have a taste and the pricing is almost the same. Then we will change for better, even though for coffee beans, the pricing is slightly higher.../... we will change for the better, on and off, we do that.' (EPKL9)*

However, despite the fact that there is a higher tendency for some owner-managers to switch suppliers more frequently, trust still remains a strong component for some



owner-managers in the catering sector in order to establish long-term business relationships.

*R: ...my supplier that supply herbs for me are also more than a few decades and I don't change suppliers .../... I don't usually owe people money and don't pay. The most are delayed payment, but I still pay at the end, but if they don't trust me, then I have no choice but to find other suppliers.*

*I: What forms this trust?*

*R: Well, life is like a magnet: if you do 'good', you will attract good.'*  
(EPKG9)

However, at the same time, trust is also formed by doing something positive, as described by the owner-manager as 'doing good', such as paying their suppliers on time in order to form trust. This indicates that the supplier has the tendency to be the key stakeholder for mid-level CSR.

The findings indicate the concern of SMEs owner-managers in the construction sector regarding suppliers mainly focusing on better payment periods, whereas the catering sector mainly focuses on food quality. Trust seems to be an important element in fostering a good relationship with the suppliers in both sectors. The findings contribute to the literature by showing sector variation of treatment towards suppliers, where the owner-managers in the construction sector focus more on relationship building than those in the catering sector.

#### 5.2.2.4 Customers, end-users, project providers/ clients

Customers tend to be one of the important stakeholders in the CSR literature (Nejati, et al., 2014; Nejati, et al., 2015) and there is no difference when it comes to the developing country context (Jamali, et al., 2017a). This is because they tend to be the main source of income of a firm. This study confirms that both sectors' main financial resource comes from their customers (in the Catering sector), and clients and end-

users (in the Construction sector). Therefore, this indicates that the customers or the clients can have significant power in influencing the decision of owner-managers to be more responsible.

In the catering sector, the quality of service determines the reputation of the firm. Therefore, customers in the catering sector are generally the drivers of food quality, particularly in terms of taste and hospitality of the restaurant. Customers who are satisfied tend to create positive word of mouth that might have a substantial impact on the business, as described by one of the owner-managers as follows:

*'...the word of mouth, if you do well, customers will recommend to their friends. It is the same here in my business; they are mostly being introduced by friends.'* (EPKG3)

On the other hand, SMEs in the construction sector normally have only a few clients who provide a large proportion of income. Clients in the construction sector are treated with the highest level of importance as they hold significant power, and as such, they can influence the decision making of the owner-managers. As described by some owner-managers, the client holds the most power and some of them will take further steps to satisfy their customer:

*'Whoever controls the money will hold the most power.'* (CPKL8)

*'Customers, sometimes, they know that their request is too much, for example, the price that you gave me is a normal price but my work has exceeded the normal price, you still want more and that is too much. For example, let's say we do walls, what you gave was just plaster, but we know your requirement, we will help you skim the wall until it is smooth, but you still want more and that is too much. We do get customers like that. But normally, we will do it until customers are satisfied'.* (CPKL3)

The financial power of the client seems to influence the behaviour of owner-managers. The description, CPKL3, shows that further steps are taken to satisfy the client, even though it was not legally required to do so. The concept of 'the customer is always

right' (see Chapter 4) seems to influence the behaviour of owner-managers to perform tasks which are beyond the required workload. However, owner-managers in both sectors did not mention any customers or clients who requested sustainable material in the service. This implies that there is a lack of environmental concern in both sectors.

### 5.2.3 High-level CSR stakeholders

According to some scholars, SMEs do concern and take into account wider stakeholders, such as the local community (Das & Rangarajan, 2017). Therefore, this implies the potential of these wider stakeholders as the driver of CSR in SMEs. The results of the analysis in this study identified that high-level CSR stakeholders are the local community, competitors and the local charitable organisations. The high-level CSR stakeholders are the non-primary stakeholders also known as the wider stakeholders and do not have a direct impact on business survival. In some cases, these stakeholders are the trigger of 'silent/sunken CSR' among SMEs in the construction and catering sectors.

#### 5.2.3.1 The local community

The local community consists of people who live around the business. They might have a direct or indirect influence on the business. In the construction sector, the local community tends to be the people who live nearby a project. One of the owner-managers who started some projects near a local school described this as follows:

*'For the school, we have some donation, for er... the school nearby, whereby our project, we started some projects near the school'. (CPKG8)*

Making a donation only on the area where the projects are based indicates some business motive behind such CSR activities, which also signals that the local

community can be one of the important drivers behind CSR. Similarly, the local community is also one of the important stakeholders driving high-level CSR in the catering sector. This is because visibility is an important factor for SMEs in the catering sector that operates locally.

*'...we try to support each other in this local area. When we need something, we go around, and it is not really about the price, it's more of supporting the local economy, so that is important for us. Because you open a shop there, someone is going to see, a different customer is going to come, and the customer is going to see us as well. So, it is good for us...'* (EPKL3)

Visibility seems to be important for the owner-managers because of potential customers in the local community, which could benefit the business financially. Therefore, the logic of owner-managers is to support the local community via different means in order to gain some degree of visibility, such as buying goods from the local area regardless of the price.

#### 5.2.3.2 Competitors

Competitors usually have an indirect effect that drives owner-managers to be more socially responsible, even though that was not their intention. For example, when it comes to the construction sector, it is voluntary rather than compulsory to apply for green certification and international standard-setting bodies, such as ISO. However, some owner-managers decided to apply because it serves as an add-on point for the business, especially when it comes to competing with their competitors for bigger projects.

*'...if we got ISO, it will be an added advantage for us because when we fill up the tender form, the tender got ISO, quality planning, and what is your PQP. PQP stands for project quality planning, something like ISO. If we do not have ISO, then we cannot complete the form...'* (CPKL1)

However, an international standard-setting body, such as ISO, seems to have no effect on SMEs in the catering sector (see Table 5. 5). Nevertheless, competitors still have an effect on high-level CSR indirectly. In the catering sector, wastage in firms is kept to a minimum in order to maximise profit. One of the participants described the use of leftover food for making staff meals and helping them to save some costs, which also helps them stay competitive with the local restaurants.

*'Food recycling, .../... like those leftover cut meats that is not beautiful or not symmetrical, those cannot be sold, then we will use them to make staff meals, so that is one part of costing aspect on how to reduce cost. Because staff meal is also a type of [cost]...' (EPKL13)*

Because of the fierce competition in both sectors, costs saving is important as it impacts on pricing and profit margins. Customers and clients are very sensitive to price in both sectors as described by owner-managers as follows:

*'...they [clients] always go for the cheaper ones .../...we are friends, yet he went for other people's price, even when it is an obvious trap...' (CPKL15)*

*'...the people [customers] are very sensitive about the price...' (EPKL3)*

Therefore, in order to make a greater profit and be competitive in the market, one of the logical ways is to keep a relatively reasonable price and reduce costs. Reducing wastage is one of the means to reduce the costs of business while simultaneously being environmentally friendly. Ergo indicates that the competitor is a key stakeholder that drives this behaviour.

#### 5.2.3.3 Local charitable organisations

The main charitable organisations tend to be old folk's homes and orphanages. Donation to these entities is culturally embedded as it seems regardless of sectors (see Chapter 4). An owner-manager would be involved in a donation in relation to an old

folk's home or an orphanage, and some firms have even classified this as their CSR initiative (see Findings 4). The findings are consistent with the study conducted by Norbit (2017), and the result provided further analysis of sectoral-specific SMEs rather than SMEs in general.

The findings reveal that different stakeholders drive different levels of CSR in SMEs, which consists of different motives. This is consistent with the assertion of the literature by some scholars that stakeholders influence firms in different ways (Spence, 2016; Soundararajan, et al., 2018). The results also indicate that the construction sector is more vulnerable to the project provider/client in comparison with customers in the catering sector, especially when their project providers/clients are large companies. This result is consistent with the findings of Nisim and Benjamin (2008) but in a different sector and context. This study gives insights into certain stakeholders being important across sectors, but the power to influence and the vulnerability of SMEs to their stakeholders vary. This variation sends an important signal that tailored CSR policy needs to be considered.

#### 5.4 Findings 4: CSR practices in SMEs

The suggestion that SMEs lack resources to exercise CSR is often reported in the literature (Russo & Tencati, 2009; Jenkins, 2004; McWilliams & Siegel, 2001). Therefore, some scholars indicate that the characteristics of CSR in SMEs are subtle, invisible and integrated into day-to-day practices as a result of limited resources (Nisim & Benjamin, 2008; Soundararajan, et al., 2018). This section aims to uncover CSR practices of SMEs in the construction and catering sectors, and the findings are linked with the stakeholders classified by the 3-level CSR. The results show that depending on the levels of CSR, stakeholders and sectors, some CSR practices are not

invisible. This shows that SMEs do subscribe to a certain degree of CSR, and the business sector does make a difference. This provides support for the idea that with ‘CSR: one size does not fit all’ (Argandoña & Hoivik, 2009; Capelle-Blancard & Petit, 2017; Sethi, et al., 2018).

Therefore, the importance of this section reveals the material CSR practices of owner-managers in both sectors, which addresses RQ2 of this thesis: How do Malaysia SMEs in different sectors practice CSR? The analysis reveals key findings concerning CSR practices of Malaysian SMEs in the construction and catering sectors, and the comparison highlights similarities and differences in their practices. The findings show that the sector-specific context is intertwined with CSR practices, and therefore, specifically tailored CSR policy intervention may be considered. In order to highlight the CSR practice taking place, the 3-level CSR is used to explore the different levels of CSR practices.

#### 5.4.1 Low-level CSR: Compliance with the law

It is often taken for granted in the CSR literature by some scholars that firms comply with ‘basic laws’ (i.e., registering themselves as a legal entity). This section presents primary evidence on the practices of owner-managers in complying with the basic law, which is associated with the findings of three key stakeholders in low-level CSR. It shows the process and the activities they undertake to satisfy their key stakeholders and achieve the legal aspect of legitimacy. The analysis shows the presence of state logic (see Chapter 4) where owner-managers in the construction and catering sectors comply with the basic laws and their bureaucratic processes. However, the findings show that there is a difference in the compliance of both sectors due to the construction

sector needing to comply with the Construction Industry Development Board (CIDB) besides the rules from the company house Malaysia.

In Malaysia, every company that is involved in any form of construction must be registered with CIDB to carry out construction work<sup>15</sup>.

*'[...] every contractor has to be registered with CIDB. I think you are aware [...] we start with registration of G3 [...]' (CPKL10)*

It is important to meet the standard of CIDB as it enhances the quality of construction work, such as personnel skills, quality of building material and ensuring safety is met during or after construction work. This is described by one of the participants as follows:

*'[...] we also attending all the CIDB courses, like er....safety on the site, mainly safety on the site and also all the er...staff holding, the proper way of staff holding so that when you are working at the site, the safety is er...secured.' (CPKL13)*

All the participants are registered with the company house Malaysia, which indicates their compliance to some degree in the basic law, and therefore, obtaining their status as a legal company. However, not all of the participants are registered with CIDB as shown in Table 5. 1.

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<sup>15</sup> Lembaga Pembangunan Industri Pembinaan Malaysia Act 520 also known as Construction Industry Development Board (CIDB). Part VI, Registration of contractors 25. (1) page 27. Available: <http://www.cidb.gov.my/images/content/akta/Act-520-As-at-1-October-2015.pdf>



**Table 5. 1 Legal responsibility of SMEs in the construction sector**

Low-level CSR	Total Firms	Registered with CIDB	Not registered with CIDB	CIDB not Applicable	Registered with SSM
Construction sector SMEs	25	13	6	6	25

All of the 25 participants comply with the basic law: their registration as a legal company can be found in the Companies Commission of Malaysia, also known as Suruhanjaya Syarikat Malaysia (SSM). However, 19 out of the 25 participants are carrying out some form of construction work, but only 13 of them are registered with CIDB. The other six participants are not subject to CIDB registration as they are not involved in constructing the project, but in the design and planning. The data in Table 5. 1 has been verified with the free online access data of SSM and CIDB.

The same verification is performed with the owner-managers in the catering sector; all firms are registered with SSM. However, the complexity of other general compliance is difficult to trace as there is no database like SSM and CIDB have to trace their compliance. These general compliances are but not limited to Employees Provided Fund<sup>16</sup> (EPF), Halal licensing and commercial music licensing. Moreover, these general licencing are situational and dependent upon the structure of the firm. For example, EPF is optional for foreign workers, Halal licensing depends on the food served and target customers and commercial music licensing is dependent upon whether the restaurant is playing any commercial music. The complexity of compliance with the basic law can also be seen in Chapter 4 Findings 2.

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<sup>16</sup> Also known as Kumpulan Wang Simpanan Pekerja (KWSP) in Malay, it is the retirement fund for private sector Malaysian employees that is compulsory for their employers to contribute through Malaysian employee's salary but it is optional for foreign employee (KWSP, 2019).

Some owner-managers described certain compulsory procedures, such as the installation of a grease trap, along with pest control as part of the rules for obtaining the licence for operation as follows:

*'Every restaurant is the same, they must have a grease trap, and it is part of the registration for the licence. We have to do that as well.'* (EPKG9)

*'...we follow the laws and regulations, such as making sure pest control is carried out and so on .../... this is compulsory in the F&B (Food and Beverages) sector.'* (EPKG3)

*'...we provide whatever the employee laws say'.* (EPKL12)

Although the owner-managers provide such information indicating their compliance with the basic law, it is difficult to verify their information as there is no available database to show all the types of compliance that a restaurant has. This is clearly different in comparison with the construction sector. The descriptions of the owner-managers above also indicate the presence of state logics and the partaking of the local councils and government agencies in the basic compliance of SMEs in the catering sector.

Some studies indicate that SMEs in developing countries have a poor track record of complying with the basic law (Khan, et al., 2007; Demuijnck & Ngnodjom, 2013; Lund-Thomsen, et al., 2016). The findings of this section show that SMEs comply with the basic law to a certain degree, and it varies between sectors in Malaysia. Therefore, SMEs in developing countries do not always have a poor track record of complying with the basic law; rather, it depends on the country, sector and the complexity of the law (see also Chapter 4).

#### 5.4.2 Mid-level CSR: Caring, communication and relationship development

The discipline of social psychology shows that humans have the capacity for caring. This action can be seen as either egoistic or altruistic (Batson, 1990). The practices of CSR in SMEs in the findings show that caring is not purely altruistic. In order to understand the formation of CSR in SMEs, specific firm practices parallel to CSR is one of the important aspects that scholars would study (Murillo & Lozano, 2006). This section shows the practices of mid-level CSR activities among owner-managers in both sectors where owner-managers provide benefits that are beyond the basic law, but are limited to primary stakeholders. CSR practices are often associated with certain stakeholders (Evans & Sawyer, 2010; Tang & Tang, 2012). In this section of the analysis, firm-specific practices that are parallel to CSR are collected through audio-recorded interviews with owner-managers in both sectors. The result shows that owner-managers in the construction sector show some degree of mid-level CSR associated with their employees.

The employee-focused CSR practices are collected from all the participants in both sectors and are categorised into Tables 5. 2 and 5. 3 for comparison between sectors. There is a total of 11 employee benefits ranging from employee bonuses (EB) to work flexibility (WF). The number 0 represents no and 1 represents yes. The most prominent practices are caring and employee bonuses, with a total of 10 firms, respectively (see table 5. 2). The second most prominent practices are social activity and training and development, with a total of eight firms, respectively. The detailed quotes are presented subsequently after the descriptive table to show the logic of owner-managers regarding some of the practices in table 5. 2.

**Table 5. 2 Employee-associated CSR practices of SMEs in the construction sector**

List of firms and CSR practices	EB	CG	ML	SA	PF	AH	TD	CC	AE	PA	WF	The total degree of CSR in each firm
CPKG1	0	1	0	1	0	0	1	0	0	0	0	3
CPKG2	0	0	0	0	0	0	0	0	0	0	1	1
CPKG3	0	0	0	1	0	1	1	0	0	0	1	4
CPKG4	1	0	0	1	0	0	1	0	0	0	0	3
CPKG5*	-	-	-	-	-	-	-	-	-	-	-	-
CPKG6	0	0	0	0	0	0	0	0	0	0	0	0
CPKG7	1	0	0	0	0	0	0	0	0	0	1	2
CPKG8	1	1	1	0	0	1	0	1	1	0	0	6
CPKG9	0	1	0	0	0	1	0	0	1	0	0	3
CPKG10	0	1	0	0	0	0	0	0	0	0	0	1
CPKL1	1	1	0	1	0	0	0	0	0	0	0	3
CPKL2	1	0	0	0	0	0	0	1	0	1	1	4
CPKL3	1	0	0	0	0	0	0	1	0	1	1	4
CPKL4	1	0	0	1	0	0	0	0	0	0	0	2
CPKL5	1	1	0	0	0	0	1	0	0	0	0	3
CPKL6	1	1	0	0	0	1	0	1	0	0	0	4
CPKL7	1	0	0	1	0	0	0	0	1	0	0	3
CPKL8*	-	-	-	-	-	-	-	-	-	-	-	-
CPKL9	0	1	0	0	0	0	1	0	1	1	0	4
CPKL10	0	0	0	0	0	0	0	0	0	0	0	0
CPKL11	0	0	0	0	0	0	0	0	0	0	0	0
CPKL12	0	1	0	1	0	0	1	0	0	0	0	3
CPKL13	0	1	0	1	0	0	1	0	0	0	0	3
CPKL14	0	0	0	0	0	0	1	0	0	0	1	2
CPKL15	0	0	0	0	1	0	0	1	0	1	0	3
Total	10	10	1	8	1	4	8	5	4	4	6	61

\*firm with no employees, CPKL = Participant in Kuala Lumpur, CPKG = Participant in Klang, EB = Employee Benefit, CG = Caring, ML = Medical, SA = Social Activity, PF = Provide Food, AH = Ad-hoc Help, TD = Training and Development, CC = Company Car, AE: Allowance, WF = Work Flexibility

Employee bonused seem to have a positive impact on the firm as described by one of the participants as follows:

*'...everyone gets a one-month bonus .../...I will just sign the cheques and everyone will get their share.../...I have experimented this, everyone was really happy, including myself...'* (CPKG7)

Showing care is also one of the prominent practices among the participants. The sense of care which resulted in ad-hoc help is captured in the description of an owner-manager as follows:

*'Sometimes, my staff got the personal problem, erm...normally I will call them in and then we sit down and discuss if I feel that I can help them definitely I will help. .../... personal problem like erm...recently, I got I staff also....er...I do not know whether it is true or not...until now. I also don't know but er...the wife gave birth...no money to buy this and that I have to look up the...what they want to buy, so they come and see me so I will straight away ask them how much you want? Then I just bank it'. (CPKL6)*

This shows that the owner-manager takes the initiative to care about their employees, which manifests the 'Silent/Sunken' CSR that normally exists in SMEs. This also indicates that communication plays an important role in building a good relationship.

*'...most important thing is relationship understand each other. This is what I think is the best benefit, just like when your staff needed help, as a boss, we have to take care of them because we are the ones who hire them and indirectly supporting their family, too. If they put in a lot of effort, we should increase their salary...'. (CPKG1)*

Furthermore, the support of the owner-manager also benefited the employee's family, even though he/she was not involved in the work of the business. The action indicates the element of care, which could result in loyalty as explained by one of the respondents as follows:

*'Yes, I pay them on time so that they can also transfer the money to their family back home, as promised. Even my pay is low, I promised them that they will constantly have a job and have constant pay, so every month, they will sure 100% on this date, they will get the money. Sometimes, I asked them why don't you work for others since they pay a higher rate? .../...They don't want, they want to stay here'. (CPKL9)*

On the other hand, the most prominent practices in the catering sector are providing food and training and development with a total of 12 and 11 firms, respectively (see table 5. 3). The third and fourth most prominent practices are caring and providing

accommodation, with a total of 10 and 8 firms, respectively. The detailed quotes are presented subsequently after the descriptive table to show the logic of owner-managers regarding some of the practices in table 5. 3.

**Table 5. 3 Employee-associated CSR practices of SMEs in the catering sector**

List of firms and CSR practices	EB	CG	ML	SA	PF	AH	TD	CC	AE	PA	WF	The total degree of CSR in each firm
EPKG1	0	0	0	0	0	0	1	0	0	0	0	1
EPKG2	0	0	0	0	0	0	0	0	0	0	0	0
EPKG3	0	0	0	0	1	0	1	0	0	0	0	2
EPKG4	1	1	0	0	1	0	1	1	1	0	0	6
EPKG5	0	1	0	0	0	0	0	0	0	0	0	1
EPKG6	0	0	0	0	0	0	0	0	0	1	0	1
EPKG7	0	0	0	0	1	0	0	0	0	0	0	1
EPKG8	0	0	0	0	0	0	0	0	0	0	1	1
EPKG9	1	1	0	1	0	0	0	0	0	0	0	3
EPKG10	0	1	0	0	0	0	0	0	1	0	0	2
EPKL1	0	0	0	0	1	0	0	0	0	1	0	2
EPKL2	0	0	0	0	1	0	1	0	0	1	0	3
EPKL3	1	1	1	1	1	1	1	0	0	1	0	8
EPKL4	1	1	0	1	1	1	1	0	0	1	0	7
EPKL5	0	1	0	0	0	0	0	0	0	0	0	1
EPKL6	0	1	0	1	0	0	0	0	0	0	1	3
EPKL7	1	1	1	0	1	1	1	0	0	1	0	7
EPKL8*	-	-	-	-	-	-	-	-	-	-	-	-
EPKL9	0	0	1	1	0	0	0	0	1	0	0	3
EPKL10	0	1	0	0	1	0	1	0	0	0	0	3
EPKL11	0	0	0	0	1	1	1	0	0	1	0	4
EPKL12	1	0	0	0	1	0	1	0	0	0	0	3
EPKL13	0	0	0	0	1	0	1	0	1	1	0	4
Total	6	10	3	5	12	4	11	1	4	8	2	66

\*firm with no employees, EPKL = Participant in Kuala Lumpur, EPKG = Participant in Klang, EB = Employee Benefit, CG = Caring, ML = Medical, SA = Social Activity, PF = Provide Food, AH = Ad-hoc Help, TD = Training and Development, CC = Company Car, AE: Allowance, WF = Work Flexibility

Caring for employees remains one of the prominent CSR practices in the catering sector with a total of 10 firms; this is even more prominent in the construction sector,

especially when it comes to social responsibility towards their employees as described by one of the owner-managers from the eatery sector as follows:

*'...foreigners, their motivation is they must be able to send money back home to their family in the foreign land .../... we will take care of them, we will take care of their homes, their basic needs and make sure they get their pay, then they will stay with you and we will have the loyalty and understanding with them. We treat them like family, we love them, we scold them, but that's how it works'. (EPKL2)*

This quote shows how foreign employees are treated and supported, but it also shows an expectation of loyalty in return. Some benefits are not part of the employment contract; therefore, they are subject to the discretion of owner-managers. This is described in the following quote:

*'we will pay for the flight ticket .../... that is not part of the contract .../... we like how that person works and we want him to work for another five years, but we also understand that they need to go back and see their family or their kids .../... when they request .../... we allow them to go back for two to three months break .../... that way, we get what we want, he gets what he wants, his family get what they want, so everyone's happy'. (EPKL7)*

The discretionary described by the owner-manager reflects a positive win-win where the positive impact is spilt over to the third party that is not involved in the business, such as the employee's family. This behaviour seems to be a common pattern in both owner-managers of SMEs in the construction and catering sectors in Malaysia.

Similarly, the component of care is also manifested in customers and clients associated with CSR in SMEs in the construction and catering sectors as described by one of the owner-managers as follows:

*'Companies that know how to do business would normally know how to take good care of their customers. If you take good care of your customers, your customers will take care of you. In the beginning, when I heard about this, I did not understand what it means, but after a while, I realised that it is true. Regardless how much money it is, it has to be started with a*

*heart. It is okay if the amount is little, even if it is little, it is still a profit'. (CPKG7)*

By doing this, owner-managers are hoping to create friendship with the client on the rationale that this will lead to many good outcomes, such as solving the payment problem that is evident in the industry.

*'...no matter what, we need to have a good relationship with the client. If there is no happy relationship with the client, then this job you cannot continue, confirm you will have a problem .../... Have a relationship like a friend with the client, then they will keep on paying you...'. (CPKG1)*

On the other hand, owner-managers in the catering sector display a similar behaviour where satisfying customers remains one of the top priorities. One of the owner-managers stated:

*'...we know that customers are always right, so whenever there is a problem, we will apologise first, we will ensure they are satisfied with everything so that they leave the restaurant happily, and that will bring the customer back again'. (EPKG4)*

It is, therefore, clear that 'taking good care' of their customers and clients is important to developing a good relationship. In return, this helps to secure the future financial position of the firm. This relationship development is similar to the supplier where one of the owner-managers in the construction sector described it as follows:

*'...they are my friends [for] over 10 years, we don't change supplier, if we take from others, the materials are still the same, but as friends, we have the relationship, so they will allow us to have a delay in our payments .../... we won't disappoint them .../... we keep a promise: if we said we are going to pay in 2 weeks, [we will do so] .../...it's a form of good to each other. They will also accept us...'. (CPKL15)*

Generally, the mid-level CSR practices between the two sectors show some degree of care for developing a closer relationship, similar to family and friends, with their key stakeholders. Despite the fact that there are some differences between the practices



among owner-managers in the construction and catering sectors, the element of care stood out as common amongst their practices.

The CSR literature shows that there is a need for more evidence-based CSR in SMEs, particularly in the context of a developing country (Jamali & Mirshak, 2007; Jamali & Karam, 2016; Jamali, et al., 2017a). The findings of this section add to the literature by addressing RQ2 of this thesis by presenting the result showing the similarity, which is the overlapping practices in both sectors, and the difference, which is the most prominent practices in each sector. Follow-up with detailed quotes that help to shed light on the sectoral CSR practices of SMEs in a developing country context, such as Malaysia.

#### 5.4.3 High-level CSR: Financial, Non-Financial Donations and other commitments

Contribution to society is commonly asserted in the CSR literature as the purpose of CSR. The word contribution itself has appeared in various definitions of CSR, which is defined by different scholars. Each definition signals contribution differently (Dahlsrud, 2008). This shows that CSR varies depending on who defines it. Similarly, when it comes to CSR practice, it is no different. Depending on the context, the contribution of the firms to society may be different as well. Therefore, this section shows the practices of high-level CSR activities among owner-managers in both sectors. This shows that the owner-managers performed activities beyond their primary stakeholders' needs. The findings address RQ2 of this thesis by revealing and comparing the high-level CSR practices, along with identifying the similarities and the differences between the sectors.

Through the 48 interviews with owner-managers in the construction and catering sector, high-level CSR practices were collected and grouped into a table (See Tables

5. 4 and 5.5). A total of 25 owner-managers of SMEs in the construction sector showed some degree of high-level CSR. The most prominent and widely practised high-level CSR seems to be financial and non-financial donation, with a total of 20 and 11 firms, respectively (See table 5. 4). This indicates that donations seem to be the common high-level CSR activity among owner-managers of SMEs in the construction sector of Malaysia. The result is similar to the study conducted by Norbit et al. (2017) where donations were identified as the main philanthropic activity carried out by SMEs in Malaysia.

**Table 5. 4 High-level CSR practices of SMEs in the construction sector**

List of firms and CSR practices	Financial Donation	Non-Financial Donation	ISO adoption	Job offers for the marginalised group	The total degree of CSR in each firm
CPKL1	1	0	1	0	2
CPKL2	1	0	0	0	1
CPKL3	1	0	0	0	1
CPKL4	1	0	0	0	1
CPKL5	1	1	0	0	2
CPKL6	1	0	0	0	1
CPKL7	1	1	0	0	2
CPKL8	0	1	0	0	1
CPKL9	1	0	0	0	1
CPKL10	0	1	0	0	1
CPKL11	1	1	0	0	2
CPKL12	1	1	0	0	2
CPKL13	1	1	1	0	3
CPKL14	0	1	0	0	1
CPKL15	1	0	0	0	1
CPKG1	1	0	0	0	1
CPKG2	1	1	0	0	2
CPKG3	1	0	0	0	1
CPKG4	0	0	0	0	0
CPKG5	1	0	0	0	1
CPKG6	0	0	0	0	0
CPKG7	1	1	0	0	2
CPKG8	1	0	1	0	2
CPKG9	1	0	0	0	1
CPKG10	1	1	0	0	2
Total	20	11	3	0	34

CPKL = Participant in Kuala Lumpur, CPKG = Participant in Klang

Some owner-managers of construction firms explicitly mentioned that they contribute to a charitable organisation, such as an orphanage or an old folk's home every month as described by one of the owner-managers as follows:

*'...monthly contribution to certain charity bodies, such as old folk's and orphan house regularly monthly.../... RM300 to RM400, and sometimes, maybe RM1000 a month, just like that. Lately, we also contributed RM10k for them to build an orphan house when they moved from one place to another'. (CPKL2)*

Non-financial donations are also provided by some owner-managers, and the donation is generally to supply the basic human needs, as described by one of the owner-managers as follows:

*'...sometimes, we will buy rice and donate to the old folk's home...'* (CPKL4)

Donations are not limited to orphanages and care homes. Some firms also donate to local schools and provide scholarships for students as described by one of the owner-managers as follows:

*'...we donate money to like the schools, primary, secondary or old folk's homes and orphanages, so we are also doing, and sometimes we also helping all the students like, let's say, they have difficulties in studying: we do some scholarship. For scholarship, we just give, they don't need to pay back, so a lot of charity we have done'. (CPKL13)*

On the other hand, a total of 23 owner-managers of SMEs in the catering sector were interviewed. The CSR practices were collected based on the 48 interviews with owner-managers of SMEs in both sectors. All the participated owner-managers of SMEs in the catering sector show some degree of high-level CSR. The most prominent and widely practised high-level CSR seems to be the same as in the construction sector, which are financial and non-financial donations, with a total of 15 and 14 firms,

respectively (See table 5. 5). The stark difference between the two sectors is the ISO adoption and job offers for the marginalised group.

**Table 5. 5 High-level CSR practices of SMEs in the catering sector**

List of firms and CSR practices	Financial Donation	Non-Financial Donation	ISO adoption	Job offers for the marginalised group	The total degree of CSR in each firm
EPKL1	0	0	0	0	0
EPKL2	1	1	0	1	3
EPKL3	1	1	0	1	3
EPKL4	1	1	0	0	2
EPKL5	1	0	0	0	1
EPKL6	0	1	0	0	1
EPKL7	1	1	0	0	2
EPKL8	0	1	0	0	1
EPKL9	1	1	0	0	2
EPKL10	0	1	0	1	2
EPKL11	0	0	0	0	0
EPKL12	1	1	0	0	2
EPKL13	0	0	0	0	0
EPKG1	1	1	0	0	2
EPKG2	1	0	0	0	1
EPKG3	1	1	0	0	2
EPKG4	0	1	0	0	1
EPKG5	1	0	0	0	1
EPKG6	1	0	0	0	1
EPKG7	0	0	0	1	1
EPKG8	1	1	0	0	2
EPKG9	1	1	0	0	2
EPKG10	1	0	0	0	1
Total	15	14	0	4	33

EPKL = Participant in Kuala Lumpur, EPKG = Participant in Klang

Despite donations seeming to be common among owner-managers of SMEs in both sectors, the non-financial donation in the catering sector seems to be higher compared with the construction sector, 14 and 11, respectively. This could be due to the nature of the business in the catering sector where food can easily be part of the non-financial donation.

*'...we attract the hungry and the urban poor and the homeless, that is a good way for us to recycle our food, but that is in many ways the heart of what the [name of the restaurant] does, providing of sustenance .../...to marginalized and more underprivileged communities or at-risk communities.'* (EPKL10)

Some restaurants also serve as a platform for donation boxes and charity events, where their customers can also participate in helping the local community.

*'...at that time, they were trying to build their school and they needed the fund so they came and find me. [I] helped them in their planning and organising the event. I let them do the selling [in the restaurant] and I also search sponsor for them .../... at the end of the day, we also sponsor a bit of fund to them, so everyone is happy.'* (EPKG9)

The owner-managers' description shows financial and non-financial contributions. Furthermore, some restaurant owner-managers also provide jobs for people who suffer from social exclusion. Despite the stigma, along with some who might lack the ability to perform a task normally, owner-managers are still willing to hire them, which shows that SMEs in the catering sector can help to relieve the social problem in society. This is described by one of the owner-managers as follows:

*'R: [...] people who can work, but for instance, age or some other disability might hamper them, are you willing to give them a chance. It is a hit and miss, but yeah.*

*I: So, have you employed any?*

*R: Of course, that is what we do, we also found jobs that is one of our programs, job placements.'* (EPKL10)

Another indication described by one of the owner-managers is that such action and practice are incorporated in the business and it is part of the 'DNA' of the business.

*'...DNA of the business [we] serve good food at a very reasonable price, and yet we can help.../... provide food for the poor, provide jobs for the ex-convict and the urban poor. There were times that we have provided jobs for lone mothers.'* (EPKL2)

Furthermore, the SMEs in the catering sector seem to display activities relative to environmental protection, such as recycling, whereas SMEs in the construction sector display minimum effort. However, the motive behind recycling is mostly because of financial reward, as described by one of the owner-managers as follows:

*'...about the cans or those carton boxes, I will keep them, then someone will come and collect them .../...my workers will sell them and make money out of them'. (EPKG1)*

The description shows that monetary incentive is involved. The proceeds from selling the recyclable material are generally being used for treating the employee or, in some cases, the employee gets to keep the proceeds, which gives an incentive for the employees to spend time collecting the materials instead of throwing them into the general bin.

*'...the money got from selling cans will be used for treating the employees .../...normally we will have a big meal together'. (EPKG6)*

*'Those drink cans are for the employees to collect them, they collected themselves and they sell them. Whoever collects and sells them, they are allowed to keep the profit for themselves'. (EPKG8)*

The descriptions clearly show that recycling is capitalised by owner-managers with recyclable material and they utilise the proceeds within the business by letting their staff keep the profit. This indicates that corporate logic influences owner-managers to a certain degree, but it also serves as a mechanism for the good of the environment.

Despite the fact that most recycling is monetary motivated, there is one case where the owner-manager managed to set up a platform in their restaurant where unwanted or used items are given out for free. This shows that the practice of recycling items can happen without any direct financial incentive.

*'We will always have a free-market corner. It started when trying to get rid of stuff at home. So, there is usually a shelf of stuff there [inside the restaurant].../... anyone can take whatever is in there, so feel free to give your stuff away. Sometimes, we have kids' clothes, we washed them up, packed them nicely in plastic bags, and put them there'. (EPKL3)*

This indicates that SMEs in the catering sector have potential in the recycling aspect of CSR. Despite the fact that this practice is unusual, it gives insight into the types of CSR initiatives that an SME in the catering sector could do. The findings in high-level CSR are similar to other studies concerning CSR in SMEs, where SMEs have the potential to contribute to the society through their core business operations (Baumann-Pauly, et al., 2013) and SMEs are actually involved in their CSR activity as indicated in the literature that SMEs walk the talk (Wickert, 2016). The findings add to the literature by showing the differences in core business operations that are parallel to CSR in both sectors.

The three-level CSR analysis has shown the practices and commitment of CSR in SMEs of the construction and catering sectors in Malaysia. Table 5.6 presents a summary of the three-level CSR in both sectors. The comparison and the analysis results show that there is a difference in the low-level CSR, particularly where the construction sector has CIDB to comply with. The analysis further shows that the catering sectors practice more mid and high-level CSR. This kind of classification and comparison gives an idea of the different types of CSR and their level of commitment between different sectors. This also clearly shows that some SMEs in the construction sector did not register with CIDB, which did not fulfil low-level CSR. This indication, however, does not conclude that firms failed to fulfil low-level CSR and therefore did not practice other levels of CSR.

**Table 5. 6 Levels of CSR in construction and catering sectors (put this before)**

<b>3-level CSR</b>	<b>Construction sector</b>	<b>Catering Sector</b>
Low-level CSR:		
Registered with SSM	100%	100%
Registered with CIDB	*68%	-
Mid-level CSR	*24.11%	*27.27%
High-level CSR	*34%	*36%

$$* \frac{\text{Total degree of CSR in firms}}{\text{total Practices} \times \text{number of firms}} \times 100$$

### 5.5 Conclusion

This chapter has presented an analysis on the key stakeholders of SMEs in the construction and catering sectors by presenting their influence in driving CSR practices. The analysis of the primary evidence contributes to the knowledge of CSR in SMEs by theorising sector-specific CSR in SMEs in a developing-country context. A 3-level CSR analysis is used to analyse the findings of this chapter, which further contribute to the knowledge of CSR by producing a comprehensive understanding of CSR in SMEs, followed by detailed primary evidence. The analysis compares CSR in SMEs in the construction and catering sectors, and the results strengthen the explanatory power of CSR in SMEs in a sector-specific context in a developing country. Table 5. 6 summarises the degree of CSR in SMEs in both sectors by using the 3-level CSR classification.

The analysis shows the complex phenomenon of CSR, and the 3-level CSR analysis demonstrates the key stakeholders and the combination of CSR practices that firms undertake. The low-level CSR analysis shows that local council and government



agencies influence the basic law compliance of SMEs in both the construction and catering sectors. However, the clients of SMEs in the construction sector have greater power in influencing compliance with the basic law in comparison with the SMEs in the catering sector. The difference is due to some SMEs in the construction sector having big firms as their clients; thus, holding greater financial power than a customer in the catering sector. The results are consistent with the stakeholder theory for small firms (see Chapter 2) suggested by Spence (2016) and Jackson and Apostolakou (2010) regarding asymmetrical CSR practices between industries.

The mid-level CSR analysis shows that employees, suppliers and customers are the key stakeholders influencing owner-managers of SMEs to practice mid-level CSR activities in both sectors. The findings are consistent with the literature where the identified key stakeholders of SMEs tend to be employees, suppliers and customers (Nejati & Amran, 2013; Lähdesmäki, et al., 2019). However, the results also show some refinement in this by showing that the sector matters. SMEs in the construction sector have an additional key stakeholder: business associates. These findings show that stakeholders as well as generalised points regarding key stakeholders required clearer analysis. Furthermore, the practices in mid-level CSR show that SMEs in the catering sector are slightly greater than those in the construction sector when it comes to employee treatment. Again, this demonstrates that sector variations are important in relation to CSR practices.

The high-level CSR analysis shows that the competitors, local community and charitable organisations are the key stakeholders for high-level CSR practices. The practice of donation is common in both sectors, and this finding is consistent with the study conducted by Norbit (2017). This chapter concludes that although there are similar key stakeholders between SMEs in the two sectors, there are some differences

when it comes to each level of CSR. This indicates that sector specific CSR in SMEs is important, which echoes the literature, where one size CSR does not fit all.

## **Chapter 6: Conclusions and contributions**

### 6.1 Introduction

This thesis aims to address the gap in the CSR literature through exploration and investigation of CSR in SMEs in a developing-country context. This is a highly important piece of work: it illuminates the sector-specific CSR in SMEs of a developing nation and has potential transferable knowledge to other contexts. The research uses the stakeholder theory and institutional logics to form a conceptual framework in order to guide the research project. The 3-level CSR classification is developed through the understanding of CSR elements presented in the literature. This research focuses on sectoral-specific CSR in SMEs and the construction and catering sectors are the focused subjects. The 3-level CSR classification that has been developed in this thesis is used to uncover the similarities and differences among CSR in SMEs in the construction and catering sectors through the perspectives of the owner-managers.

The chapter begins by revisiting the research aim, questions and objectives. The research results are discussed accordingly, and the contributions and implications of the research on CSR in SMEs in developing countries are presented. The chapter concludes with limitations and recommendations for future research.

### 6.2 Revisiting the research aim, questions and objectives

The thesis set out to investigate the CSR logics of owner-managers of Malaysian SMEs in different sectors by understanding their conceptualisation and practises of CSR in Malaysia. The formulated research questions set out in this thesis aim to address issues regarding sectoral-specific CSR in SMEs of a developing nation that the literature fails to pick up. The analysis reveals key important issues, such as:

compliance, stakeholders' influence, and racial discrimination. The research questions are set out as follows:

**RQ1:** What are the understandings of CSR concepts among owner-managers of SMEs in Malaysia?

**RQ2:** How do the institutional logics (market, cultural, religion, economic and political logics etc.) translate into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia? How do these differ between sectors?

**RQ3:** Why are different logics being used by SMEs? What personal experience(s) motivates and demotivates owner-managers of SMEs regarding the CSR logics?

**RQ4:** Who is/are the key stakeholder(s) that drive the practices of CSR in the catering and construction sectors?

**RQ5:** How do Malaysia SMEs in different sectors practice CSR?

The research questions were addressed with an analysis of 48 face to face audio-recorded interviews with SME owner-managers in the construction and catering sectors in Malaysia. Thematic analysis is used to analyse and form codes and themes, and 3-level CSR classification (see Chapter 5.2) is used in the later stage to further analyse the data and categorise it into low-, mid- and high-level CSR.

#### 6.2.1 Comprehensive CSR logics of owner-managers in SMEs

This thesis presents the CSR logics among SME owner-managers in the construction and catering sectors in Malaysia. The research objectives are addressed in this section with empirical evidence, presenting the understanding of CSR and practices associated with institutional logics and stakeholders. The research objectives are as follows:

1. To examine to what extent the CSR concept exists among owner-managers of SMEs in Malaysia.
2. To examine the institutional logics that translates into CSR operations or constraints on owner-managers of SMEs in different sectors in Malaysia, and the variation between sectors.
3. To identify drivers and obstacles behind owner-managers' CSR logics in Malaysia's SMEs.
4. To reveal the key stakeholders that drive CSR practices in the catering and construction sectors.
5. To explore CSR practices in Malaysia's SMEs in different sectors.

The findings in Chapter 4 use education as the starting point of owner-managers being formally aware of the term CSR. The result shows that despite widespread CSR across different countries and companies (see Chapter 2.3), less than half of the interviewed owner-managers in SMEs recognised the term CSR (See Chapter 4.2). However, SME owner-managers in the construction sector are more aware of the term CSR than those in the catering sector. Most of the participated owner-managers associated their awareness of the term CSR with higher education. This indicates that higher education has some influence on the awareness of the term CSR. The understanding among those who are aware of the term is not consistent, but the results of this study are consistent with the literature regarding the role that education plays a part in CSR (Spence & Lozano, 2000; Painter-Morland & Dobie, 2009; Carroll, 2016). The findings also indicate that it is only limited to the awareness of the term CSR. Therefore, the findings refine the position of education in relation to CSR, and it is argued that introducing the concepts of CSR in education would be beneficial.

The understanding of CSR in owner-managers is more likely to be influenced by other factors, such as regulatory, business and national culture rather than education. This is because when responsibility is being questioned, owner-managers tend to describe their behaviour in relation to these factors. Further analysis also shows that these factors are associated with institutional logics, including state, industrial, karma and corporate logics (see Table 6. 1).

**Table 6. 1 Key factors that influence the CSR concept in SMEs**

<b>Factors and Conditions</b>	<b>CSR aspects and levels</b>	<b>Logics associated</b>
Regulatory	Legal (Low-level CSR)	State and Industrial logics
Business culture	Primary discretion (Mid-level CSR)	Karma and Corporate logics
National culture	Non-Primary discretion (High-level CSR)	

The low-level CSR focuses on the legal aspect and reveals that the business practices related to CSR in SMEs are driven by certain key stakeholders and are triggered by state and industrial logics. The main difference in the two sectors is on the key stakeholders, where clients in the construction sector have the potential to influence the legal compliance of the firm.

The mid- and high-level CSR focus on the internal business aspect of its contribution to society. Mid-level CSR operations are driven by primary stakeholders, such as employees, customers and suppliers, and the result reveals that there are some similarities and differences between the two sectors; thus, the degree of mid-level CSR in both sectors are different.

High-level CSR operations are driven by non-primary stakeholders, such as the local community. Financial and non-financial donations are the common high-level CSR operations in both sectors. The institutional logics associated with mid- and high-level CSR are karma and corporate logics.

#### 6.2.1.1 Legal aspects of CSR (low-level CSR)

The analysis shows that the regulatory factors that are driven by local councils and government agencies that impose basic laws on owner-managers in both sectors are significant to achieve low-level CSR. These laws are designed to ensure that owner-managers meet a certain standard of responsibility. The findings show that owner-managers mentioned complying with the law as one of their responsibilities, which indicates the existence of state logic among the owner-managers of both sectors. However, the analysis further reveals that industrial logic can interfere with state logic, particularly in the construction sector, as some firms did not fulfil basic legal requirements, such as registering with the CIDB. According to some owner-managers, this practice of non-compliance appears to be quite common in the industry, which manifests some form of industrial logic constraints in low-level CSR operation.

Furthermore, the manifestation of industrial logic in some owner-managers indicates that they have clients who trust their operations without having a CIDB licence. Some owner-managers reported that costs and complications of the registration are the main obstacles behind non-CIDB-registered firms. Nevertheless, some owner-managers in the construction sector seem to know how to manoeuvre between State and Industrial logics in order to remain operational and competitive in the industry. For example, one owner-manager separates a big project into smaller projects to different SMEs in order to be able to take the project that is beyond their grade (see Findings 5.3.1).

The findings show a certain degree of compliance among all SMEs, which is necessary in order to operate, such as registration with the Companies Commission of Malaysia. However, there is also some sectoral differences where the construction sector has an industry-specific licence, CIDB, which is mandatory for firms that carry out any form of construction work. In comparison with the catering sector, there is general licencing, which is situational and not mandatory.

The findings identified that clients in the construction sector are among the key stakeholders that influence the practice of low-level CSR. On the other hand, with the customers in the catering sector, the influence seems not as great. This is probably because the financial power of customers in the catering sector is much less in comparison with the construction sector where clients and projects are much larger. The differences in the two sectors indicate the need to reconsider implementing a one-fits-all CSR policy.

#### 6.2.1.2 The primary discretions aspect of CSR (mid-level CSR)

Primary discretions of owner-managers are focused on primary stakeholders. The findings in Chapter 5 present the primary stakeholders, which involve employees, customers, suppliers and business associates (construction only). The discretion of owner-managers are actions beyond the compliance of the basic law. The result shows that there are various discretions offered by SME owner-managers in both sectors. For example, owner-managers from both sectors offer diverse employee benefits to their employees (see Chapter 5). The comparison of both sectors also shows that certain employee benefits such as bonuses are more prominent in one sector than in the other. This indicates that CSR practices towards employees in both sectors are different.



The discretion of owner-managers toward customers and clients are similar in both sectors. Owner-managers see their customers and clients as their source of finance; therefore, they will satisfy their requests, even though, in some cases, their requests appear to be 'excessive or unreasonable' (see Chapter 5). This indicates that the concept of 'the customer is always right' is indeed embedded in owner-managers in the construction and catering sectors. However, when it comes to suppliers, both sectors appear to be different concerning how they treat their suppliers. The owner-managers in the construction sector seem to try to develop a further relationship with their suppliers in order to secure a longer payment period, which means they tend to have long-term suppliers with closer relationships. On the other hand, owner-managers in the catering sector seem to change their suppliers more frequently in comparison with those in the construction sector. Price and quality are the major reasons for them to switch suppliers. Trust with both sectors is an important element in relationship building with their suppliers.

The findings in chapters 4 and 5 show the association between institutional logics and the operationalisation of CSR activities towards certain stakeholders. Owner-managers generally believe that making an effort to do something positive is a good business practice that increases the chance of good returns to the business. The good returns are generally associated with some business benefits, such as reputation, where positive word of mouth is spread. The association of good business practice, such as satisfying customers' requests, is also viewed by owner-managers as a means to increase the chance for securing future finance; likewise, retaining talent and existing employees for a better fit in the business and relationship development in order to increase the chance of securing longer payment periods.

Therefore, this indicates corporate logic where the financial resource is the focus. The adoption of good business practice in return for achieving something good signals Karma logic. This shows that corporate and karma logic can be complementary in business and CSR operations.

#### 6.2.1.3 The non-primary discretions aspect of CSR (high-level CSR)

Non-primary discretions of owner-managers are associated with non-primary stakeholders. The findings in Chapter 5 present the non-primary stakeholders of both sectors, which are the local community, competitors and local charitable organisations. The discretion of owner-managers are actions that have some contribution to society positively. The results show that there are various discretions offered by SME owner-managers in both sectors, and donations appear to be the most common practice (see Chapter 5). The comparison of both sectors also shows that financial donations to local charitable organisations is more prominent among owner-managers in the construction sector, whereas non-financial donations are more common in the catering sector. The types of donations and high-level CSR operations seem to be related to the nature of the business. For example, owner-managers in the catering sector are more likely to donate food than financial donations, and they also provide jobs for the locals who suffer from social exclusion, whereas owner-managers in the construction sector do not.

Corporate and karma logic is also manifested in high-level CSR operations. For instance, some SMEs in the construction sector acquire ISO when it comes to competing for bigger projects. This behaviour manifests corporate logic and competitors as the key stakeholders that indirectly influence the adoption of ISO. Karma logic, on the other hand, triggers behaviour like donations. Both logics appear

to have some expectations of return. These can be tangible (material) or intangible (emotional), or business or personal related. In some cases (see Chapter 5), donations from owner-managers in the construction sector is not entirely altruistic as they expect some positive benefit from the local community that is business-related.

The analysis shows that personal discrimination experienced by some SME owner-managers is both a driver and an obstacle behind their CSR logic (see Chapter 4). Some ethnic Chinese SME owner-managers in the construction sector claim to experience difficulty in winning government projects because of their ethnicity (see Chapter 4, findings 2). This has influenced some owner-managers in ‘cherry-picking CSR’, and it indicates that those who practice CSR in SMEs in the ethnic-minority-dominated sector are very likely to support their own race, especially on the grounds of being discriminated. Inequality has limited its CSR contribution to the wider community.

### 6.3 Contributions of the research

This study addresses the knowledge gap in the existing CSR literature at different levels. As discussed in Chapter 2, CSR research is primarily focusing on large firms and multinational companies, while SMEs in a developing-country context are still in their infancy. This study, therefore, addresses this limited research area by providing empirical evidence through exploring CSR in SMEs. On a theoretical level, this study addresses the gap in the literature by theorising CSR in SMEs in a developing-country context in relation to the conceptual framework of this study.

The conceptual framework that guides this research is formed with the adoption of two theories that are commonly used in CSR research, which are stakeholder theory and institutional logics. The synthesis of these two theories eliminates the overlapping

attributes and portrays a better picture of CSR compared to the use of a single-theory explanation in examining CSR in SMEs in a developing-country context. The results present the key stakeholders and the associated institutional logics in theorising CSR in SMEs. The need for the use of more than one theory to explain CSR is highlighted in the literature (Aguinis & Glavas, 2012; Frynas & Yamahaki, 2016; Soundararajan, et al., 2018). The conceptual framework has also led to the development of a 3-level CSR classification (see Chapter 5.2 and Figure 5.1). This provides a more tailored CSR to a particular context and responds to the criticism that a one size CSR approach does not fit all. This study has introduced a 3-level CSR classification for different types of SME. This approach serves as an overall understanding of CSR and its association with specific key stakeholders and institutional logics that influence a particular context. Therefore, this study contributes to the literature by introducing a novel approach understanding CSR in SMEs, leading to a 3-level CSR classification.

On a methodological level, the research adopts a qualitative research design that allows participants to express their perspectives, experiences and operationalisation of CSR. The methodological contribution of this research is where the social construction lens is applied to explore and capture the meaning of CSR among owner-managers of SMEs in Malaysia. A qualitative research design reinforces and supports this paradigm, which the researcher adopted for this study in order to investigate and gain a deeper understanding of CSR in SMEs. Research in CSR and small-business social responsibility were of a quantitative nature (Soundararajan, et al., 2018). Therefore, this study contributes to the literature by providing more qualitative studies in a quantitative-dominant field.

On a contextual level, this study contributes to the emerging CSR research in a developing countries' literature by providing rich empirical evidence regarding

concepts, understanding and operationalisation of CSR in the context of Malaysia. Scholars highlighted the importance of studying the distinctive features and peculiarities of CSR in developing countries (Jamali & Mirshak, 2007; Jamali & Neville, 2011) as the intervention between developed and developing countries are different (Romano, et al., 2017). Furthermore, the debate on the significant contribution of CSR in SMEs in developing countries is also highlighted in the literature (Egels-Zandén, 2017; Jamali, et al., 2017a). This study contributes empirically by using the Malaysian context with a particular focus on sectoral-specific SMEs.

Although this is not the first research that studies CSR dynamics of SMEs in Malaysia, it is the first sectoral-specific CSR in SMEs comparison study. The construction and catering sectors are being explored to reveal the CSR peculiarities and to further reinforce the idea of ‘one size does not fit all CSR’ as suggested by CSR scholars (Argandoña & Hoivik, 2009; Capelle-Blancard & Petit, 2017; Sethi, et al., 2018). The findings show the similarities and differences between SMEs in the two sectors when it comes to CSR. They range from the understanding and familiarisation of CSR to the number of key stakeholders and their power to influence the practices of low-, mid- and high-level CSR, and the institutional logics that it entails.

The results show that CSR in SMEs is, indeed, context-sensitive, shaped by institutional logics and driven by specific key stakeholders pertaining to the sector (See Chapters 4 and 5). Therefore, this study contributes to the current literature by underlying the importance of sectoral focus in the context of a developing country. The result is also consistent with previous studies’ suggestions where stakeholders and institutional logics are present and influence CSR in developing countries (Hamann, et al., 2017; Jamali, et al., 2017c). In the Malaysian context, each sector has its

potential in dealing with certain types of social problems in the community, which shows the potential of SMEs in delivering CSR in a developing country.

On a practitioner and policy level, this reveals the business practices of the owner-managers that parallel with CSR and that have the potential to implement CSR initiatives. The study highlights the understanding, familiarisation and influencing factors of CSR in owner-managers of SMEs in the construction and catering sectors of Malaysia. The business practices that parallel with CSR are revealed, and the results show that there is the potential of SMEs in each sector to contribute to low-, mid- and high-level CSR.

The 3-level CSR classification highlights the differences and similarities of the processes and material practices between the two sectors. Because of some differences, this study suggests that certain sectors are more likely to engage in CSR because of their inherent business model, such as SMEs in the catering sectors being more likely to be involved in food donations and providing free food to their employees as part of their employment benefits.

#### 6.4 Implications of the research

The generalisation of qualitative research is often described as ‘transferability’, which allows readers to recognise the similarities based on their own knowledge, experience and feelings (Ritchie, et al., 2014). Following this point of view, it is argued that the results of this research are transferrable to other similar contexts. Therefore, it serves as future establishments for CSR research in developing countries.

The rich description provided by this study in Chapters 4 and 5 shows the conditions that influence the understanding and operationalisation of CSR in the sector-specific SMEs in the Malaysian context. The different levels of CSR show the relationships of

key stakeholders, CSR activities and institutional logics associated with SMEs CSR logics. In that respect, this study has delivered detailed descriptions in which the readers themselves are able to transfer the findings to their own use.

Chapter 4 of this study provides detailed descriptions of the understanding and factors that influence the concept of CSR. The results in the Malaysian context show sectoral differences when it comes to the number of participants that recognised the term CSR, which indicates asymmetric CSR knowledge among sectors in a developing-country context. Other factors, such as legal, business and national culture seem to be the major influence of the operation of CSR in SMEs in Malaysia rather than education. The findings and discussion in Chapters 4 and 5 delineate and elaborate these factors by using the 3-level CSR classification.

The 3-level CSR classification is developed in this study to aid the ‘analytic generalisation’, which is used for theorising CSR in sectoral-specific SMEs. The ‘analytic generalisation’ occurs through rigorous inductive analysis in which the qualitative research arrives at a generalisable phenomenon (Polit & Beck, 2010). The findings in Chapter 5 present the institutional logics, such as karma and corporate logic, that influence CSR of owner-managers in SMEs to a certain degree. The detailed descriptions show the condition where such logics are triggered in the two sectors and the 3-level CSR classification presents the comparisons.

The 3-level CSR classification has potential implication in helping policymakers understand the conditions of sector-specific CSR. As demonstrated in Chapters 4 and 5 of this study with empirical evidence, the results show the similarities and differences between CSR when it comes to SMEs in the construction and catering sectors in Malaysia. This shows that CSR practices can be different between sectors

and also SMEs themselves. As shown in Chapter 5 (CSR practices of 48 SMEs), some practices are more likely to be practiced than others, while some other practices are less likely, but it is possible for SMEs to practice. For example, on the one hand, the analysis reveals that some SMEs in the construction sectors are capable of adopting ISO as best practice for the business. On the other hand, SMEs in the catering sector are capable of creating a CSR strategy that benefits society and their business. Therefore, this study has also highlighted the potential CSR practices that SMEs can contribute to society; this could also help policy makers to decide the type of CSR practices that SMEs could offer in the CR agenda Malaysia, particularly in the construction and catering sectors.

#### 6.4.1 Implication for the sectors

The literature has called for more context research on CSR, particularly in the developing economies, as one size CSR does not fit all (Capelle-Blancard & Petit, 2017; Sethi, et al., 2018). This also applies to firms' size. Therefore, the literature also calls for more research on CSR in SMEs (Wickert, et al., 2016; Soundararajan, et al., 2018). However, sectoral specific-CSR comparison studies seem to be mentioned less in the literature, although some scholars have picked up on the importance of sectoral CSR comparison (Aguinis & Glavas, 2012; Lund-Thomsen, et al., 2016; Soundararajan, et al., 2018). This thesis presented a sectoral-specific CSR comparison study between SMEs. Further, this study is different from most of the mainstream CSR studies, where the focus is on one sector. This comparison of two sectors is important when it comes to understanding their CSR practices and perspective at a point in time, as it reveals where their similarity and dissimilarity could illuminate some important formations of institutional logic. As this study has highlighted, karma logic as the rationale behind CSR intentions leads to CSR practices. Understanding the adopted



institutional logics would enable policy makers to develop a policy that is aligned with the mindset of owner-managers in SMEs.

By conducting this research in a multicultural country, the analysis also reveals that certain ethnic groups are more prominent in the sector. This has potential implications on CSR practices, particularly if the prominent ethnic group of SMEs in the specific sector experiences discrimination from the larger ethnic group. This results in “cherry pick” CSR practices, where only the same ethnic group benefits from the firm’s charity. This highlights that certain sectors’ SMEs, which are dominated by discriminated ethnic groups, could be helping their own ethnic group and hence balancing out the unfairness promotion in government policy that has been institutionalised. However, this could also hinder their wider contribution to society. The result of this thesis has important implication on developing nations that has underdeveloped and unfairness policy towards ethnic minority. Furthermore, it also shows that ethnic groups can play an important role in contribution to the nation.

#### 6.5 Limitations and recommendations for future research

Although this thesis makes a contribution to our understanding of CSR in SMEs in a developing economy, some gaps still remain in the literature. This research is limited to the construction and catering sectors in Malaysia; therefore, the generalisability of the findings to other sectoral contexts needs to be considered. The research is conducted in two urban regions of Malaysia; therefore, the findings may not necessarily reflect other regions in Malaysia.

Urban regions in Malaysia have a significantly diverse population of ethnic minorities and migrants. Therefore, future studies could focus on CSR understanding, practices and orientation in other regions of Malaysia that are less diverse and single-ethnically

dominated. Future studies can also conduct CSR studies on firms that are situated in East Malaysia, such as Sabah and Sarawak, which have a significant indigenous population with different cultural backgrounds.

The focus of the research is limited to the perspectives and experiences of owner-managers in SMEs. Therefore, the primary stakeholder's perspectives, such as employees, customers and suppliers are not explored in this research nor are non-primary stakeholder's perspectives explored. Therefore, future research should investigate the CSR perspectives of primary and non-primary stakeholders in order to explore their understanding and experiences. A comparison of views can also be between the stakeholders, which could also contribute to the CSR knowledge by generating a fuller picture of CSR in a specific context.

Furthermore, another opportunity for research is to conduct interviews with policymakers and compare their views regarding the implementation of CSR policy for SMEs. This would provide knowledge regarding the prospect and obstacles for the formation of CSR policies, and such understanding might be useful for narrowing down the gap between policy and practice. The focus on social enterprise SMEs could also have potential transferable CSR practices to traditional SMEs.

In the national context, future research can investigate the similarities and differences between developed and developing countries' CSR in SMEs, and also the differences in other developing countries. This would provide insights into the configuration of institutional pressures at play.

In the sectoral context, future research should consider the subsector SME perspective on CSR, such as the subcontractors in the construction sectors. Such a study could contribute to the significance of subsector SMEs in relation to CSR integration.

Similarly, in the catering sector, future research could look into more specific types of restaurants, such as common versus high-end restaurants and investigate the difference in their supply chain and their relation to CSR.

Despite the fact that the research provides useful insights regarding sector-specific CSR in SMEs, the sample size is not statistically generalisable. Therefore, future positivist researchers could build on the insights provided by this research and further test it with large samples of SMEs across Malaysia.

## 6.6 Conclusion

The knowledge and understanding of CSR in SMEs and developing economies is relatively underexplored with limited empirical data and conceptual papers (Capelle-Blancard & Petit, 2017; Sethi, et al., 2018; Soundararajan, et al., 2018). This thesis has sought to contribute to this literature theoretical based. The result of the research shows the different levels of CSR through the 3-level CSR classification. The different levels of CSR manifest the business practices, key stakeholders involved and associated institutional logics. The research results suggest that education influences the owner-managers of SMEs in both sectors to a certain degree in the understanding and familiarisation of the term CSR. The more influential factors include legal, business and national culture. The thesis provides a 3-level categorisation of these influential factors to visualise the different levels of CSR in SMEs.

The findings also further reveal that institutional logics do not always go hand in hand. In low-level CSR, the industrial logic can be an obstacle to low-level CSR commitment, which is associated with state logic (compliance). Similarly, in high-level CSR, karma and corporate logics do not always go together when the financial position of the firm is at stake. The result also shows that some owner-managers

manoeuvre between the two logics, which can be seen in low-level CSR where one owner-manager separates a big project into smaller projects to different SMEs in order to be able to take a project that is beyond their grade.

The analysis reveals racial discrimination as an important obstacle that limits the wider contribution of CSR from ethnic minority groups as a result of discrimination within the society. This results in ‘cherry-picking’ CSR. This highlights the importance of the promotion of fairness in government policy, particularly in a multiracial country.

The conclusion of the research, therefore, highlights that CSR practices among owner-managers in SMEs are intertwined with the types of stakeholders and institutional logics within the sector-specific settings. This shows that the position of ‘one size fits all’ CSR should be reconsidered as the results show the differences in sector CSR practices and its unique conditions. Therefore, in this thesis, the development of 3-level CSR classification serves as an alternative approach to reveal the types of stakeholders and institutional logics that form CSR within a specific context, and therefore, widen the understanding of CSR.

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## Appendix 1: NVivo nodes

Name	Files	References
Understanding of CSR	0	0
Regulation control	10	16
Malaysian Culture	41	76
Religion	31	37
Karma	28	72
What goes around comes around	20	30
Cycle	15	21
Race issue	7	8
Donation	29	31
Education influence	17	27
Business culture	6	7
Institutional logics that influence CSR operations	0	0
Ethnic discrimination and its influence on CSR	7	8
Industrial and Industrial logics	23	55
Complication, conflict and fragmentation of the basic law	13	17
A form of renting out licence	3	3
undertake project without registration	2	4
Corruption	18	38
Karma and Corporate logics	43	102
Corporate Philanthropy	0	0
Donation	29	31
Religion and secularised Karma	43	102
cause and effect	29	48

Low-level CSR stakeholders		0	0
Local council and Government agencies		0	0
Government influence		37	129
Negative government influence in general		35	72
Positive federal government influence		11	15
Support from the government		7	8
Tax benefit		4	5
Project provider or Client		0	0
Clients or customers		19	39
Client holds the power		3	3
Customer request trumps legal requirement		10	28
Fined from client		2	2
Client or customer prefers cheaper price		6	6
Close relationship with client or customer		4	6
Customer or Client's need that promotes CSR		4	5
ISO adoption based on the type of client and project		7	16
Mid-level CSR stakeholders		0	0
Business Associates		13	14
Subcontractor		13	14
Customers, End-users, Project providers or Clients		34	53
Relationship with client or customer		13	21
Customer involvement in company's CSR program		1	2
Profit		12	14
Returning sales		3	4
Good service		2	2
Employees		30	75
Close relationship with employee		30	75
Suppliers		13	22
Benefit from supplier		4	4
friendship (suppliers)		3	3
Payment to supplier		2	3
Relationship with supplier		9	11

☐	●	The key stakeholders that drive CSR practices			0	0			
	☐	●	High-level CSR stakeholders			0	0		
		☐	●	Competitors			25	36	
			●	Price			18	27	
		☐	●	Local charitable organisations			31	36	
			●	Charity			4	5	
			●	Donation			29	31	
		☐	●	The local community			13	22	
			☐	●	Helping the local community			13	22
				●	Build relationship with the local community			4	4
				●	Engaging with the local community			6	7
	☐	●	CSR practices in SMEs				0	0	
		☐	●	High-level CSR - Financial, Non-Financial Donation and other commitment			37	62	
			●	Donation			29	31	
			●	Helping the locals who need help			10	22	
			●	Sponsor			8	9	
		☐	●	Low-level CSR - Compliance with the law			35	53	
			☐	●	Registration and licensng			35	53
				●	CIDB licence			7	19
				●	Essential for business operation			5	6
		☐	●	Mid-level CSR - Caring, communication and relationship development			42	160	
			●	Caring			27	45	
		☐	●	Close relationship with employee			28	49	
				●	Accessibility to the owner			1	1
				●	Training			20	26
		☐	●	Communication			28	52	
				●	Advantage of hiring locals			1	1
				●	Disadvantage of hiring locals			1	1
				●	show care for employees			33	49
				●	show care to customer			31	82
		☐	●	Relationship with supplier			12	14	
				●	friendship (suppliers)			3	3

## **Appendix 2: Interview schedule**

Thank you very much for meeting me, I have been working with my project in Small Business Research Centre at Kingston University London. The reason I'm here is because your opinions are very valuable in my research and that is why I would like to hear about the social and environmental challenges you face as a business owner. Feel free to express yourself as much as you like, there is no right, or wrong answers and your identity will be kept safe.

I will share my research findings with you once my project is completed.

**Name of respondent (with position):**

**Name of business (catering/ construction):**

**Address:**

**Date of interview:**

**Start Time:**

**Firm's Background**

Q1. Could you tell me briefly about your company?

In order to get a feel of your business, I would like to ask you a few background questions.

*Probe: Company profile:*

- *Types of business: Sole trader, partnership or limited company*
- *In what year does the business started?*
- *What are the numbers of employees? Catering: What is the maximum capacity of customer in a typical business day? Construction: What are your current grade and the biggest project you have ever tendered?*

Q2. What was the motivation for you to start the business/ taking over the business?

*Probe: product and services, any changes in the past years, where these changes came from?*

Q3. What makes your business stand out or different from other businesses? Who are your main competitors? Who are your main customers? (RQ 3, 4, 5)

*Probe: What did you do differently? Practices that are more advance or not (e.g., marketing, company websites, social media)*

Q4. How do you see your own business performance so far? Compare with other businesses in the sector? Better or worse? (Local competitors) (RQ3, 5)

*Probe: How is it better or worse (e.g., financial performance such as sales and turnover, worker's performance and turnover rate, customer satisfactory)? What did you do so far to stay or make it better? Why?*

*What is/are the problem(s) (i.e. economic, social, environmental, political) have you faced and how did you try to overcome? What is the outcome? Why did you do it? (the reasons behind)*

Q5. Based on your experience in this sector what do you think the general acceptable practices are in the sector (e.g., the rule of the game with customers, suppliers, employees)? And how important it is to follow them? Any impact? (RQ5)

*Probe: State regulation, standard, environmental and social practices. Why is it important?*

Q6. What other challenges have you faced in running your business? (RQ2, 4)

*Probe:*

- *Social, Environment and/or Economic challenges*
- *Do you have pressure from the government? What pressure did you face? How did you overcome that pressure? What do you think the government should have done?*
- *How do you think that you could make a difference?*
- *What impact do you think you will bring on such activity to the community?*
- *What are the major challenges for undertaking such activity? How do you overcome the challenges?*



Q7. Now I would like you to think broader about your business, especially on your business practises that behave in a responsible way.

What role does your business play in the local community? What value does the business add (e.g., satisfying demand, improve quality of life, provide jobs)?

Follow by what you have said before, are you aware or have you heard of the term Corporate Social Responsibility or Responsible Business Practice? (RQ1)

- *Yes: Tell me what is your thought about CSR/RBP? What does CSR/BPR mean to you? When do you become aware of it?*
- *No: It's about how businesses do good things that is not required by law. What do you think about it when I mentioned businesses do good things? (e.g., something that you do that is not required by law but mainly out of your kind heart).*

Q8. As owner-managers of the business, what would you say are the main good values you hold in managing your business? Are you able to behave the way you wanted to behave?

What/who influences you to do 'good'? (RQ1, 2, 3, 4, 5) What/who do you think is the most important in your business?

- *Probe: Profit, Religion, State, Family, Culture, Market, Customers, Suppliers, Employees*
- *Probe: What do you think their needs are? How do you satisfy them? What is the purpose? Why do you think it is important to do or not to do so?*
- *Is there any conflict? (Different goals, profitability VS sustainability)*
- *If yes, what conflict arises when you trying to do good in your business (i.e., profit/cost VS sustainability)? And how do you try to solve it?*
- *If no, are they complementing with each other (i.e., earning profit while solving social problems, satisfying customer needs while satisfying family legacy, satisfying religion beliefs while solving social problems)? How do they complement each other? How does this affect your business?*

Q9. Could you briefly tell me about yourself and your background? (Owner-manager's background)

- *Probe: Cultural/race, family, religion background, Education background*
- *What did you do beforehand? When did you started to become the owner-managers of the firm? In what age did you started to become the owner-managers of the firm?*

Q10. Is there anything else you would like to talk about?

Q11. Do you have any questions for me?

Q12. If there is any question in the future, can I call you again?

Thank you very much for your time! It's a pleasure to have this conversation with you and we have each other's contact details so I hope to stay in touch with you and hopefully we will meet again someday in the future.

**End Time:**

### Appendix 3: Information and Endorsement letter



**Kingston Business School**  
**Small Business**  
**Research Centre**  

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**Kingston University London**

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Dear Sir/Madam,

Re: Juan Lee Soon

This is to confirm that we are the supervisors of Juan Lee Soon who is currently a full-time PhD candidate of Kingston University London. He will be conducting his research project in Malaysia by interviewing owner-managers of small to medium-sized firms in the construction and catering sectors.

We have been supervising Juan Lee for over 12 months and we believe he can overcome any problems and solves them professionally. We believe that his project will extend the current knowledge in understanding small to medium-sized firms and potentially help to improve their future business performance. We would also like to take this opportunity to thank you in advance for taking part in this project. Your participation means a lot and we would like to make sure that you are comfortable at every stage.

We are confident that Juan Lee will undertake his research professionally and ethically. However, we will be supervising his project closely to ensure highest research standard is reached. If you have any queries or issues that you would like to raise, please do not hesitate to contact us.

Yours sincerely,

## **Information letter**

Dear

I am a doctoral student from Kingston University London and I'm studying the challenges of small firms in Malaysia. I would like to invite you to take part in a research interview for my project.

Your opinion is extremely valuable in understanding small firms and I would like to hear about the social and environmental challenges you have faced as the owner-manager of your firm.

The interview will take approximately 45 to 60 minutes and will be audio recorded. To show my appreciation for your time and help, I will be happy to share the research findings with you at the end of the project.

I will personally contact you in the next few days. In the meantime, if you have any questions please do not hesitate to contact me.

The research receives partial funding from Kingston University London. Just to reassure you that this is an academic piece of work and it is NOT for commercial purpose. Your confidentiality is guaranteed.

Yours sincerely,

Juan Lee Soon

PhD candidate, Kingston University London

Email:

Tel UK:

Tel Msia:

## Appendix 4: Consent form

### Consent form

#### WRITTEN CONSENT TO PARTICIPATE IN A RESEARCH STUDY

##### Statement by participant

- I confirm that I have read and understood the information sheet/letter of invitation for this study. I have been informed of the purpose, risks, and benefits of taking part.
- I understand what my participation in the study involves. My questions have been answered to my satisfaction.
- I understand that my participation is entirely voluntary, and that I can withdraw from the study at any time.
- I understand that all information obtained will be strictly confidential.
- I agree that research data gathered for the study may be published provided that I cannot be identified as a subject.
- Contact information has been provided should I (a) wish to seek further information from the researcher at any time (b) wish to make a complaint.

Participant's Signature:

Date:

##### Statement by researcher

- I have explained the aims of the project and the implications of participation to this participant without bias. I believe that the consent is informed and that he/she understands the implications of participation.

Name of researcher:

Signature of researcher:

Date: