

**Management and Communication  
of Corporate Social Responsibility in  
Hong Kong Small and Medium Enterprises**

By

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A thesis submitted in partial fulfilment of the requirements for the degree of  
Doctor of Business Administration

Macquarie Graduate School of Management  
Macquarie University, Sydney, Australia

January 2016



## Certification

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as part of requirements for a degree to any other university or institution other than Macquarie University.

I also certify that the thesis is an original piece of research and it has been written by me. Any help and assistance that I have received in my research work and the preparation of the thesis itself have been appropriately acknowledged.

In addition, I certify that all information sources and literature used are indicated in the thesis.

The research presented in this thesis was approved by Macquarie University Ethics Review Committee, reference number 5201100510, on 20 July 2011.

A handwritten signature in black ink, appearing to read 'Brenda Lee', with a stylized, wavy flourish at the end.

Lee Wong Yuk Wan Brenda  
January 2016

# Acknowledgements

This doctoral journey has been a very challenging one for me. During the process, I lost my own mother and mother-in-law, as well as a sister-in-law. I would like to dedicate this research to them, and to my surviving father. I would also like to dedicate it to everyone who is committed to making this world a better one through honouring our personal responsibility, and corporate social responsibility in the business sector.

This research would never have been possible without the support of many people. First and foremost, I would like to thank my supervisors: Professor Elizabeth More, Associate Professor Debbie Haski-Leventhal and Professor Carlos Lo for being so understanding and supportive of me all these years. To Professor Elizabeth More in particular, no words will ever be able to express my heartfelt gratitude for standing by me so firmly during the whole research journey – as my most trusted friend, coach and counsellor, on top of being the best-in-class supervisor. It is her love and unfailing support of me that made this journey possible.

I would also like to thank all the companies which participated in my study. Thank you for being so generous to me with your time and for sharing your CSR stories, which are so insightful and valuable to my research. I would also like to thank the Macquarie Graduate School of Management for the support given to me, both financial and academic. My research would not be possible without the advice and support given to me by so many people and friends at the MGSM Research office, The Hong Kong Council of Social Service, The Hong Kong Polytechnic University and Hong Kong Management Association. Special thanks go to Dr Steven Segal, Dr Francis Buttle, Dr Doris Ng, Kerry Daniel, Stefaine Jreige, Asal Accardo, Victoria Lo, Cliff Choi, Wendy Luk, Keevin Poon, Krissy Ho, Kitty Yung, Ray Yeung, Terrence Tse, Charito, Sheryll, Angela, and many others who have supported me in so many ways. Thanks also to Dr Alison Basden, who edited this thesis according to the guidelines laid out in the university-endorsed national ‘Guidelines for editing research theses’.

I would also like to acknowledge the many researchers who have contributed to the CSR field and who provided the foundation upon which my research was carried out and the final thesis written. Last but not least, I would also like to pay tribute to the

Venerable Master Hsing Yun for his spiritual inspirations and wisdom that keep me going even under adverse conditions. To my loving husband Francis, son Peter, Nettie, dear sisters, especially Sury, brothers, and my lovely nieces, thank you so much for your enduring love, unfailing support and trust in me. This DBA Journey would never have been possible without you.

# Abstract

The discussion of corporate social responsibility (CSR) has gathered great momentum in business and society over recent decades. CSR is broadly defined as the responsibilities and ethical behaviour of businesses in balancing the diverse interests of different stakeholders, taking into consideration the economic, social and environmental dimensions of conducting business. The ideology of CSR is to build a just, fairer and better world. This, in turn, is expected to create a favourable operating environment for business, resulting in sustainable development for all concerned, including future generations.

The extensive CSR theories, guidelines and tools developed by academics, institutions and practitioners focus mainly on large companies, with a consequent lack of attention to, and discussion of, CSR in relation to small and medium-sized enterprises (SMEs). Due to the increasing significance of SMEs, which now account for some 90% of the number of enterprises in most economies around the world, the CSR movement will not be complete without the active engagement of SMEs. There is an urgent need to build SME capacity in CSR and to build best practice cases. In particular, few studies have investigated how SMEs in Hong Kong interpret, manage and communicate CSR.

Consequently, the present research is motivated by the need to reduce this distinct knowledge gap, and aims to develop an integrated CSR management and communication model for SMEs. Adopting a qualitative research methodology, this study investigates how SMEs interpret, manage and communicate CSR, through conducting in-depth interviews with 28 business owners or senior managers of CSR award-winning companies in Hong Kong. Based on the findings, and drawing on the academic literature, further knowledge of CSR practices of SMEs in Hong Kong is advanced as the basis for developing an integrated “CSR Best Practice Management and Communication Model for SMEs”.

The outcomes of this research confirm some of the contributions of the international literature on CSR in SMEs, but also reveal a number of interesting new findings, potentially beneficial for the Hong Kong context but possibly also more broadly, to both academics and practitioners. This study contributes to the body of knowledge of best practice of CSR in SMEs, potentially leading to greater SME engagement in CSR and sustainable development for both the business sector and broader society.

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# Chapter 1: Introduction

## 1.1 Introduction

Around the world, corporate social responsibility (CSR) is becoming increasingly relevant and significant to both the business sector and society in general, and discussion on how best to incorporate CSR principles into business practices has gathered substantial momentum in recent decades (Carroll & Shabana, 2010; Moore & Spence, 2006; Welford et al., 2008). CSR is broadly defined as responsible business practices that influence three areas: the economy, society and the environment (Andriof & Waddock, 2003; Carroll & Shabana, 2010). The extensive CSR theories, guidelines and tools developed by academics, institutions and practitioners focus mainly on large companies, with little attention to, or discussion of, CSR undertaken by small and medium-sized enterprises (SMEs) (Castka et al., 2004; Jenkins, 2004a; Lee et al., 2012; Morsing & Perrini, 2009; Perrini, 2006; Spence & Perrini, 2009). However, studies have shown that many SMEs are already unwittingly practising CSR for moral and ethical reasons, but most of their CSR activities are applied on an ad-hoc basis (Jenkins, 2006; Spence et al., 2004). SMEs urgently need to effectively integrate both CSR and their ethical values into their organization and business operations, thereby providing long-term sustainability for their own businesses, as well as the business sector and society as a whole.

This research investigated how 28 CSR-award-winning SMEs interpret, manage and communicate CSR practices, and the drivers for and barriers to engaging with CSR practice. Drawing on both the findings and the literature, it advances our knowledge of the CSR practices of Hong Kong SMEs by developing an integrated “CSR Best Practice Management and Communication Model for SMEs”. This research contributes to the body of knowledge of CSR best practice in SMEs, leading to the potential for greater SME engagement in CSR and increased sustainability for both the business sector and broader society.

## 1.2 Background to the research problem

Empirical studies in Europe, the US and Asia indicated that SMEs' uptake of CSR has traditionally been low (Lee et al., 2012; Spence, 2007; Spence et al., 2004; Studer et al., 2008; Vives, 2006). There is insufficient understanding of what CSR means for SMEs and most CSR programs are ad hoc and non-strategic (Jenkins, 2004b, 2006; Lee et al., 2012; Moore & Spence, 2006). However, 90% of enterprises worldwide are SMEs that provide 50-60% of employment (UNIDO, 2002). The regional and global economic significance of SMEs highlights the urgent need to increase understanding in this area and to engage SMEs in the CSR movement (Bürigi, 2011; Lee et al., 2012; Spence & Painter-Morland, 2010).

In Hong Kong, SMEs represent over 98% of the total number of enterprises and account for about 47% of total employment, excluding the civil service (Hong Kong Trade and Industry Department, 2015). Yet SMEs, both globally and in Hong Kong, generally have a low understanding and uptake of CSR. Although SMEs account for the majority of firms in Hong Kong, according to The Caring Company Scheme, the longest-standing and largest CSR Recognition scheme in Hong Kong, in 2014 SMEs made up only around 49% of the 2,960 enterprises that were awarded the "Caring Company Logo" in recognition of their CSR practices (Hong Kong Council of Social Service, 2015a). In the Hong Kong Business Sustainability Index of SMEs, launched in 2012, most of the SMEs participating in the scheme were only at the preliminary stage of CSR engagement (Hong Kong Polytechnic University, 2012).

The low interest in CSR uptake and the ad-hoc nature of the CSR programs undertaken by Hong Kong SMEs could undermine those companies' competitiveness, as well as the economic and social development of Hong Kong as a whole. SMEs who wish to cope with changing market expectations and multiple stakeholders need to build their CSR capacity and implement relevant CSR programs that are integrated with their business operations. SMEs are often viewed as engines of economies as a result of their collective significance on a global basis, and the CSR movement will not be complete without their active participation (Jenkins, 2004a; Spence, 1999).

Research on CSR in Hong Kong SMEs is scarce. There is a general lack of knowledge of how SMEs interpret, manage and communicate CSR (Studer et al., 2008; Welford, 2005), and little is known of their motivation, barriers and strategies. There is also a

shortage of best-practice cases focusing on how organizations actually manage their CSR practices. In particular, the issue of CSR communication is under-researched internationally, in both large companies and SMEs (Aguinis & Glavas, 2012; Du et al., 2010; Nielsen & Thomsen, 2007).

This study aims to reduce this distinct knowledge gap. The research problem aims to increase the understanding of, and suggest ways of improving, how Hong Kong SMEs manage and communicate CSR. By adopting a qualitative research methodology, the research investigated how SMEs interpret, manage and communicate CSR, and examined the drivers, barriers and strategies for CSR practices used by SMEs. The study attempts to generate insights and best-practice cases to enhance the body of knowledge and to recommend how SMEs may manage and communicate their CSR practices more effectively and holistically.

This research adopted an interpretive paradigm, which holds that the social world is being constructed and given meaning by people (Saunders et al., 2007). It is argued that CSR is a complex and evolving topic, where each company and individual may have different interpretations at any given time (Carroll, 1999). People's understanding of and worldview on CSR is likely to be constructed and influenced by their knowledge, life, values, beliefs, work experience and aspirations for themselves, others and broader society (Mason, 2002). The core aim of this research is to generate insights from Hong Kong SMEs on the topic. Adopting a qualitative research methodology under an interpretative paradigm enabled informants to more precisely articulate their worldview of, and personal feelings towards, both the subject and their own management practices (Murillo & Lozano, 2006; Saunders et al., 2007).

Drawing on the extensive academic and industry literature, and incorporating perspectives from stakeholder theory, CSR communication theory, and multiple organizational and management theories, an analytical framework of CSR management and communication in SMEs was developed to aid understanding of the research problem. Data from different sources, including a wide range of documents and in-depth interviews, was analyzed using the conceptual analytical framework, aided by NVivo computer software. Further knowledge of CSR in SMEs was advanced as the basis for developing an integrated "CSR Best Practice Management and Communication Model for SMEs".

### 1.3 Defining Corporate Social Responsibility

The ideology of CSR is to build a more just, fair, caring and better world, which is expected, in turn, to create a favourable operating environment for businesses and result in sustainable development for all concerned (Crane & Matten, 2007; Elkington, 1998). CSR is broadly defined as the responsible practices that businesses undertake encompassing multiple dimensions in economic, social and environmental contexts (Carroll & Buchholtz, 2006; Carroll & Shabana, 2010; Elkington, 1998). CSR emphasizes business responsibility to its different stakeholders (Carroll & Shabana, 2010; Crane & Matten, 2007; Hörisch et al., 2014). The term “CSR” is also interchangeable with many complementary, inter-related or overlapping constructs and terms: corporate social performance, corporate citizenship, sustainability, corporate sustainability, business ethics, corporate integrity and stakeholder management (Andriof & Waddock, 2003; Carroll, 1999; Schwartz & Carroll, 2003).

Despite an extensive literature, CSR has no universally agreed definition (Crane & Matten, 2007; Dahlsrud, 2008). Many scholars have attempted to delineate, summarize and critique the evolution and history of CSR, as well as its different definitions (Carroll, 1999; Lee, 2008; Lockett et al., 2006). However, CSR is the most prominent term in the literature and in common usage, whether applied to large companies or SMEs (Carroll, 1999; Garriga & Melé, 2004; Matten & Moon, 2008; McWilliams et al., 2006).

Castka et al. (2004, p.148) proposed a definition for SMEs in which CSR is defined as *“a concept to run organizations profitably yet in a socially and environmentally responsible way in order to achieve business sustainability and stakeholder satisfaction”*. This definition is considered appropriate for this research as it encompasses the key constructs of CSR and using simple and direct language, and is easily understood and embraced. Whilst many businesses may practise CSR purely as dictated by legal and regulatory requirements, the ideal voluntary dimension of CSR also exists, where businesses are expected to perform above and beyond regulatory requirements (Dahlsrud, 2008). Consequently, the Castka et al. (2004) definition is enhanced by adding “on a voluntary basis”, and adapted for this research as follows:

*CSR is defined as a concept to run organizations profitably yet in a socially and environmentally responsible way, on a voluntary basis, in order to achieve business sustainability and stakeholder satisfaction.*

## 1.4 Research questions

Four research questions were addressed to develop an understanding of and response to the research problem as outlined above.

The core research aim was to investigate how SMEs interpret the concept of CSR, manage and communicate it, so as to improve the level of uptake and best practice. The foundation was to gain a deep understanding of what CSR means to SMEs. CSR is a multi-disciplinary and evolving concept (Carroll, 1999), of which different organizations and people have varied understandings and interpretations. The SME owner often also leads and manages the organization and therefore the world-views of different SME owners will lead to different interpretations and decisions (Jenkins, 2006; Murillo & Lozano, 2006; Spence & Rutherford, 2000). Consequently, the first question is:

### **Research Question 1: What is Hong Kong SME's interpretation of the concept of CSR?**

The second question investigates how SMEs actually manage and communicate their CSR practices. As mentioned previously, most research on CSR has focused on large companies, but the collective significance of the SME sector globally creates an urgent need to study how SMEs are managing and communicating their CSR practices. A qualitative approach, using in-depth interviews with SME owners or managers, provided rich contextual data to enhance understanding of how CSR practices are managed and communicated, leading to Research Question 2:

### **Research Question 2: How do Hong Kong SMEs manage and communicate their CSR practices?**

The third question investigates SMEs' motivation in engaging in CSR, and the barriers they face in the process. The literature identifies that the most prevailing driver for SMEs to engage in CSR remains the personal values of the business owner (Hsu & Cheng, 2012; Lee et al., 2012; Spence & Rutherford, 2003). Some research has also reported that some SMEs view CSR as a way of enhancing competitive advantage (Russo & Tencati, 2009), but they face many barriers and challenges in the course of undertaking CSR (Gibb, 2000; Jenkins, 2006; Sweeney, 2007). Understanding SMEs' motivations and barriers in engaging in CSR practices, and how they overcome these

challenges, provides learning for other SMEs. It can also provide insights for policy makers and CSR support organizations in introducing programs and policies geared towards the culture and needs of the SME sector. Therefore, the third question is:

**Research Question 3: What are Hong Kong SMEs' motivations in and barriers to engaging with CSR practice?**

Finally, the fourth question aimed to investigate SMEs' future vision of CSR and explored how they can manage and communicate CSR more effectively, leading to Research Question 4:

**Research Question 4: What is Hong Kong SMEs' future direction of CSR?**

## **1.5 Scope of research**

This research was conducted within the SME sector of Hong Kong. It focused on understanding SMEs' interpretation, management and communication of CSR, as well as drivers for and barriers to engaging with CSR practice in award-winning companies from a broad spectrum of industries.

## **1.6 Methodology**

This research adopted a qualitative methodology under an interpretivist paradigm. In-depth interviews are deemed the most appropriate methodology to generate a rich context that enables the researcher to understand research problems more fully. Data were collected through in-depth interviews with 28 CSR award-winning SMEs, and from a wide range of documents such as company information, websites, award applications and other relevant public documents. Validity and reliability were ensured throughout the study by using multiple sources of information, triangulating the data and verifying information with informants.

The samples were purposively selected. All companies either demonstrated good CSR practices, had won a CSR award, or had been included in the Hong Kong SME Business

Sustainability Index. Drawing from the literature and the relevant theories, an analytical framework of CSR management and communication in SMEs was developed as a basis for the analysis. The fully transcribed interviews were coded using computer software NVivo 10 and analyzed using the analytical framework. Building on the findings of this research, an integrated “CSR Best Practice Management and Communication Model for SMEs” was proposed, which can assist SMEs to manage and communicate their CSR practices more effectively.

## **1.7 Contributions of the research**

This research contributes to management theory and practice in six main ways. First, it contributes to the existing limited body of knowledge of CSR in SMEs, and particularly in Hong Kong. Second, research in CSR communication on a global basis is limited, and the present study will enhance our understanding of CSR communication in SMEs. Third, the findings on SMEs’ motivation in and barriers to CSR engagement provide useful insights for Hong Kong policy-makers and CSR support organizations to promote CSR, which may eventually lead to a greater uptake of CSR in the SME sector. Fourth, the conceptual analytical framework developed for this research provides a multi-dimensional and holistic basis for greater understanding of the issues under investigation, and can be modified as a self-assessment checklist for SMEs in their CSR engagement. Fifth, the integrated CSR Best Practice Model conceptual framework, developed as part of this study, may help SMEs manage and communicate their CSR practices more effectively and strategically. Finally, this study documents how CSR is practised in Hong Kong SMEs, invites further research, and may contribute to the practice of CSR management and communication for enterprises of different sizes.

## **1.8 Structure of the thesis**

Chapter 1, Introduction, presents the background of the research problem, research questions, scope of the study, research methodology and the research contributions.

Chapter 2, Literature Review, explains the concept and evolution of CSR, and provides an overview of the current management of CSR practices in businesses, which involves

mostly large businesses. Lastly, the immediate body of literature relating to this study, CSR in SMEs and the Hong Kong context, is reviewed and discussed.

Chapter 3, Theoretical Influence and Analytical Framework, reviews the theoretical foundation of the research by discussing the stakeholder theory, CSR communication theory, and organizational and management theories. Since the topic of CSR is complex and dynamic, a multi-dimensional approach was adopted to avoid the restricted view that could result from using a single theory approach. The study's analytical framework was drawn from the extensive literature and the multiple theories therein.

Chapter 4, Methodology, justifies the use of an interpretivist research paradigm and qualitative methodology. Primary data collection was through in-depth interviews with 28 CSR award-winning SME owners or managers. Triangulation of data was achieved through studying a wide range of documents and secondary data, both from the companies involved and from publically available material. This chapter also describes and explains the research procedures, from sample selection to gaining access to companies, from collection of data to coding and analysis. Finally, the chapter discusses how validity and reliability were observed.

Chapter 5, Findings and Discussion, presents the key research findings and discussion relating to the four research questions, and the theoretical and practical implications of these for management theory and practice. One key contribution to management practice is a proposed CSR Best Practice Management and Communication Model for SMEs.

Chapter 6, Conclusion and Recommendations, presents concluding remarks on the research undertaken, contributions of this research, and recommendations for management practice. It also identifies the research limitations and suggests areas for future research.

## **1.9 Summary of the chapter**

This chapter has outlined the research problem, scope of research, the justification for the methodology being adopted, and the study's contributions to professional practice. CSR has traditionally been the province of large companies and research on SMEs is



limited. This study fills a distinct knowledge gap. Using a qualitative research methodology and study of documents, this study provides rich contextual data on the interpretation, management and communication practices of CSR in award-winning SMEs. Drawing on multiple theories including the stakeholder, CSR communication, organizational and management theories, this study formulates an analytical framework. The findings contribute to theory, but are primarily used to provide recommendations and ideas for management practice, in line with requirements for a DBA, and to propose a CSR Best Practice Management and Communication Model for SMEs.



## Chapter 2: Literature Review

### 2.1 Introduction

The concept of corporate social responsibility (CSR) is gaining increasing momentum in both business and academia, as evidenced by an explosion in the literature in recent decades (Carroll, 1999; Frynas & Yamahaki, 2013; McWilliams et al., 2006). While critics of CSR often describe the social responsibility of business as maximizing profits (Friedman, cited in Carroll & Shabana, 2010), most supporters believe that businesses unarguably have responsibility towards the societies in which they operate, whether for instrumental, political, ethical or other reasons (Garriga & Melé, 2004). Under the notion of CSR, the role of business is undergoing a fundamental change, from the traditional focus purely on profitability to seeking to balance and satisfy stakeholders' needs and expectations, in order to achieve long-lasting sustainability for both the company and broader society (Crane & Matten, 2007; Hörisch et al., 2014). Societies nowadays expect businesses to have a high standard of corporate governance and ethical behaviour in terms of stakeholders' needs (Aras & Crowther, 2010).

CSR has been described as a concept which is socially constructed, multi-disciplined and inter-disciplined (Carroll, 1999) but, despite several decades of discussion and debate, there is still no universally accepted definition (Dahlsrud, 2008; McWilliams et al., 2006). CSR's boundaries are criticized as ambiguous, and it is subject to the interpretation of different authors, organizations and institutions (Visser, 2013). Activities derived from CSR are diverse, ranging from anti-corruption to consumer rights, from concerns for employee relations to child labour issues, from pollution mitigation to environmental protection, and from philanthropy to business-community partnerships (Blowfield & Murray, 2011; Welford et al., 2008). The construct of CSR has changed over time (Carroll, 1999). Common terminology emerging in recent decades has included corporate social performance, corporate citizenship and sustainability; however, "CSR" is still the most popular term being used in academic literature and business to describe a business organization's new role and responsibility towards its different stakeholders and its concern for the environment and broader society, while striving for profits (Carroll & Shabana, 2010).

The multi-disciplinary nature of CSR has led to the development of several theories in an attempt to understand its various dimensions. Frynas and Yamahaki (2013), for example, noted that the mainstream of CSR research is largely dominated by relational theories, especially stakeholder theory and institutional theory. However, other research has emphasized the applied side of CSR management and implementation as they believe CSR ideals can be realized only through management and implementation processes (Jonker & de Witte, 2006a, 2006b; Lindgreen et al., 2009). CSR communication has been recognized as important to organizations, but the topic remains under-researched (Du et al., 2010; Golob et al., 2013), and studies highlight that stakeholders have a very low awareness of corporate CSR activities (Du et al., 2010; Ihlen et al., 2011).

Both the literature and CSR theories tend to focus on large companies, due to the general belief that they are the main drivers of economic and social development (Aras & Crowther, 2010). The growing global significance of SMEs, which account for 50–60% of worldwide employment UNIDO (2002), has led many authors and governments to acknowledge that the CSR movement will be incomplete without the active engagement of SMEs (Kechiche & Soparnot, 2012; Spence, 1999, 2007). In addition, as multinational companies step up their CSR management, SMEs along the global supply chain are bound to be affected (Spence & Painter-Morland, 2010; Welford & Frost, 2006). Yet, despite SMEs' collective significance in contributing to economic development worldwide, and the recent increased interest in studying CSR in SMEs, overall research on the topic is still limited and fragmented (Kechiche & Soparnot, 2012). In Asia, in particular, the study of CSR in SMEs is still at an early and exploratory stage (Hsu & Cheng, 2012; Lee et al., 2012).

This current research is designed to fill this distinct knowledge gap in Hong Kong, where formal research on CSR in SMEs is scarce. It focuses on the management and communication of CSR practices in SMEs covering diverse areas, and it incorporates different strands of theories and perspectives in order to develop a more holistic understanding of the topic. The extensive literature reviewed for this study is presented in chapters 2 and 3.

This chapter can be broadly divided into two parts. Section 2.2 covers the definition and evolution of CSR, CSR management and communication. Section 2.3 includes CSR in

SMEs, definitions used globally and in Hong Kong, the significance and characteristics of SMEs, previous studies of SMEs, and the Hong Kong context. Section 2.4 concludes the chapter with a brief summary. Chapter 3 covers the theoretical foundation and analytical framework for the study, discussing the stakeholder theory, CSR communication, and organizational and management theories.

## 2.2 Corporate Social Responsibility

### 2.2.1 Background

Many scholars acknowledge that the overall concept of CSR originated before World War II (Carroll, 1999; Carroll & Shabana, 2010), and the historical development of CSR is country specific. For example, Carroll (1999) provided a useful overview of the development of CSR in the US, tracing it from the 20<sup>th</sup> century. On the other hand, Idowu (2011) noted the presence of CSR in the UK back in the 1600s, with the earliest recorded trans-national UK companies engaging in responsible practices and taking care of different groups of people, called ‘stakeholders’ in modern management terminology. In Asia, Wang and Juslin (2009) traced Chinese CSR history to 520–474 BC, the time of the Confucian Trader, who pursued a harmonious and responsible business relationship with customers. The detailed evolution and theoretical development of CSR in different countries and regions is beyond the scope of this thesis; a rich account of the historical perspective of CSR and its strategic implications to businesses is provided by many authors (Carroll, 1999; Idowu, 2011; Lee, 2008; McWilliams et al., 2006; Sharma, 2013; Wang & Juslin, 2009; Visser, 2013). Nevertheless, the 1950s can be regarded as the beginning of the Modern Era of Social Responsibility (Carroll, 1999, p. 269), with Western academic writing on the topic of CSR accelerating since this time (Carroll, 1999). The famous question raised by Howard Bowen, often commended as the Father of Corporate Social Responsibility – “*What responsibilities to society may businessmen reasonably be expected to assume?*” (Bowen, cited in Carroll, 1999, pp. 270) – challenged businesses to rethink their relationship with and impact on society. Since then research on CSR has proliferated.

One of the major developments during the 1980s was the advancement of the stakeholder theory. Freeman (1984, p. 46), in his seminal book *Strategic Management*,

discussed the stakeholder approach for organizations, describing stakeholders as “those groups and individuals who can affect or are affected by the achievements of the organization’s objectives”. The list of stakeholders originally included shareowners, employees, customers, suppliers, lenders and society. Since then, the stakeholder theory has undergone explosive development. A stakeholder approach is particularly relevant to the concept of CSR and it is often used as its operationalization model (Carroll, 1991, 1999; Welford, 2005). During the 1990s, further alternative themes of CSR generated included expansion of stakeholder and business ethics theories, corporate social performance and corporate citizenship (Carroll, 1999). The popular triple-bottom-line model presented by Elkington (1998) suggested that contemporary businesses should consider three imperative areas – People (social responsibility), Planet (environmental responsibility) and Profit (economic responsibility) – with socially responsible companies striving to achieve economic prosperity, social equity and environment protection. This model was significant for the future development of social investment, in balancing the performance of a company under three lenses instead of the traditional sole focus on profits.

Since the turn of the millennium, empirical studies of CSR practices have proliferated, enlarging the themes of corporate social performance, global corporate citizenship and stakeholder management practices (Carroll & Shabana, 2010; Sharma, 2013). McWilliams et al. (2006), in their study of CSR’s salient authors and respective theoretical perspectives from 1970 to 2004, pointed out that CSR has been extensively studied as a strategy for today’s business, despite the absence of an agreed definition. At the same time, numerous scholars continue to categorize different CSR theories in diverse ways. Lantos (2001), for example, identified three rationales for CSR as ethical, altruistic or strategic, while Garriga and Melé (2004) classified the different CSR theories of salient research into four groups: instrumental, political, integrated and ethical. Focusing on ethics, Joyner and Payne (2002) identified the presence and implementation of values, business ethics and CSR actions by businesses, supporting the premise of ethics and integrity as important imperatives of modern organizations. Carroll and Shabana (2010) noted that the business community during this period switched their interests to sustainability or sustainable development, which became an integral part of most CSR discussions. Sustainable development, as defined by the Brundtland Commission in 1998, is human development to meet the needs of the

present generation without compromising the ability of future generations to meet their own needs (cited in Carroll & Shabana, 2010). It is argued that organizations practising CSR can achieve competitive advantage and achieve sustainable development for both the company and broader society (Crowther & Capaldi, 2008; McElhaney, 2008).

One reason CSR has gained momentum since the start of the millennium is the impact of globalization and the initiatives of international organizations. These international initiatives have included the eight UN Millennium Development Goals; the ten universal principles set by the UN Global Compact in 2000; the CSR Guidelines for Multinational corporations by OECD in 2011; the Guidance for Social Responsibility ISO26000 launched by the International Organization for Standardization in 2010; and the major international environmental agreements such as the Earth Summit of 1992, Kyoto Protocol of 1997, and other specific agreements related to water pollution, air pollution, health and safety, chemicals and hazardous waste management (Visser, 2013). All these initiatives have further elevated CSR onto the international stage, impacting the policies of many countries and economies. Consequently, multinational companies are often challenged by their responsibilities in other operating countries through their global supply chains (Crane & Matten, 2007; Werther & Chandler, 2006), and are pressured to formalize their CSR policy and practice. The notorious corporate scandals during the early 2000s, such as Enron and WorldCom, also triggered different actors and consumers to review issues such as corporate governance and human rights more seriously (Visser, 2013). The recent historic COP21 Paris Agreement on climate change reached by over 190 nations and regions in December 2015 (UN News Centre, 2015) was expected to speed up regulatory measures on environmental protection around the world. This poses tremendous opportunities and challenges to all stakeholders globally, resulting in even higher expectations and more urgent calls for businesses to step up their CSR plans.

The instrumental justification of CSR that results in competitive advantage is now widely accepted by both scholars and business people (Carroll & Shabana, 2010; McWilliams et al., 2006; Porter & Kramer, 2006). Despite the recent shift from ethics-driven arguments to an instrumental approach, some argue that the ethical focus remains a core justification for CSR (Spence & Schmidpeter, 2003), in terms of promoting the common good (McElhaney, 2008). Recently, empirical studies of CSR moved from conceptualizing CSR to a more implementation-oriented approach (Jonker & de Witte,

2006a; Maon et al., 2009). The stakeholder management approach is seen as a popular way to operationalize CSR (Frynas & Yamahaki, 2013; Carroll & Shabana, 2010; Lee et al., 2012; McWilliams et al., 2006; Porter & Kramer, 2006). It is believed that an organization's stakeholders are important to its long-term business sustainability, and an organization can succeed by balancing the interests of its stakeholders (Carroll & Buchholtz, 2006; Frynas & Yamahaki, 2013; Lee et al., 2012).

Ongoing debate centres on whether CSR should be legally mandated or voluntary. Supporters of the latter view hold that by voluntarily meeting the standards of self-discipline and society's expectations, businesses may ward off government regulations (Carroll & Shabana, 2010), whereas opponents believe that legislation is the fastest and most effective way to bring about change through CSR (Blowfield & Murray, 2011).

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As early as 1984, Mashaw outlined crucial issues on the legal and economic context of ongoing debates about CSR, suggesting shortcomings in both and concluding that it may be that new economic and political frameworks are required for a more challenging social choice perspective. At the other end of the spectrum, a political and critical perspective is used by Fleming and Jones (2013) to mount a scathing critique of current CSR theory, advocacy and practice generally, arguing that these merely serve to uphold unsustainable and damaging organizational activities. Weyzig (2009) analysed how diverse political and economic arguments are used to support different CSR initiatives, emphasizing that both need to be used. He concludes his work by stating that the focus of CSR should be on corporations' normal business operations instead of their contributions to broader goals, and that "CSR issues with a potentially large impact on market functioning ... should get a more prominent place on the CSR agenda. This in turn suggests restoring the focus to large multinational enterprises, which have more economic and political power than smaller enterprises." (pp.426-427).

Matten and Moon (2008) explored the changing profiles of the original American CSR characterized by its explicit nature into a European diversity with a more implicit profile



emphasized in norms and regulation. They argue that national business systems, shaped by national institutional frameworks which encompass political, financial, education, labour and other systems, influence how individual corporations in different countries view the importance of social issues and their approach to CSR.

Indeed, over the last decade, building on the mounting interest in CSR, the addition of political CSR has also grown, though at a far less rapid rate or density. As Frynas & Stephens (2015, pp. 483) outlined, political CSR focusses on those “activities where CSR has an intended or unintended political impact, or where intended or unintended political impacts on CSR exist”, covering a range of fundamentally critical theoretical perspectives across Habermasian political theory, a resource based approach, or legitimacy theory. They argue that whilst political CSR is grounded in institutional and stakeholder theory, this is inadequate for the future, suggesting a need for exploring analysis at the individual level, integration of diverse domains, the role of the state, and the specific issue of multinational corporations. The authors pointed out that increasingly governments, in both the developed and developing countries around the globe, have had some level of influence on CSR standards, multi-stakeholder CSR, and CSR reporting. These interventions have often resulted in a blurred boundary between mandatory regulation and voluntary CSR initiatives by companies, while simultaneously revealing “attempts at the reassertion of power by the national state with regard to CSR” (pp. 502). Some examples quoted by these authors included Denmark’s National Action Plans for CSR launched in 2008 and 2012; Indonesia’s corporate and investment laws in 2007 that required companies to implement social and environment responsibilities; India’s Companies Act 2013 for large companies to spend 2 percent of their profits on CSR related activities; and the Chinese government’s efforts in promoting its own version of CSR through a set of guidelines since 2006.

Noticeably, however, there is increasing interest in the study of CSR in Asia due to the rapidly changing landscape. As part of their longitudinal study of the dynamics and evolution CSR in Asia, Chapple et al. (2014) analysed CSR reports of the top 50 companies in China, India, Malaysia, Philippines, Singapore and Thailand. Their findings suggest that there has been a significant increase in both the level and depth of reported CSR, suggesting an expansion of CSR practices in these 6 Asian countries. Despite many of the Asian countries adopting global CSR systems, such as the UN

Global Compact and GRI reporting guidelines, the authors do not see standardized patterns, nor each country showing very distinctive patterns.

Another recent relevant study by Hofman, Moon, and Wu (2015), tackles CSR within what the authors claim is the authoritarian capitalism of China under global pressure, and the Party and State influences. Their research reveals Chinese CSR has two major forms featuring the multiplexity of its business system: first, the private sector which is mostly family-owned small and medium sized enterprises reflecting concern with local reputation; and the second, mainly the state-owned enterprise sector, which reflects global and national societal expectations. CSR engagement in China mainly focusses on large firms, state-owned enterprises, and private enterprises which have been obediently following the direction and policies set by the government. The authors concluded that authoritarian capitalism has not only “fostered Chinese economic growth in the past thirty years, it also underpins the development and internalization of CSR” (pp. 4), despite very little being known about the millions of other firms in China, including both larger firms and SMEs. This study appears to be one of the few to even mention SMEs, whilst the majority of the literature is focused on large and especially multinational organisations.

Important also is the distinction Zhu and Zhang (2015) make in their study of CSR practices in China, between China as a developing country as compared with CSR practices in more developed countries and economies. They found that, under the seven core subjects of the international CSR standard ISO26000, key CSR practices in China revolved around four main areas only, namely fair employee rights, consumer issues, fair operation and labour practices, whereas environmental management and governance become mandatory practices. Further their research revealed that Chinese SOEs had higher internal values than other organisations, which include political responsibilities to practice CSR to align with national goals and policies. The authors argued that Chinese SOEs which demonstrated higher internal CSR values tended to be more active in CSR practices, which is consistent with practices in developed countries.

Tian and Slocum (2015), again importantly looking at CSR in China, however, focus as does the majority of CSR literature generally, on how global organisations manage the challenge of CSR in Chinese operations, outlining the change to a more strategic than ethical approach. This is amplified in Wang et al.'s (2016) very recent research on

political interference in China on CSR reporting quality.

What becomes clear in the Chinese CSR landscape, as outlined by CSR Asia's (2015) study, is that there are huge cultural and social differences between China and more advanced economies, significantly including Hong Kong, especially the dominant role played by the Chinese government in shaping, directing, and monitoring the development of CSR in China, generally uncommon in developed countries. The study also reveals that, for Chinese companies, compliance with national policy, legislation and regulations is ranked as a top incentive in terms of CSR implementation, and the pressure from global markets and international customers becomes more prominent.

The politically-driven approach of CSR is supported by other recent relevant academic studies (Hofman et al., 2015; Lin, 2010; Zhu & Zhang, 2015). In terms of CSR dimensions, CSR Asia's same survey also reveals that there is a focus on economic performance, workplace issues and environmental impact to some extent, with little focus on issues of fair competition and anti-corruption. However, the findings on CSR in Zhu and Zhang's (2015) study, focusing on Chinese SOEs, does show that economic performance is not a major concern for CSR practices therein, due to their political role and responsibility. The report also highlighted that the key obstacles to rapid CSR progress in China is the inadequacy of CSR knowledge, strategy, and professional competencies in CSR practice. This is supported by the work of Lin (2010) who also emphasizes the issue of capacity across technology to implement CSR standards and the potency of the pressure from international customers. Lin (2010) also makes the point that, whilst there are solid incentives for the development of CSR in China, the pace is slow due to broad constraints across social, economic and political arenas, with government both encouraging and controlling CSR development.

Many consider Hong Kong as the world's leading financial centre and also China's largest and most important international financial centre (HKTDC, 2016; Sharif & Tseng, 2011; So, 2016). As a developed economy operating under a free economy, Hong Kong has played an important role in China's modernization and reform over the past 30 years (HKTDC, 2016; Wang, 2002). In Sharf and Tseng's (2011) study, focusing on Hong Kong's role in China's modernization in manufacturing from 1979 to 2008, it is revealed that Hong Kong has played a key role in China's modernization process by providing investment, knowledge, skills and management experience since its opening up in 1979. This intertwined and evolving relationship between the two

regions become more intensified after Hong Kong's return to China in 1997. For example, according to several different studies cited in Sharif and Tseng (2011), the number of those employed by Hong Kong manufacturing companies in the Pearl River Delta (the Southern part of China) was estimated to have increased by over 120%, from 5 million in 1984 to 11 million in 2002. Nonetheless, the authors note that over the past three decades, Hong Kong's role has evolved continuously in line with the political, economic and social development of China. While Hong Kong had initially been the main driver of innovations in management practices and technology for China, the study reveals that the recent trend has changed to working with China on an "increasingly complementary footing in mutual exchange of information and technological expertise" (pp. 634), implying that Hong Kong's importance to China may have declined to some extent.

From the political perspective, under the principle of 'one country, two systems', the socialist system and policies in China are not supposed to be practiced in Hong Kong according to The Basic Law, and Hong Kong's previous capitalist system and life-style are to remain unchanged for 50 years (HKSAR 2015). However, due to the fundamental difference between Hong Kong and China, the landscape of CSR is argued currently to still be greatly different in the two places, encompassing complex and multi-dimensional aspects in historical, political, legal, economic, social and cultural differences. For example, Hong Kong has been following international business and legal practices since the British administration, and has been promoting CSR and sustainability for a long time (HKEB, 2015; HKTDC, 2005), whereas China has only mandated and more seriously promoted CSR since 2006 (Hofman et al., 2015). Similar to other developed countries in the CSR movement, the role played by the Hong Kong government is more geared towards facilitating and motivating CSR (HKEB, 2015), which is contrary to the directive role of the Chinese government as discussed before. Also, China is often challenged for its lack of a civil society, contrary to that which is common in the developed economies including Hong Kong and known as the "social gaze" (Boswell, cited in Hofman et al., 2015) which serves as the safeguard of social justice, and is an important actor in the CSR movement.

In comparing the actual CSR practices, Hong Kong companies are generally argued to perform better than Chinese companies, as evidenced in the Hong Kong Business Sustainability Index covering the top 50 companies listed on the Hong Kong Stock

Exchange, including both from Hong Kong and mainland China (HK PolyU, 2015). To demonstrate the convergent and divergent relationship between Hong Kong and China further, in the newly released 13<sup>th</sup> five-year plan of China, covering 2016-2020 and titled “Prosperity for the masses by 2020”, China affirmed Hong Kong’s unique position as an important city within China which commands comparative advantage in high value-added industries such as international finance, shipping and trade, and as a global hub for offshore RMB business, as well as being as an international asset management centre (HKTDC, 2016; So, 2016). Moreover, while the uptake of CSR in Hong Kong has been mostly driven by the markets in the past (HKTDC, 2005), with the increasing convergence and intensification of its relationship with China, and the changing CSR landscape of China, Hong Kong’s CSR development in the future is likely to be impacted more noticeably by China’s national CSR policies and practices. The opportunities and challenges for Hong Kong will be centred in sustaining its leading position as an international financial centre, growing its capacity in best practice CSR management and communication, and also in appropriately acting as a role model of ethical and sustainable business development for Chinese businesses.

Little research, however, is currently available on the impact by Chinese authorities in the Hong Kong CSR context, certainly not in terms of Hong Kong SMEs. This will prove in the future to be an important research arena. Although any extensive discussion of political economy and CSR is beyond the scope of the current study, a number of threads in the political CSR literature are revealed – a concentration on large organisations with very little reference to SMEs, whether in Western countries or Asia, and a focus on developed rather than developing nations, including China, the motherland of Hong Kong. Whilst more recent material does make some major contributions to the CSR field, there has been very little that pertains to the specific concerns of the current thesis.

### **2.2.2 Definitions of CSR**

It is argued that many of the debates about CSR result from different conceptualizations of CSR, along with cultural, situational and contextual differences (Blowfield & Murray, 2011; Dahlsrud, 2008; Visser, 2013). CSR, as a socially constructed concept, has had different meanings for different organizations, countries and people at different times

(Carroll, 1999; Dahlsrud, 2008; Garriga & Mele, 2004; Vo, 2011). The definition of CSR is closely associated with economic development, cultural and contextual situations (Crane & Matten, 2007), and is expected to change in accordance with the changing needs and expectations of the markets and society (Werther & Chandler, 2006).

Dahlsrud (2008, p. 7) analyzed 37 definitions of CSR from 1980 to 2003, and identified five recurring themes or CSR dimensions: stakeholder, social, economic, voluntariness and environmental. The definition of CSR proposed by the Commission of the European Communities (EC) in 2011 was the highest ranked: “a concept whereby companies integrate social and environmental concerns into their business operations and in their interactions with their stakeholders on a voluntary basis”. The central concept of this definition is to promote responsible business practices by integrating concerns for broader society, environmental protection and the interests of different stakeholders in the course of conducting business, and that these practices should be above and beyond legal requirements and carried out on a voluntary basis. This definition, adopting an integrated and multi-dimensional conceptualization of CSR, is set to target all types of companies, regardless of size within the European Union countries.

A typical example of how definitions evolve in accordance with changing market and societal demands and expectations is the change in definitions proposed by the EU in 2001 and 2011. The 2001 definition emphasized that a CSR company is socially and environmentally responsible, and stakeholder oriented; ten years later, the Commission of the European Communities (2011) stresses an organization’s overall impact on society, and the strategic approach of CSR. This reflects a shift in CSR from an ethical approach to a more instrumental or economic approach, which is argued to become the norm in modern business (Carroll & Shabana, 2010; Werther & Chandler, 2006).

Taking into account the historical and theoretical perspectives of CSR, the evolving situations and contexts, together with practical considerations, it is argued that no single definition of CSR will fit all organizations and actors (Carroll, 1999). In practice, organizations, regardless of size, will construct and adopt more specific definitions which match their unique characteristics, company culture and business development cycle (Werther & Chandler, 2006).

SMEs are fundamentally different from large companies in many ways, leading to their understanding of CSR being generally vague and varied (Jenkins, 2004a, 2004b; Sweeney, 2007). SMEs seldom have a formal definition of CSR (Jenkins, 2006; Lee et al., 2012; Murillo & Lozano, 2006). As stated earlier, the definition used for this research is adapted from Caskta et al. (2004), and enhanced by adding “on a voluntary basis” to highlight the voluntariness dimension of CSR (Dahlsrud, 2008):

*CSR is defined as a concept to run organizations profitably yet in a socially and environmentally responsible way, on a voluntary basis, in order to achieve business sustainability and stakeholder satisfaction.*

This definition aligns with the present research and is suitable for this study for four major reasons. First, the different CSR conceptualizations, such as ethical, rational and economic perspectives, are becoming more integrated in order to reflect the complexity and totality of the issue, and this definition adopts a multi-dimensional perspective of CSR (Garriga & Mele, 2004). Second, this definition serves as both a means and an end. It characterizes CSR as a concept and also a business strategy for achieving business sustainability and stakeholder satisfaction through balancing the needs of stakeholders and concern for profits, society and environment in an ethical and responsible way (Elkington, 1998), embracing the major CSR dimensions, including the “voluntariness dimension”, contained in most of the widely adopted definitions of CSR in Dahlsrud’s (2008, p. 5) study. Third, combining the ethical and economic view in business is in line with the values and beliefs of many SME owner-managers (Jenkins, 2004a, 2006; Spence, 1999; Spence & Rutherford, 2003), since most SMEs are concerned with their survival and business growth (Murillo & Lozano, 2006). Fourth, SMEs are often cited as feeling disconnected in the CSR agenda due to the language used (Murillo & Lozano, 2006; Spence, 1999; Spence & Rutherford, 2003). This definition is considered to be tailored for SMEs in terms of simple and direct language, making it more comprehensible and practical for them.

### **2.2.3 Management and communication of CSR practices**

CSR progressed from ideology to reality and is now an important dimension of business practices, and since the turn of the millennium, as mentioned earlier, both academia and

the corporate world have directed more attention to operationalizing and implementing the CSR concept (Lindgreen et al., 2009). Ideally, CSR management should be integrated into all aspects of the organization (Jonker & de Witte, 2006b). CSR programs can occur in a variety of areas: the five broad recurring CSR dimensions identified by Dahlsrud (2008) (see Section 2.2.2). In addition, Welford (2005) identified 20 elements of CSR that are written into the policies of corporations across 15 countries and which fall into four overall groups: internal aspects, external aspects, accountability and citizenship. CSR must be managed within an organization via processes (Maon et al., 2009), for it is through strategic planning, coupled with the right structure, people and corporate culture in addressing different issues and relationships, that the vision of CSR can be achieved (Jonker & de Witte 2006a). CSR can be seen as a change process (Were, 2003) as it demands new sets of organizational competence and corporate culture in order to be integrated into business operations. New structures, new attitudes and new skills are required to understand and actually manage the new relationships with different stakeholders and the related social and political issues affecting the organization. Since companies now need to understand the critical social issues that are impacting society and business, managers must identify the CSR issues for which the company should be responsible (Jonker & de Witte, 2006a). Different lenses are required to help managers identify and follow through a set of management processes, as proposed by Bolman and Deal (2013, p. 309): “strategic planning, decision making, reorganizing, evaluating, approaching conflict, goal setting and communication, as well as motivations”. Although CSR is seen as an area of management expertise, Blowfield and Murray (2011) argue that CSR is multidimensional and so any single idea of how to manage CSR may lead to a restricted view.

As discussed earlier, the stakeholder management approach is one of the most popular in operationalizing CSR concepts (Carroll, 1999; Frynas & Yamahaki, 2013; McWilliams et al., 2006). An ideal stakeholder approach would involve identifying critical social issues that the organization should be addressing, planning CSR programs, then implementing and evaluating them, with concerned stakeholders being actively involved (Carroll, 1999; Frynas & Yamahaki, 2013; Morsing & Beckmann, 2006). As indicated above, implementation of CSR could be considered a useful change process in organizations because the different stages of CSR development will bring changes to the structure and processes of the company (Maon, Lindgreen & Swaen,



2009). If CSR management is to be effective and create value for the organization and its various stakeholders, the internal values of the organization should be closely aligned with its business strategy, so that CSR becomes a built-in core activity instead of an add-on program (Jenkins, 2009; Porter & Kramer, 2011).

CSR communication is considered an integral part of CSR management (Ihlen et al., 2011; Pollach et al., 2012), yet studies of CSR communication are rare. Ihlen et al. (2011, p. 4) noted that, even when communication is mentioned in some CSR literature, the ideal of communication is often “ill-defined and vague” in promoting the need to engage stakeholders in dialogue. While CSR has become an international agenda after 60 years’ conceptualization and practice, debate and discussion, the topic of CSR communication has only gained significant attention in academic literature and practice since the turn of the millennium (Golob et al., 2013). Recent years have seen an increase in published CSR or sustainability reports (KPMG, International, 2013). In a review of over 11,000 CSR communication papers published in scholarly journals, Golob et al. (2013, p.181) identified three main themes: disclosure/accountability process, and outcomes/consequences.

CSR communication is an important part of CSR management, as it is through effective communication with different stakeholders that a company can better achieve its CSR aims and gain strategic benefits from its CSR activities, yet some studies reveal that awareness of a company’s CSR efforts among its internal and external stakeholders is typically low (Du et al., 2010). Many authors argue that effective CSR communication through systematic and strategic approaches, and focusing on authenticity can positively enhance corporate reputation, build trust (Morsing & Beckman, 2006; Podnar, 2008) and facilitate sharing of best practice, thereby helping the overall development of CSR (Ihlen et al., 2011).

Most existing CSR communication models and practices are instrumental, adopting a more traditional and technical approach to achieve organizational effectiveness (Golob et al., 2013). The instrumental CSR communication approach holds that a company can attain long-term business sustainability through practising CSR and strategic CSR communication (Du et al., 2010), but it will be vulnerable if it is not perceived to be a responsible company by its major stakeholders (Morsing & Beckman, 2006; Werther and Chandler, 2006). According to Golob et al. (2013), the traditional instrumental or

functionalist perspective of CSR communication is used as a tool to enhance a company's identity and reputation and becomes merely an add-on function, and for CSR communication to be fully effective, it should be integrated as a core part of CSR practices. The authors proposed a 'constitutive' approach to CSR communication, which holds that the company should interact and connect with its stakeholders in an attempt to negotiate and discuss CSR programs, regardless of whether or not consensus is reached. This 'constitutive' approach states that more concern should be placed with how organizations interact and connect with stakeholders, with the objective of negotiating and discussing CSR projects and activities to achieve mutual understanding, and dealing with CSR processes from an "intra- and inter-organizational development perspective" (Golob et al., 2013, p. 179).

Consistent with CSR theories and practice, CSR communication is traditionally the province of large companies (Du et al., 2010). SMEs, which normally operate under a simple structure with limited shareholders, are not exposed to the same level of reputational risk as large companies. Studies of CSR communication in SMEs are scarce. However, Nielsen and Thomsen (2009a), studying the attitudes and beliefs of Danish SME middle managers, found that CSR in SMEs is considered to be mostly an ethical and moral issue, rather than being treated as a strategic communication process related to public relations or reputation management; however, in practice, SMEs are actively communicating with their different stakeholders in the course of business.

CSR is entering into another phase of development, with discussion shifting from defining CSR to managing CSR, in which CSR communication is an important element (Du et al., 2010). There is a distinct knowledge gap as to how CSR is conceptualized and managed in SMEs, and this is discussed in the following section.

## **2.3 CSR in SMEs**

### **2.3.1 Overview**

As highlighted above, CSR has traditionally been the province of large corporations, even though SMEs make up some 90% of the enterprises in most economies and account for 50-60% of employment in enterprises around the world (UNIDO, 2002). Clearly, the contribution of SMEs to the social and economic development of local and

global economies cannot be ignored, and there is an urgent need to engage them in the CSR agenda (Jenkins, 2004a; Kechiche & Soparnot, 2012; Spence & Rutherford, 2003; Vives, 2006). Moreover, the innovation and growth potential of SMEs should not be underestimated (Hockerts & Morsing, 2008; Jenkins, 2009; Nooteboom, 1994), yet researchers and policymakers often underestimate the combined impact of SMEs' CSR engagement (Morsing & Perrini, 2009; Spence, 1999).

Many SMEs are motivated, challenged and engaged in CSR issues in many different ways, equal to or even exceeding many large firms (Jenkins, 2004a, 2004b, 2006; Morsing & Perrini, 2009; Murillo & Lozano, 2006). Since SMEs are not merely small versions of large companies (Jenkins, 2004a, 2004b), the methodology, tools and strategies of CSR used in large companies cannot be simply adapted and implemented by SMEs; instead, a new interpretation of CSR needs to be developed, with a more tailored perspective on CSR management for SMEs (Jenkins, 2004a, 2009; Spence, 2007; Morsing & Perrini, 2009).

Fortunately, academics, governments and practitioners are now importantly paying increasing attention to understanding the principles and practices of CSR in SMEs (Castka et al., 2004; Grayson, 2004; Jenkins, 2004a, 2004b; Kechiche & Soparnot, 2012; Perrini, 2006; Russo & Tencati, 2009; Spence, 1999, 2007; Spence & Rutherford, 2003). Nonetheless, the topic has emerged only recently in mainstream academic research and the literature is still fragmented (Kechiche & Soparnot, 2012; Spence & Rutherford, 2003). As mentioned earlier, a key part of this is recognizing that effective CSR management hinges on SMEs adopting appropriate CSR communication strategies and practices. Yet CSR communication has received a disproportionately limited study focus, and discussion on the topic has just recently started to grow recently (Golob et al., 2013). Literature on CSR communication related to SMEs is even more scarce (Nielsen & Thomsen, 2009a; Pang et al., 2011).

Although studies on CSR in Asian SMEs are scarce, research from the UK and Europe provides some insights. This section reviews the salient literature related to SMEs and CSR in SMEs, and is structured as follows. Section 2.3.2 discusses definitions of SMEs, and sections 2.3.3 and 2.3.4 outline their typical characteristics and significance, respectively. The discussion then turns to various aspects of CSR in SMEs. Section 2.3.5 provides a foundation by examining previous research into CSR in SMEs. Section

2.3.6 then looks at how CSR is defined and practised by SMEs, and Section 2.3.7 elaborates on the variety of SME stakeholders. The subsequent sections deal with some of the practical aspects of CSR in SMEs: CSR management and communication (Section 2.3.8), various drivers of CSR (Section 2.3.9) and barriers and challenges to CSR (Section 2.3.10). Finally, Section 2.3.11 turns the focus to SMEs in Hong Kong, the context for this study.

### **2.3.2 Definition of SMEs**

Defining small business is always difficult and sometimes controversial, given there is no universally agreed definition as to what constitutes an SME. In addition, SMES represent a wide diversity of businesses across different economies, ranging from a single entrepreneur or craftsman to a manufacturer exporting to international markets (Stokes & Nicholas, 2006). SMEs can be defined both qualitatively and quantitatively. Across governments, it is most common to use the number of full-time employees as a major parameter to define SMEs. Some governments also include other financial parameters such as turnover, balance sheet or paid-up capital, despite most SMEs considering financial data such as turnover and assets as proprietary information (Allen Consulting Group (ACG), 2008).

According to ACG (2008), the European Commission defines SMEs as entities with fewer than 250 employees, an annual turnover of less than 50 million euros, and with more than 25% owner-managed, whereas Australia defines SMEs as employing fewer than 200 people (ACG, 2008). In Asia, Singapore defines SMEs as organizations employing fewer than 250 people, with over 30% local ownership and fixed assets of no more than US\$9.86 million (Lee et al., 2012). Taiwan defines SMEs as having fewer than 200 employees, with different thresholds in turnover and paid-up capital for different sectors (Hsu & Cheng, 2012), and China's definition of SMEs varies significantly across industries in terms of turnover and balance sheet threshold, with employee numbers ranging from 20 to 1,000, and different revenue threshold, depending types of industry (China Briefing, 2011). In Hong Kong, the government defines SMEs in terms of the number of people employed, a figure lower than in some other countries, with the government making no distinction between micro, small and medium enterprises. SMEs in Hong Kong are manufacturing enterprises with fewer

than 100 employees and non-manufacturing enterprises with fewer than 50 employees. Manufacturing enterprises are those companies that either have direct manufacturing facilities in Hong Kong or operate factories in other parts of the world (Hong Kong Trade and Industry Department, 2015).

### 2.3.3 Characteristics of SMEs

SMEs are often characterized as privately owned businesses that are managed by their owner or entrepreneur, and are a group of heterogeneous size and working structure (Stokes & Nicholas, 2006). There is little distinction between management and ownership, and multitasking within the organization is common (Gibb, 2000). SMEs are oriented mainly towards solving day-to-day problems, where relations and communication are mostly informal, and interpersonal relationships are considered important. SMEs are highly interrelated with their environment or communities in which they operate, and often act as suppliers to larger companies, in which case they are subject to market dynamics determined by large enterprises (Murillo & Lozano, 2006).

It is argued that power is more evenly distributed in larger organizations amongst the managers of various departments, whereas in SMEs the owner generally has a major influence on most strategic decisions (Spence, 1999). The personal values and beliefs of the SME owner-manager therefore have a profound influence on CSR engagement within the company (Spence, 1999; Jenkins, 2006; Murillo & Lozano, 2006). SME owners' major motivators in business are self-security and personal challenge, and the personal characteristics of the entrepreneur play a crucial role (Quinn, 1997). For example, as one's reputation is crucial in sustaining one's business, SME owners are motivated to behave ethically in order to build trust to stay in business (Vyakarnam et al., 1997).

SME leaders are often characterized as being particularly sensitive to CSR activities in relation to their immediate stakeholders such as employees, customers and suppliers (Lepoutre & Heene, 2006). Owner-managers see themselves as providers of employment and services, which is a type of responsible practice (Jenkins, 2006), with CSR often viewed as giving something back to society instead of just entirely focusing

on shareholders' interests. Owner-managers are argued to have a powerful influence in setting the tone for CSR in their organizations, both internally and externally (Jamali et al., 2009; Jenkins, 2006; Murillo & Lozano, 2006). Several studies have highlighted that SMEs are not small versions of large firms (Jenkins, 2004a; Vo, 2011); and there is general agreement in the literature that SMEs have distinct characteristics that are fundamentally different from large companies, including size, structure, management approach, resources, business planning orientation, markets and stakeholders (Gibb, 2000; Jamali et al., 2009; Jenkins, 2004a; Spence & Rutherford, 2003).

Structurally, SMEs are often characterized as operating under an informal structure, with major decisions based on the owner's personal judgement and intuition (Gibb, 2000; Spence & Rutherford, 2003). They mostly operate close to their community, and are largely dependent on internal sources to finance growth (Spence, 1999; Spence & Rutherford, 2003; Vyakarnam et al., 1997; Russo & Tencati, 2009). They are generally short of resources such as finance, human resources, time, technology and market information, and are often operating in resource poverty (Gibb, 2000; Lepoutre & Heene, 2006). Culturally, Gibb (2000) has compared and contrasted corporations and SMEs along 14 dimensions (Table 2.1). Jenkins (2004a) observed that those characteristics associated with SMEs relate more to personal judgment and motivation, intuition and trust, while those associated with large companies mainly involve strategy, procedures and results.

SMEs typically have a much smaller stakeholder base than that of large organizations, and they are subject to lower exposure of risk due to simple stakeholder structure and their sensitivity to market (Gibb, 2000; Jenkins, 2006; Murillo & Lozano, 2006). SMEs often view people as important to their companies, which might affect how they approach CSR and stakeholder management, resulting in a more personal approach in their relationship with stakeholders. Many of them demonstrate a stronger sense of personal involvement with stakeholders, regarding their relationship with customers and suppliers as more long-term, an approach that leads to social integration with the community. This personal approach to stakeholder management is well supported in the literature (Jenkins, 2006; Spence & Schmidpeter, 2003). Jamali et al. (2009, p. 366) argue that SMEs have a special relational attribute, where customers are the "lifeblood" of their companies, employees are an "extension of the family" and the community is an "integral host/supporter".

**Table 2.1: Cultural difference between corporate and small business**

<b>Corporate (looking for)</b>	<b>Small Business (as being)</b>
1. Ordered	Untidy
2. Formal	Informal
3. Accountability	Trusting
4. Information	Personal observation
5. Clear demarcation	Overlapping
6. Planning	Intuitive
7. Corporate strategy	“Tactically strategic”
8. Control measures	“I do it my way”
9. Formal standards	Personally monitoring
10. Transparency	Ambiguous
11. Functional expertise	Holistic
12. Systems	“Freely”
13. Positional authority	Owner-managed
14. Formal performance appraisal	Customer/network exposed

Source: Gibb (2000, p. 17)

Some studies have found that SMEs are not aiming only for maximum profit; instead, they feel a strong moral obligation to society and hence adopt a social priority approach (Spence & Rutherford, 2000). It is argued that the unique characteristics of SMEs – flexibility, higher efficiency, and innovativeness in responding to the market competition – are inherently conducive to CSR practices (Jenkins, 2004a).

#### **2.3.4 Significance of SMEs**

SMEs are recognized as contributing in many ways to economic and social development, with their collective size providing dynamics and stability in the economy, employment and quality of life in general. They are also important drivers of social cohesion (Nooteboom, 1988). As mentioned earlier, globally, they account for the largest number of companies in most developed countries. According to the Asia-Pacific Economic Cooperation (APEC, 2015), SMEs accounted for over 97% of all

enterprises and employed over half of the workforce across the APEC economies in 2015. They contribute significantly to economic growth, and their share of GDP is 20–50% in the majority of APEC economies. These statistics affirm the global significance of SMEs in providing employment, acting as growth engines for innovation and product development, and serving as a foundation for the development of larger companies (Morsing & Perrini, 2009).

In the context of CSR, SMEs make a large collective contribution in terms of social and environmental impacts (Jenkins, 2004a), but this contribution is often underestimated in CSR research and by policy-makers (Morsing & Perrini, 2009). In Asia in particular, where SMEs are considered the backbone and engine of economies, studies of CSR in SMEs are just starting to increase (Hsu & Cheng, 2012; Lee et al., 2012). In view of the growing significance of SMEs in economic and social development worldwide, the need for both more CSR engagement and research on the topic is imperative (Jenkins, 2004a; Lepoutre & Heene, 2006; Neilsen & Thomsen, 2009b; Spence, 2007).

### **2.3.5 Research on CSR in SMEs**

To date the study of CSR in SMEs has been limited, fragmented and inconsistent (Kechiche & Soparnot, 2012). Research of the CSR-SME relationship has come from different disciplines such as ethics, small business, social responsibility, entrepreneurship, and economic and social development (Moore & Spence, 2006), making it difficult for development of a coherent theory. Since SMEs are heterogeneous in size, resources, management style and personal relationships (Gibb, 2000), it is harder for them to adopt a more standardized approach to CSR than it is for large firms (Russo & Tencati, 2009).

Several empirical studies indicate that the uptake of CSR in SMEs is low (Pang et al., 2011; Pang, 2007), while several authors argue that most small businesses have some sort of responsible practices in place, although they may not necessarily be called CSR (Jenkins, 2004a; Lee et al., 2012). The majority of the literature and best practice research comes from the UK and Europe (ACG, 2008), with research on CSR in SMEs in Asia still in its infancy (Hsu & Cheng, 2012; Lee et al., 2012). In Europe, for example, studies of CSR in SMEs have increased following the active promotion of



CSR to different sectors by the UK government and European Commission since the late 1990s. The realization of the significance and uniqueness of SMEs in the CSR movement provided SMEs with some guidance and tools, enabling them to implement and report on their CSR practices more effectively (Castka et al., 2004). Empirical studies on CSR in SMEs have still tended to focus on good examples of ethical practice by SMEs, often drawn from the large firms' perspectives, while understanding of how SMEs manage CSR in the organizational setting is limited (Kechiche & Soparnot, 2012). Research on the topic in Hong Kong and other Asian countries is particularly scarce (Hsu & Cheng, 2012; Lee et al., 2012). Yet there is a certain level of commonality in SME-CSR relationships across studies in different countries, and so the literature on CSR in SMEs has been reviewed for the current research.

An oft-cited study, investigating how CSR-award winning SMEs in the UK championed CSR found that, rather than the company having a formal definition of CSR, CSR was considered an "all embracing idea" (Jenkins, 2006, p. 245), reflecting SMEs' awareness and willingness to create a positive impact on their stakeholders while conducting business. Many UK CSR winners translated the concept of CSR into specific programs related to their business, although these programs were not described as CSR. On CSR practices, most CSR programs were related to employee wellbeing, while other programs centred on environmental protection, supply chain responsibility and community involvement. The CSR winners in Jenkins's (2006) study adopted varying CSR approaches and were at different stages of CSR development, from ad hoc, to all CSR activities, to developing a CSR strategy. In their study of Italian SMEs, Murillo and Lozano (2006) found that the SMEs understood the concept of CSR as precise practices, with various motivations to engage in CSR ranging from ethical consideration to business benefits.

Some authors argue that SMEs often face difficulty in obtaining finance, which may slow their growth or even their survival and, as a result, their long-term view of their business and their intention to commit to CSR practices may be affected, resulting in an ad-hoc CSR approach (Jamali et al., 2009; Jenkins, 2006). Others argue that SMEs are more concerned with the long-term development of their company than with short-term profit (Fassin, 2008) as owner-managers possess the power to decide on the business orientation of their companies. Spence (2000) supports the view that both profitability and non-profit goals in SMEs are pursued in a long-term vision. Empirical evidence

suggests that SME owner-managers recognize that ethics, openness and trust are crucial in business and in dealing with their stakeholders, whereas formal tools, such as codes, reports and standards are generally lacking (Russo & Tencati, 2009).

One of the problems with CSR studies is that most adopt a Western perspective and, given that Asian values, ideals and culture are unique, previous studies may not fully reflect the phenomenon in Asia nor address the issues faced by Asian countries (Lee et al., 2012). Not surprisingly then, researchers have recently shown increased interest in studying CSR in SMEs in Asia. In a territory-wide study of Singaporean SMEs, Lee et al. (2012) found that the companies showed relatively high awareness of CSR but expressed a vague understanding of what CSR actually embraces. The respondents identified certain activities which they considered to belong to CSR, with the top three areas being helping local communities, caring for the environment and ensuring safety standards. It was concluded that SMEs in Singapore loosely defined CSR as activities with ethical motives and as a way to improve profits. With regard to actual CSR activities, providing quality products or services, ensuring safety standards, and providing training opportunities to staff, were the top three cited, reflecting that Singaporean SMEs focus more on CSR practices directly related to their business. The authors noted a possible bias arising from studying Asian companies using a Western perspective and research methodologies. Assessing CSR commitment in Asian countries is often through content analysis of websites, annual publications or internal reporting (Chapple & Moon, 2005), and even though SMEs may engage in CSR activities, their generally informal nature means that social or sustainability reports are often lacking (Jenkins, 2004a; Lee et al., 2012; Nielsen & Thomsen, 2009a).

Hsu and Cheng (2012) studied Taiwanese SMEs in the manufacturing industry, and found that CSR tended to be considered as a series of ethic activities, with a huge gap between awareness and actual implementation. The top three CSR activities were recycling and waste management, energy and carbon management, and customer management, which reflected the common characteristics of creating stakeholder benefits, reducing costs and risks. Consistent with most reports in the literature, Taiwanese SMEs were practising CSR without actually naming it as such, and it was neither strategic nor profit-driven. The CSR management was mostly planned and conducted on an ad-hoc basis without full-time staff, there were no tools to incorporate CSR in internal management, no communication framework to disseminate information

about their CSR performance, and stakeholder engagement was absent. They concluded that the main drivers of CSR were the managers' personal and moral values, personal support, and the company culture. On the other hand, barriers to CSR engagement in Taiwanese SMEs included lack of resources and guidance, and compliance costs.

In China, as is also the case in Western countries and Asia, CSR is often described by referring to specific company programs, such as employee training, job creation, product and service quality, and environmental sustainability (Liu & Fong, 2014). Liu and Fong (2014) examined 208 Chinese SMEs and found that the SMEs tended to have a lower level of aggregate commitment to CSR in their core functions and business activities because of financial and resources constraints, and that the main driver was economic benefit, although the study did not establish a link between CSR and a business case.

As revealed in the literature, studies related to CSR in SMEs are still limited and fragmented, particularly in Asia, where the focus is still at an exploratory stage. How CSR is defined is often the first and most important question in research, because the commitment and management of CSR will depend largely on how the CSR concept is defined within the company. The following section examines SMEs' perception of CSR.

### **2.3.6 CSR definition and practices in SMEs**

As discussed earlier, there is no universally agreed definition for CSR – the meaning of CSR varies according to different organizational contexts and values, and there are considerable differences among countries as well (ACG, 2008; Liu & Fong, 2014). In addition, CSR evolves over time as a result of changing expectations of both the market and society (Crane & Matten, 2007; Werther & Chandler, 2006). Against this backdrop, seeking a clear definition of CSR for SMEs is even more difficult, because SMEs themselves are very heterogeneous.

SMEs tend to engage with CSR at different levels (Murillo & Lozano, 2006), adopting diverse CSR approaches, from ad-hoc to strategic, and varying according to stages of CSR development (Jenkins, 2006). Most SMEs tend to demonstrate their understanding of the CSR concept by describing their company's responsible practices. How SMEs

define CSR is closely related to the owner-manager's values and beliefs (Jenkins, 2006; Murillo & Lozano, 2006; Sweeney, 2007), as the owner-manager determines how CSR is conceived and practised in the company.

Most studies are consistent in reporting that SMEs often lack a formal definition in CSR, and more focused on the operational activities of CSR, related to social and environmental aspects (Kechiche & Soparnot, 2012). In the Asia Pacific, consistent with their UK and European counterparts, Australian SMEs describe their CSR activities in practical terms such as recycling; having a positive presence in the community and occupational and health safety procedures (ACG, 2008). SMEs in Singapore demonstrated a vague understanding of what CSR actually embraces (Lee et al., 2012), whereas Hsu and Cheng (2012) found that manufacturing SMEs in Taiwan tended to consider CSR as a series of ethical activities, and there was a huge gap between CSR awareness and actual implementation of CSR activities.

The language used for CSR seems to be an over-arching issue for SMEs in Western countries (ACG, 2008). Many SMEs feel uncomfortable with the terms “CSR” and “corporate”, which are perceived as terms more related to government and global business, making SMEs feel irrelevant and ignored (Jenkins, 2004). Alternative terms – such as “responsible entrepreneurship”, “responsible business practices”, “responsible competitiveness” and “sustainable business” – have been proposed, but “CSR” is still the most common term used by government, academics and the business sector (Carroll, 1999; Commission of the European Communities, 2001, 2011).

Larger SMEs often demonstrate a higher level of understanding of the CSR concept, and are more sophisticated in aligning the concept with their business operations (Jenkins, 2006; Lepoutre & Heene, 2006). However, contrary to the traditional view that CSR in SMEs is normally informal, Russo and Tencati (2009) compared large firms and SMEs in Italy and found that micro-firms were practising CSR strategically to save costs, by reducing consumption and pollution, and supporting initiatives that encourage stakeholder engagement.

### **2.3.7 SMEs' stakeholders**

Studies show that SMEs are concerned about their stakeholders, an attitude that comes naturally and is usually embedded as an integral part of their business (Jamali et al., 2009; Spence, 2000), although they may not always fully understand how a sophisticated stakeholder theory works. Some authors argue that theoretical models of the relationship between large firms and CSR, such as the stakeholder theory, are complex and ideal for large firms, and they may not be able to explain the relationship between CSR and SMEs fully (Jenkins, 2004a; Perrini, 2006). However, all businesses have stakeholders, and it is argued that effective stakeholder management may help reduce business risks and improve a company's overall social responsibility, including SMEs who are closer to their stakeholders (Murillo & Lozano, 2006).

SMEs' most common stakeholders reported in the literature are consistent: employees, customers, suppliers and shareholders (Jenkins, 2006; Lepoutre & Heene, 2006), and some include community and environment (Jenkins, 2006; Sweeney, 2007). Unlike large companies, SMEs seldom have a formal policy or strategy for managing competitors, and a usual way of connecting with them is through membership of business associations (Jenkins, 2004a; Murillo & Lozano, 2006). They tend to be more sensitive to stakeholders directly related to their business such as employees, customers and suppliers, with CSR activities more geared towards these stakeholders (Jenkins, 2006; Lepoutre & Heene, 2006; Spence, 2000). Since larger business customers along the global supply chain also face market demand to practise CSR and behave responsibly, consequently, they also require that their suppliers, including the SMEs, comply with certain codes of conduct, such as product safety and workers' human rights (Castka et al., 2004; Kechiche & Soparnot, 2012).

### **2.3.8 CSR management and communication in SMEs**

As discussed above, because SMEs are often informal and unstructured, their general business management approach tends to be non-strategic, with an unclear division of labour, cross-functional, multitasking, and internal administration and record keeping are informal (Gibbs, 2000, Spence, 1999). CSR management is mostly driven by the owner-manager and it is uncommon for SMEs to have dedicated personnel or a

department to handle CSR (Jenkins, 2004a; Morsing & Perrini, 2009; Murillo & Lozano, 2006). CSR or sustainability reports in SMEs are also uncommon (Fassin, 2008; Spence & Rutherford, 2003).

Jenkins (2004a) argued that the informality of CSR in SMEs is because they do not need to manage the risks and brands like that of large companies and, as a result, SMEs are less subject to consumer pressure and the risk of damage to their reputation. The use of CSR instruments, such as having a code of conduct, is less common in SMEs than in large companies, with SMEs practising “sunken” CSR (Perrini, 2006, p. 312). On the other hand, Russo and Tencati’s (2009) empirical study of over 3,000 companies in Italy found that large companies seldom try to integrate their CSR strategies into their management systems, comprising formal and structured strategies, whereas SMEs tend to commit to CSR strategies in order to improve their financial performance. Similarly, Castka et al. (2004) found that SMEs were strategic in adopting tangible environmental management systems such as ISO14000 to operationalize their ideals of CSR. Indeed, SMEs’ strategic planning and resource management could be made more effectively by integrating management systems such as ISO9001 and ISO14000. This approach would lead to better financial results and help overcome SMEs’ suspicion that CSR is impractical and unrealistic (Castka et al., 2004).

Spence and Rutherford (2000) interviewed 24 SMEs in an attempt to distinguish SMEs’ different orientations and management approaches towards CSR. They proposed that those who adopt an inactive approach to CSR are more likely to prioritize survival or profit maximization, while SMEs who actively pursue CSR are more inclined to be socially conscious, adopting an ‘enlightened self-interest’ orientation believing that doing good will result in good outcomes. Hoivik and Shanker (2011) have proposed three approaches for implementing CSR management: top-down, bottom-up and participatory. With a top-down approach, CSR is initiated, defined and implemented by management, with employees playing a limited role. With the bottom-up approach, employees play an active role in the definition and implementation of CSR. When a company adopts a participatory approach, management provides strong motivation in the form of vision and values, such as organizational identity, while employees implement these values, realizing the goals and continuously improving processes or practices.

Hoivik and Melé (2009) conducted a case study of a Norwegian CSR award-winning company, and concluded that the main driver for an SME to practise CSR is more than societal expectations; it relates to the SME's moral and ethical principles. Such SMEs adopt an "implicit CSR", which refers to how companies are concerned with society's interests within the wider formal and informal institutions. This approach contrasts with "explicit CSR", which refers to taking up social responsibility beyond regulatory or customary requirements.

Research focusing on CSR measures implemented by SMEs is limited and can be categorized into three types: internal or external social dynamics and environmental dynamics (Kechiche & Soparnot, 2012). The first type focuses on internal CSR measures such as staff development, improving working conditions and implementing health care and security measures. The second type relates to external social measures, such as developing networks, professional development and social integration. The third type focuses on environmental protection and includes measures such as reducing energy consumption.

Studies of CSR communication in SMEs on a global basis are scarce. SMEs in Western countries are mostly informal and internally rather than externally focused, and social or sustainability reports are often lacking, although SMEs may engage in certain CSR activities (Fassin, 2008; Spence & Rutherford, 2003). Nielsen and Thomsen's (2009b) classic studies of Danish SMEs found that they tended to adopt an inside-out approach to CSR, with a strong emphasis on the internal dimension. Only 36% of the SMEs had engaged in external communication of their CSR activities, which about half did in an ad-hoc manner, without a communication policy. Notwithstanding their low interest in external CSR communication, the SMEs believed that their stakeholders should be aware of their values and ethical behaviour, even though CSR was not formally communicated. This suggested the existence of an informal communication channel between the SMEs and their stakeholders (Pang et al., 2011). They also found that middle managers tended to isolate strategic communication (including public relations and reputation management) from their CSR practices, missing the opportunity to gain competitive advantage through effective CSR communication. The authors argued that SMEs should respond to future market changes and stakeholder expectations by formalizing their CSR communication management while sustaining their "authentic, personalized and emotional approach to CSR" (Nielsen & Thomsen, 2009a, p. 91).

A reluctance to publicize the company's CSR practices appears to be a common trait of SME owners. Pang et al. (2011) noted that research in Singapore (Lee et al., 2012) demonstrated that SME owners were uncomfortable talking about their CSR activities for fear of being perceived as boasting. This attitude is due mainly to culture, such as Confucianism, which teaches modesty about good deeds, without self-promotion. Due to cultural influence and low exposure risk from public scrutiny, many SMEs may consider formal CSR communication to be "unprofitable, redundant, and a form of boasting" (Pang et al., 2011, p. 301). However, due to heightened market and stakeholders' expectations, SMEs do need to formalize their CSR communication, particularly those involved in global supply chains (Neilsen & Thomsen, 2009a, 2009b; Pang et al., 2011).

### **2.3.9 Drivers of CSR in SMEs**

Numerous drivers, often multiple, can explain SMEs' commitment to CSR, and they are not mutually exclusive. The drivers for SMEs' engagement in CSR are diverse but are commonly similar across countries. They range from personal values and altruism, to responding to stakeholders and market forces, as well as instrumental considerations such as benefits to the business. The predominant driver for an SME to engage in CSR is the owner-manager's personal values (Jamali et al., 2009; Jenkins, 2004a, 2006; Lepoutre & Heene, 2006; Murillo & Lozano, 2006; Spence & Rutherford, 2000): the views and ideals an individual chooses to uphold, determining how that individual lives life, and the actions they take. Some commitment by SMEs to CSR is a result of pressure from the market or stakeholders (Seidel et al., 2008). SME leaders are often particularly sensitive to how the most influential stakeholders view the company's CSR activities, such as employees, customers and suppliers (Lepoutre & Heene, 2006) and many of them are often willing to support fellow partners' livelihood. Such expression of civic engagement in the local community embraces honesty and trust, reflecting owners' personal values and beliefs (Spence, 2000). On the other hand, some studies show that pressure from stakeholders such as investors and customers is not an important factor in the decision to practise CSR (Jenkins, 2004a). For example, unlike large companies, SMEs are not subject to pressure from their investors to achieve short-term return, and so are more flexible in investing in relationship with people (Kechiche



& Soparnot, 2012). Pressure from stakeholders or the market is therefore not conclusively a driver in the uptake of CSR in SMEs.

In a study of Asian supply chains, Welford and Frost (2006) noted that the external dimensions of CSR practices for large listed companies tend to be related to their supply chain, particularly to do with environmental and labour issues. They argued that, as large companies start to rationalize their supply chains, they tend to source from larger companies with capacity and proven track record to implement CSR because of their more established management structures and systems. Consequently, Asian SMEs that cannot keep up with CSR management may be removed as suppliers for these global customers, and may even be driven out of business. Arguably, SMEs along the global supply chain feel direct pressure to understand and improve CSR management, in order to stay in business.

Another important driver relates to the business case for CSR, or taking an instrumental view (Garriga & Mele, 2004). The notion is that if businesses adopt CSR practices, they will gain immediate or long-term benefits of sustainability and profitability for their companies, (Carroll & Shabana, 2010; Jenkins, 2009; Porter & Kramar, 2006; Russo & Tencati, 2009), such as improved relationships with internal and external stakeholders, enhanced staff and customer loyalty (Lee et al., 2012; Jenkins, 2006), competitive advantage through differentiation, possibilities for innovation (Jenkins, 2009; McElhaney, 2008; Porter & Kramer, 2006), and gaining social capital through supporting the local community (Russo & Perrini, 2010; Spence et al., 2004). Through careful management of CSR practices in using less harmful products or materials, for example, an SME can reduce wastage and secure cost savings, and gain a better reputation as a responsible company (Kechiche & Soparnot, 2012).

However, there is still no consensus on whether CSR actually increases a company's competitive advantage. Jenkins (2004) has outlined the main components of a business case: stakeholder management and engagement, risk, reputation and consumer pressure, employee motivation and retention, and financial performance gains. Findings on whether companies undertaking CSR generate better financial results are not conclusive. Some argue that, by practising CSR, companies become more sustainable in their business, which delivers better results, an argument supported by industry reports or social indexes (Castka et al., 2004). Others cite the lack of substantial evidence that

CSR companies outperform other companies. Jenkins (2004a, 2004b), for example, believes the business case notion is developed from research on large companies and the extent of its relevance to SMEs is debatable. In Asia, more recent studies in Taiwan (Hsu & Cheng, 2012) and China (Liu & Fong, 2014) also failed to establish a positive correlation between CSR and business results. Spence (2007) pointed out the lack of evidence that CSR brings competitive advantage or financial success and, although some SMEs may emphasize profit maximization, many are more interested in independence and challenge (Spence & Rutherford, 2000).

### **2.3.10 Barriers to adoption and implementation of CSR in SMEs**

Researchers have identified three major obstacles to successful implementation of CSR practices by SMEs: owner-managers' scepticism of CSR, lack of knowledge and resource constraints (ACG, 2008; Lee et al., 2012; Hsu & Cheng, 2012; Lepoutre & Heene, 2006; Spence, 1999). Some SME owner-managers remain sceptical about the possible benefits of CSR practices, and are therefore not willing to go beyond what is required by law (Lepoutre & Heene, 2006; Kechiche & Soparnot, 2012). Moreover, the perception that SMEs' social power is more limited than that of large enterprises is also a barrier (Peterson & Jun, 2009). Since business survival is still regarded as the major concern for many SMEs, some SME leaders consider that CSR is not their responsibility, while others hold the view that their contribution to social and environment impacts would not be significant (Lepoutre & Heene, 2006; Peterson & Jun, 2009). Some SMEs are suspicious of governments' attempts to push through the CSR agenda among SMEs, particularly the government bureaucracy, required measurement and reporting procedures (AGC, 2008), and some SMEs may consider such efforts distract them from their core business.

Another reason for the low uptake of CSR by SMEs is a lack of knowledge about what the CSR concept entails, and how CSR practices are to be implemented (Vives, 2006). Lack of information was also identified as one of the major obstacles to implementing CSR in many countries including Australia, Europe, Singapore and Taiwan (ACG, 2008; Caskta, 2004; Hsu & Cheng, 2012; Lee et al., 2012). Despite many support organizations or intermediary organizations in Europe offering assistance to SMEs to

engage in CSR initiatives, awareness of where to find information on CSR remains low (Kechiche & Soparnot, 2012).

Several studies have identified that lack of knowledge on how to effectively implement CSR practices in the company is another obstacle for SMEs (Maon et al., 2009). Even those SMEs that have implemented some sort of CSR initiatives in their companies seldom carry them out strategically (Hsu & Cheng, 2012; Jenkins, 2006). This reflects an overall lack of professional knowledge to further advance CSR management by integrating it holistically in order to achieve long-term sustainability and business benefits, as discussed above.

SMEs often face more difficulty than large companies when they try to engage in CSR, due mainly to resource constraints (Russo & Tencanti, 2009). They are often characterized as resource poor, and major barriers for SMEs concerned about social and environmental issues are constraints in finance, human resources and time (Jenkins, 2004a; Lepoutre & Heene, 2006). SMEs also often face difficulty in obtaining finance. This may slow their growth or even survival, affecting decision making in taking a long-term view of their business and commitment to CSR practices, resulting in an ad-hoc CSR approach (Jenkins 2006). Consequently, any additional cost required to implement CSR practices is another major barrier for SMEs (Hsu & Cheng, 2012). Often SMEs will not consider CSR favourably if investments are unlikely to be compensated for in terms of cost savings (Kechiche & Soparnot, 2012). On the other hand, some SMEs are argued to be more concerned with the company's long-term development than with short-term profit, and they pursue values other than pure profit in their companies (Fassin, 2008; Spence & Rutherford, 2000). Peterson and Jun (2006) argued that the perception by SMEs that their social power is limited when compared with large companies.

### **2.3.11 The Hong Kong context**

The Hong Kong Government has been promoting sustainable development more actively since the turn of the millennium. It adapted the definition of the World Commission on Environment and Development, in which sustainable development is defined as “development that meets the needs of the present without compromising the

ability of future generations to meet their own needs” (Hong Kong Environment Bureau, 2015). The Council for Sustainable Council (HKSDC) was established in 2003 to advise the government on the promotion of sustainable development that integrates economic, social and environmental perspectives, and facilitates community participation through various schemes. The area covered by the HKSDC is broad, with a major focus on environmental protection, such as the recent municipal solid waste public engagement exercise. The Hong Kong Government does not, however, have a formal definition of CSR. Rather, it describes CSR in the online resource Centre of the Environment Bureau as follows:

*CSR brings the elements of sustainability into the business operations. Sustainable development stresses three fundamental dimensions namely economic growth, ecological balance and social progress; likewise CSR is about how businesses align their values and behaviour with the social and environmental expectations and concerns of stakeholders – not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR is the deliberate inclusion of public interest into the business decision-making process.*

Increasingly, markets and society expect companies to behave more responsibly (CUMBA, 2011). KHSDC promotes CSR as one aspect of sustainable development in Hong Kong by awarding grants to institutions for such promotion to the business sector. The Hong Kong Government has not promoted a holistic CSR concept; rather, different departments promote different dimensions of CSR. For example, the Hong Kong Environment Bureau and the Environmental Protection Department (HKEPD) have set more stringent regulations on air, water and waste management, and provide subsidies to encourage Hong Kong manufacturers with factories in China to aim for cleaner manufacturing. HKEPD also provides numerous labelling schemes to motivate companies to improve their business operations and operate a low-carbon office. The Social Service Department focuses on the social side of CSR, actively providing business with a conscience and providing labelling schemes to reward those companies that care for the community. For example, the “Community Caring Shops” recognition schemes have been created to encourage more local small businesses to utilize their expertise, strength and networks to serve the needy in the community during their business hours or free time. The Support and Consultancy Centre for SMEs, under the Trade and Industry Department, provides support specifically to SMEs through funding

schemes and training to enhance their competitiveness, but it does not focus greatly on CSR.

In the absence of a formal definition by the Hong Kong Government, many different terminologies are used by the business sector, such as “CSR” (Welford, 2005); “corporate citizenship” (Hong Kong Committee on the Promotion of Civic Education, 2007); “Business Sustainability” (Hong Kong Polytechnic University, 2012); and “corporate sustainability” used by large corporations such as Hang Seng Bank, one of the largest local banks in Hong Kong (Hang Seng Bank, 2014). No formal research has investigated the most popular terminology being used in Hong Kong related to CSR, but, based on the terminology used by the leading CSR recognition schemes and organizations, “CSR” would appear to be a widely accepted term in Hong Kong. For example, the largest CSR recognition scheme in Hong Kong, the Caring Company Scheme, emphasizes the role of business in building a cohesive society through “CSR” in its mission:

*... to build a cohesive society by promoting strategic partnerships among business and social service partners and inspiring corporate social responsibility through caring for the community, employees and the environment. (Hong Kong Council of Social Service, 2015b)*

Similarly, “CSR” is viewed as an important way to achieve business sustainability, as highlighted in the mission of the Hong Kong SME Business Sustainability Index (Hong Kong Polytechnic University, 2012):

*Hong Kong SME Business Sustainability Index is compiled by the Sustainability Management Research Centre of The Hong Kong Polytechnic University to promote the understanding and adoption of corporate social responsibility (CSR) as a business model for achieving business sustainability in Hong Kong.*

In addition, “CSR” is also widely used throughout Hong Kong, including in important organizations such as the Hong Kong Stock Exchanges and Clearing Limited (HKEx), which defines CSR in its CSR policy:

*At HKEx, CSR is viewed as a business philosophy that creates sustainable value for shareholders by embracing opportunities and managing risks deriving from economic, environmental and social developments. Our CSR policy defines our long-term approach to specific issues in the four cornerstones: Marketplace, Workplace, Community and Environment, which is instrumental in enabling our business to operate in a sustainable*

*manner. Within each of the cornerstones, core principles and pragmatic objectives provide guidance on practising CSR in our daily operations. (HKEx, 2015)*

For the SME sector, as stated earlier, the Hong Kong Government defines SMEs in terms of the number of people employed: manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees and, as at September 2015, there were over 320,000 SMEs in Hong Kong, accounting for over 98% of the total number of business units and providing about 47% of total employment, excluding the civil service employees (Hong Kong Trade & Industry Department, 2015). Most of the SMEs are in the import/export trade and wholesale industries, followed by the retail industry; together these account for 50% of SMEs in Hong Kong and represent about half of SME employment (Hong Kong Trade & Industry Department, 2015). The majority of Hong Kong SMEs are sole traders, partnerships, family companies and private companies, often operating under a highly personal and centralized management structure, and in a competitive market (Lau, 2007). This study is based on the definition of SMEs used by the Hong Kong Government. Using a formal definition assists in reviewing literature and findings from previous studies related to Hong Kong SMEs.

Academic studies on CSR in Hong Kong are generally fragmented and limited, and focus mainly on large companies. Welford et al. (2008) surveyed large companies and their stakeholders, and found that CSR dimensions such as environment, health and safety, governance, corruption, and human resource management ranked highest when prioritizing CSR activities in Hong Kong. An earlier comparative study on large companies across 15 countries in Europe, North America and Asia indicated that Hong Kong companies are generally reported to lag behind their international counterparts in CSR practices (Welford, 2005), and Chapple and Moon's (2005) seven countries survey in Asia through studying website and CSR/sustainability reports made similar findings. Welford (2005) attributed these findings in Asia to low interest in CSR communication and public disclosure.

Research on CSR in SMEs is even scarcer. Studer et al. (2006) compared the environmental attitudes of SMEs and larger companies, and analyzed key drivers and barriers to adopting voluntary environmental initiatives. They found that SMEs were not keen to deal voluntarily with environmental issues, in two ways. First, this was

reflected by the exceptionally low response rate to their study, compared with similar studies in other parts of the world, and despite samples being chosen from companies with interest in environment issues. Second, almost 80% of the surveyed SMEs stated that they would consider committing to environmental activities only if they were legally obliged to do so. The findings also confirmed earlier studies that reported a low environmental awareness and communication among the majority of Hong Kong companies, regardless of size (Welford, 2005), and that Hong Kong lagged behind other developed countries. Studer et al. (2006) also found that larger Hong Kong companies are more susceptible to the demands of a broad range of stakeholders and, overall, both SMEs and large companies felt minimal pressure from government, clients and the general public, and a general lack of incentive to engage in voluntary environmental initiatives.

In 2007, the largest territory-wide survey on Corporate Citizenship in Hong Kong was conducted by the University of Hong Kong for the government's Committee on the Promotion of Civic Education, aiming at investigating companies' prevailing CSR practices and perception of CSR. A random sample of companies participated, with 10,094 survey forms completed. Although the research objective was not targeting SMEs, over 90% of the surveyed companies were enterprises employing fewer than 20 employees. Therefore, the researcher argued this study was important in shedding light on the then prevailing situation of CSR in Hong Kong SMEs.

The findings showed that many respondents had some sort of CSR practices related to the four CSR dimensions surveyed: ethical practices, minimising negative impacts, social contribution and improving employees' well-being. However, only about 23% were aware of the concept of CSR. The majority of companies (83%) considered it important to have continuing commitment to behave ethically in their business operations; and 76% agreed that implementing CSR would benefit their company in the long run. However, 63% also considered that a company discharges its social responsibility by paying tax. Despite the enthusiasm expressed by most towards CSR, only a small portion of companies had in place a mechanism to oversee the implementation of CSR practices. Pang (2007) concluded that CSR in Hong Kong companies were mostly conducted in compliance with the ethical norms or basic legal measures and, beyond that, companies would only practise CSR when it generated commercial interests. This survey clearly showed the low awareness and uptake of CSR

in Hong Kong companies at that time, but how they actually manage and communicate CSR, the motivations of and barriers to CSR engagement were still largely unexplored.

The MBA students of the Chinese University of Hong Kong investigated people's perception of CSR in Hong Kong. In their 2011 online survey with 351 people, 75% of the respondents believed businesses in Hong Kong were lagging behind developed countries, mainly due to lack of awareness of the topic. Almost half – 44% – indicated an intention to exert influence through their consumption habits, by selecting products from companies which practised CSR. Since the majority of the respondents (70%) were aged below 40 years, and over 90% were university graduates, this finding is significant in reflecting the higher expectation of Hong Kong's young generation towards businesses in practising CSR, and their future buying decisions. This finding confirmed the rising market and stakeholder expectation for businesses in balancing profit maximization and practising social responsibility in Hong Kong.

Two major indexes can also provide some insight into CSR trends in Hong Kong, one for large companies and the other for SMEs. They are the HKQAA CSR Index Plus and HKQAA Sustainability Rating & Research (HKQAA SRR), and the Hong Kong SME Business Sustainability Index (SME Index). As a government agency, Hong Kong Quality Assurance Agency (HKQAA) aims to promote management excellence and conformity of standards. In 2014, the HKQAA CSR Index series covered 35 organizations from different sectors whereas the HKQAA SRR covered 626 publicly listed companies (Hong Kong Quality Assurance Agency, 2015). Companies were assessed against the seven core subjects of ISO26000 Guidance on Social Responsibility issued by the International Organization for Standardization: organizational governance, human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development. The average score of 2014 HKQAA CSR Index Plus and HKQAA SRR was 44.8 out of 100, with labour practices being the best performing area, and the environment scoring lowest. This finding is consistent with earlier studies that Hong Kong has been doing well in terms of labour practice (Community Business Limited, 2005) and is lagging behind other countries in terms of environmental protection (Studer et al., 2006).

The SME Index includes 40 SMEs. In 2012, the Hong Kong Polytechnic University invited 150 SMEs that had won different awards to complete a detailed questionnaire on



their existing CSR practices directed to their various stakeholder groups, and the top 40 SMEs were chosen for the index. The CSR performances of the SMEs were assessed under three dimensions: Values, Process and Impact. The overall scores for these three dimensions for the past three years are 58.40, 62.08 and 63.96, respectively, representing a 9.5% improvement since the launch in 2012 (Lo, 2014). For CSR practices for different stakeholder groups, in 2014 CSR for employees, customers and environment achieved the highest scores, whereas the government achieved the lowest. The findings are consistent with previous studies that show that SMEs normally focus their CSR activities on their direct stakeholders such as employees and customers (Castka et al., 2004; Jenkins, 2006; Lee et al., 2012; Sweeney, 2007). The result that CSR for environment ranks among the top three foci for SMEs contradicts the findings of Studer et al. (2006), who found little interest in voluntary environmental efforts as mentioned above. One explanation may be that the general awareness of the SMEs has improved over the past decade, along with a growing general awareness by stakeholders. With very few academic studies on the topic, this recently launched SME Index sheds light on the CSR performance of SMEs in Hong Kong. However, there is still a distinct knowledge gap that may be filled through qualitative research on how Hong Kong SMEs define CSR, what motivates them, and details of how they manage and communicate their CSR practices.

Hong Kong's largest and longest standing CSR award – The Caring Company Scheme (CC Scheme) – also illustrates the CSR performance of the business sector, including SMEs. The CC Scheme was established by the Hong Kong Council of Social Service (HKCSS) in 2002 and is by far the largest CSR award scheme in Hong Kong. It aims to promote community involvement and partnership between business and social service organizations. HKCSS is an umbrella organization of the social service organizations (NGOs) in Hong Kong, with over 400 NGO members. The CC Scheme's unique characteristic is that each application has to be nominated by an NGO that has demonstrated a partnership in community involvement. The scheme adopts a tick-box and self-reporting system. Companies that meet certain criteria in the three areas of Caring for the Community, Caring for Employees and Caring for the Environment, are awarded the Caring Company Logo, which awardees can display in their corporate and promotional materials. According to the CC Scheme's 2014–15 statistics (CSR Times, 2015), the CSR award organizations number 2,960, out of which about 93% are

commercial firms, and 7.7% are non-profit organizations. SMEs accounted for around 49% of the commercial firms.

A unique feature of this CSR recognition scheme is that companies are encouraged to re-enter the award scheme every year, and those with a higher numbers of wins are awarded a more prestigious logo for their corporate materials. The scheme includes both SMEs and larger companies. In 2014–15, 48% of all awardees had won in 1–4 years, 36% in 5–9 years, and 16% had been consecutive winners for 10 years or more. The total number of awardees grew by 104%, from 259 at the launch in 2002 to 2,960 in 2014–15. In 2014, in addition to making a total donation of HK\$44 billion, double the amount in 2011, 85% of the CSR award companies provided volunteering services, over one-third of the awardees assisted NGOs with their management or technical skills, and another one-third offered job opportunities to disadvantaged groups. On Caring for Employees, over 90% of the awardees provided family-friendly policies, and claimed that employees were valued as the companies' assets, whereas some 80% offered staff benefits in addition to minimum legal requirements. On Caring for Environment, nearly 90% claimed adoption of some sort of 4R (Reduce, Replace, Reuse and Recycle) practices. In contrast to the findings of Studer et al. (2006), this report showed a growing trend in awareness of and practices in voluntary uptake of environmental measures. However, the report showed that only 26% had integrated environmental protection in their business operations, managed by a dedicated person or department, again reflecting that, on the whole, Hong Kong companies are still lagging behind other countries on environmental issues.

The number of companies and non-profits awarded the Caring Company/Organisation Logo has grown by 1,142% over the past 13 years, reflecting a marked increase in awareness of CSR in Hong Kong: the number of SME awardees grew by 1,390%, from 97 in 2002 to 1,349 in 2014. However, compared with the total number of 320,000 SMEs in Hong Kong in 2015 (Hong Kong Trade & Industry Department, 2015), SMEs' uptake of CSR is still considered low. Studies on how SMEs communicate their CSR practices in Hong Kong are generally lacking. It is a common practice for CSR award companies to carry award logos on name cards, corporate materials and websites, as a symbolic way to communicate their CSR commitment and achievements, rather than to have formal sustainability reports.

In conclusion, from the limited literature and the growth trend of major indices and CSR awards in Hong Kong, it appears that the awareness and uptake of CSR by Hong Kong companies, including SMEs, is on the rise. However, the overall commitment of SMEs is considered low when compared with the total number of companies in Hong Kong. CSR support organizations and business chambers are producing an increasing number of guidebooks to teach companies, including SMEs, how to practise CSR (CSR Asia & HKCSS, 2011), such as good corporate governance (Hong Kong Institute of Directors, 2014), and how to produce CSR/sustainability reports for export-related companies, with funding for these schemes provided by HKSDC, different government departments or committees. Despite the increased number of schemes related to CSR launched by government departments and agencies, there nevertheless remains a general lack of coherency in promoting a holistic CSR strategy to meet the needs of markets and diverse stakeholders.

## **2.4 Summary of the chapter**

This chapter has reviewed various sources of literature related to CSR and CSR in SMEs. Most of the studies in the field are fragmented and fail to cover all relevant areas that could assist in the development of a more coherent theory of CSR management and communication for SMEs. In Hong Kong, studies in the field are rare, and have focused on collecting quantitative data from large samples in order to understand CSR trends, and with less emphasis on CSR management practice. The literature review revealed that there is a distinct knowledge gap in delineating more fully how CSR is practised by Hong Kong SMEs, posing a possible barrier to engaging more SMEs to commit to CSR. Consequently, this study investigated four research questions in order to fill at least some of this knowledge gap and resolve the research challenge of increasing understanding of and suggesting ways of improving how Hong Kong SMEs manage and communicate CSR.

The next chapter is based on the theoretical perspectives of stakeholder and CSR communication theory. It also examines various organizational and management theories represented in the Four-Frame Model proposed by Bolman and Deal (2013), encompassing the structural, human resource, political and symbolic frames, and describes the analytical framework developed to better understand and resolve the research questions.



## Chapter 3: Theoretical influences and analytical framework

### 3.1 Introduction

This research investigated how CSR award-winning SMEs interpret the complex, multi-dimensional concept of CSR, how they manage and communicate their CSR practices, and what they see as the drivers of and barriers to practising CSR. To manage CSR effectively, organizations need to integrate their CSR core values into their everyday business practices, rather than treating CSR as add-on programs (Blowfield & Murray, 2011; Maon et al., 2009). This study, therefore, incorporated a broad spectrum of SMEs' management and organizational practices, including management structure, organizational culture and politics, leaders' values and beliefs, as well as management and strategic processes that integrate CSR practices (Hsu & Cheng, 2012; Jenkins, 2006; Maon et al., 2009; Seidel et al., 2008). These issues in management and organizations are interconnected and complex, and adopting just a single theoretical perspective would preclude a holistic understanding of organizational reality (Jamali, 2008). In-depth understanding of the research problem requires the use of multiple theoretical perspectives or frames (Bolman & Deal, 2013; Carroll, 1991); indeed, such a multi-faceted approach is not uncommon when researching CSR in SMEs. For example, Jamali et al. (2008) used six theoretical perspectives in their qualitative study of CSR in Lebanese SMEs.

For this research, the analytical framework drew upon the literature related to CSR, stakeholder theory, CSR communication theory, and organizational and management theories represented in Bolman and Deal's (2013) Four-Frame Model. This model, which encompasses the structural, human resource, political and symbolic frames, was an ideal foundation for this study because it succinctly incorporates a large amount of management and leadership theory through its focus on key frames in the literature.

This chapter first discusses stakeholder theory (Section 3.2) and CSR communication theory (Section 3.3). Section 3.4 then describes the organizational and management

theories under the Four-Frame Model, and Section 3.5 outlines the analytical framework developed for this research. The chapter concludes with a summary in Section 3.6.

## 3.2 Stakeholder theory

### 3.2.1 Overview

Stakeholder management has become an important value-creation strategy for businesses (Freeman, 2010) and is a widely accepted way of operationalizing CSR within companies (Crane & Matten, 2007; Maon et al., 2009). After several decades of development, stakeholder theory is arguably one of the most popular and influential management theories, being adapted across multiple disciplines such as business ethics, corporate strategy, finance, accounting, management and organization, and marketing (Frynas & Yamhaki, 2013). As van Nimwegen et al. (2008) noted, today an increasing number of companies define their organization's mission by adopting a stakeholder perspective. Based on a vast literature, stakeholder theory is the most popular theoretical perspective being applied in the operationalization of CSR principles, by way of addressing the needs of different groups of people to whom an organization has a responsibility (Brown & Forster, 2013; Carroll & Buchholtz, 2006).

The most widely accepted definition of stakeholders is Freeman's classic one (1984, p. 46): "those groups and individuals who can affect or are affected by the achievements of the organization's objectives". The original list of stakeholders proposed by Freeman included share owners, employees, customers, suppliers, lenders and society. The central idea of stakeholder theory is that a business organization has a responsibility to various groups or stakeholders, instead of being accountable only to its shareholders. A company's stakeholder management approach ideally considers the impact of its operations on its stakeholders before making any major decisions (Crowther & Capaldi, 2008).

Donaldson and Preston (1995, p. 67) identified four aspects of stakeholder management – descriptive, instrumental, normative and managerial. The descriptive perspective attempts to explain why organizations should care about stakeholders' interests. Under an instrumental perspective, organizations try to look into whether there are any benefits

for companies to take care of stakeholders' interests. A normative view of stakeholder theory adopts a moral or perspective and attempts to ascertain whether and how organizations actually take care of stakeholder interests. Lastly, Donaldson and Preston emphasized that stakeholder theory is managerial in that it serves to "recommend attitudes, structures, and practices that, taken together, constitute stakeholder management". Their classification is still viewed by many as a useful way to understand the distinctions between different theories in the vast literature (Garriga & Melé, 2004), and it provides a foundation for legitimizing stakeholder influences on organizational decisions. However, Donaldson and Preston's way of segregating stakeholder theory has been criticized by many scholars, including Freeman himself, challenging the oversimplicity and overlapping of the grouping, and separating the normative perspective as an independent element (Freeman & Phillips, 2002). According to van Nimwegen et al. (2008), the core tenets of the integrated version of stakeholder theory are to manage stakeholder relationships and generate mutual interests between different stakeholders. Based on these mutual interests, the aim of stakeholder theory is to create value for all stakeholders involved, where business and ethics are interlinked and are treated in a holistic manner (Hörisch et al., 2014). Identification of shareholders is argued to be a crucial determinant and starting point of effective stakeholder management (Clarkson, 1995). Stakeholder legitimacy is often challenged under the stakeholder approach, while organizations face difficulties in identifying who has a 'stake' in the company (Blowfield & Murray, 2010; Crane & Matten, 2007; Werther & Chandler, 2006).

Whilst the classic Freeman (1984) definition of stakeholders remains useful, the definition has expanded in recent decades into one who "asserts to have one or more of these kinds of stakes ... ranging from an interest to a right (legal or moral) to ownership or legal title to the company's assets or property" (Carroll, cited in Mitchell et al., 1997, p. 57), or "persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity" (Donaldson & Preston, cited in Mitchell et al., 1997, p. 85). Clarkson (1995) proposed classifying stakeholders into primary and secondary, where a primary stakeholder is one without whose continuing participation the corporation cannot survive, whilst secondary stakeholder groups are those not directly engaged in transactions with the company but who can affect its survival, such as the media, civil service organizations or activist groups.

To aid in identification of stakeholders, the classic model proposed by Mitchell et al. (1997) categorizes the importance of stakeholders according to their salience. The authors propose that three attributes are important when organizations make decisions about managing stakeholder relationships: power, legitimacy and urgency. A stakeholder with power has a perceived ability to influence an organization's actions; a stakeholder with legitimacy is one whose actions are perceived as desirable, proper or appropriate by the organization; and the attribute of urgency refers to the degree to which stakeholder claims are perceived to require immediate attention. Stakeholders are classified into three distinct types – latent, expectant or infinitive – depending on the type and number of power, legitimacy and urgency attribute(s) they possess. Managers are more likely to assign greater salience to stakeholders who possess all three attributes, defined as 'infinitive stakeholders' in the Mitchell et al. model. Those who possess two of the three attributes are regarded as moderately important and are called 'expectant' stakeholders, whereas stakeholders who possess only one of the three attributes are termed 'latent' stakeholders and have low salience. Stakeholders who do not possess any of the three attributes are viewed as 'non-stakeholders', and management can ignore their claims.

Parmar et al. (2010) argued that, despite the multiple ways to identity stakeholders proposed by different authors over the years, they would like to see that the different definitions be applied for different purposes, as what might make a legitimate stakeholder for one organization may be different for others.

### **3.2.2 CSR and the stakeholder theory**

The notion that stakeholder theory is embedded in the concept of CSR has become widely accepted across academic, government and business sectors (Carroll, 1991; Commission of the European Communities, 2001, 2011). Stakeholder theory has also been commonly used in recent decades as a theoretical perspective to investigate the management of CSR (Frynas & Yamhaki, 2013). Both stakeholder theory and CSR share a commonality in that firms have a responsibility to their different stakeholders (Carroll, 1991). The complementary nature of stakeholder theory and CSR is well supported in the literature, as a way to bring an abstract idea closer to home (Wood, 1991). Carroll (1991, p. 43) proposed that stakeholder theory can overcome the



vagueness of the CSR concept, “personalizing” the CSR practices for different stakeholder groups by “putting names and faces on the societal members or groups who are most important to business and to whom it must be responsive”.

In addition, many recent CSR definitions focus on a company’s responsibility towards its various stakeholders, such as the Commission of the European Communities (2001) definition of CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. In practice, the stakeholder approach is often adopted by companies to identify and engage their stakeholder groups in diverse CSR strategies and initiatives to meet stakeholders’ expectations (Carroll, 1991; Crane & Matten, 2007; Jenkins, 2006).

The stakeholder approach is argued to traditionally be the province of large companies with a complex network of stakeholders, whose needs must be addressed if the business is to survive or grow (Crane & Matten, 2007; Freeman et al., 2010; Werther & Chandler, 2006). SMEs, on the other hand, have a much simpler structure and fewer stakeholders to consider (Gibb, 2000; Jenkins, 2004b, 2006; Spence, 1999), leading some to consider stakeholder theory too complex for SMEs and so unable to explain CSR in SMEs fully (Perrini, 2006). However, stakeholders are a reality in all organizational life, and must be managed in order to be sustainable in business (Hörisch et al., 2014; Jamali, 2008). For SMEs, the ability to identify and address the needs of their stakeholders is argued to be equally as important as, if not more important than, their counterparts in large companies, due to their inherent dependence on the most salient stakeholders such as employees and customers (Gibb, 2000; Jenkins, 2004a; Spence, 1999). Prior research suggests that SMEs’ typical stakeholders, who have an impact on the survival and growth of the company, include customers, employees, extended members of the family and suppliers, and some may include government and community (Jenkins, 2006). Many SMEs find that managing stakeholders’ relationships is part of their usual business routine, although they may not use terms such as stakeholder theory or stakeholder management (Murrilo & Lozano, 2006). When applied to CSR, empirical evidence indicates that some SMEs design and manage their CSR practices around their different stakeholder groups, such as programs related to employees and customers (Jenkins, 2006; Lee et al., 2012).

Several previous studies of CSR in SMEs have adopted the stakeholder theory (Perrini et al., 2007; Russo & Perrini, 2010; Jamali et al., 2009). This research also draws on the stakeholder perspective to aid understanding and resolution of the research questions. This investigation required the researcher to keep an open mind in understanding the organizational reality in SMEs, and Freeman's (1984, p. 46) original classic definition of stakeholders as cited above was adopted: "those groups and individuals who can affect or are affected by the achievements of the organization's objectives", as this wide stakeholder definition allows the companies under study to express their own interpretation more freely.

In order to gain a more holistic understanding of the research problem and its eventual resolution, the analytical framework developed for this study was based on the stakeholder perspective, CSR communication theories, and the Four-Frame Model of Bolman and Deal (2013). This model is grounded in a breadth of management and organization theories, encompassing the structural, human resource, political and symbolic frames. Admittedly, SMEs generally have an inherently simple structure and small numbers of stakeholders, and so stakeholder management in SMEs is fundamentally different from those in large companies in terms of sophistication and complexity (Jenkins, 2004a; Murrilo & Luzano, 2006). However, the stakeholder perspective is a useful theoretical foundation for understanding the different dimensions of CSR in SMEs. For example, integrating the stakeholder perspective with the Four-Frame Model can enhance our understanding of how SMEs identify their stakeholders; what programs are developed, and how, around the different stakeholder groups within the structural frame; and how companies empower, motivate and engage their employees in CSR under the human resource frame. It also aids our comprehension of issues such as power source, power relations, conflict, negotiation and collaboration with different stakeholders under the political frame; and how the symbolic representation of CSR is communicated to different stakeholders under the symbolic frame.

CSR communication is an integral part of CSR management and this is discussed next.

### **3.3 CSR communication theories**

#### **3.3.1 Overview**

Although CSR has become a mainstream of business, research on CSR communication is limited and fragmented (Golob et al., 2013). Research shows that there is an urgent need for companies to find ways to communicate CSR more effectively and appropriately so as to enhance stakeholder relationships which may result in better business benefits (Du et al., 2010; Morsing & Beckman, 2006). As with CSR itself, CSR communication is a multi-disciplinary subject (Golob et al., 2013), and different perspectives are used by different authors to discuss the topic). For example, Ihlen et al. (2011, p. 8) took a broad view of CSR communication defining it as the ways that companies “communicate in and about the process” of CSR through the use of symbols and language, embracing different strands of communication theories. Morsing and Beckman (2006) adopted a multi-disciplinary perspective to address strategic CSR communication in order to deal with different and changing stakeholder’ expectation and needs.

#### **3.3.2 CSR communication theory under multiple perspectives**

Most of the CSR communication public relations scholars have shown a great deal of interest in external CSR. However, CSR also includes internal functions that relate to the entire organization. In order to fully embrace CSR, as Christensen (cited in May, 2011, p. 99) argues, companies should look internally, to review and reflect on their own practices and communication in order to find new ways of working through tensions that may arise from conflicting goals, such as responsibility vs regulation and involvement. Some scholars address CSR communication from the perspective of broader organizational communication to address the interdependent relationship between communicating and organizing practices. They take the view that organizational communication is fundamental to organizations, whereas organizations are perceived as structures that facilitate communication, both the process and the outcome. They are closely intertwined (May & Mumby, cited in May, 2011).

Many authors use a corporate communication approach to study CSR, broadly referred to as “strategic integrated communication related to the task of coordinating internal and external communication from a strategic to an operational level with the aim of building and maintaining an organization’s relationship with its stakeholders” (Cornelissen, 2004, p. 8). Corporate communication scholars consider corporate communication and CSR equally important and interrelated to each other (Cornelissen, 2004; Pollach et al., 2012). According to Wehmeier and Schultz (cited in Nielsen & Thomsen, 2009a), through the use of symbols, including CSR story-telling, the company’s culture and behaviour, the strategy and vision establish a common platform of values from which the internal and external communication is articulated.

### **3.3.3 CSR communication as an integral part of CSR management**

Despite the different approaches used, scholars generally agree that CSR communication is considered an integral part of CSR management, as it is through effective communication with different stakeholders that a company can articulate its CSR values, vision, strategy, and gain strategic benefits such as enhanced company image and competitive advantage from its CSR efforts and achievements (Du et al., 2010; Morsing & Beckmann, 2006). However, while stakeholders’ expectations continue to rise, demanding companies take up more CSR practices, some stakeholders may not prefer the companies to communicate too loudly (Morsing et al., 2008). The challenge for companies is to strike a right balance in communicating CSR practices to enhance stakeholder’s confidence, and gain competitive advantage, while avoiding creating stakeholder scepticism and running the risk of “promoter’s paradox” (Morsing & Beckmann, 2006, p. 155).

According to Podnar (2008, p.77), CSR communication is understood as a “moderating factor of responsible behaviour” in presenting the company’s CSR image and fostering stakeholder relationships, with two distinctive strategies: persuasive and informative. Persuasive CSR communication strategy aims to positively influence the buying intentions of customers for the company’s products through its CSR attributes or positive perception of the company as a CSR organization. Informative CSR communication strategy refers to a reactive approach of simply providing information about the company’s CSR practices, with the objective of enhancing the company’s

reputation as a responsible company, without directly persuading customers to purchase the company's products. As noted earlier, in their classic book of *Strategic CSR Communication*, Morsing and Beckmann (2006) argued that, in order to enhance stakeholder relationships, it is important to focus on participation and involvement in which dialogue is viewed as the tool, in order to reach consensus as basis of further collaborations. They proposed three strategies for strategic CSR: Stakeholder Informative Strategy, Stakeholder Response Strategy and Stakeholder Involvement Strategy. First, Stakeholder Informative Strategy focuses primarily on one-way communication, as in the example of publishing sustainability reports without engaging the stakeholders. This approach could be perceived purely as a public relations exercise, creating scepticism and reducing trust. Second, the Stakeholder Response Strategy is based on a "two-way asymmetric communication model" (Morsing & Beckman, 2006, p. 143) in which stakeholders are invited to provide feedback on the company's CSR strategy, policies and practices. Under this strategy, the company focuses on getting endorsement from stakeholders and incorporating changing public attitudes and behaviour. Examples of such a strategy may include an opinion pool or market survey. The third strategy, Stakeholder Involvement Strategy, focuses on two-way symmetrical communication between the company and its stakeholders, accepting that a company "should not only influence stakeholders but also seek being influenced by stakeholders", (p. 145), by frequently and systematically engaging stakeholders to co-construct CSR activities that bring mutual benefits to those concerned.

On the implementation side, Du et al. (2010, p. 9) noted that stakeholders' attributions of a company's CSR motives could be broadly distinguished by two kinds: extrinsic and intrinsic. Under the extrinsic view, the company is perceived as trying to improve its profits through CSR actions, whereas under the intrinsic view, the company is seen as acting out of a "genuine concern for the focal issue". Recent research findings on CSR attributions were mixed and stakeholders were reported to be more tolerant of extrinsic motives as long as CSR initiatives are attributed to intrinsic motives as well (Du et al., 2010). The authors further argued that the challenge is to design effective CSR communication strategy in order to reduce stakeholder scepticism and, at the same time, be able to convey the company's favourable motives for its CSR activities. Since creating stakeholder awareness and managing stakeholder attributions towards a company's CSR activities affect stakeholders' perception of the company's CSR

motives and efforts, the authors argued that it is important to understand the key issues related to CSR communication that may impact the effectiveness of CSR communication: message content; message channel; and stakeholder-specific factors such as corporate reputation, CSR positioning, shareholder type, issue support and social value orientation.

Morsing et al. (2008) distinguished between direct and indirect communication, describing direct communication as formal channels such as company publications and websites, and indirect communication as informal channels such as word-of-mouth from employees, customers, the media, and other networks, viewed as third party endorsement. The authors argued that indirect communication about a company's CSR practices and third party endorsement boosted publicity and increased the credibility of CSR stories. Similarly, SMEs that are less inclined to use formal channels should try to strengthen their indirect CSR communication through relevant stakeholders and networks, and try to leverage their third-party endorsement advantage (Nielsen & Thomsen, 2009a, 2009b).

Morsing et al. (2008) also argued that actively involving employees in inside-out communication encourages them to further develop and support CSR policies and activities, including taking up the role of CSR ambassador both internally and externally. Companies wishing to fully embrace and effectively communicate CSR should actively communicate those CSR activities that relate to their employees, so that employees are closely involved in setting the CSR agenda, before communicating externally.

In their seminal studies of CSR communication in Danish SMEs, Nielsen and Thomsen (2009a, 2009b) argued that key issues related to corporate communication, such as CSR practice, reputation management, corporate identity and integrated communication, were as relevant to SME managers as to large organizations. However, echoing earlier research findings, unlike large companies which may have a dedicated department and person to be responsible for different aspects of communication, communication in SMEs is often characterized as informal and personal, and CSR communication is often non-strategic (Murillo & Luzano, 2006; Nielsen & Thomsen, 2007). Under a highly competitive marketplace with increasing stakeholders' expectations on a company's CSR behaviour, they reinforced that it becomes imperative for companies, regardless of

size, to respond to the demands of different organizational stakeholders with corporate CSR communication being anchored in the values, vision and overall strategy of the company (Nielsen & Thomsen, 2009a). Their work underlined the relevance of integrated CSR communication to SMEs, although it may be handled differently from large organizations. They pointed out that strategic CSR communication is a realistic scenario for SMEs, but it needs to be tailored to SMEs' unique structure, culture and context, instead of directly adopting the practices of large companies. The researchers proposed adoption by SMEs of a holistic and integrated communication approach to CSR communication, focusing on different communication disciplines such as management communication; marketing communication and organizational communication, within a corporate communication framework, in which corporate communication is defined as:

*... the orchestration of all the instruments in the field of organizational identity (communication symbols, and behaviour or organizational members) in such an attractive, realistic and truthful manner as to create or maintain a positive reputation for groups with which the organization has an interdependent relationship (often referred to as stakeholders).* (van Riel, 2005, cited in Nielsen & Thomsen, 2007, p. 3)

Management communication includes the communication managers have at different levels with internal and external stakeholders; marketing or sales-support communication aimed at influencing customers and increasing sales; and organizational communication such as public relations, public affairs, investor relations, environment communication, corporate advertising and internal communication (van Riel, cited in Nielsen & Thomsen, 2007). Due to the strong influence of the owners' CSR values, internal communication within SMEs is usually informal, personal and straightforward (Spence, 2000), whereas staff communication and relations are direct and close. Leaders' CSR values and behaviour are important in shaping the culture of the company, and other managers and employees must support and endorse such values in order for CSR and communication to take root (Bolman & Deal, 2013; Nielsen & Thomsen, 2007).

Nielsen and Thomsen (2007) proposed that the public relations and stakeholder relationship perspective are more appropriate in the context of SMEs' practice of CSR; public relations aims to create mutual understanding between an organization and its

public, but can also be conceived as “an indirect sales-promotional tool based on image and reputation-enhancing activities” (p. 5), whereas the stakeholder management perspective on CSR communication should adopt a “network-based, relational and process-oriented view of company-stakeholder engagement and communication, where at least there is consideration of mutuality, interdependence and power” (p. 6). Under this approach, companies are expected to actively engage and communicate with stakeholders to plan and co-construct CSR together, establish collaborative strategies to create relationship, and focus stakeholder engagement and partnerships on trust and collaborations. Their integrated communication approach is argued to be useful for SMEs characterized as having lean structures and no dedicated people to handle separate communication functions, where both the owners and employees are often multi-functional and multi-tasking. Consequently, adopting an integrated communication perspective provides a more holistic view of CSR communication in SMEs.

In order for this research to fill the distinctive CSR communication knowledge gap in Hong Kong, and to keep an open mind during the investigation, the broad definition proposed by Ihlen et al. (2011, p. 8) was considered appropriate: “We will understand CSR communication as the way that corporates (company) communicate(s) in and about this process; it is the corporate (company’s) use of symbols and language regarding these matters”. In addition, this research also makes reference to Nielsen and Thomsen’s (2009a, 2009b) integrated CSR communication approach focusing on the SMEs stakeholder management perspective. This enabled the researcher to investigate how award-winning SMEs in Hong Kong communicate their CSR practices and achievements with their internal and external stakeholders, what message, symbolics and channels they use, and the barriers they face.

### **3.4 Organizational and management theories – The Four Frame Model**

Bolman and Deal (2013, p.10) described a frame as “a mental model or set of ideas and assumptions – that you carry in your head to help you understand and negotiate a particular territory”. Multiple metaphors are used to describe frames, including



“windows, maps, tools, lenses, orientations, filters, prisms, and perspectives” in order to capture a more holistic view of the situation. The notion of using metaphors in organizations is supported by other authors such as Morgan (2006), who argued that all theories of organization and management are based on implicit images or metaphors because they can stretch our imagination and lead to powerful insights. Frames are commonly used to study a behaviour or a complex situation, such as in “schemata or schema theory”, “representations”, paradigms, “social categorizations”, “implicit theories”, “mental models”, and “definitions of the situation, and root metaphors” (Bolman & Deal, 2008, p. 22). A frame is an integrated set of ideas or beliefs forming a lens that enables people to see and understand more clearly, and by understanding the organization through multiple frames (structural, human resource, political and symbolic), business owners, managers and leaders can gain a more balanced view of situations and are able to make better decisions, which, in turn, improve organizational effectiveness (Bolman & Deal, 2013).

### **3.4.1 Structural frame**

Drawing on sociology, economics and management science, Bolman and Deal’s (2013, p. 19) structural frame uses the metaphor of a “factory or machine, depicting the organization as a rational world”. It emphasizes organizational architecture, including planning, goals, structure, technology, roles, coordination and formal relationships. Its underpinning assumptions are that organizations exist to achieve goals and objectives. Different management structures, division of labour, and various forms of coordination and control are employed in order to increase efficiency and enhance performance, each capable of fitting the organization’s goals, tasks and context (Nelson & Quick, 2006). Bolman and Deal (2008, 2013) classify structures into two broad types – vertical and lateral.

The vertical structure refers to a top-down approach through authority, rules and policies, and planning and control systems which may result in efficiency but may also create breakdowns in communication and less effectiveness in making quick decisions. The lateral structure, on the other hand, focuses on task forces, coordinating roles, meetings, matrix structures and social networks, and is less hierarchical, more decentralized, flexible and often simpler, and enables quicker response. Under a lateral

structure the environment is less formal and more interactive, so employees are able to express themselves more freely and have their creativity enhanced. The authors argue that there is no single ideal structure and every organizational structure should be tailored according to the needs and characteristics of individual organizations, core competences, the operating environment, and the changing demographics of a better educated workforce who often expects and demands more discretion in their work. It is argued that the ability to understand organizational complexity and the variety of organizational design possibilities may help create a structure that works for both employees and the organization, but if overlooked or mismanaged, resource usage may become ineffective (Nelson & Quick, 2006; Bolman & Deal, 2013).

Large companies and SMEs are fundamentally different, not only in terms of size, but also in formality and specialization of roles (Gibb, 2000). SMEs are generally informal and unstructured (Jenkins, 2004a) and most CSR practices are carried out in a “sunken” (Perrini, 2006), ad-hoc (Jenkins, 2006; Neilsen & Thomsen, 2007) or non-strategic way (Murillo & Luzano, 2006). This research used the structural frame to better understand how the current CSR management and communication practices in Hong Kong SMEs relate to their organizational structure and management processes.

### **3.4.2 Human resource frame**

The human resource (HR) frame, evolved from the work of HR management pioneers, adopts a cognitive, social-psychological view of organizational behaviour. It proposes that people seek to satisfy personal motives based on their own aspirations. Since employees are important for the survival and growth of organizations, a major challenge is how to unleash their talents to achieve mutual benefits for both the organization and its employees (Bolman & Deal, 2013; Nelson & Quick, 2006; Werner & DeSimone, 2006).

This HR frame is based on the assumptions that organizations exist to serve people’s needs (Bolman & Deal, 2013). Individuals seek job security and job satisfaction, whereas organizations need their talent and energy to succeed. There is a strong interdependence between both parties. A good fit between the two creates mutual benefits; conversely, one or both suffer when the fit is poor. Werner and DeSimone

(2006) argue that work motivation is closely related to people's needs and desires. Motivational theorists argue that if people's needs are fulfilled, they feel more satisfied and are, therefore, more motivated in their work. They are motivated by the autonomy they have over their work, and the ability to master and to seek for a meaning and purpose in what they do (Bolman & Deal, 2008; Pink, 2011). The HR theories argue that a talented, motivated and committed workforce leads to higher efficiency and enhanced organizational performance, which creates competitive advantage and sustainable development in the long term (Bolman & Deal, 2013; Werner & DeSimone, 2006).

Bolman and Deal (2013, p.140) have proposed six basic strategies in good HR management that create a win-win scenario for both employees and the organization:

1. Build and implement an HR strategy by developing a shared philosophy for managing people, and building systems and practices to implement the philosophy.
2. Recruit the right people.
3. Provide job security and reward employees well, promoting from within and sharing the profits.
4. Invest in people by investing in learning and creating development opportunities.
5. Practise empowerment by providing information and support; encouraging autonomy and participation; redesigning work; fostering self-managing teams, and promoting participation in decision making such as quality circles.
6. Promote diversity by being explicit and consistent about the organization's diversity philosophy.

One of the major components of CSR is an organization's concern for its employees (Jenkins, 2006; Spence & Schmidpeter, 2003). It is argued, therefore, that good HR management is a cornerstone of CSR, whereby employees' needs and aspirations are respected and fulfilled. This, in turn, results in a motivated workforce committed to achieving organizational goals. The literature indicates that SMEs' CSR practices tend to be more internally focused, often directed towards their employees, such as staff health and safety, training and development (Jenkins, 2004a, 2006; Russo & Tencati, 2009; Lee et al., 2012; Hsu & Cheng, 2012). Using the HR frame in this research can aid understanding of CSR management and communication in SMEs in two ways,

illuminating both how HR is valued in these CSR award-winning SMEs and how SMEs engage their employees in implementing CSR activities.

### 3.4.3 Political frame

According to Bolman and Deal (2013), politics can strive to address and balance the needs and preference of different stakeholders, both internally and externally, and should aim at achieving the greater good instead of individual selfish interests. The assumptions of the political frame hold that (i) organizations are coalitions of different individuals and interest groups with different values, beliefs, information, interests and perceptions of reality; (ii) most important decisions involve allocating scarce resources; and (iii) goals and decisions can emerge from bargaining and negotiation among competing stakeholders, who strive to pursue their own interests. Modern organizations with a strategy of stakeholder management need to ensure they balance the interests of different stakeholders (Freeman, 1984, 2010), where most important decisions involve allocating scarce resources. The company and its leader need to direct the company in different ways with respect to power, conflict and collaboration to achieve organizational success. The power of governments in terms of CSR regulation may also be a factor.

A variety of power sources is argued to be more relevant to large companies with complex organizational structures and reporting matrixes. In the context of SMEs, owner-managers are often reported to possess the ultimate or most of the power inside the organization (Gibb, 2000), including position, reward, coercive, information and personal power (Bolman & Deal, 2013). In describing their political frame, Bolman and Deal (2013) identified some key political skills to achieve organizational effectiveness: charting agenda-setting in which an effective leader creates a vision of balancing the long-term interest of key stakeholders and a strategy for achieving this vision, while recognizing competing internal and external forces (Kotter, cited in Bolman & Deal, 2013); mapping the political terrain and determining channels of informal communication and mobilize internal and external players; anticipating counter-strategies that others are likely to employ; and viewing bargaining as central to decision making, with the ideal situation being to understand the other party's needs and interest, and co-operating in searching for a win-win solution. The author further argued that

argued that, as success requires the co-operation of many people, it is important to establish networks with those in power, and get close to opponents in order to facilitate communication, education or negotiation.

One of the major components of CSR is how organizations address the needs of different stakeholders and manage their relationships (Carroll, 1999; Freeman, 1984; Jamali, 2008; Murillo & Luzano, 2006; Spence, 1999). Effective stakeholder management incorporates many political considerations (Hörisch et al., 2014; Hoskisson et al., 2000), such as recognizing the power source, competing for scarce resources, handling conflict of interests and managing power relations. An organization that is aware of the political issues can address any potential conflict of interest connected with coalitions or collaborations, and politics can be used constructively to benefit both the organization and broader society (Bolman & Deal, 2008, 2013).

The literature highlights that the power source of SMEs is typically centralized with owner-managers (Murillo & Lozano, 2006; Jamali et al., 2009; Spence & Rutherford, 2000) and, superficially, few political issues are involved because the legitimate authority and power source is clear. However, any limitations on resources will result in competition between organizations, and politics will be involved in the decision of where the scarce resources should be used most effectively (Bolman & Deal, 2008, 2013). Engaging in CSR practices requires allocation and redistribution of resources (Carroll & Shabana, 2010; Lund-Thomsen et al., 2014) and, as SMEs are often reported to be resource poor, it is argued that this decision by its very nature requires sensitive and political considerations and negotiation skills. Internally, conflicts may arise with other stakeholders such as shareholders, members of a family who own shares in the company, or employees, with the owner-manager having the greatest power in deciding how to allocate the limited resources of the company in CSR. Conflict of interest may also arise when dealing with external stakeholders, such as customers and suppliers, who might be in a more powerful position than the SMEs themselves, particularly along the supply chain (Hoivik & Shankar, 2011; Liu & Fong, 2014; Welford & Frost, 2006). Under such circumstances, SMEs are likely to respond to the more powerful stakeholders' expectations and demands (Hoivik & Shankar, 2011; Werther & Chandler, 2006). Consequently, through the political frame, SME owners can more clearly understand the sources and tactics of power, and plan the most appropriate choice –

either confronting the conflicts of interest or seeking mutual agreement through negotiations, collaborations or partnerships with different stakeholders.

Using the political frame in this research enhances our understanding of CSR in SMEs in two ways. First, we can better understand the motivations of CSR in SMEs through the power source. As stated earlier, CSR in SMEs is often driven by owners' personal values representing decision making through legitimate authority and power (Bolman & Deal, 2013); alternatively, SMEs can be pressured to engage in CSR either through the global supply chain as small suppliers or government regulations (Hoivik & Shankar, 2011; Liu & Fong, 2014), representing the influence of external power. Second, we can also gain a better understanding of how the CSR award-winning SMEs manage the balance of power with their major stakeholders, such as employees, customers and suppliers, situated in higher or lower power positions than the SMEs. SMEs often establish good relationships with their major stakeholders as part of their business routine, although it may not be called stakeholder management (Jamali et al., 2009; Russo & Tencati, 2009). The political lens aids our understanding of the way SMEs approach power and conflicts in managing such relationships.

#### **3.4.4 Symbolic frame**

The last frame under the Four-Frame Model is the symbolic frame, with the organization viewed as a theatre. This frame draws on dramaturgical and institutional theory to reveal how organizational structures, activities and events serve as “secular dramas, expressing our fears and joys, arousing our emotions, and kindling our spirit” (Bolman & Deal, 2013, p. xii). The symbolic frame centres on invoking meaningful symbols for people to create a shared vision, establish faith in leadership, both of which are central to organizational culture. The symbolic frame focuses on how people make sense of a chaotic world by creating meaning, belief and faith through symbols, which the authors argue are the basic materials of meaning in the system or culture within which we live. The basic symbolic elements in organizations are myths, heroes, metaphors, stories, humour, play, rituals and ceremonies, and companies can use these elements to transform individuals into teams that can collectively build a culture that bonds people in pursuit of a shared mission.

Symbols can take many forms in organizations, such as corporate logos to communicate an organization's culture and corporate identity; myth, vision and values that reflect deep purpose; and heroes, whose words and deeds serve as icons for people to admire and from which people can learn (Bolman & Deal, 2013). Stories can serve to provide explanations to resolve dilemmas and misunderstanding; rituals and ceremonies are believed to offer direction, faith and hope; and metaphor, humour and play break down bureaucracy and create strong bonds among employees alongside enhancing the quality of symbols (Bolman & Deal, 2013). Symbolic forms and activities are the core tenets of culture, which can mould the identity and personality of the organization (Morgan, 2006).

A strong company culture is crucial to successful implementation of CSR in both large and small companies (Carroll & Shabanna, 2010; Maon et al., 2009; Were, 2003). De Woot (2005) argued that if an organization is to successfully integrate CSR principles into its long-term strategy and decision-making process it must build on corporate values which promote openness and commitment to CSR, and redefine stakeholder relationships and interactions with the environment. Studies show that the personal values and beliefs of an SME owner-manager have a profound influence on CSR engagement within the company (Jenkins, 2006; Murillo & Lozano, 2006, Seidel et al., 2008; Spence 1999). The SME owner often acts as the CSR champion, playing the role of both leader and hero (Jenkins, 2006; Spence & Rutherford, 2000) and key shaper of culture under the symbolic frame.

Some authors argue that SMEs are less prone than large organizations to use symbols as their company's public relations tools or corporate identity, as a result of a lack of knowledge or scepticism about self-promotion (Nielsen & Thomsen, 2009a; Pang et al., 2011). However, the more informal nature of most SMEs and their intact relationships with employees (Gibb, 2000; Jamali et al., 2009; Jenkins, 2004a) make it likely that symbols are embedded in SMEs as a routine way of building trust and strengthening bonding. Examples include sharing the legendary stories of the founder(s); enjoying humour and play under an informal atmosphere; and organizing regular and informal company gatherings and celebration dinners, as in rituals and ceremonies. All these are subtle ways to communicate values and vision, and to create faith in the company (Bolman & Deal, 2013). Using the symbolic frame in this research enhances our understanding of the research problem in two ways. We can gain further insights into,

first, how the owner-manager's values influence the company's culture in support of CSR as an award-winning company and, second, how the various symbols are used to influence the company culture to support and communicate CSR.

### 3.4.5 Summary of the key attributes of the Four-Frame Model

The previous sections have described and discussed the attributes of the Four-Frame Model, summarized in Table 3.1.

**Table 3.1: Summary of the key attributes of the Four-Frame Model**

ATTRIBUTES	FRAME			
	STRUCTURAL	HUMAN RESOURCES	POLITICAL	SYMBOLIC
<b>Metaphor for organization</b>	Factory or machine	Family	Jungle	Carnival, temple, theatre
<b>Central Concepts</b>	Roles, goals, policies, technology, environment	Needs, skills, relationship	Power, conflict, competition, politics	Culture, meaning, metaphor ritual, ceremony, stories, heroes
<b>Image of leadership</b>	Social architecture	Empowerment	Advocacy and political savvy	Inspiration
<b>Basic leadership challenge</b>	Attune structure to task, technology, environment	Align organizational and human needs	Develop agenda and power base	Create faith, beauty, meaning

Source: Bolman and Deal (2013, p. 19)

As discussed above, the Four-Frame Model provides multi-dimensional perspectives based on management and organizational theories, and is therefore considered appropriate for this research. The following section discusses the analytical framework.



## **3.5 Integrated theoretical analytical framework for the study**

### **3.5.1 Overview**

This research focused on investigating how CSR award-winning SMEs interpret the concept of CSR, manage and communicate CSR practices, and what they see as the drivers and barriers for CSR engagement. The study involves broad, complex and interrelated management issues and processes, and using a single theoretical perspective could limit the understanding of the research problem. Rather, adopting different theoretical perspectives and lenses is likely to produce a better understanding and resolution of the research questions and organizational reality.

### **3.5.2 The analytical framework**

The analytical framework draws upon the vast body of literature related to CSR, characteristics of SMEs and CSR in SMEs, and the theoretical perspectives of three main streams of theories: stakeholder theory, CSR communication theory, and multiple organizational and management theories as expressed in Bolman and Deal's (2008, 2013) Four-Frame Model. These have been detailed above in sections 3.2, 3.3 and 3.4. The analytical framework serves to aid our investigation in several ways. First, under the structural frame, it helps explain the roles, policies and processes in the management and communication of CSR in SMEs; how SMEs identify their stakeholders; and how CSR practices are organized and communicated around the different stakeholder groups. Second, the human resource frame aids the explanation of how SMEs value their employees in practice; and how they engage their employees, one of the key stakeholders in CSR management and communication. Third, the political frame helps explore the way SMEs approach power and potential conflict, and manage stakeholder relationships. Fourth, the symbolic frame provides insights into how an owner-manager's values influence the company's culture in support of CSR as an award-winning company, and how various symbols can influence company culture to support and communicate CSR. Fifth, this analytical framework also aids investigation of SMEs' interpretation of the CSR concept, as well as the drivers and barriers to engaging in CSR practices in a multi-dimensional way. A graphical presentation of the analytical framework for the research is presented in Table 3.2.

**Table 3.2: Analytical framework for the study**

Analytical framework				
CSR management and communication in Hong Kong SMEs				
	Structural frame	Human Resource Frame	Political Frame	Symbolic Frame
Metaphor for organization	Factory or machine	Family	Jungle	Carnival, temple, theatre
Central Concept	Roles, goals, policies, technology, environment Social architecture Attune structure to task, technology, environment	Needs, skills, relationship Empowerment Align organizational and human needs	Power, conflict, competition, politics Advocacy and political savvy Develop agenda and power base	Culture, meaning, metaphor, ritual, ceremony, stories, heroes Inspiration Create faith, beauty and meaning
CSR management	- CSR roles, goals, policies, programs and processes - Stakeholder identification - Organization structure - Regulation	- HR philosophy and CSR for employees - Empowerment, motivation and engagement in CSR - Rewards for CSR practices	- Power sources in CSR engagement - Handling power and conflicts with different stakeholders - Advocacy of CSR (internal and external)	- Meaning of CSR - Values, vision and culture - Stories and heroes - CSR awards - Ritual and ceremony
CSR Communication	- Goals, message content and channel - Use of multimedia	Internal communication	Stakeholder engagement and communication	Use of Integrated symbols

Adapted from Bolman and Deal (2013)

### 3.6 Summary of the chapter

This chapter has discussed the theoretical influences on the research, and justified using multiple theories as the analytical framework. This framework draws upon the literature related to CSR and CSR in SMEs, stakeholder theory, CSR communication theories, as well as management and organizational theories as represented in Bolman and Deal's (2008, 2013) Four-Frame Model.

The following chapter presents the research methodology selected and applied to answering the research questions.

# Chapter 4: Methodology

## 4.1 Introduction

The literature review identified four research questions to address the research problem.

1. What is Hong Kong SMEs' interpretation of the concept of CSR?
2. How do Hong Kong SMEs manage and communicate their CSR practices?
3. What are Hong Kong SMEs' motivations in and barriers to engaging with CSR practice?
4. What is Hong Kong SMEs' future direction for CSR?

This chapter describes and justifies the qualitative research methodology used to answer these research questions. Section 4.2 describes the research design and explains the qualitative research approach using an interpretive paradigm. Section 4.3 describes the qualitative research procedures; Section 4.4 data organizing and analysis; sections 4.5 and 4.6 discuss reliability, validity and ethical considerations; and Section 4.7 provides a summary of the chapter.

## 4.2 Research design

### 4.2.1 Research paradigm

A paradigm is a model or framework for understanding what we see (Hennink et al., 2011) and a research paradigm or philosophy contains important assumptions about the way a researcher views the world (Saunders et al., 2007). A chosen research paradigm guides the researcher in selecting an appropriate research method based on the research problem, and one's belief system and worldview (Hennink et al., 2011; Saunders et al., 2007). Researchers need to clarify their philosophical assumptions about ontology, epistemology, axiology, rhetoric and methodology when choosing an appropriate paradigm (Creswell, 2009). Ontology refers to the nature of reality, and what we think reality looks like; epistemology refers to how the researcher knows what he or she

knows, and what constitutes acceptable knowledge in the field; axiology is about value judgments, and refers to the role of values in the research; rhetoric concerns the language of research; and methodology is the methods used in the process. Different authors classify research philosophy in different ways. This study focuses on business and management research, for which Saunders et al. (2007) have proposed that the three most dominant research paradigms are positivism, realism and interpretivism, discussed below.

The basic principles of positivism, adopted from the natural sciences, are that the social world exists externally and is viewed objectively (Saunders et al., 2007). A positivist philosophy is concerned more with facts and objective measurements than with impressions (Cooper & Schindler, 2008). It often adopts a quantitative approach to generate precise statistical data, and aims to investigate the causal relationship between different variables and theory testing, and make statistical generalizations (Saunders et al., 2007). Often, studies that take a positivist approach single out one major explanation for a particular phenomenon and deliberately neglect other aspects (Cooper & Schindler, 2008). The other assumption of a positivist approach is that the researcher is an objective analyst who is external to the data collection process and independent of the people under study (Cooper & Schindler, 2008; Saunders et al., 2007). Positivism is often criticized for assuming that separating the researcher from the research produces objective measurements, and because it “fails to acknowledge the interactive and co-constructive nature of data collection with human beings” (Hennink et al., 2011, p. 14); however, its supporters claim that other researchers can easily replicate the highly structured methodologies used (Saunders et al., 2007).

The realism paradigm holds that what the senses show us is the truth, and that objects exist independently from human minds (Saunders et al., 2007). Realism, which is similar to positivism, also assumes a scientific approach in understanding this world. There are two types of realism. Direct realism refers to “what you see is what you get” and it is our senses that portray the world, whereas critical realism holds that what we see or experience is only the sensations and images of things in the real world, instead of the things themselves. Critical realists point out that we are often deceived by our senses and we see only illusions; rather, it is our sensations that are real. Critical realists see our knowledge of reality as a result of social conditioning or our social structures (Saunders et al., 2007, p.105).

The interpretivism research paradigm holds that the social world is constructed and given meaning by people's ideas, beliefs and perceptions, within their social, cultural, historical or personal contexts (Creswell, 2009; Hennink et al., 2011). To capture the fluid nature of the socially constructed reality and social processes, interpretive researchers often favour qualitative data and inductive reasoning (Denzin & Lincoln, 2005). The interpretive approach seeks to understand people's experience from the perspective of people themselves (Hennink et al., 2011). Interpretivism acknowledges that research data will be influenced by people's subjectivity, those being researched and those conducting the study, and the researcher's background and values (Hennink et al., 2011). Data are typically collected from observation, in-depth interviews and action research, which provide a deeper understanding of social reality (Hennink et al., 2011; Jonker & Pennink, 2010).

This study comprised an in-depth inquiry into the thinking, values, perceptions and perspectives of SME owners grounded in the ontological assumption that different SMEs in Hong Kong adopt different perspectives in their practice of CSR. It was through personal communication between the researcher and the SME owners that a deep understanding of their personal experience and insights was articulated. The SME owners' views were personal, subjective and multiple. Epistemologically, the researcher's role was to guide and elicit their personal feelings and insights through personal interaction. In an axiological perspective, this research concerned the personal world-views of individuals, providing value-laden data. The language used in the data collection was informal, iterative and descriptive so that the SMEs could freely express their deep thinking and feelings.

Based on these philosophical assumptions, the most appropriate approach was an interpretive paradigm and qualitative methodology, focusing on gaining insights and perspectives through rich contextual data (Hennink et al., 2011; Saunders et al., 2007). In contrast, the positivist or realism paradigms, concerned more about statistical generalizations and the value-free nature of data (Cooper & Schindler, 2008), would fail to solve the research problem, and therefore were considered unsuitable for this study.

#### 4.2.2 Qualitative research approach

Qualitative research is guided by the interpretive paradigm, with the objective of gaining a detailed understanding of the underlying meaning of behaviour, perceptions or experience (Creswell, 2009; Hennink et al., 2011). This paradigm emphasizes the socially constructed nature of reality, the interaction between the researcher and the research topic, the situational constraints that shape inquiry, and the value-laden nature of investigation (Hennink et al., 2011; Myers, 2009). The qualitative researcher views social reality holistically, and the study aims at generating people's perspectives and insights (Creswell, 2009; Hennink et al., 2011; Myers, 2009). Qualitative methods enable the study of complex phenomena in real time and with real examples, drawing on participants' human side, and are argued to be more appropriate to answer questions related to "how", "what" and "why", whereas quantitative methods better answer questions starting with "how much", "how often", "what proportion" or "relationships in data" (Hennink et al., 2011). A qualitative approach can generate understanding of the holistic and meaningful characteristics of real-life events (Yin, 2009) and, as it can provide a deeper understanding of different perspectives, it is particularly useful for studying little-researched concept (Creswell, 2009).

In contrast, a quantitative approach, grounded in the positivist paradigm, emphasizes the measurement and analysis of causal relationships between variables, which are generally assumed to be value-free (Cooper & Schindler, 2008). This approach deals with large samples and statistical generalization, rather than being concerned with people's personal perspectives. (Flick, 2002) argued that, due to rapid social change, research has increasingly moved towards a qualitative inductive approach, with the study of knowledge focusing on the local context. Myers (2009) noted an increased interest in qualitative research approaches since the 1990s, as a way of understanding business and organizational reality in greater depth.

Qualitative methods have been widely used by scholars researching CSR in SMEs, as this approach enables researchers to study organizational reality and diversity in rationalities embedded in the context of CSR in SMEs (Jenkins, 2006; Murillo & Luzano, 2006; Nielsen & Thomsen, 2009a, 2009b; Spence & Rutherford, 2000). Importantly, as indicated previously, the culture of the SME sector is diverse rather than homogenous, and the owner-manager's values usually have a strong influence on the

way the business is run, and how CSR is interpreted and practised (Lepoutre & Heene, 2006). Given the complexity of CSR and the unique characteristics of SMEs considered in this research, it is argued that using a qualitative approach enables SME owners to express their personal views more precisely, providing a deeper and richer understanding of the rationalities and realities of the subject under research.

Adopting a qualitative approach facilitated a much deeper understanding of research questions related to “how”, “why”, “what are the influences or context” and “what is the process” (Hennik et al., 2011). The complex meanings of SME owners’ views of their experiences were captured more fully; in contrast, a quantitative approach under the positivist paradigm could fail to explain organizational reality with such contextual richness (Hennink et al., 2011; Myers, 2009). Also, adopting a qualitative approach under an interpretive paradigm was considered most appropriate (Jenkins, 2006; Murilla & Lozano, 2006; Spence & Rutherford, 2000) for studying organizations and management related to the complex environment and interdisciplinary nature of CSR. A qualitative approach provided a holistic perspective for the researcher, rather than statistical generalization, which was not the ultimate objective of this research. Studying the SME organizations in real time, and drawing on SME owners’ personal experiences, generated rich contextual data and insights.

The focus here was on investigating how Hong Kong SMEs interpret CSR, how the CSR programs are managed and communicated, what motivates them and what barriers they encountered, rather than the facts of what the SMEs do or how many programs they have implemented. A more detailed picture or description of the informants can advance our deeper understanding of the research problem and facilitates making recommendations on how to advance CSR best practices in Hong Kong SMEs. For these reasons, the approach adopted was deemed the most appropriate for this study.

Qualitative research can include several approaches: in-depth interviews, participant observation, case studies, elite or expert interviewing, study of documents or proxemics (Creswell, 2009; Saunders et al., 2007). This study utilized two main approaches: in-depth interviews and document analysis.

### 4.2.3 Qualitative interviewing

Qualitative research draws from multiple sources of information and can comprise many different methods. Interviews are commonly used in qualitative research projects where such an approach may be the only source of empirical data (Packer, 2011), as this technique enables the researcher to see what is not ordinarily being viewed (Rubin & Rubin, 2005). Indeed, Packer (2011, p.43) observed that interviews are a “ubiquitous” way of collecting data throughout the social sciences, and many qualitative research projects use only interviews as their source of empirical data; the most common form is semi-structured interviews, which he described as the “workhorse” of qualitative research today. Consequently, the qualitative interview is a proven research method which is particularly appropriate for providing detailed information about complex or sensitive subjects (Creswell, 2009; Packer, 2011).

As the goal of this research was to understand SME owners’ worldview and experiences, qualitative interviewing was appropriate for exploring the topics in depth, capturing the details in contextual richness, and gaining new insights and perspectives (Saunders et al., 2007). Qualitative interviews can provide rich data, and SME owners’ perspectives about CSR can be more clearly revealed and better illuminated (Myers, 2009) because interviewees express their views in their own words in real time. Qualitative interviewing can also be a practical research approach (Kvale & Brinkmann, 2008): it can be flexible for both researcher and interviewees in terms of schedule and setting; interviewees can give rapid and immediate responses, not possible in many other approaches; and any misunderstanding can be immediately clarified during interviews, again not possible with survey questionnaires.

As discussed in Chapter 2, SMEs by their very nature have limited resources. Hong Kong SMEs are much smaller than their counterparts in Western countries. SME owners often multi-task, with business survival their primary concern (Gibb, 2000), and interviews are a convenient and flexible method of obtaining data. Interviews are less time-consuming and can provide richer contextual data than other commonly used qualitative research methods, such as case studies which require multiple interviews and observations (Yin, 2009) and usually involve smaller samples than interview methods.

Interviews can be classified by their level of formality and the interviewer’s degree of control over the interviewing process. The most common interview techniques are



unstructured, structured, semi-structured, and focus group interviews (Saunders et al., 2007).

Unstructured interviews have no specific questions or discussion topics, and interviews are customized for each participant (Cooper & Schindler, 2008). The interaction is non-directive and the interviewee is given the opportunity to talk freely about events, experience, behaviour and beliefs related to the topic (Cooper & Schindler, 2008; Saunders et al., 2007). In structured interviews all interviewees are asked the same set of questions, and the researcher uses a very detailed interview guide, similar to a questionnaire, to guide the question order and the specific way the questions are asked, although the questions generally remain open-ended (Cooper & Schindler, 2008; Saunders et al., 2007). Structured interviews have the advantage of being directly comparable and the interviewer can remain more neutral (Cooper & Schindler, 2008).

Semi-structured interviews allow interviewees more freedom and flexibility to express their feelings, views and experience and to follow their own thoughts while still being guided by the interviewer (Saunders et al., 2007). The researcher uses probing techniques to elicit additional thoughts. An interview guide contains the necessary areas to be explored and enables the researcher to ask the questions in a similar way for all interviewees, which enhances consistency (Saunders et al., 2007).

Focus group interviewing is conducted simultaneously with a group of people, with the advantages that a large amount of information can be released in a short period of time and it allows the researcher to observe interactions among participants. Its major weakness is that the data may be distorted if group dynamics affect how freely participants express their views (Cooper & Schindler, 2008). Other drawbacks are difficulty in recruiting participants, and the large amount of work required to organize the interview, which is not always practical for individual researchers (Saunders et al., 2007).

Given these considerations, semi-structured interviewing was considered the most appropriate approach for this study. An unstructured interview technique was unsuitable because this study required that specific questions be answered by the SME owners. Structured interviews were unsuitable because the standardized structure of the questions precluded the interviewees describing their thoughts and feelings. Focus group interviews had the disadvantage that SME owners might feel uncomfortable

about talking openly in a group, particularly when there is certain sensitivity in the information or feelings to be disclosed (Myers, 2009; Saunders et al., 2007).

In summary, the semi-structured face-to-face interview technique had none of these disadvantages and provided maximum flexibility and minimum interruption to the SMEs' day-to-day operations.

## **4.3 Qualitative research procedures**

### **4.3.1 Sampling**

Different types of sampling strategies can provide a useful sample that achieves the objectives of the research. The most common sampling methods for qualitative studies are haphazard, purposive, quota, sequential, snowball and theoretical. A purposive sampling strategy selects a particular group of samples for investigation (Cooper & Schindler, 2008). For this study, the research objective was to understand the management and communication of CSR in SMEs and to engender learning from the best practice companies. The research objectives were best met by using a purposive sampling strategy to select a particular group (Saunders et al., 2007) that could demonstrate good CSR practices and share their personal experience.

Winning companies from different CSR awards in Hong Kong were chosen as subjects for investigation, as they generally demonstrate greater interest and commitment to CSR than non-award winners (Studer et al., 2006). Previous similar studies into CSR in award-winning SMEs such as Jenkins (2006) had used sample sizes of around 25. Teddlie and Yu (2007) have suggested that a maximum number of 30 qualitative interviews is a manageable size that also provides the necessary perspectives. Making reference to similar previous studies, a sample size of 25–30 was considered appropriate for this research as this number facilitates comparison across different sectors within the study, and provides the optimal manageable size for an individual researcher.

Adopting a purposive sampling strategy, exemplary SMEs were selected from three well-established CSR Awards or Schemes and one SME Index in Hong Kong. All had a proven track record in CSR activities and practices, such as community involvement, environmental protections and employee-related initiatives. The three well-established

CSR Awards were (i) the Caring Company Scheme, established in 2002, the longest standing and largest CSR scheme in Hong Kong, with a category to recognize the most outstanding SMEs in CSR practices, the Total Caring Award – SME Category; (ii) the HSBC Living Business Award, established in 2006, the only CSR scheme dedicated to SMEs; and (iii) the Hong Kong Corporate Citizenship Award (SME category) established in 2010. The SME Index refers to the Hong Kong Business Sustainability Index for Hong Kong SMEs, which was launched at the beginning of 2012. As mentioned earlier, The Caring Company scheme and HSBC Living Business Awards recognize companies' achievements in three main areas – care of employees, environmental protection and community involvement – and the Hong Kong Corporate Citizenship Award and SME Index judge SMEs' achievements in relation to their CSR practices with broader stakeholders, including customers and suppliers.

Samples were taken from the top winners for the years up to and including 2011, and the companies included in the first year of the SME index. A total of 114 SMEs were identified, with 41 common winners in the four schemes. This scenario is common, as CSR winners are often more motivated to re-enter different awards every year as a way of self-assessment and benchmarking with other companies. Seventy-three individual SMEs were therefore identified as purposive samples that could be invited to participate in the research.

In 2011, the researcher served as a part-time consultant to one of the CSR award organizers, the Hong Kong Council of Social Service (HKCSS), which runs the Caring Company Scheme. With the help of a colleague from the senior management team, personal introduction e-mails were sent to 20 companies with whom HKCSS had a connection. A total of 73 invitation e-mails were sent (see Appendix 2). The researcher made personal follow-up calls to the invited companies to answer any questions and confirm their participation. A total of 30 companies initially agreed to participate but two companies subsequently withdrew. The 28 final participants represented a response rate of 38%.

The 28 companies came from eight industrial sectors under the classification of the Hong Kong Standard Industrial Classification version 2.0, with 85.7% of the companies engaged in the service industry and 10.7% in manufacturing. About 36% of the sampled

companies had a single owner, 18% were family-owned and 46% had more than one partner.

### 4.3.2 Data collection

This section describes the two main methods of data collection used in this research: interviews and study of documents.

#### *Interviewing*

To answer the four research questions, a research instrument for data collection was developed in the form of ten interview questions (see Appendix 4). This provided the opportunity for interviewees to express their thinking and perspectives. Table 4.1 shows how the interview questions address the respective research questions.

An interview protocol was also designed and used in the interviews to enhance the quality and reliability of the research (see Appendix 5). The researcher utilized probing and mirroring techniques in order to focus on the world and language of the interviewees, and was also mindful of achieving a good balance between talking and listening, and observing and picking up verbal and non-verbal cues (Kvale & Brinkmann, 2008).

Interviews with 28 SME owners or managers were conducted during the period September 2011 to March 2012, to accommodate the interviewees' work schedules. Most interviews were conducted in the company's office, with three conducted in quiet areas of coffee shops. Before the start of the interview, the researcher explained the objectives of the research to ensure the interviewee understood the key points of the research and the interviewee's involvement, to confirm participants' support and to address any ethical issues. Before the interviews, all interviewees were given the approval and consent form (see Appendix 3) approved by the Ethics Committee of Macquarie University (see Appendix 1), which described the study objectives and procedures. Interviewees gave approval to record the interviews using a digital audio recorder. Each interview lasted 1–2 hours.

**Table 4.1: Research questions and corresponding interview questions**

<b>Research questions (RQ)</b>	<b>Areas of investigation</b>	<b>Corresponding interview questions (IQ)</b>
RQ1: What is Hong Kong SMEs' interpretation of the concept of CSR?	SMEs' values and principles of CSR	IQ1 – How do you define CSR in your company?
RQ2: How do Hong Kong SMEs manage and communicate their CSR practices?	<ul style="list-style-type: none"> <li>- Identification of stakeholders</li> <li>- CSR management approach</li> <li>- CSR Communication approach</li> </ul>	IQ2 – Who are your key stakeholders? IQ3 – How does your company manage your CSR practices, and what strategies do you use? IQ5 – How do you measure your CSR outcome? IQ7 – How do you communicate your CSR practices and achievements to your internal and external stakeholders? IQ8 – What communications channels do you use?
RQ3: What are Hong Kong SMEs' motivations in and barriers to engaging with CSR practice?	<ul style="list-style-type: none"> <li>- Drivers for and barriers to engaging with CSR practice</li> <li>- Management of CSR</li> <li>- CSR Communication</li> </ul>	IQ4A – What are your motivations in practising CSR? IQ6 – What benefits do you see as a CSR-Award winning company? IQ4B – What are your barriers to CSR management? IQ9 – What are your difficulties and challenges in communicating CSR?
RQ4: What is Hong Kong SMEs' future direction for CSR?	CSR vision for the future	IQ10 – How do you see your company moving forward in CSR in the future?

### *Study of documents*

The other research method used was study of documents and content analysis, which is useful for validating and triangulating the data collected from interviews (Creswell, 2009; Myers, 2009; Saunders et al., 2007). The documents covered two broad areas. First, the researcher examined the CSR award schemes and reports on the sampled companies to gain background information about the companies and create a context for the research (Myers, 2009). Second, the researcher collected, studied and analyzed both public and company data. Public data is published information available to the general public, and includes government statistics, CSR award publications that document the

stories of the award winners, and media reports. Company data was obtained from the websites of the sampled companies.

In addition, during the interviews, the researcher asked interviewees if they were willing to provide company information related to their CSR practices and policies as additional study materials, with 22 companies doing so. These materials included brochures; PowerPoint presentations; policies relating to anti-corruption, staff welfare and relations; policies about customer returns, supplier responsibilities, environmental protection and employees; employee handbooks; newsletters; product catalogues and advertisements; and customer feedback forms. SMEs generally operate informally and most do not have all their practices documented as written policies (Jenkins, 2006). Available policies and CSR-related documents were studied to further uncover CSR practices and communication in these CSR exemplars.

In addition to the data obtained through the interviews, the researcher specifically requested companies provide copies of their actual CSR award applications/SME Index Survey form, as a way of engaging in more detailed study and data triangulation. Nine CSR award applications and seven SME Index Survey forms of the sampled companies were collected. Data from the documents collected was provided through subsequent e-mails following the interviews. All the public and company documents were studied, analyzed and triangulated with the data collected from the interviews, thereby improving the overall reliability and validity of the study.

#### **4.4 Data organizing and analysis**

Qualitative data analysis is the process of categorizing and transforming qualitative data into some form of meaningful understanding or interpretation (Myers, 2009). For qualitative interviewing, it is also the process of moving from raw interviews to evidence-based interpretations that are the foundations for credible published reports (Myers, 2009). Data analysis entails classifying, comparing, weighing and combining material from the interviews to extract the meaning and implications, to identify emerging themes and patterns, or to combine descriptions of events into a coherent narrative (Myers, 2009; Saunders et al., 2007).

#### 4.4.1 Transcription

For this research, all interviews were conducted in the local Chinese language and recorded on a digital audio recorder, and a part-time transcriber was engaged for verbatim transcription to improve the reliability of the research (Myers, 2009; Saunders et al., 2007). To ensure ethical compliance and confidentiality of the information obtained through the transcription process, the transcriber signed a confidentiality agreement prior to the start of the task (See Appendix 6). The appointment of a part-time transcriber for the research was clearly outlined in the Consent and Approval form and this arrangement was explained to interviewees before the interviews. To ensure reliability and eliminate any mistakes, the researcher checked through the transcripts produced against the recording. The verbatim transcriptions were then translated by the researcher herself into English. For reliability, both the English translation of the transcripts and the verbatim transcription in Chinese were sent to interviewees for verification.

#### 4.4.2 Coding

The researcher used the thematic coding process for analyzing the data. Interview transcripts were coded and analyzed with the aid of the NVivo software program, a useful tool for expediting content analysis, coding and other data analysis processes. Coding in qualitative research is a way of tagging text with codes which can assist the researcher to move from content analysis to theorizing (Hennink et al., 2011; Myers, 2009). The researcher used the thematic coding process to analyze the qualitative data from the interviews, which incorporated several steps. First, a new NVivo project was created and all interview transcripts were imported into the project. The researcher familiarized herself with the data through reading through the transcripts several times. A new node was created whenever a new theme emerged from the data. The initial stage of coding was at the question level, and, after the initial themes were identified, the researcher reviewed them and read through the transcripts again. Ongoing analysis defined and redefined the attributes of each theme, and identified the relationship between the existing and any new theme that might emerge. A “Tree Node”, which showed the relationship to another category, and its “Child Node” were identified using NVivo. Interview quotes were identified and used to justify the themes.

#### **4.4.3 Data analysis**

For this research, data were analyzed using the analytical framework developed for this study as described in Chapter 3, with the aid of NVivo computer system. Documents collected were triangulated and compared with the interview data to explain the findings and to improve the internal validity of the research (Creswell, 2009; Myers, 2009; Saunders et al., 2007). Comparison of findings across different sectors within the study provided insights into the research topic. The analysis process continued into the writing-up of the findings and discussion, to ensure coherence of the arguments and appropriate theory building.

#### **4.5 Reliability and validity**

The conventional concept of reliability is associated with quantitative research, aiming for accuracy and precision of the research tools or instrument to replicate the same results under a similar methodology. This may be difficult to achieve in qualitative research (Mason, 2002). In order to improve validity and reliability, the research design has to be carefully crafted (Hennink et al., 2011; Myers, 2009). Some authors suggest the use of audio recording or videotaping as a way of increasing internal reliability (Saunders et al., 2007). For this study, all interviews were recorded to enhance internal reliability.

To ensure validity, the researcher extensively reviewed the body of knowledge related to CSR, CSR in SMEs and the Hong Kong context in order to ensure that the research design achieved the study objectives. Internal validity can also be enhanced by verifying results and conclusions from two or more sources or perspectives (Creswell, 2009; Myers, 2009). This study used data triangulation, comparing the interview data with the data collected from both public and company documents, to help explain and verify the consistency of the findings, and thereby to increase internal validity. Lastly, the interview transcripts were sent to all interviewees for verification to ensure the data were accurate and relevant to the research, which also helped to enhance the overall reliability and validity of the research process and findings.



## **4.6 Ethical considerations**

High ethical standards were ensured by maintaining confidentiality of all interviewed companies and interviewees, and by consolidating and presenting some sensitive data collectively instead of individually. All paper documents are filed in a locked cabinet in the researcher's home-office and the information collected is stored electronically with password protection.

## **4.7 Summary of the chapter**

This chapter has described and justified the methodology used to investigate the four research questions identified from the literature review. A qualitative interviewing methodology, grounded in the interpretivist paradigm, was appropriate for this study. As the study aimed to build best-practice cases, a purposive sampling strategy was adopted, in which CSR award-winning SMEs and SME Index companies were identified as sampled companies. Data collection consisted of semi-structured interviews with 28 SME owners, and study of public and company documents. Interviews were analyzed using the analytical framework developed for this study with the aid of NVivo software. Issues of reliability, validity and ethics related to this research were addressed. The next chapter presents the findings of the research.



## **Chapter 5: Findings and Discussion**

### **5.1 Introduction**

This chapter reports on the findings and discussions of the research. It first presents the demographic data for the 28 participating companies (Section 5.2). The findings from each of the four research questions are then discussed individually in sections 5.3–5.6. Section 5.7 provides a summary of findings and Section 5.8 explores the implications for management theory and practice. Section 5.9 presents an integrated CSR Best Practice Management and Communication Model for SMEs. Section 5.10 provides a chapter summary.

It was important to allow interviewees to freely express their views and feelings in order to gain an in-depth understanding of their perspectives. Interviewees often provided multiple responses to the interview questions, and these were coded under respective themes. To preserve participants' anonymity, the findings discussed in this chapter are combined and presented collectively, instead of individually.

### **5.2 Demographics of participating companies**

The study samples represented eight industrial sectors as classified by the Hong Kong Standard Industrial Classification version 2.0 (HSICv2): manufacturing; waste management, import/export, wholesale and retail trade; transportation and logistics; information and communications; administrative and support services; education, and human health and social work activities (Table 5.1). The majority of the companies (85.7%) were service-oriented and only four companies (14.3%) belonged to the manufacturing sector in the HKSICv2 classification. To a large extent, this distribution of sample companies reflected the current economic situation in Hong Kong, which has a service-dominated economy. Three companies had manufacturing factories in China that supply international markets. One trading company also operated a small manufacturing workshop in China. The shareholder structure varied: 36% of companies had a single owner, 46% had more than one partner, and 18% were family-owned

businesses. Since the focus of this research was SMEs in Hong Kong, only CSR in the companies' Hong Kong operations was studied.

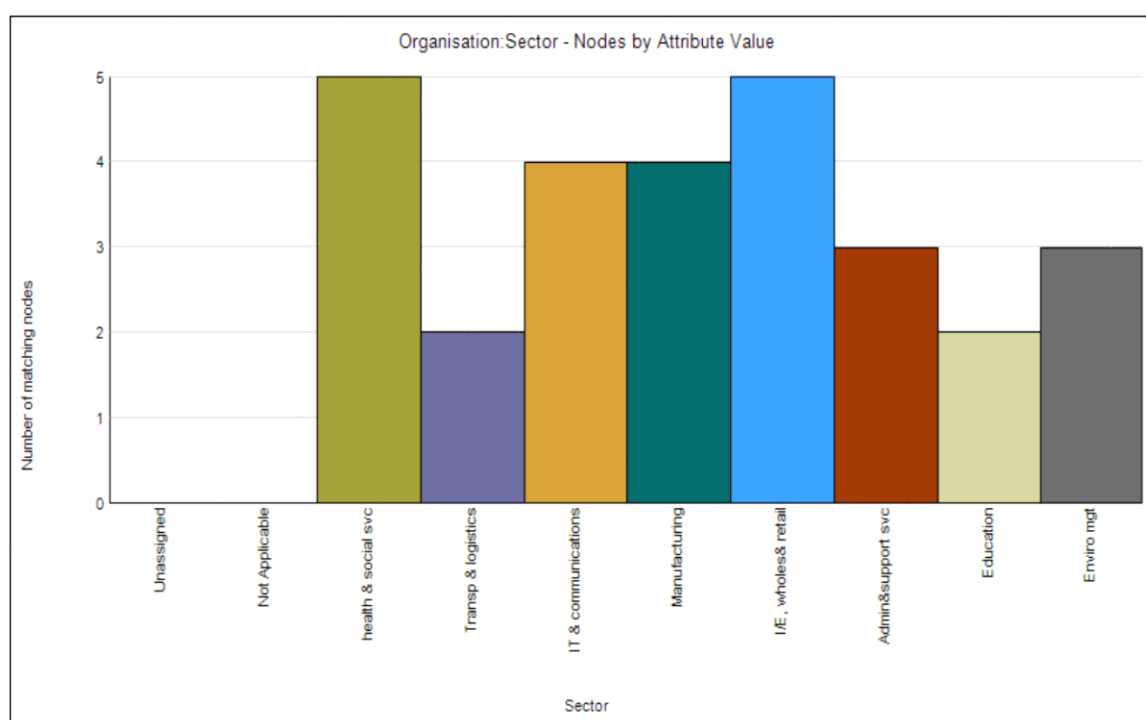
**Table 5.1: Distribution of companies by industrial sector**

Industry Code (HKSIC v2)	Industrial Sector (HKSIC v2)	Number of companies	%
C	Manufacturing	4	14.3
E	Waste management and remediation (Environmental management)	3	10.7
G	Import/export, wholesale and retail *	5	17.9
H	Transportation, storage and related services	2	7.1
J	Information and Communications	4	14.3
N	Administrative and support service	3	10.7
P	Education	2	7.1
Q	Human health and social work activities	5	17.9

\*one company also operates a small manufacturing plant in China

Figure 5.1 presents the number of companies in each sector generated from the NVivo system.

**Figure 5.1: Companies by sector**



As noted previously, the Hong Kong Government defines SMEs as employing fewer than 50 people for non-manufacturing companies, and up to 100 people for manufacturing companies. The majority of companies in this study (71%) employed 50 people or fewer; 18% employed 51–99 people, and 11% employed slightly more than 100 people due to seasonal fluctuation and market needs. Since most samples fell within the government’s SME definition at the time that they first won the CSR awards, and the numbers did not rise significantly, they were included in the study. Table 5.2 summarizes the demographics of the participating companies, including their business description and headcount, while Figure 5.2 graphically presents firm size in terms of headcount.

**Table 5.2 Summary of demographics of participating companies**

Company Code	Industrial Sector (HKSIC v2)	Description of Business	Number of Employees		
			Less than 50	50–99	100 or above
1	Human health & social work activities	Medical & health care	X		
2	Transportation, storage and related services	Transport & logistics	X		
3	Information and communications	Web portal	X		
4	Human health & social work activities	Health care services	X		
5	Manufacturing	Digital printing		X*	
6	I/E, wholesale and retail trades	Environmental products	X		
7	Human health and social work activities	Beauty and hairdressing	X		
8	I/E, wholesale and retail trades	Health care products		X	
9	Administration and support service	Facility management		X	
10	Education	Sports training	X		
11	Environmental management	Environmental engineering		X*	
12	Environmental management	Waste management	X		

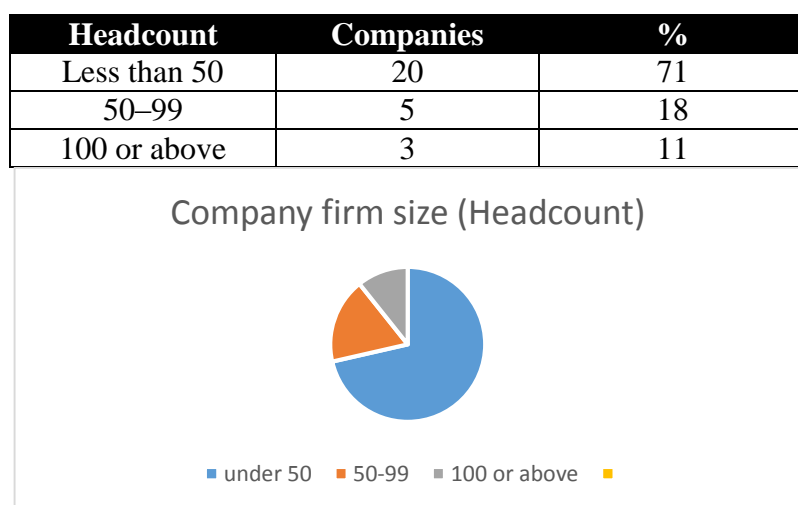
(continued overleaf)

Table 5.2 (continued)

Company Code	Industrial Sector (HKSIC v2)	Description of Business	Number of Employees		
			Less than 50	50–99	100 or above
13	Human Health and social work activities	Health management	X		
14	Manufacturing	Furniture			X*
15	Administration and support service	Travel	X		
16	Information and communications	Website design	X		
17	Administration and support service	Rental of electronics products	X		
18	I/E, wholesale and retail trades	Optical products			X*
19	Transportation, storage and related services	Transport & logistics	X		
20	I/E, wholesale and retail trades	Water systems	X		
21	Manufacturing	Food services			X*
22	Human health and social work activities	Beauty and hairdressing	X		
23	Manufacturing	Printing	X*		
24	Information and communications Service	Software development	X		
25	Information and communications Service	Software development		X	
26	Environmental management	Environmental engineering	X		
27	Education	Learning service provider	X		
28	I/E, wholesale and retail trades	furniture & projects	X		
<b>Total</b>			<b>20</b>	<b>5</b>	<b>3</b>

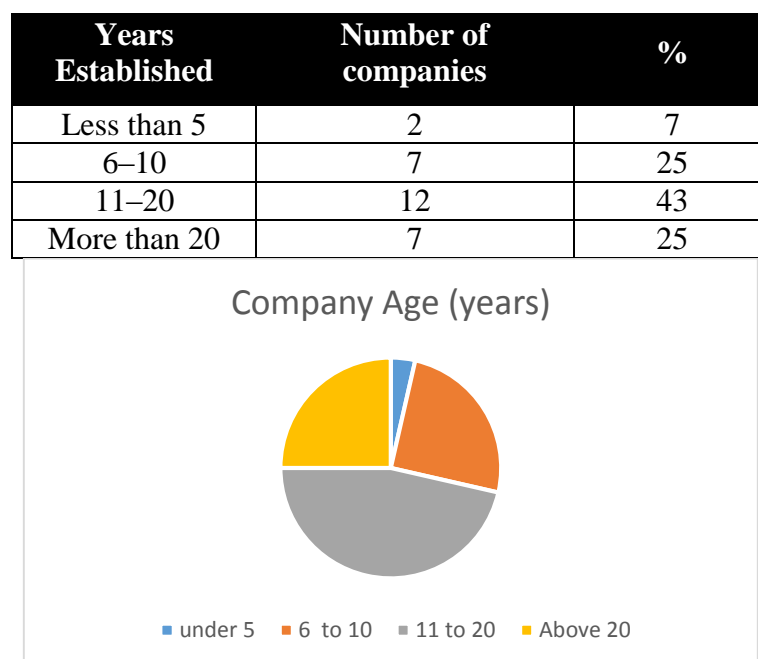
\* Manufacturing-oriented

**Figure 5.2: Distribution of company firm size (Headcount)**



Slightly less than half of the companies (43%) had been in business between 11 and 20 years. One-quarter (25%) had been in business between 6 and 10 years, and another quarter (25%) had been in business for more than 20 years. Only two companies (7%) had been established in the 5 years preceding this study. These figures demonstrate that this group of companies generally survive well over a long period, despite market fluctuations. Figure 5.3 shows the distribution of company ages.

**Figure 5.3: Age of sample companies**



### *Interviewees*

The majority of the interviewees (86%) were the business owners or founders themselves. Only four interviewees (14%) were company representatives. Twelve interviews were attended by more than one person. In summary, 40 interviewees attended the 28 interviews, and they included business owners, founders or managers of the company, and were directly responsible for CSR in their companies.

The findings from each of the research questions are discussed individually in the following sections, beginning with RQ1 in Section 5.3.

## **5.3 Research Question 1 – What is Hong Kong SMEs' interpretation of the concept of CSR?**

This research question investigated SMEs' values and principles of CSR, as the first step to addressing the research problem. The first interview question asked interviewees to explain how they understand and define CSR.

### **5.3.1 Interview question 1 – How do you define CSR in your company?**

#### *Overview of findings – Definition of CSR*

Five major themes emerged during the interviews when interviewees were asked about how they defined CSR in their companies: “stakeholder responsibility”, “pay back or contribute to society”, “do the right thing”, “personal responsibility” and “part of business”. NVivo was used to build child nodes and a number of coded references on tree node “Definition of CSR”, as shown in Table 5.3.

Most SMEs did not have a formal definition of CSR in their companies, and so defined CSR in diverse and multi-dimensional ways. Although interviewees defined the concept of CSR in diverse ways, it was generally seen as a philosophy of running a business in a responsible way, creating win-win situations for stakeholders, and emphasizing long-term and mutual interests for their major stakeholders and society: One major finding was that all interviewees comfortably used the terminology in its abbreviated form –



“CSR” – in describing their understanding of the concept, which is contrary to what was reported in most literature in Western countries.

**Table 5.3: Final set of child nodes and number of coded references on tree node “Definition of CSR”**

<b>DEFINITION OF CSR Tree Node</b>	<b>Child Node</b>	<b>References Coded</b>
Definition of CSR	Stakeholder responsibility	22
	Contribute to society	17
	Do the right thing	13
	Personal responsibility	10
	Part of business	9

#### Stakeholder responsibility

The theme “stakeholder responsibility” recorded the highest coded reference. Under this theme, interviewees defined CSR as a way of being responsible and caring for their important stakeholders who are crucial to the survival of their business and its sustainability. Employees and customers were the most frequently talked about stakeholder groups. Some also mentioned caring for the community and the environment as a part of CSR. Interviewees talked about specific programs directed to different groups of stakeholders as well as how they partnered with NGOs to support the community. The following owner explicitly expressed how he defined CSR as taking care of different stakeholders, which reflected his personal philosophy in making people happy in his business:

Our definition on CSR has all along been based upon the benefits and interests of different stakeholders ... my philosophy is to delight people. (C21)

#### Contribute to society

The second-highest coded reference was “contribute to society”. Interviewees considered the company had a responsibility to give back to society, and contribute to

building a better one. Most SMEs coded under this theme explained that, because their business success depended on society, companies have an obligation to find ways to contribute to or repay society while sustaining their business. Several interviewees also noted that profit with a conscience was more important than profit maximization:

I think CSR means that we have an obligation to contribute to the society for what we received and gained. (C09)

Although profit generation is important for business, we do not go for strict profit maximization ... we think profit comes with a conscience is far more important. (C14)

### **Do the right thing**

Many companies did not have a specific definition of CSR but said that they were just “doing the right thing”. To these SMEs, practising CSR was the normal way of running their business in a responsible and ethical way:

I don't think we have defined CSR ... we believe we are doing the right things. (C27)

### **Personal responsibility**

Some interviewees thought social responsibility should start with “personal responsibility”, which was viewed as one's obligation and contributions to society, grounded in personal values:

Personally I think this is everyone's responsibility rather than just the company. As a human being in this world, we should do our best to care for the earth and environment, and it is a commitment to life, and one should be seriously thinking about how to make the best use of our life, to make contributions to others. (C13)

### **Part of business**

Several SMEs described CSR as part of their business. Most of this group came from the health care, environment and education sectors, and believed that their business fundamentally embodied social responsibility:

In fact we don't have an exact definition. We just aim to raise our quality of services that in a sense is already fulfilling our responsibility to society as a provider of health care services ... through our good service, society gets improved too. (C04)

### *Discussion of RQ1 – Definition of CSR*

#### **Lack of formal CSR definition**

The sampled companies lacked a formal definition of CSR, with the exception of a few longer established companies whose more formal definition of CSR linked to their company's mission. As Jenkins (2006) found in a study of CSR winning SMEs in the UK, the SMEs in this research defined CSR as an "all embracing idea", reflecting their understanding of CSR as a multi-dimensional topic. The lack of formal definition by Hong Kong SMEs stems from their generally informal characteristics, as noted in the literature (Gibb, 2000; Russo & Tencati, 2009), although another possible explanation is the absence of a formal definition by the Hong Kong Government.

Despite lacking a formal definition, most interviewees had been practising some form of CSR for a long time, providing examples such as caring for employees, environmental protection and community involvement. Some, however, were unaware that these responsible practices be regarded as early forms of CSR. Viewed through the structural frame, SMEs in this study were often practising some sort of CSR without being aware of it, termed "sunken CSR" (Perrini, 2006):

Originally we just aimed at being more socially responsible to our employees, to create a better working environment so that they could work happily and in turn help reduce our staff turnover rate ... and we came to realize what we were engaging was formally known as CSR, that we are in a position to give back to society, besides serving our customers and caring for our employees. Now, we hope to extend our CSR coverage to society at large, and to benefit more people. (C3)

Most of the SMEs in this study saw being socially responsible as a natural way of running their business, driven by their personal and business beliefs and philosophies through the symbolic frame which shapes the meaning of CSR, and grounds the culture of the company. The following SME owner illustrated the sunken nature of CSR:

We had some common understanding among our partners when we set up this company. It is not just to focus on business and money-making ... we hope to provide a good IT service and solutions for our customers, and at the same time help the less fortunate in society ... I don't have any clear definition of CSR. What I can quote is the example that I always bring along my kids to do flag-selling and take part in different community services organized by my company ... I try to let them learn to help those in need. I believe we need to educate the younger generation. (C24)

### CSR terminology

Many SMEs in Western countries find it difficult to connect with the terminology of “corporate social responsibility” because the word “corporate” is associated with large companies, and the word “social” is too all-encompassing for them (ACG, 2008; Jenkins, 2004a). Contrary to the literature, the SMEs in the current study showed a good understanding and acceptance of the “CSR” terminology and did not express any negative feelings towards it. All of them used “CSR” and “corporate social responsibility” interchangeably during the interviews, and in their websites and company documents.

This contradictory finding has several potential explanations. First, when translated into Chinese, the word “corporate” does not carry the same connotation of a very large company, as in English. The most common Chinese translation for “corporate” is associated more with “enterprise”, which implies businesses of various sizes. Second, to CSR award winners, “CSR” in its abbreviated form has been commonly accepted as a symbolic representation in referring to businesses’ social responsibility in caring for different stakeholder groups such as employees, community and the environment in order to build a cohesive society, as promoted by the major CSR recognition/award schemes, and the SME Index in Hong Kong, as mentioned previously.

The popularity of the CSR terminology in Hong Kong could explain the lack of strong debate on the term by the SMEs involved in this research.

Third, many SMEs in this study explicitly expressed their belief that CSR was not only the responsibility of large companies. Rather, as members of society they advocated engaging in CSR, regardless of their organization’s size. Admittedly the purposive

samples chosen for this study could generally be expected to demonstrate a stronger commitment and possibly a more advanced approach to CSR practices, and so this view could be biased and may not reflect the more general thinking of ordinary SMEs. This is deliberate, as the objective of this research was to create best-practice cases:

CSR is a corporate social responsibility, and is not limited to large organizations. (C10)

I can remember we have been engaging in CSR for over 20 years. Even though we are a small SME, with limited financial resources, we will do our best to give back and contribute to society. (C15)

In addition, when viewed through the structural frame, SMEs in this study were more concerned about the integration of CSR processes in their company than in the terminology being used:

I am sorry that we have no idea what CSR really covers, but we developed some understanding in the process of doing it, in which we believe we are doing the right thing. However we just don't bother to match this and that ... we just act in accordance with our company mission, and what our colleagues consider right, and what our company can afford and support. (C27)

### Creating a win-win situation

Many SMEs expressed explicitly that, although they strove to run a profitable business, they were not aiming for strict profit maximization. Rather, they felt a moral obligation to achieve a profit with conscience and to create mutual benefits for all concerned. Looking through the symbolic frame, concern for broader society was strongly embedded in the Chinese Confucian teachings, which state that a person of high virtue and integrity should not be concerned only with themselves; rather they should consider others and aim to create wealth in a responsible and ethical way aiming at mutuality (Zhu & Yao, 2008). The following company demonstrated a “social priority” orientation, as described by Spence and Rutherford (2000, p. 133), and the commitment to advance its engagement in CSR, so as to benefit more people in society:

Although we are a business entity, we are not targeting profit maximization but basically try to cover our operating costs ... by nature, we are serving our clients and want them to

have a better life. We hope to extend our engagement of CSR on a wider base, and to serve society. (C03)

Many SMEs expressed that their ideal approach to CSR was to build a sustainable business and harmonious society, and they believed that this could be realized by taking care of their different stakeholders, including the community. Several companies declared that CSR formed part of their mission, objectives and culture. Most believed CSR was the cornerstone of a sustainable business, creating mutual benefits for all concerned. Interviewees frequently mentioned the expression “win-win”, grounded in a strong Chinese culture referring to creating mutual interests. The structural frame reflected that, although the SMEs’ definitions of CSR were diverse and vague, most of them were clear about CSR objectives and processes: building a sustainable business and harmonious society, aiming at creating a “win-win” situation for all concerned and focusing on long-term rather than short-term strategy and relationships. Viewed through the political frame, the win-win approach adopted by most SMEs illustrated their way of viewing and handling conflict. While bargaining and negotiation is central to all decision making (Bolman & Deal, 2013), SMEs in this study aimed to build long-term relationships through creating mutual benefits:

We would keep on strengthening ourselves in CSR engagement to take care of our employees, customers, NGOs and even the underprivileged. This is a win-win situation flourishing our long-term development instead of being a burden to us. (C20)

In fact we really want to go for a win-win situation among stakeholders, and to build up a sustainable business. (C025)

Many prior studies have reported that most SMEs practise CSR for moral or ethical considerations, rather than aiming for strategic benefits (Hsu & Cheng, 2012; Jenkins, 2004a; Lee et al., 2012; Vives, 2006). Contrary to this view, the majority of SMEs in this study perceived economic and social goals as complementary and mutually reinforcing. They believed there was no conflict between being socially responsible and profitable, and many actually pointed out that CSR could help make their business more sustainable:

I believe if we develop a long-term relationship with stakeholders, eventually it will bring business benefits to us. (C17)

I have just come to realize recently that CSR activities could be synchronized with business ones ... once I realized the possibility of putting things together, I began to embed CSR into our policy, and make revenue generation co-exist with something meaningful to benefit society. (C14)

... we will be more successful if our stakeholders and society at large are better developed, and people live in harmony ... this is a win-win situation ... in fact we have witnessed significant return in our business, both tangible and intangible, which in turn improved our sustainability, and reinforced our ongoing effort in CSR. (C20)

The literature presents conflicting views on the relevance of applying a stakeholder approach to examining SMEs. Some authors argue that the stakeholder approach is embedded in SMEs as a way to sustain their business (Murillo & Lozano, 2006). Others caution that the stakeholder theory is more suitable for large companies which often engage in strategic stakeholder management practices that may not be able to explain CSR in SMEs fully (Perrini, 2006; Russo & Perrini, 2010). This study found that most sampled companies were familiar with and concerned about stakeholders' interests, and used the stakeholder approach to define, organize and practice CSR, although only some were aware that these practices were called CSR.

Under the stakeholder responsibility theme, and through the human resource frame, the highest recurring theme was caring for employees. The majority of the interviewees mentioned that their business would not survive without their employees' hard work and contributions. They expressed their commitment to employee responsibility within the CSR umbrella. The SMEs recognized the importance of building a happy and motivated workforce as a way of exemplifying their social responsibility, as illustrated in the following quotes. The focus on employee responsibility in this study is consistent with most of the literature, resulting from SMEs' inherent dependence on employees to run their business (ACG, 2008; Gibbs, 2000; Jenkins, 2004a, 2006; Lee et al., 2012; Lepoutre & Heene, 2006):

We cannot be successful if we do not have good employees and good products, even though good customers exist. (C07)

Actually we started CSR activities many years ago. We always try to cultivate a close relationship among the employees and the boss (me), so that they can feel a sense of caring here. (C11)

## Embedded CSR

Many of the SMEs viewed CSR as the core value and culture. Culture can be described as the wisdom and accumulated knowledge that helps shape a company's identity and personality (Bolman & Deal, 2013). For example, one company explicitly described CSR as one of the company's cultures; looking through the symbolic frame, this company showed commitment in CSR in creating a stage and purpose for its actors, and in embedding the CSR culture in the company:

We have put CSR as one of our company cultures ... in fact, a key one. (C24)

Some interviewees considered their business was fundamentally embedded with the CSR concept from the very beginning. Although running a profitable business, such companies saw a social mission in their business. These SMEs were mainly from the health care, environmental protection and education sectors. Those in the health care business emphasized their concerns about people's health and wellbeing on a community basis; environment-related companies focused on sustainability issues; and the educational organizations stressed people's development. For these companies, CSR formed an integral part of their business, rather than an add-on activity. For some, a structural frame indicates how CSR was embedded in the company's mission, structure and processes and, viewed through the symbolic frame, it formed a core value and culture of the company. Looking deeper through the structural frame, these companies generally had a clearer mission and goals about CSR, and CSR formed an integral part of their business:

I believe CSR is related to our mission and vision ... family medicine is more community-related and is not only focused on curing a disease, but also emphasizes how to make people live healthily, happily and in harmony. (C1)

My partner and I have been engaged in the business of environmental protection ... we are not purely engaged in environmental protection just for CSR's sake ... it is part of our business. (O12)

Previous studies have reported that most SMEs' CSR practices were disorganized and ad-hoc (Jenkins, 2004b; Lee et al., 2012). Viewed through the structural, human resources and symbolic frames, some SMEs in this study demonstrated exemplary



commitment and strategy in embedding CSR within the company structure, culture, and in employee practices, even though they might have been unaware of it.

### **Influence of owner's values**

The literature reports how CSR is mainly interpreted and defined by the SME owners, who are largely influenced by their personal values, beliefs and experience (Jamali et al., 2009; Lepoutre & Heene, 2006; Spence & Rutherford, 2000). Viewed through the symbolic frame, interviewees translated their own values onto the meaning of CSR in the company, including their religious beliefs. This finding is supported by the literature:

We grew up under the influence of Christianity; there is a saying in the Bible “Do unto others as you would have others do unto you” ... this is the underlying belief for us to do our best, to contribute to the society and assist our neighbourhood. (C02)

As I have been educated and grown up under the Chinese Confucian culture, I tend to go for a balance in what I do. This means that I am not just running a business, but also to cultivate ourselves, build up our family and contribute to the society, our nation and even the world. It is a matter of integrity, and we shall not just care about ourselves alone, but also care for other people. (C12)

On the other hand, the political frame provides an additional dimension to better comprehend the influence of power in shaping SMEs' understanding of CSR. The source of power in the sampled companies came mainly from the owners, who decided how to define CSR and what practices to establish in the company. The stronger the leadership, the more influence the SME owner had on the shaping of the interpretation and focus of CSR in the company. The leaders assumed the role of social architect within their companies. The definition of CSR was mostly interpreted and constructed by the business owners themselves, and they were largely influenced by their personal values, beliefs and experience (Lepoutre & Heene, 2006). Several interviewees explicitly mentioned their personal stories, as coming from humble families and working their way up to running their own business. The commonality was that they were more sympathetic to the different stakeholders. For example, the following SME owner emphasized the issue of caring for employees because of her personal experiences as a junior staff member:

We did not come from a wealthy family, and we worked as employees for other companies before. Therefore, we understand very well that if an employer treats the staff well, they will work hard and become stable and loyal to the company. In our company, we cannot just rely on one single person but need the support of different departments. Everybody needs to contribute their efforts to its growth, like a big family. (C23)

The following examples illustrate that if the leader learns and improves his or her knowledge of CSR, CSR might be defined differently, with the approach becoming relatively more sophisticated and CSR developing more rapidly as well. This further demonstrates that, when the leader is motivated to engage in CSR, the organization would follow suit, with or without a formal definition or structure. The following quotes from interviewees demonstrate the owner's strong influence in defining and setting the agenda for CSR in their companies:

Actually I learnt of this term [CSR] a few years ago. We have always been thinking what else we can do apart from running our business, and see if we can contribute more to society. So, over the last three years, we were serious and eager to learn what CSR means, and then tried to apply it to our company, and explore its uniqueness. I believe CSR is something really necessary within a commercial organization. It can make the company more sophisticated with better quality management. (C08)

Other businesses normally place profitability as their highest concern. As for my company, maybe we only have a few shareholders and because I have been engaged in service for youth, we place it [profits] as our second priority. (C09)

In addition, viewed through the symbolic and human resources frames, many companies demonstrated that their CSR philosophy was not an add-on but belonged to their company's culture, which included a clear reference to their history. Some companies had inherited stories and heroes that created faith and meaning for people. Treating employees well and making them happy was a way of living in the organization. Indeed, the majority of the companies in this study showed commitment to strengthening their company culture in order to build a committed and cohesive workforce:

We evolved from a small trading company which was founded by my father some 30 years ago. We had such CSR practices long ago ... such as providing free lunch to our staff. (C11)

My husband and I built the company, which our team members can truly grow and develop themselves ... I hope they can learn something new and benefit from the teamwork together. (C14)

The way the SMEs expressed their understanding of the multi-disciplinary concept of CSR reflected their CSR values and principles, which in turn influence the way CSR is practised, managed and communicated in the company. SMEs' diverse views in defining CSR reflected the different CSR principles and business orientations of the companies, which were mostly driven by the owners' personal values and belief, consistent with the international literature (Spence & Rutherford, 2000).

#### **5.4 Research Question 2 – How do Hong Kong SMEs manage and communicate their CSR practices?**

The second research question investigated how SMEs manage and communicate CSR practices in their companies. Interview questions probed interviewees' insights on aspects of CSR management, such as how SMEs define their key stakeholders (interview question 2; IQ2), their approach and strategies for managing CSR (IQ3), and how they measure CSR outcomes (IQ5). Interview questions about CSR communication asked how SMEs communicate CSR practices and achievements (IQ7) and what communication approach and channels they use (IQ8).

NVivo was used to build child nodes and coded references on the master tree node "CSR Management" which encompasses three sub-tree nodes: "stakeholders", "CSR management approach and strategies", and "CSR measurement", as shown in Table 5.4. Similarly, as shown in Table 5.5, NVivo was used to build child nodes and coded references on tree node "CSR Communication". The interviews and study of documents provided a portrait of CSR practices and activities, as well as CSR communication approaches and channels adopted by the sampled SMEs, as shown in tables 5.5 and 5.9, respectively. In addition, examples of innovations, incorporating social and environmental issues, are outlined in Table 5.6, whereas a summary of the measurement instruments used by the SMEs in measuring CSR is provided in Table 5.9.

### 5.4.1 Interview Question 2 – Who are your key stakeholders?

SMEs were asked in IQ2 how they identify their stakeholders. The first part of Table 5.4 shows the final set of child nodes and coded references built around tree node “CSR Management – Key Stakeholders”.

#### *Overview of findings – Stakeholders*

Most interviewees nominated four types of important stakeholders, described as the primary stakeholders: employees and shareholders (internal stakeholders), and customers and suppliers (external stakeholders). The less important secondary stakeholders were the community, the environment, government and families of employees. As shown in Table 5.4, the highest coded references that emerged from the key stakeholders were employees, customers, suppliers and shareholders. For the secondary stakeholders, community recorded the highest coded references following by the government, environment, and employees’ family. The following section discusses these findings in more detail.

**Table 5.4: Final set of child nodes and number of coded references on “CSR management”**

<b>CSR MANAGEMENT Tree Node</b>	<b>Child Node</b>	<b>References coded</b>
Key Stakeholders	Employees	32
	Customers	31
	Suppliers	22
	Shareholders	20
	Community	17
	Government	10
	Environment	4
	Families of employees	2

Table 5.4 (continued)

CSR MANAGEMENT Tree Node	Child Node	References coded
CSR Management Approach and and strategies	<b>Structural frame</b>	
	Stakeholder-oriented CSR	45
	Lean structure	29
	Owner-led	26
	Informal & non-strategic	25
	Simple and flexible	23
	Progressive	18
	Long-term	15
	Integrated	14
	Innovative	10
	<b>Human resource frame</b>	
	Invest in people	35
	Motivation	22
	Empowerment	18
	<b>Political frame</b>	
	Collaboration & Win-win	20
	Advocacy of CSR	18
	<b>Symbolic frame</b>	
	Nurture CSR culture	30
	Uphold CSR values	26
	Awards	22
	Celebrations	20
	CSR Heroes	12
CSR Measurement	Employee-related	22
	Customer-related	20
	Environment-related	15
	Supplier-related	12
	Community programs	10

### *Discussion of IQ2 – Stakeholders*

Viewed through the structural frame, it was evident that the SMEs had no formal methods or systems to identify their stakeholders, as is usually the case in large companies. However, the SMEs prioritized stakeholders according to their importance for the company. Primary stakeholders were employees, shareholders, customers and suppliers who were directly related to their businesses, and had a direct influence on the company's survival. Secondary stakeholders were community, environment, government and families of employees, not directly related to the business but still relevant.

“Shareholder”, which was ranked after customers and suppliers in terms of references coded, reflected the relatively low level of shareholder responsibility in the sampled companies. This is consistent with the literature that most SMEs regard shareholders and the company as one (Gibb, 2000; Jenkins, 2004a). The shareholder structure was relatively simple for the SMEs in this study and this could one of the reasons why owners treat their own and the company’s interests as one. This finding was consistent with the literature, where SMEs are generally characterized as having no segregation between the owners and the business:

Unlike the public-listed companies which have a lot of governance and statutory requirements to take care of investors’ interest, we are a relatively simple company. My husband and I are the only shareholders of the company, and we are not that concerned. (C14)

Although the companies in this study regarded as key stakeholders only those who are directly related to their business, some SMEs acknowledged that as a socially responsible company they should also care for the environment and the community:

From the company point of view, it is correct to put them (environment and community) as secondary stakeholders, as they are not related to business profit and there is no tangible return ... however, we are not mean not to invest our time and resources ... in some social activities such as environmental protection and education ... although there is absolutely no financial return. (C09)

Business also has an impact on the environment, and should protect the environment and be concerned about long-term sustainability. Therefore, the definition of stakeholder proposed by Freeman (1984, p. 46), as one “who can affect or is affected by the achievement of the organization’s objectives”, is appropriate for Hong Kong SMEs, although the level of sophistication in identifying the stakeholders, and the way stakeholders’ relationships are being managed, might differ between SMEs and large companies (Jenkins, 2006).

Considering the human resource frame, most interviewees agreed that employees were one of the most important stakeholders of their companies and were concerned to motivate them in different ways. They acknowledged the importance of a happy and committed workforce to the success of the business, the interdependence between the company and its employees (Bolman & Deal, 2013), and the company’s commitment to

investing in people. Several of the SMEs extended this commitment to employees' families:

For sure our most important internal stakeholder is our employees. Without them we cannot survive or succeed, even though we may have strong products, markets and customers. (C20)

... people are our greatest asset ... all along we have treated our staff as partners to grow our business, and we deem critical to make them work happily ... It goes further that employees and their family members are all my stakeholders. We have always encouraged them to participate in various staff and community service activities, to foster stronger bonding and communication among them. (C18)

The political frame provided an additional dimension for understanding how power issues might impact SMEs' view of stakeholders. All interviewees identified employees and customers as the most important stakeholders, reflecting that the way Hong Kong SMEs identified their stakeholders was based mainly on the relative power and legitimacy each stakeholder possessed over the company's survival. For customers, the manufacturing SMEs in this study that supplied to international markets felt some pressure from their customers to demonstrate their CSR capability, for example to meet factory audits and compliance. Other SMEs also noticed the increasing awareness and rising customer expectations of a company's social responsibility practices, but the pressure was not as intense as in the manufacturing sector:

Our international customers are famous brands. Different customers have different requirements in CSR ... in recent years, they became more demanding in factory audits, and concerned more about how we treat our employees, product safety and quality, as well as and environmental protection. (C23)

The findings also showed that employees and customers were rated as more important than suppliers. Viewed through this frame, this indicated that suppliers were less powerful than customers and employees in affecting the company's survival or success. However, the relative importance of stakeholders varied from company to company. While some SMEs were able to exercise more power over their suppliers, such as the manufacturers who had many suppliers, other SMEs had low bargaining power over their suppliers due to the nature of their business, such as distributors of international brands:

We tend to have at least two suppliers for each type of material or component ... which implies that we have over hundreds of suppliers. (C14)

As a SME, and to be honest, we have little control over the suppliers... however, we are able to influence indirectly through selecting suppliers with similar CSR beliefs, for example in reducing energy consumption of our products, so that we both move in the same direction ... Compared to customers, suppliers may not be a critical stakeholder to us, but someone that we cannot live without. (C20)

SMEs were often argued to be in a less favourable position to attract and retain the best talent, compared with large companies that offer better compensation, benefits and opportunities for career development. The failure to build a competent and committed workforce might impact on SMEs' business growth (Lepoutre & Heene, 2006). In Hong Kong, the unemployment rate had been consistently low in recent years, and there was a shortage in manpower, particularly for the construction and services sector (Hong Kong Government, 2012). Under such circumstances, employees in Hong Kong arguably command a higher bargaining power in the employment market. Consequently, in order to compete for and retain talent to facilitate their business development, SMEs had to stay committed to investing in employees as an HR strategy. A company owner said that the company placed employees above shareholders, as they considered employees were more influential in terms of sustaining their business. This reflected the relative bargaining power of employees in the Hong Kong SMEs:

It shall be the employees who come first (before shareholders). Employees are the ones who generate business which in turn would attract other investors. So it is necessary we build up the team with competent staff first. (C17)

Unlike the large corporation which can easily replace their staff, as a SME, we cannot do so. We can hardly make replacement, so we have to really understand what's going on with our staff ... for some young staff, for example, sometimes we even invite their parents for chats and praise employees' good progress in front of their parents, as a way to motivate them. (C07)

Only a few SMEs identified the government as a stakeholder, when their businesses are more affected by the government's environmental policies. Large companies commonly treat the government as a stakeholder, due to their legitimate power in changing the rules of the game by enacting laws and regulations (Mitchell et al., 1997). However,



most of the SMEs in this study did not consider government an important stakeholder, as they generally felt the government was not directly related to their business. This finding is consistent with the findings of the Hong Kong SME Index (Lo, 2014). Looking through the political frame, SMEs normally have no power to negotiate with or influence the policy-makers and, therefore, to most SMEs the government is a distant authority, even though its decisions may affect their business:

I would tend to put it (government) as our stakeholder ... as our operation is related to the whole industry of environmental protection ... if the government really improves their policy making in environmental protection, we will be benefited. (C12)

Through the symbolic frame, the way the SMEs identified their most important stakeholders again reflected and became overt symbols of owners' personal values and beliefs, in a similar way to how they influenced the definition of CSR. For example, the medical doctor who was running a medical centre felt the responsibility of building up a healthy community, and therefore explicitly identified community as a major stakeholder:

We have significant community involvement. We believe that to build up a healthy community, the doctors have to play a leading role. (C01)

My own personal value actually originated and inspired from environmental protection. I am a fanatic of environmental protection, I care about it, and such burning spirit gradually transformed into care about the society. (C06)

The key stakeholders considered important by the SMEs in this research were similar to those reported in the literature (see, for example, Jenkins, 2006; Murilla & Luzano, 2006; Jamali et al., 2009; Spence & Rutherford, 2003), although the relative importance of each stakeholder group varied from company to company, and was subject to change with the rapidly changing market and stakeholder demands.

### 5.4.2 Interview Question 3 – How does your company manage CSR practices, and what strategies do you use?

#### *Overview of findings – CSR Management and strategies*

Nineteen major themes emerged when interviewees talked about how they manage CSR practices and what strategies they use. Nine themes were mapped into the Structural Frame, three into the HR Frame, two into the Political frame, and five into the Symbolic frame. As shown in the second part of Table 5.4, child nodes and a number of coded references were built under tree node “CSR Management Approach”.

SMEs in this study tended to adopt a stakeholder approach in organizing their CSR, and most of their CSR practices and activities were directed to different stakeholder groups, as shown in Table 5.5. CSR practices for employees were most abundant, reflecting SMEs’ internal CSR focus, whereas those related to customers and suppliers formed part of most SMEs’ externally oriented approach. In addition, several SMEs had even set up independent charity foundations or non-profit organizations to address social and environmental issues more directly. Moreover, many SMEs demonstrated innovations by developing products and services that incorporated different dimensions of CSR, as summarized in Table 5.6.

The level of maturity of CSR management varied among the sampled companies, ranging from being simple and ad-hoc to a more mature and strategic approach. Most CSR ideas were generated by the owners themselves, by intuition or in conjunction with their employees. None of the sampled companies had a full-time employee responsible for CSR and in most cases the owners managed CSR themselves and were supported by their staff. Although the majority of the interviewees were regarded as managing CSR in an informal and non-strategic way, some SMEs had actually set simple and realistic goals for CSR, with appropriate resources planned. Some SMEs had actually structured and integrated some of their CSR practices into the company’s operations, particularly CSR practices for employees, customers, suppliers and the environment. Many of these practices became gradually integrated into their organization and business as their knowledge of CSR increased over the years. The community programs generally tended to be organized in a more unstructured and non-strategic way, and sometimes on an as needs basis.

Across all sectors in this study, those SMEs that had won CSR awards over a longer period of time demonstrated more maturity in their CSR, and this was particularly the case with the top CSR winners. The CSR practices of these top SME exemplars were more aligned with the company's vision, and they had started to formalize CSR by integrating it into their operations, such as by setting up CSR committees and staff volunteer teams. Many interviewees admitted that their CSR management had initially been rather primitive, informal and non-strategic. After they entered into the CSR awards and learnt from other companies, they become more knowledgeable and more organized in managing their CSR. However, most interviewees, including the top SME exemplars, still thought that they had no special strategy for managing CSR practices as they were simply running their business as an ethical and responsible company.

Since the organizational structure of all the companies was lean, simple and flexible, they were able to commit to and implement new CSR initiatives quickly once the needs of different stakeholder groups were identified, and when the company budget allowed. Most CSR practices of the sampled companies focused first on employees, then on customers, followed by the environment, community, and suppliers. While some interviewees found it difficult to plan in the long term for CSR, many were taking a long-term view of their CSR practices by establishing a relationship with their stakeholders. Only a few SMEs used certifications and standards, such as ISO9001 and ISO14000, to assist in the strategic planning and resource management of CSR.

The findings further revealed that most SMEs demonstrated their commitment to investing in people, as reflected in the diverse CSR activities related to human resource practices (Table 5.5). Some SMEs adopted simple systems to monitor staff turnover, customer satisfaction and energy savings, but they regarded these measures as part of their business routine, rather than being used solely to measure the impact or outcome of CSR practices. Although many SMEs believed that their overall business and reputation had improved after practising CSR for several years, none had taken steps to measure their financial performance against their CSR efforts.

Many SMEs in the study sought a "win-win" situation for all parties concerned, instead of aiming purely to maximize profits. They tended to resolve conflict by seeking collaboration with stakeholders. Many of the SMEs also successfully engaged their customers and suppliers in CSR activities organized by their companies as a way of

promoting CSR and strengthening relationships with external stakeholders. While many SMEs engaged their staff as internal ambassadors to help promote CSR internally, some owners took up the role of external CSR ambassadors themselves. The majority of the sampled companies in a symbolic frame regularly organized different kinds of celebration as a way to engage employees and strengthen the CSR culture within the company.

Table 5.5 provides an overall portrait of the SMEs' CSR practices and activities that were directed towards their various stakeholders, compiled from both interviews and company documents. As this study aimed to explore best practice, rather than statistically determining how many companies engage in which type of program, this portrait of CSR activities provides a good indication of the types of CSR activities in the CSR exemplars. In addition, many SMEs demonstrated innovations by developing products and services that incorporated different dimensions of CSR, as outlined in Table 5.6:

**Table 5.5: A portrait of CSR practices and activities in Hong Kong SMEs**

CSR practices and programs for employees
<p><b>Recruitment:</b> equal opportunity policy. (Examples: employing the aged and people with disabilities)</p> <p><b>Compensation and benefits:</b></p> <ul style="list-style-type: none"> <li>• <b>Benefits above law:</b> additional leave such as birthday leave; family and contingent leave; paternity leave; examination leave; graduation leave; study leave; enhanced medical coverage; incentive bonus, etc.</li> <li>• <b>Staff well-being:</b> concern about staff occupational health and safety, as well as mental health; health talks and classes; stress management; hot weather allowance; provision of fruits and snacks; afternoon naps; body massage; staff activities and social events.</li> <li>• <b>Work-life balance &amp; family friendly policies:</b> flexible working hours; family contingency leave; education subsidy for children; summer job placement for children; parents' gratitude allowance (for employees' parents); family relationship workshop; parenting workshop, marriage relationship workshop; families invited to join company recreational activities, social events and community service activities.</li> </ul> <p><b>Encourage staff in volunteering:</b> volunteering training; CSR leave; lunch or transportation allowance for community service; post event lunch or social activities; volunteering recognition schemes.</p> <ul style="list-style-type: none"> <li>• <b>Training &amp; development:</b> in-house training or provided by external organizations (skills and management training); training subsidies; mentoring; inspiring talks by outsiders; experience sharing; create life-long learning environment (set up small library corner); job rotation; promotion and advancement.</li> <li>• <b>Performance appraisal:</b> periodic formal &amp; informal appraisal on job performance and career plan.</li> <li>• <b>Staff relations:</b> Open communication; communication mostly informal; face-to-face; increased use of social media (intranet, whatsapp, Facebook); family invited to staff social events; internal awards &amp; celebrations, such as recognizing best performers; best innovator; best attitude; celebration in winning of CSR awards, and sharing of CSR cash awards with staff.</li> <li>• <b>Winning people caring / people management awards</b></li> </ul>
CSR practices and programs for customers
<ul style="list-style-type: none"> <li>• Product safety</li> <li>• ISO9001 quality standard</li> <li>• Service pledge and delivery</li> <li>• Longer warranty period than industry norm</li> <li>• Commit to after-sales-service</li> <li>• Value customer feedback</li> <li>• Build customers' capacity in CSR knowledge</li> <li>• Engage customers to participate in CSR programs (examples: environmental protection and/or community service projects)</li> <li>• Winning industry or product awards</li> </ul>

(continued overleaf)

Table 5.5 (continued)

<b>CSR practices and programs for suppliers</b>
<ul style="list-style-type: none"> <li>• Fair operating practices (fair pricing, on-time payment)</li> <li>• Build suppliers' capacity in product knowledge</li> <li>• Build suppliers' capacity in CSR knowledge (examples: supplier learning scheme to upgrade products and services; improve on green products and reduce packaging)</li> <li>• Develop and maintain long-term relationships (examples: support supplier during difficult times)</li> <li>• Simple code of practice for suppliers</li> <li>• Support fair-trade products</li> </ul>
<b>CSR practices programs for environment</b>
<ul style="list-style-type: none"> <li>• Appoint internal environmental ambassadors for low-carbon office</li> <li>• As external ambassador of environmental protection (examples: as speakers, advocates for industry and government)</li> <li>• Environmental protection as a business</li> <li>• Green purchasing and consumption (examples: give up consumption of shark's fin in company dinners)</li> <li>• ISO14001 or other industry environmental protection standard</li> <li>• Membership of environmental organizations</li> <li>• Re-use and recycling</li> <li>• Set up charity foundation (non-profit organization) to promote environmental promotion</li> <li>• Use environmental-friendly machinery or vehicles</li> <li>• Waste reduction</li> <li>• Winning environmental awards</li> <li>• Zoning of office for better energy consumption control</li> </ul>
<b>CSR practices and programs for community</b>
<ul style="list-style-type: none"> <li>• Care for and support local disadvantaged groups (such as elderly, children, disabled, mentally challenged, cancer patients and others - programs may include regular visits)</li> <li>• Donation – cash and in-kind (programs may donate certain percentage of annual profit to support community projects; provide free product or services for charity or NGOs; staff donation for charity or disaster relief; company to match staff donation; recycling for charity)</li> <li>• Mobilize customers and suppliers to support community projects &amp; act as volunteers</li> <li>• Procure products or services provided by social enterprises</li> <li>• Provide employment to the disabled</li> <li>• Promote holistic health and positive living attitude to public</li> <li>• Provide training and placement for the youth-in-transition</li> <li>• Staff volunteering</li> <li>• Leader &amp; staff act as external CSR ambassadors</li> <li>• Set up of independent charity foundation (non-profit organization) for community projects</li> <li>• Sit on boards or committees of public or charity organizations</li> <li>• Winning community engagement awards</li> </ul>

**Table 5.6: Examples of innovations incorporating social or environmental issues**

<ul style="list-style-type: none"><li>• Used innovative and environmentally friendly materials</li><li>• Recycled packaging from customers for use at point-of-sale</li><li>• Developed innovative Bio-toilet for use in country parks</li><li>• Created trade-in programs to recycle electrical products for customers</li><li>• Expanded markets to serve social service sector (NGOs)</li><li>• Expanded markets to serve under-privileged groups</li></ul>
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### *Discussion of IQ3 – CSR management*

#### **Stakeholder-oriented CSR**

The findings revealed that most SMEs had adopted a stakeholder-oriented CSR approach; that is, they had organized and structured their CSR practices around their major stakeholders – customers, employees, suppliers – and had implemented some sort of environmental programs in their companies. In addition, all companies organized regular community programs as a way of caring for and supporting the community, and many had established a long-term relationship with community service partners (NGOs). Through the structural frame, the companies' CSR programs and activities were structured as multiple and diverse, putting their social responsibility ideals into practices. All sampled companies had programs and designed their CSR structure and activities for employees, community and environment. One possible explanation is that most companies had first learnt about CSR through the Caring Company Scheme, which focused on these three aspects, and they had since been carrying out and expanding their activities. Some SMEs had previously considered that CSR encompassed only caring for employees, community and environment; they did not regard their responsibility towards customers and suppliers as part of CSR, because they considered that taking good care of customers and suppliers was the normal way of conducting business. However, through participating in the awards and observing other companies, they had learnt more about the different dimensions of CSR, different CSR structures adopted, and tried to organize their CSR practices according to the different stakeholder groups:

... we have all along been based upon the benefits and interests of different stakeholders, especially focusing on our customers as the top priority. Hygiene and health is our major focus and ... we have our own dietitians, and implemented ISO to ensure hygiene standard is reached. This makes our customers feel confident ... Moreover it is our employees that

we must take good care of ... we try to build a friendly and harmonized environment. Every day I will make a visit to the factory and hope to get infused with workers' joy ... we are also concerned about our suppliers and contractors ... it is mutual trust, especially when we speak of procurement. We also focus on eco-packaging to reduce weight and wastage, and are concerned whether the product itself is environmentally friendly. We are not perfect in CSR as we are not a large corporation ... I admit that we are a bit passive in terms of community involvement ... we are improving and formed a team of volunteers last year. (C21)

The following sections discuss the CSR practices for employees, customers, suppliers, the environment and community.

### **CSR for employees – Invest in people and Motivation**

One of the main foci of all SMEs was taking care of their employees, providing a good environment for them in which to work, play and advance their careers, showing their commitment to investing in people, and motivating them in various ways. As shown in Table 5.5, the CSR practices for employees ranged from offering employment to older employees and the disadvantaged, to providing additional employee and family-friendly benefits above legal requirements. Many SMEs also showed concern about employees' long-term career development, and promoted life-long learning in the companies so as to prepare employees for the future, for both the company and on a personal basis:

... My primary focus is on human resources development, which I have heavily emphasized, in order that we deliver the best services to customers, with joy and pride in their work ... we implemented many staff care initiatives, for example on fruit provision, eight to nine years ago. We also started the five-day work and paternal leave five years earlier than legislation. (C20)

As interviewees talked about how they engage their employees in CSR, strategies emerged encompassing both extrinsic and intrinsic motivation. Extrinsic motivation refers to people's tendency to perform activities for external rewards, mostly financial, while intrinsic motivation refers to people's willingness to do something meaningful and psychologically rewarding, which may not involve any tangible rewards. In the context of CSR, if employees believe that practising CSR is meaningful, they are more intrinsically motivated to commit themselves. Many SME owners showed that they



were motivated intrinsically to engage in CSR, while some were more motivated by business reasons. SMEs used both extrinsic and intrinsic rewards to motivate their employees. As shown in Table 5.4, extrinsic rewards included flexible working hours, additional leave, family-friendly policies, enhanced medical coverage and an incentive bonus:

... we have our flexi hour scheme, different allowances and programs on family care for the staff ... within the company, we promote life-long learning, to keep abreast of our knowledge and skill, especially in our IT field. (C16)

... in times of good profits, we will allocate a good per cent of our profits as an incentive bonus to our employees. We hope they become more devoted and act for the benefits of the company. This is a win-win situation. (C17)

Some companies tried to motivate employees intrinsically by providing career advancement opportunities and creating a culture of self-management or self-initiative, thus enhancing employees' sense of autonomy and satisfaction. The result was that employees were more self-motivated, and continued to actively self-manage and self-engage in their company's CSR practices. Several SMEs also tried to inspire employees about the meaning of CSR, as a way of motivating them to engage in CSR:

We offer training programs to help them become accredited as engineers ... we will give them time ... an attitude that we like to have here is: you are going to be a professional engineer, and I will treat you as a professional engineer, and therefore we will let you allocate your own time. (C26)

It is a culture we develop to promote self-initiative ... We had a dog in our plant before ... when it went out of the building one day, its hips were fractured ... my staff took the initiative to raise money to get a surgeon from UK to conduct the operation ... these were all done by them voluntarily. (C11)

Looking through the structural frame, the CSR practices for employees were diverse and strategic, designed and placed within structures to achieve the CSR goals of building a happy and committed workforce. From a human resource frame, it reflects that the SMEs were concerned about the well-being of employees, committed to investing in people, and motivating them both extrinsically and intrinsically. This finding was consistent with the literature findings that SMEs tended to treat employees as one of the most important stakeholder due to their inherent dependence on them

(Jenkins, 2006; Jamali et al., 2009; Sweeney, 2007). Many SMEs in this research actually demonstrated some form of HR strategies in good HR management that create a win-win scenario for both employees and the companies, as described by Bolman and Deal (2013). However, not all SMEs' HR strategies are instrumental. Many SMEs in this study treated their employees as extended family members, and exhibited genuine care and concern about their future development. From a symbolic frame, this created a positive CSR company culture with employees treated as the main cast of the CSR play, through creating a stage for them on which they could play out their passions in life, work and social concerns, to support the director of the CSR play – the SME owners. This, in turn, reinforced strong company teamwork and culture, and enhanced the CSR identity to external stakeholders.

### CSR for customers

As shown in Table 5.4, SMEs demonstrated their responsibility to customers through commitment to the safety and quality of their products or services, emphasis on customer service, and valuing customers' feedback. Many interviewees had established a long-term relationship with their customers by taking proactive steps to serve them. Many of these practices are above market practice norms. Looking through the structural frame, the CSR practices for customers were market-driven and structured to improve customer service, enhance customer loyalty and company competitiveness, with many such practices actually integrated into the operations of their companies:

We pay special attention to the issue of allergy ... we maintain a high standard of product quality and air ventilation ... in a nutshell it is about the quality of our services, which is our responsibility and commitment to our customers. (C07)

... we provide it [make changes to website designs] free of charge for our customers as a way to support them and build a long-term relationship ... other competitors will charge an hourly rate. (C16)

From a political frame, customers are situated in a powerful position crucial to SMEs' survival and long-term success. Consequently, the priority for SMEs would be understanding and meeting customers' expectations and needs, and organizing relevant CSR practices:

Unlike other organizations, we are on 24-hour call, which is our special service to customers ... not all competitors have such service ... people have to wait until 9:00 am next day for medical/nursing service or advice. (C04)

Some customers suggested we provide printed instructions, as they sometimes find it difficult to do the set of our products ... this is a very constructive suggestion that we adopt to improve our service. (C05)

### CSR for suppliers

Many interviewees engaged in fair pricing and ensured payments to their suppliers or service providers were made on time, as shown in Table 5.5. This CSR financial practice formed part of company policy and regulation within a structural frame, indicating that some SME practices in this research had structurally integrated CSR into the management process of the company:

... our subcontractors are small businesses ... whenever they have completed a job, we settle payment as soon as possible ... on occasion we even pay in advance to enable them to purchase materials for the project. (C09)

In addition, many SMEs helped suppliers build capacity in product quality and design, and some even invited suppliers to practise CSR and enter CSR award schemes. The SMEs that were distributors of international principals (normally larger companies) tended to work with suppliers who shared similar CSR values, even though their influence on the supplier might not have been strong. The majority of the SMEs demonstrated a long-term relationship with their suppliers through establishing mutual trust in engaging in fair operating practices:

We teach and support the supplier on planting of quality products ... We have been in business relationship for many years. (C21)

... we have a team who visit the factories weekly, and also another team to explore ways to help the vendors ... for example, our staff will arrange mindset training to enable vendors to learn new perspectives of this ever-changing world, so that they understand better our needs for this fast-changing market. (C18)

Looking through a political frame, many SMEs in this research were taking a collaborative approach to dealing with suppliers, including those who are in less powerful positions, in order to achieve a win-win outcome.

### CSR for the environment

All interviewees had some sort of environmental protection measures in place, ranging from waste reduction, such as double-sided photocopying, to establishing more formal management systems; from purchasing environmentally-friendly products or equipment such as low-carbon emission vehicles and printing machines, to setting up independent charity foundations to promote environmental protection. Those companies directly engaged in environmental management devoted their efforts in product and service innovation to improving the environment. Similar to Jenkin's (2006) study, manufacturing SMEs of this study tended to adopt a more strategic approach to environmental management through ISO140001 certification, and several top winning SMEs even started to use the Low-carbon Office Operation labelling scheme to further improve in this area on a voluntary basis. These findings contrasted with those of Studer et al. (2006), who found that Hong Kong SMEs were unwilling to take up voluntary measures to improve the environment. Export-oriented companies faced pressure from their international customers to switch to more environmentally friendly materials, and faced more stringent factory compliance requirements. Through the structural frame, it was noted that planning for the environmental programs of manufacturing SMEs tended to be more structured and integrated with the business operations, whereas the service-oriented SMEs were more focused on waste reduction and building a low carbon office:

In terms of environmental protection, we are using sort of eco-friendly machines, and the ink can be recycled ... made from corn oil ... in terms of the materials, we try our best to adopt some eco-friendly materials ... and in the office, we also encourage our staff to turn off the computers and lights when they leave the office. (C05)

Actually within our industry we have many guidelines on environmental protection that we need to comply with ... from paper, ink and other printing materials ... in the past we were not that concerned but right now we need to pay for the service of some environmental waste management company to collect our used ink and waste water in our China factory. (C23)

## CSR for community

Hong Kong SMEs in this study contributed to the community in many ways, most commonly through philanthropy and partnering with NGOs. All SMEs undertook some sort of community programs, and many had established a long-term relationship with local NGOs. While many such community initiatives were ad-hoc and not centrally related to the business, some SMEs used their company's core competence to support the community in a more strategic way. For example, the sports training company provided free training for the disabled and mobilized their past students to serve as volunteer instructors; the optical company supported low-income families for eyesight inspection and provided free spectacles; the water system company supported water filtering systems for international events; and the IT company supported website design for non-profit organizations in Hong Kong. Many of the environmental management companies also tried to promote the concept to different groups in Hong Kong. A number of SMEs had formed volunteer teams to support community service, and most of them as mentioned above also engage employees' families and other stakeholders, such as customers or suppliers, to support their community projects:

... in the beginning, we only had two or three staff who volunteered. Right now we have 60 volunteers ... including staff volunteers, and some are students and middle-aged housewives. (C07)

We called them freelance instructors. And most of them were our past students and customers ... With them joining as volunteers, we have a great team. So we have engaged them – our staff and customers as well ... and they find it meaningful, and as long as we provide a good platform, they are eager to become a member of us ... We will set ourselves as examples and explain to them this is something continual and sustainable. (C10)

Several companies had structured dedicated foundations or non-profit organizations to further their work in CSR:

The goal of our new children's educational fund for environmental protection is to drive people's awareness on the importance of environmental protection among the current generation of parents and their children. (C03)

A new charity fund has just been set up recently ... as a platform for giving out free spectacles for the disadvantaged. (C18)

Under the structural frame, community CSR practices and activities often appeared unstructured and non-strategic, although many top winners had a more structured plan and were better organized. Companies can achieve competitive advantage if their community investments are related to their core business (Porter & Kramer, 2006). However, while large companies can plan large community programs, limited resources often make it difficult for SMEs to do this. Consequently, SMEs often responded reactively to community needs rather than taking a proactive well-structured approach, although some top winners designed a theme for the company and were able to leverage on the company's core competence. Considered under the symbolic frame, many SMEs owners showed that their community support was altruistic, in line with their personal beliefs and values, and company CSR principles. They were generally not concerned about whether such community involvement would result in any strategic benefits, as proposed by Porter and Kramer (2006).

### Lean and flexible

All SMEs operated under a lean and flat structure. The organization structure comprised only two or three layers, with most department heads reporting to the owner him/herself. This simple structure meant that most of the CSR programs could be implemented once the needs had been identified and approved by the owners. Management decisions could also be made quickly according to market needs:

... we have a simple company structure and besides me as a major shareholder, I have another partner who is also a shareholder ... we have much more flexibility in the company ... for example, I can take time off and can release our staff during office hours if we want to participate in community service. (O9)

... basically the company is operated by me, and it is relatively easy to convince other shareholders who are my family members ... so I have a free hand to operate ... and engage in CSR. (C17)

The majority of the interviewees indicated that rules and regulations for CSR practices in their companies were simple and flexible, and the planning, approval and implementation could be done quickly on a needs basis under a structural frame. Although most SMEs claimed that their CSR management was largely informal and

non-strategic, many actually set realistic CSR goals and undertook simple planning which they did not regard as grand or strategic. Most companies did not have a fixed budget for CSR but would support spending on activities that were reasonable. The simple and flexible approach in CSR management was put into practice in most of the sampled companies, where the approval procedure was simple and swift:

Our committee will come up with a CSR proposal including the budget ... top management will seldom question on the returns ... so it is more flexible when compared to large corporations. We have a short project life cycle under a very high flexibility – propose, approve and launch, and then the next item. (C18)

The approval procedure is simple and quick. Whenever some NGOs approach us ... as long as we can afford it, I will seek the approval from my boss to go ahead. Once committed, we just treat it as one of our regular job orders, without too much intervention from top management. (C23)

#### **Informal and non-strategic**

The initial response of most interviewees was that their approach to CSR management was informal, with no planning strategy. Many believed that they were just running the business in a normal and responsible way. Some SMEs attributed such approach was due to the difficulties to plan and budget for CSR practices as a small company with limited resources:

Actually we didn't have any detailed plan on CSR ... we just run the operation in a normal business way ... we don't have any strategy ... for example, we switched to use plastic boxes and eco-wrap ... our whole concept is to reduce wastage despite some inefficiency in the actual operation ... (C02)

As a SME, we really do not have a pre-determined strategy to budget and plan specifically on CSR practices ... all along we do not have an explicit strategy. (C03)

CSR activities in SMEs are often reported as being unstructured and ad-hoc (Jenkins, 2006; Jamali et al., 2009). Through the structural frame, while some CSR practices were organized in an informal and non-strategic way, those programs that related to employees, customers, suppliers and environment were often more strategic and aligned with the company's mission.

### Top-down and owner-led vs empowerment

Most of the companies' CSR initiatives originated from and were led by the owners themselves, and none employed any full-time staff for CSR. Several companies had appointed managers or staff – such as the HR, Administration, and Marketing managers – to oversee the company's CSR. Several interviewees reported that a CSR committee had recently been formed to better manage CSR under a structural frame. Noticeably, the top CSR winning companies had a committee in place to plan and implement their CSR activities, or have appointed internal CSR ambassador in the coordination:

All of a sudden, I thought of an idea of engaging our customers and their family members to join our voluntary work together with our staff ... they might never have thought of such a joint participation before. (C08)

Actually it's me (owner) ... I am driving this [CSR] in mobilizing our staff to have further engagement. The administrative staff assist me in some areas. (C16)

While the SME owners tended to make most of the CSR decisions themselves, as discussed above, many also vested committees or internal ambassadors with the authority and responsibility for planning and implementing the company's CSR policies and projects. In this way the owners were hoping for better motivation, creativity and sustained efforts in CSR from employees considered through the HR frame:

We have assigned two environmental ambassadors to take care of this matter. They attended external workshops and talks held by the government departments to learn how to achieve a low-carbon office. After that they start to implement it in the company. They are actually the ones who are in charge. (C08)

We have [community] projects every year, and we depend on the committee to plan all the details, including which NGOs to approach, the site selection, the products, the number of volunteers needed, the duration of involvement of volunteers, etc ... all these activities would be coordinated by the committee. (C18)

### Short-term vs long-term

Many SMEs found it difficult to plan in the long term for CSR programs due to lack of resources, fast-changing markets, and informal and unplanned policy and processes on



CSR management. However, most companies were adopting a long-term approach in their CSR practices, as a way of running their business through the structural frame:

It may seem fragmented ... but anything we do with CSR is on a long-term basis. Like education itself, it takes 20 years for a child to see the world ... do we have a short-term strategy, not likely, but if you ask me whether we have a long-term strategy, I would say yes. (C26)

Academic studies on whether SMEs were more inclined to take a short-term or long-term approach to CSR is non-conclusive due to the heterogeneous nature of the sector, and market volatility (Gibb, 2000, Jenkins, 2004a; Murillo & Luzano, 2006; Spence & Rutherford, 2000). One possible explanation for the long-term approach of the SMEs in this study was the purposive samples of CSR exemplar organizations selected, who would be expected to be more committed to CSR. Also, most of the companies had survived well over a long period, despite market fluctuations – 43% of the companies had existed for between 11 and 20 years, and 25% were over 20 years, and they might be more inclined to adopt a long-term approach to stakeholder relationships and CSR.

### **Progressive, integrated and innovative**

The majority of interviewees had progressed in their CSR management over the years. Many interviewees admitted that, in the beginning before entering CSR awards, their CSR management was rather primitive, informal and non-strategic. The CSR management of the sampled companies ranged from being simple and ad-hoc to a mature and strategic approach. Across all sectors in this study, those SMEs that had won CSR awards over a longer period of time demonstrated more maturity in their CSR, particularly the top CSR winners:

In terms of the planning process, I think we are gradually transforming ourselves from a “no-plan-at-all” to one which actively seeks partnerships with NGOs to drive our community programs ... under a wider coverage and well-organized mode ... for example, we now plan the CSR activities at the beginning of the year. (C03)

Actually in the very beginning ... we were not so well organized and knowledgeable ... when we first joined the Caring Company Scheme organized by the Hong Kong Council of Social Service, we gradually learnt of the requirements of becoming a Caring Company ... (C16)

Company documents showed that many companies provided basic but clear guidelines and codes of conduct for staff, such as prohibited to accept tips from customers. Many SMEs also had simple employee handbooks, published newsletters, organized orientation for new staff, required that conflict of interest be declared, and held anti-corruption workshops and integrity workshops for vendors. Looking through the structural frame, some SMEs had already integrated CSR practices into their business operations, rather than adopting add-on programs.

In addition, as Jenkins (2006) also found in a study of UK SMEs, many companies in this present study demonstrated innovative attributes by developing products or services that incorporated different dimensions of CSR. While most of these CSR activities were market-driven, they were able to address social and environmental issues (Kramer et al., cited in Jenkins, 2006). Examples of such innovations are shown in Table 5.6 and in the following quotation:

... we adopted vacuum packaging and this well protected the goods without generating much waste ... while addressing customers' needs and saving operating costs, and reduce the wastage and storage space. (C11)

### **Collaboration and win-win**

Through the political frame, the majority of the SMEs aimed to establish long-term relationships with their stakeholders, despite any conflicts of interest. Consequently, instead of aiming at maximizing short-term profits, they sought to balance stakeholders' interests through negotiation and collaboration. Employees are their most important internal stakeholders, and the SMEs repeatedly demonstrated their win-win approach towards their employees and their commitment to investing in people. For external stakeholders, such as customers and suppliers, the SMEs adopted active and open communication during any conflict resolution process in an attempt to articulate the company's CSR values, such as honesty and uncompromising quality standards. This approach resulted in creating value together, and achieving a win-win solution for those concerned (Bolman & Deal, 2013), a situation that was observed in the interviews across all sectors and sizes of companies:

... we decided to return some raw food to a large supplier due to variations in the packaging and product ... negotiations went on and I kept on having open communication to explain our grounds ... we reiterated the importance of goodwill and quality control, and our approach of maintaining a long-term relationship ... eventually our decision to return the goods gained the supplier's understanding ... both of us pledge to build a stronger food supply chain together. (C21)

To further enhance collaboration, many companies engaged their customers to join in community projects, and in addition to business partners, most of the SMEs had long-term partnerships and collaboration with NGOs as a way of supporting the community and furthering collaboration versus conflict:

For the customers who join us as volunteers, we sometimes post their photos in our newsletters or brochures and let them share the sense of achievement and satisfaction. (C08)

... on the longest NGO partner, it's around ten years now ... we collaborated with each other in many ways ... such as hiring the teenagers, construction of websites, internet support, seeking donation of IT equipment through our network. (C17)

... in the shop to provide employment for the disadvantaged that we are collaborating with the NGO, it took almost four years for us to work together, and we went through a lot of discussions before it could be launched. (C28)

### Advocacy of CSR

Many SMEs demonstrated strong CSR and political understanding and persuasive strategies in influencing other stakeholder groups to engage in CSR, as a way of promoting CSR and to create greater social impact. Many SME owners had been practising advocacy of CSR in different ways, such as sitting on government or business committees, forming alliances through business networks, and engaging in experience-sharing sessions on their CSR roadmap. In addition, by forming allies in the industry to espouse CSR, some SMEs tried to broaden the coverage of CSR practices for the community through the living their company culture:

Our target is to drive peoples' awareness on the importance of environmental protection among the current generation of parents and their children ... Our targeted audiences are those who are in a relatively lower living standard, and who may have lower awareness on

environmental protection. Ultimately we want to drive for a change and for a better future. (C03)

... it is important to drive and promote CSR industry-wide. Sometimes we will organize gatherings, like the one to be held tomorrow, with some employers that are interested to engage in CSR practices in helping the needy. (C07)

### **Uphold CSR values and nurture CSR culture**

Through the symbolic frame, most interviewees insisted that their core values in running an ethical and responsible business were immutable and at the heart of company culture, although their structure, rules and regulations could be flexible. Many of the companies aimed for a high ethical standard in doing business, whether contractual or just mutual understanding. These ethical values were the cornerstone of CSR, shaping company culture and the approach to interacting with their stakeholders. The sampled companies demonstrated a commitment to upholding their CSR values, driven mostly by the owner's personal values, consistent with the literature (Jenkins, 2004a, 2006; Lepoutre & Heene, 2006):

... we never cheat ... we are accurate in weighing and paying for the waste collected from waste collectors, particularly the old age ... these are what they deserved ... this is a matter of respect and dignity ... we must make them feel that it is a fair deal and without creating a hard feeling that they are the underprivileged. (C12)

... I believe to be a businessman with integrity ... our suppliers have strong trust on my company especially on settlement of bills. (C03)

... quoting a Chinese proverb from Confucius: "The nature of man is fundamentally good", it reflects my personal belief and values ... not to be too calculative on financial returns ... our company emphasizes "People and Quality" ... that echoes my emphasis on people, and people-oriented practices ... (C21)

The majority of the SMEs had a strong CSR culture that could inspire and ignite people's spirits and souls. The strong CSR culture facilitated the effective management of CSR, with the objective of creating a more cohesive organization and eventually sustainable business. Many SMEs experienced low staff buy-in for CSR when the CSR culture within the organization was not strong, particularly in the early stages:

Staff is typically split into two types. One group is very supportive of CSR ... another group does not buy in as they believe it is something superficial, and they prefer cash rather than additional leave or staff benefits offered by the company ... I still remembered when we started CSR many years ago ... like the blood donation program, nobody turned up despite our hard effort ... but this year the number of participants increased. (C03)

### Effective use of symbols

Many SMEs in this research made effective use of multiple symbols to communicate CSR meaning, create hope and build trust, as perceived through a symbolic frame. Many of the SMEs had won many business-related awards in addition to CSR awards, symbolizing that they are trustworthy and ethical. Internally, the award created hope and direction for the staff, and was viewed as a good motivational factor. They helped boost staff morale and strengthen company culture. Externally, it also helped enhance their company image and competitive advantage:

I think winning awards enhances their [staff] sense of belonging, and their pride ... particularly when the company gets awards which are not business-related, but for our excellence in CSR quality ... this is a recognition of the company and the awards belong to my team, not myself. This is also an encouragement to develop our company culture. (C08)

... they [staff] are delighted when they learnt of the award, and we would gather together for a lunch and celebrated it joyfully. As a whole, the awards help the company convey a message that we are going for a certain direction. They feel proud of it when facing different customers. Although we are a small company, it is sort of a privilege and honour to the staff. (C09)

One SME described the awards metaphorically as a “catalyst” for staff motivation and “additives” for customers’ trust, which reflected that the awards had a positive impact on their business:

We gained the recognition through our strong track records and the CSR awards. In short, externally, these recognitions are like “additives” whereas internally, they are “catalyst” as a strong staff motivation. (C21)

Taking myself as an example, I am following our footsteps in the past, and act in accordance with my own belief in CSR ... or the awards, we see positive impact, especially

the growing confidence from customers ... one customer did tell me he used our service because we are a CSR company. (C25)

Most of the companies had been using the award logos as a way to communicate their identity as a CSR company:

The awareness has improved a bit, as we printed the CSR award logo on our stationery ... some people are interested that we won the award. It is a bit helpful from a PR aspect. (C12)

However, some SMEs indicated that, although the CSR awards helped improve their company image, in practice, they derived no tangible benefits from them. They realized that they still needed to prove themselves to customers in terms of their products and services, and to prove to bankers that their business was viable and had growth potential before loans could be granted:

To be honest, in the real marketplace, people would not count these awards. This is something quite remote and insignificant as a business consideration. (C09)

... the CSR award only means you are doing something good ... the bank will not lend you money because you are a CSR award winner ... for customers ... The deals still depend on the price and service. (C12)

The majority of the SMEs held different forms of celebrations as a way of expressing their care for employees, to openly recognize people's achievements, or to reinforce faith and hope in the company. Employees could use celebrations to release work pressures, to use humour and play in a relaxed atmosphere, and to create stronger bonds with others (Bolman & Deal, 2013; Morgan, 2006). SMEs commonly used celebration to strengthen bonds between employees and the company, thereby helping to reinforce the company's CSR culture. Celebrations included regular birthday parties, dinners or incentive trips to celebrate business performance, anniversary dinners and celebrations for winning CSR awards. SMEs often shared with staff the cash prizes received from CSR awards, in the form of a celebration dinner and recognition:

Like today, we have a lunch to celebrate our winning of an award ... we treat the committee with lunch and bought them small gifts ... we also send them thank-you notes to appreciate their support. (C08)

Many SME owners showed the qualities of CSR heroes, demonstrating their courage, commitment, perseverance and innovation, and leading by example to inspire others to

practise CSR, and many CSR heroes in this research demonstrated a commitment to upholding ethical and CSR values through both good and bad times:

We are lucky that we have a company to realize our dream, and our company is profitable enough to support our CSR engagement ... (C08)

... we went through ups and downs in our business, and even at the worst period, we are well-known for our commitment to settle payment to vendors on time ... our vendors enjoy doing business with us in spite of our high expectation on product quality and safety. (C14)

Several CSR heroes also demonstrated exemplary leadership and innovation in pioneering CSR practices for their stakeholders, including employees' families:

This year we have added a new fund program which targets to provide a monthly allowance for parents our employees. We hold the belief that, not only money, but the value of respecting the contribution of those hard-working employees and their parents, who also bore the merits of our company success. (C20)

### **5.4.3 Interview Question 5 – How do you measure your CSR outcome?**

#### *Overview of findings*

Most of the SMEs in this research had no sophisticated formal system for measuring the impact of CSR, such as annualized employee satisfaction, key performance indicators, social impact assessment which were commonly used in large companies. Several SMEs, particularly those engaged in manufacturing, used ISO9000 management system to monitor suppliers' quality and ISO14000 for environmental performance. None of the companies measured the financial impact of their CSR practices. Most interviewees monitored the staff turnover rate to help gauge the impact of their CSR policies on employees, and some conducted regular staff satisfaction surveys. About one-third monitored the effect of CSR on customers by conducting periodic customer satisfaction surveys to keep track of customer loyalty and repeated orders, and most SMEs kept track of CSR for suppliers by using stringent quality-control systems to monitor and measure return rate of materials. With regards community-related CSR, most SMEs did not measure the social impact or benefits for their companies, unlike large companies which focussed on ROI. The SMEs were more concerned about the number of participants and beneficiaries, as well as participants' feedback, commonly evaluating

the program after each community activity. Despite an absence of strategic, holistic or systemic measurements, most SMEs in this study reported positive outcomes from their CSR initiatives, including lower staff turnover, enhanced customer loyalty and satisfaction, improved suppliers' relationships, energy savings and more effective community programs management. In particular, several CSR exemplars had taken integrated measurements as an integral part of CSR management, and had observed positive outcomes when actively measuring various aspects of their CSR performance.

### *Discussion of IQ5 – Measurements of CSR outcome*

Most interviewees were familiar with estimated staff turnover rate and satisfaction, despite the absence of a formal measurement system. The most common way of gauging employee satisfaction was through meetings and informal conversations. About half of the SMEs had some sort of measurements in place to measure staff turnover, staff satisfaction or staff happiness index, such as periodic surveys. Most sampled companies had low staff turnover due to a strong family culture. In addition, the majority of the SMEs conducted regular staff performance reviews, either formal or informal, as a way to monitor staff performance, in line with HR and structural perspectives:

... we have an annual employee survey, anonymous and on-line one ... our staff just put a tick. The most important thing is to know their expectation of the company. (C18)

Internally we have set up our own appraisal system with a pre-determined target ... using this model, I show great care and concern for my staff and even for junior staff. I will personally conduct exit interviews for department managers or even some junior staff who need special attention. I am frank and sincere when we conduct a year-end and interim appraisal each year in a face-to-face meeting. (C09)

Through the HR frame, these SMEs demonstrated openness in collecting employees' feedback through different methods, with the objective of enhancing trust and strengthening bonding with employees, through open communication.

For customers, most of the SMEs were concerned about their loyalty and kept track of repeat orders in various ways. About one-third of the SMEs used business-related measurement tools, including customer loyalty, repeat order and referral rate,



compliance and feedback. The most common measurement tools were questionnaires to collect customer feedback. Many of the SMEs had experienced positive business performance and customer feedback in recent years, reflecting effective performance across Bolman and Deal's (2013) four frames:

Internally, we construct pie charts to evaluate the contribution of each kind of services to the business and return rate of the customers ... also, we collect feedback from customers through questionnaires to find ways to improve our services. (C22)

We have organized annual surveys for our customers. The response rate is quite high ... feedback has been very positive. (C21)

For suppliers, most interviewees placed a high emphasis on product and service quality, and so they used stringent quality and inspection procedures to monitor suppliers' goods or services. Several SMEs, particularly those engaged in manufacturing, used ISO9000 or other industry standards to monitor suppliers' quality. They readily cited the number of suppliers and length of relationships during the interviews, despite an absence of a formal system to keep track of such relationships:

Besides, we demand our suppliers to provide products that are environmentally friendly, and free from animal testing. (C22)

For environmental protection, the majority of the SMEs had implemented some sort of measure, with some manufacturing SMEs following ISO14000 to manage and monitor their environmental performance. About one-third had been keeping track of their energy bills as a way of measuring the efficiency and savings generated through the programs, and most reported positive results:

... we monitor the change in electricity consumption after we change the lighting to an LED system, which is more energy efficient ... also because it is something easy to measure ... we achieved good savings in electricity bills after installing the new system. (C03)

For community involvement, around one-third of the SMEs had taken some basic steps to evaluate the results of their community programs, through looking at the number of participants, staff volunteering and their feedback, consistent with the literature (Jenkins, 2006; Sweeney, 2009). However, they had no sophisticated system to measure the

social impact of their programs. They were satisfied to informally assess the effectiveness and success of the activity, rather than measure company benefits:

This year we will allocate more financial resources to CSR, and do assessment in many ways ... for example, number of service projects we participate in, number of staff involved, etc. This will help encourage more staff to participate. We hope we can further improve, have our own timetable and roadmap, and have a target as well. (C08)

Several SMEs, however, took a more holistic approach to assessing CSR outcomes. These included different dimensions of CSR directed to different stakeholder groups, such as keeping track of component replacement and customer referral rates, staff turnover rates and loyalty, and energy bills, through a structural frame:

Firstly, the awards we have won implied that we have gone through some objective criteria of measurement by the panel .... we will base on these criteria to regularly review our performance ... we have two figures to measure our engagement with external stakeholders, and one is their referral rate ... we have a low staff turnover rate ... Our electricity bill dropped while our business grew last year ... I believe this is due to our efforts of environmental protection. (C20)

Table 5.7 provides a summary of the types of simple measurements and methods used by the sampled companies. Most SMEs had simple measurement systems and tools to monitor different aspects of stakeholder management. There was increasing interest in the literature that advocated the use of the business case as a way to motivate SMEs to engage in CSR (Murillo & Luzano, 2006; Sweeney, 2009). Without a systematic measurement in place, it may be difficult to justify further investment in CSR.

**Table 5.7: Summary of simple measurements of CSR outcomes**

<b>Stakeholder Group</b>	<b>Types of measurement</b>	<b>Methods of measurement</b>
<b>Employee</b>	Staff turnover, staff satisfaction, staff happiness index	Internal record, surveys
<b>Customer</b>	Customer loyalty, repeat order rate, referral rate, compliance & feedback	- Internal tracking system - customer satisfaction survey
<b>Supplier</b>	- Quality  - Supplier relationships (in years)	- internal quality control procedures; ISO9000 - Internal tracking
<b>Environment</b>	Waste reduction and cost savings	ISO14000, energy bills
<b>Community</b>	Number and feedback of participants	Program evaluation

#### **5.4.4 Interview questions 7 and 8 – How do you communicate your CSR practices and achievements to your internal and external stakeholders? What communications channels do you use?**

CSR communication can be defined as the way that companies communicate their CSR processes and the symbols and language used (Ihlen et al., 2011). Two of the interview questions explored how SMEs communicate CSR: IQ7 asked how SMEs communicate CSR practices and their achievements, such as winning awards, and what approach they adopt; and IQ8 asked what communication message content and channels they use.

##### *Overview of findings – CSR communication*

Eleven major themes emerged when interviewees talked about how they communicate CSR practices, the approach, the content and channels they use. Seven themes were mapped into the Structural Frame, two into the HR Frame, one each under the Political and Symbolic frame. NVivo was used to build child nodes and a number of coded references around tree node “CSR Communication”, as shown in Table 5.8. In addition, a portrait of CSR communication approaches and channels adopted by the sampled SMEs was developed from the interviews and study of the documents, and a summary is provided in Table 5.9 at the end of this section.

**Table 5.8: Final set of child nodes and number of coded references on tree node  
“CSR Communication”**

<b>CSR COMMUNICATION Tree Node</b>	<b>Child Node</b>	<b>Refs coded</b>
<b>CSR Communication Approach</b>	<b>Structural frame</b>	
	Two-way	26
	Direct and informal	24
	Multi-channels	21
	Active use of electronic and social media	20
	Implicit	18
	Explicit	15
	Formal	12
	<b>HR frame</b>	
	Active staff involvement	28
	Internal CSR ambassadors	12
	<b>Political frame</b>	
	Stakeholder engagement	25
	<b>Symbolic frame</b>	
	Use of multiple symbols	20

All the interviewees placed great emphasis on communication with both internal and external stakeholders, as they believe effective communication is important to the company’s smooth operation and long-term sustainability. Their communication with both internal and external stakeholders was mostly direct and informal, which they considered effective and efficient. However, they made use of formal documents and structured meetings for contractual or important matters.

The SMEs in this study tended to adopt an inside-out approach, which focuses more on internal communication of CSR with their staff than on external communication with stakeholders such as customers and suppliers. The majority sought to actively involve their employees in the knowledge of and practice of CSR within the company, relying on frequent and direct communication to gradually gain the support of new employees. Some SMEs encountered initial resistance towards CSR from employees, and actively communicated with and involved employees to gradually change their mindset and behaviour to support CSR.

The majority of the award-winning SMEs demonstrated a commitment to establishing two-way communication with their employees, as a way to engage them to support CSR.

Activities included in-house training on CSR, ethics training, learning to apply for CSR awards, appointing internal CSR ambassadors, and inspiring talks by both the SME owners and outside guest speakers. Overall, most interviewees confirmed that effective communication about CSR was vital for producing greater support from employees in the longer term. Most SMEs also regarded two-way communication with external stakeholders, such as customers and suppliers, as an integral part of their business routine, and they actively engaged their business partners in business-related communication through multiple formal and informal channels. However, only about half of those chose to explicitly communicate their CSR vision, practices and achievements, such as awards, to their external stakeholders. They did this through various channels, such as dedicating a section in the company's website to CSR, disseminating information about their CSR efforts and community projects through social media, and through the company's official publications such as newsletters or brochures. This group of SMEs aimed to communicate their company's CSR to both internal and external stakeholders as a way of facilitating effective CSR management, as well as enhancing their corporate image as a socially responsible company, believing this helps boost staff morale and raises the company's CSR identity. They also used CSR communication to engage external stakeholders' participation in CSR activities of their companies, and as a way of advocating CSR practices.

On the other hand, another group of SMEs adopted a more implicit approach when communicating their CSR values, practices and achievements to external stakeholders. They explained that they had established long-term relationships and trust with their customers and suppliers, and believed that these external stakeholders already understood the values and ethical practice of their companies. Therefore, they did not feel the need to communicate CSR explicitly, for several reasons – lack of time, being unsure about how best to communicate the information, or preferring to adopt a low profile about publicizing their awards and other CSR achievements, so as not to be perceived as boasting, which is in line with the Chinese culture. Some also asserted that practising CSR is the right thing to do when running a responsible business, while winning awards is a recognition more suited for internal celebration. Instead of using the CSR award as a way of public relations and image building, this group of SMEs tended to share the symbolic recognition of the awards with their employees and

celebrate success together, using the awards as a motivator to reinforce the CSR culture within the company.

One of the most common practices for communicating SMEs' CSR efforts and achievements to external stakeholders was to use the award logos on the company's website, publications and stationery, or make a brief announcement together with several event photos on the website or through social media such as Facebook.

Previous studies have found that SMEs generally tend to focus on internal communication and show little interest in communicating their CSR practices and achievements externally (Pang et al., 2011). The findings of this current research generally confirm this internal focus by SMEs. However, the findings also reveal that a number of the SMEs communicated CSR explicitly with both their internal and external stakeholders, in an attempt to build and strengthen their CSR identity, and as a way to engage external stakeholders to support their CSR activities, such as seeking financial or voluntary support for community activities. These SMEs believed in leveraging their network and building allies in CSR so that more people can support CSR to benefit society. These SMEs clearly showed a good understanding of how to use strategic CSR communication to enhance their companies' competitive advantage, and to expand the coverage of their CSR practices by actively engaging both internal and external stakeholders (Nielsen & Thomsen, 2009a, 2009b). This reveals that through strategic CSR communication, SMEs can achieve business benefits as well as realize their vision of creating greater good for society.

### *Discussion of IQ7 and IQ8 --CSR communication*

#### **One-way vs two-way communication**

The majority of the SMEs practised two-way communication with both internal and external stakeholders. This was enabled by the SMEs' lean and simple structures, resulting in most of their communication with employees being personal, open and direct, and informal, consistent with the literature (Jenkins, 2006; Murillo & Luzano, 2006; Nielsen & Thomsen, 2009a):

Yes, we have two-way communication to enable our staff to raise their questions ... sometimes I have to help them get back on track ... this is how we communicate ... they are happy with it. (C06)

... it is two-way communication ... for example ... on using eco-printing materials, we will discuss with our customers together to source some water-soluble ink with reference to some technical guidelines. (C23)

However, not all SMEs adopted a two-way approach to communicating CSR. Several preferred to take an 'informative CSR' approach (Morsing & Beckman, 2006; Podnar, 2008), simply providing information about the CSR practices of the company, instead of seeking stakeholders' consent to their new practices, as is sometimes the case in large companies:

... we are in the process of designing a marketing program to communicate the message of environmental protection, or awards we have been presented, and what sort of company we are ... we will use one-way communication approach for now ... (C14)

### Informal vs formal

CSR communication within the SMEs in this research was mostly informal and direct with both internal and external stakeholders. For internal communication, as stated above, it would be mostly informal and direct. For more important documents, such as contracts or tenders, a formal approach would be used. This reflected that SMEs were adopting different communication strategies in varied situations:

In our CSR communication, we will make it through different means, through email, one-to-one feedback, and staff briefing. When we got the CSR award, we will notify everybody through email, and display the awards in the company. This is part of communication ... but I believe the most important impact is on our exposure, and also let the staff have such experiences themselves. (C17)

### Implicit vs explicit

Slightly over 50% of SMEs in this research tended to adopt an implicit approach in CSR communication with their external stakeholders, while about 46% opted for an explicit

approach. For the former, it was due mainly to lack of time or not knowing how to communicate, as well as the fear of being perceived as boasting, not regarded as right behaviour in Chinese culture (Pang et al., 2011). This approach in subtly communicating CSR activities and achievements is largely influenced by the owners' personal values and beliefs in CSR, which is consistent with findings in the literature (Nielsen & Thomsen, 2007). For this group of SMEs, they believed that most of their key external stakeholders knew their CSR culture, and there was no need to publicize their CSR activities or awards. The common practice would be to simply put the award logos and/or event photos onto the company's website, and add the award logo onto company publications or stationery.

... we will not be high profile in boasting for the awards we have won. We just share them [award logos] on our posters and website. (C13)

Unlike some other companies in the same sector, we do not issue press releases to publicize our achievements in CSR ... It's a bit sensitive ... I believe they would focus more on the long-term actions of the CSR activities of the company ... we prefer to tell our stakeholders we are not showing off but dedicating to some meaningful CSR activities. (C14)

The latter, noticeably the top winners in this research, adopted a more explicit approach. They showed good understanding of the power of effective CSR communication and, from a symbolic perspective, in advancing the companies' CSR identity as a responsible company, and helping promote CSR to a wider community (Seppala & Fryzel, 2015). These SMEs would structure their CSR communication on CSR vision, practices and achievements through multiple channels, such as advertisements, press releases, websites, company publications, newsletters, and social media. The objective, from an HR and symbolic frame, was to build trust and enhance the company's CSR identity (Seppala & Fryzel, 2015), and to engage stakeholders to join in to support CSR and "enhance stakeholders' advocacy behaviour" (Du et al., 2010, p. 8). Despite their efforts, SMEs generally did not treat it as a public relations exercise or communication strategy, as in the case of some large companies:

Basically I would share with other people what we have done on CSR. Otherwise it will be useless if people don't know the good things we have done. This will enable our stakeholders to have recognition towards our good deeds and our values as well. (C12)



... communication is key ... so as to let customers know what we are doing ... as a CSR company ... we continuously update our website and send out electronic newsletters ... most importantly, we organize focus groups ... we invite customers of different groups to share their views on different areas ... we attempted to invite different users to give us their feedback to improve our practices. (C20)

We begin in the stage of staff recruitment ... we will brief the candidates that we are a company promoting CSR ... to our customers, through our website, we share our latest development and CSR awards ... for the past several years, we have been actively inviting other SMEs to participate the awards as well. (C16)

### **Multiple channels and active use of electronic and social media**

The SMEs used multiple channels in communicating their CSR to employees, including e-mails, intranet, meetings, informal gatherings and staff newsletters. Many companies communicated their CSR activities to external stakeholders using pictorials in company publications, such as newsletters and corporate brochures. In addition, the majority of the SMEs actively used electronic or social media as channels of communication to both internal and external stakeholders. All companies operated company websites, and most had set up Facebook accounts to provide two-way communication with different stakeholders. The interviewees explained that social media is a new form of communication for the market and new generation of owners and leaders, and they used their websites and social media to post their CSR practices, photos, awards and community service activities, and to invite their external stakeholders to serve as volunteers for particular activities. Some SMEs met the needs of their stakeholders through social media, which is simple and economical to set up and maintain:

... We are trying to use different channels to communicate with them such as website, Facebook, advertisement, pamphlets, etc. Through this way, the customers do not only take in our products. They get to know what CSR means. (C08)

... We will make use of our own website ... for example, we do not encourage the use of body care lotions which may contaminate and damage the coral reef area. We will set ourselves as a good example ... and also put it in our website to remind ourselves and the customers as well ... when we want to invite them to join our community service, we mainly do it through emails or Facebook. (C10)

The above discussion has focused on the varying approaches adopted by different SMEs in communicating CSR under different situations, reflecting their heterogeneous and tactically strategic nature (Gibb, 2000). From a structural frame, CSR communication in SMEs tends to be more of a practice than a well-planned strategy, and the choice of approach and channel, and when to use them, is largely driven by the owner's personal belief and values, which in turn shape and reinforce the company culture and identity from a symbolic view. Indeed, indirect CSR communication through third-party endorsement, such as the media, can enhance the trustworthiness of CSR activities and achievements, and may lead to a more favourable reputation (Morsing et al., 2008). This approach, which is related more to the public relations perspective of CSR communication (Nielson & Thomsen, 2009a), did not seem to be actively pursued by the SMEs. One possible explanation could be their lack of knowledge, power and resources, and the low-risk exposure of public scrutiny, as discussed earlier. Instead, SMEs viewed the award logos as a useful and valued third-party endorsement and symbolic representation of their CSR efforts, which they believed were able to communicate their CSR values and achievements, and strengthen their company image.

#### **Active staff involvement and internal CSR ambassadors**

The majority of the SMEs had been actively involving their employees in CSR practices and communication, believing that through frequent and effective communication that the real meaning of CSR could be communicated to employees, helping them find meaning in their job and life within a CSR company. Many had initially experienced problems of low staff buy-in to CSR, due mainly to employees' lack of understanding of what CSR actually means and entails, the reasons for such engagement within the company, and the connection between CSR and themselves. With SME owners leading by example in the practice of CSR and communicating with employees openly and directly, as discussed above, the mindset and behaviour of employees had gradually changed from resistance to support of CSR. Clearly the SMEs had spent a lot of time on internal communication, hoping to convince employees to support and accept the values of CSR:

... I think internal communication is far more important than external communication to make CSR really work in the company ... the staff's understanding is crucial ... we have

gradually brought things back on track for some staff who really don't know what's going on with our CSR practices, and have negative feedback ... I began conducting small meetings with our sales team on CSR, explained why and what's in it for them ... gradually our staff began to realize that we have embarked on new CSR programs, new targets, and the results would be monitored ... eventually some started to make positive remarks. (C14)

Many SMEs had formed CSR committees as a way to drive, implement and communicate CSR. These committees also served to enhance the internal communication of CSR by serving as a bridge between management and employees and facilitating the active involvement of employees in planning for future CSR activities. Active involvement of employees and internal communication had led to greater commitment and support of CSR practices in the company, such as better customer service and environmental protection. Active involvement had seen many employees gradually becoming more motivated to serve as volunteers, with some even mobilizing their families to support as well:

With frequent inter-departmental and direct communication with me, we are fast responding to the market and making step-by-step improvement, with top priority on serving our customers, and then our office, administration, and our human resources, including the successful formation of a team of volunteers recently. (C21)

Another way of active staff involvement was applying for CSR awards. Many SMEs involved their staff right from the start of an awards application, from studying the application criteria, collecting data, preparing the application, to making presentation in front of the panel of judges. This approach created a useful learning experience for both the company and the staff involved:

... the preparation of CSR award is a good opportunity for our staff to learn, practice, and gain exposure ... especially in their presentation skills ... having to present and answer questions in front of external judges ... I have witnessed their personal growth in these areas. (C18)

Many SMEs had appointed or assigned internal champions or ambassadors to take up an additional role in CSR on top of their main functional role in the company with responsibilities to equip themselves and act as specialists in CSR, such as environment or community, and as advocates to promote and implement CSR activities within the

company. They played an active role in internal CSR communication, acting as a bridge between management and staff and helped convey management's CSR values and vision, whilst simultaneously collecting colleagues' CSR ideas and feedback. These CSR champions were often invited to participate in meetings that involved proposing, deciding on and implementing CSR activities. Interviewees found that empowering CSR champions was a very effective way to engage, motivate and communicate with employees, providing them with a learning opportunity for increasing their CSR knowledge, management and communication and also making their job more interesting and meaningful:

... They (CSR ambassadors) are the ones who set the policy on the duration to shut down the air conditioner, what temperature to be maintained, how to reduce the usage of paper, how to dispose the bottles, etc ... and help communicate with colleagues ... they are given free hands to do this ... We will give them more room for development. (C08)

... internally ... we are quite well-publicized for every CSR project we engage in ... for example with mouth-to-mouth discussion, circular, and notice, etc. We emphasize turning CSR as a daily routine, and our staff should not treat themselves as participants but rather as organizers, and take active roles in becoming part of the team. (C20)

From an HR perspective, most SMEs in this research were adopting an “inside-out” approach (Morsing et al., 2008, p. 104), which advocated that CSR should start from home, by first being concerning about employees' interests and seeking their commitment and support before engaging in or communicating CSR externally. Staff ownership and support are important to effective management of CSR management and communication. An inside-out approach seemed common practice for the SMEs, as demonstrated in this study and found in the literature (Jenkins, 2006; Murillo & Luzano, 2006; Nielsen, 2009a, 2009b), due to their interdependence with each other, as discussed earlier.

### Stakeholder engagement

Some SMEs tended to adopt the Informative CSR communication tactic (Podnar, 2008), in which the company informs stakeholders about favourable corporate CSR decisions and actions, considered to be a passive one-way communication strategy. Given the resource constraints of SMEs, this is a useful start and common practice (Murillo &

Lozano, 2006). However, through the political frame, many SMEs in this research went beyond this approach and adopted a collaborative stance, actively engaging their external stakeholders to participate in joint CSR activities such as fund-raising for good causes, increasing their awareness of environmental protection, or supporting community activities organized by the SMEs. Some SMEs used their companies as platforms to engage their stakeholders, trying to build support and form allies to support CSR, and taking on the role of advocacy in CSR through different channels. Many SMEs showed sensitivity to the relative power distance with their customers in the language they used, demonstrating CSR advocacy characteristics through effective CSR communication. In addition, NGOs as stakeholders were also frequently mentioned during the interviews when SMEs talked about community involvement with many actively forming partnerships with them in community involvement, and using interactive and engaging communication. They believe this aids learning about critical social issues in the community, becoming involved and contributing to society, and establishing long-term win-win relationships:

Our regular communication is targeted towards the end-users ... we keep them posted for upcoming CSR activities in advance, like blood donation, dolphin tours, etc. Through this kind of communication, we hope they can understand what is important ... and we want to engage them in our CSR activities as well, and most importantly is to share the joy ... we just want them to be aware of the events. We have not yet thought of raising their confidence ... but we are obliged to let people know of the positive image of our company. (C03)

... probably they [the customers] have their own internal target of carbon footprint reduction, then we have to communicate with them and tell them what percentage they can reduce, or the program we are engaging could be helpful to them. Ultimately, we are helping our customers and save the world as well. If we talk on global warming, the customers may have no idea what are the right steps to take ... we have to let them know what their needs are and speak their language. (C11)

Formal CSR communication in SMEs is often considered as “unprofitable” and “redundant” (Pang et al., 2011, p. 301). By actively engaging stakeholders in a personal and informal way, SMEs aimed at strengthening long-term and collaborative relationships.

### Use of multiple symbols

As discussed in Chapter 3, many different forms of symbols bear meaning in organizations, including myths, vision, values, heroes, stories, ritual and celebrations (Bolman & Deal, 2013) and serve different functions, especially in shaping company culture, under the symbolic frame. As stated in Section 5.4.3, many SMEs made use of symbols in their CSR management such as awards, heroes and celebration. Under CS communication, the most common symbols interviewees used in communicating CSR to their stakeholders were CSR values, metaphor, humour and stories. Several used play as well. The use of multiple symbols enabled the SMEs to enrich their CSR communication with their different stakeholder in an indirect and yet enduring way, hoping to touch their emotions and ignite their inner drive and satisfaction for something meaningful, and to genuinely support CSR. Many metaphors in the form of Chinese Confucius were used by several SME owners during the interviews to express their values and interaction with different stakeholders:

I just follow my belief in Taoism, which roughly means “matters will develop as a routine and habit over time” ... applying this philosophy to my company, I hope my staff can develop a good habit of doing what is right for the company and society over time. (C21)

In another example, both birds and employees became actors in the grassland play bringing happiness and solidarity and reinforcing the company’s family bonding and CSR culture:

I always hope my staff will be happy in coming to work here ... at lunch time we talk freely... we are like a family ... we have a piece of grassland within our factory site .... the staff asked why not we keep some birds and then we set up a cage ... it might attract other birds as well so that they can sing together ... you know, they really sing after office hours, like a party ... everyone’s so happy. (C11)

When applied to such an abstract and multidimensional concept as CSR, communicating through different symbols provides valuable imagery tools to clarify complex matters and describe real situations. It also helps create a sense of solidarity between individuals (Morgan, 2006; Penn, 2015), as demonstrated by the SMEs in this research. In addition, since the majority of employees in the SMEs are Chinese, the metaphors and stories being used under the same cultural context might be more relevant and effective than those with different cultural differences. The future

challenge to SMEs would be the young employees who have grown up in the technology age, in that they might prefer a different set of symbols that they feel more connected to.

### *Portrait of CSR communication approaches and channels*

Table 5.9 summarizes the CSR communication approaches and channels being used by the SMEs, drawn from the interviews and study of SME websites and documents.

**Table 5.9: Portrait of CSR communication approaches and channels**

<b>CSR Communication</b>	<b>Internal stakeholders (Employees)</b>	<b>External stakeholders (Customers/suppliers)</b>
<b>Approach</b>	<ul style="list-style-type: none"> <li>- Inside out</li> <li>- Two-way</li> <li>- Informal and direct</li> <li>- Actively engaging</li> <li>- Multiple channels</li> </ul>	<ul style="list-style-type: none"> <li>- One-way vs two-way</li> <li>- Informal and direct (Contracts: formal)</li> <li>- Explicit vs implicit</li> <li>- Informing approach vs actively engaging</li> <li>- Multiple channels</li> </ul>
<b>CSR message</b>	<ul style="list-style-type: none"> <li>- Values, mission, CSR activities; CSR awards</li> </ul>	<ul style="list-style-type: none"> <li>- CSR values and mission; product or service quality, customer service and feedback.</li> <li>- Truthful promotion</li> <li>- Product or service disclosure</li> <li>- CSR activities</li> <li>- Invitation for participation and/or support of CSR activities (many companies proactively engage external stakeholders to support community projects, such as seeking cash donations or donations in-kind, or to act as volunteers)</li> </ul>

(continued overleaf)

Table 5.9 (continued)

<b>CSR Communication</b>	<b>Internal stakeholders (Employees)</b>	<b>External stakeholders (Customers/suppliers)</b>
<b>Communicating about CSR Awards</b>	<ul style="list-style-type: none"> <li>- Internal announcement</li> <li>- Celebrations</li> <li>- Share learning</li> <li>- Engage staff to prepare award application as a learning opportunity</li> </ul>	<ul style="list-style-type: none"> <li>- Explicit: communicate CSR achievements proactively to internal and external stakeholders, to strengthen the company's CSR identity, and to engage stakeholders in practising CSR.</li> <li>- Implicit: prefers a low-profile approach to communicating CSR awards to external stakeholders, due to fear of being perceived as boasting. Common practice is to show award logos on website and/or company publications/stationery to communicate CSR achievements implicitly.</li> </ul>
<b>Collecting Feedback</b>	<ul style="list-style-type: none"> <li>- Direct</li> <li>- Surveys</li> <li>- Performance appraisals/exit interviews</li> </ul>	<ul style="list-style-type: none"> <li>- Direct</li> <li>- Surveys</li> <li>- Focus groups</li> </ul>
<b>Communication Channels</b>	- E-mail; intranet; noticeboard; staff newsletter; company website; social media (whatsapp; Facebook; YouTube; Twitter)	- Company website; newsletter; e-mail; advertising; point-of-purchase; media coverage; word-of-mouth; social media (whatsapp; Facebook; YouTube; Twitter)
<b>Use of symbols</b>	Values, vision and meaning of CSR, metaphor, stories, celebrations, CSR heroes, CSR culture and identity	Company logo, award logo, stories, celebrations, CSR identity and CSR icon (many owner-managers of award-winning SMEs serve as spokespersons for CSR in SMEs, and sit on government committees or business associations boards as advocates of CSR)

SMEs in this research demonstrated exemplary qualities in managing CSR, in order to realize their ideals of creating win-win and a more sustainable business and society, but many overlooked the importance of communication as an important enabler in the process. While the different approaches and tools of CSR management and communication discussed above may change over time, the values of the owners and organizational culture are likely to remain unchanged. CSR management would not be complete without effective communication, and vice versa. These elements are



intertwined and are both crucial in shaping and reinforcing the organizational culture, which in turn builds up a CSR identity in the minds of its different stakeholders (Seppala & Fryzel, 2015). The challenge is how to adopt a holistic approach in managing and communicating CSR, without having to forgo SMEs' unique culture, informality and flexibility.

## **5.5 Research Question 3 – What are Hong Kong SMEs' motivations in and barriers to engaging with CSR practices?**

This research question investigated SMEs' motivations for adopting CSR, and the barriers they encountered to practising it. Interviewees were asked: their motivation for engaging in CSR (IQ4A; Section 5.5.1); whether they saw any benefits in winning CSR awards (IQ6; Section 5.5.2) and if winning an award or its associated benefits constituted a driver to engage in CSR (Section 5.5.3); and any barriers they faced in CSR engagement (IQ4B) and difficulties or challenges they encountered in CSR communication (IQ9) (both discussed in Section 5.5.3).

### **5.5.1 Interview Question 4A – What are your motivations in practising CSR?**

#### *Overview of findings – motivations in engaging in CSR*

Ten major themes were identified as drivers in motivating SMEs to engage in CSR, mapped under three broad themes: “external drivers”, “values-based drivers” and “business drivers”. NVivo was used to build child nodes and a number of coded references on tree node “Drivers of CSR engagement” using NVivo (Table 5.10).

Previous research has identified different drivers which explain SME's commitment to CSR, ranging from altruistic to business-driven (Kechiche & Soparnot, 2012; Lee et al., 2012; Murillo & Lozano, 2006; Russo & Perrini, 2010; Spence & Rutherford, 2003). Consistent with the literature, interviewees noted multiple drivers for engaging in CSR, from achieving long-term business sustainability to building a better society, from personal interest and self-satisfaction to cultural and religious reasons.

As shown in Table 5.10, “Business Drivers” recorded the highest number of composite coded references among the three broad groups of drivers. The highest coded individual theme was “Build a better Society” under the “Values Drivers”, indicating that the SMEs believed that practising CSR could benefit their companies and lead to a more sustainable business in the long run. However, the underpinning driver was more personal, driven by the personal values and beliefs of the SME owners themselves. External drivers such as pressure from the market and society were not as prominent as the business drivers and values-based drivers.

**Table 5.10: Final set of child nodes and coded references on tree node “Drivers of CSR engagement”**

<b>DRIVERS OF CSR ENGAGEMENT</b>		
<b>Tree Node</b>	<b>Child Node</b>	<b>Reference Coded</b>
<b>Drivers of CSR Engagement</b>	<b>Business drivers</b>	
	Sustainable business	18
	Talent acquisition & staff relations	16
	Enhanced stakeholder relationship	13
	Reputation	11
	Efficiency & cost savings	5
	<b>Values-based drivers</b>	
	Build a better society	20
	Personal interest & fulfilment	15
	Cultural & religious	10
	<b>External drivers</b>	
	Rising market and society expectation	10
	Institutional influence	8

A comparison of sectors revealed that “Business drivers” was most prominent in five industrial sectors: import/export and trading, manufacturing, environment, IT, and administration and professional service, whereas “Values-based drivers” was more prominent in transportation and logistics, education, and human health and social service. Motivations for CSR engagement were influenced more by external factors in the manufacturing sector than in other sectors. This finding suggests that while business drivers collectively were identified as important motivators for this study, personal values were the single most dominant driver for the engagement of CSR.

### *Discussion of IQ4A: Drivers*

#### **(i) Business-driven drivers**

**Business drivers** refer to motivations for engaging in CSR with the anticipation that the company will receive business benefits. Five themes emerged under “Business drivers”: “Sustainable business”, “Talent acquisition and staff relations”, “Enhanced stakeholder relationship”, “Reputation”, and “Efficiency and cost savings”. The “Sustainable business” driver refers to the ability to achieve continual business vitality and growth in the long term, balancing the interests of different stakeholders and creating a win-win situation for all concerned. “Talent acquisition and staff relations” is the ability to recruit the right employees for the company, and to establish better relationships with staff so as to enhance competitiveness through a strong, loyal and committed workforce. “Enhanced stakeholder relationship” refers to improving relationships with different company stakeholders for better long-term business prospects. “Reputation” refers to enhanced company image, reliability, goodwill and trust. “Efficiency and cost savings” is the ability to improve efficiency and save costs by engaging in CSR, through better management, including risk management.

#### **Sustainable business**

One reason many of the SMEs engaged in CSR was to create long-term sustainable business. Through a structural frame, they believed that practising CSR could benefit their stakeholders, which, in turn, enhanced long-term sustainability. Many previous studies have reported that SMEs engage in CSR mainly for altruistic and ethical considerations (Murillo & Lozano, 2006; Spence & Rutherford, 2003), but others also report that improving the company’s bottom line is a common driver for SMEs to undertake CSR (Russo & Tencati, 2009; Spence & Schmidpeter, 2003). The findings in this research generally supported the business drivers as a key motivator. Through the structural frame, adopting a long-term approach in CSR was a common attribute in the sampled companies, probably because of their development as CSR award-winning companies. Taking on a long-term approach also reflected the values of the SMEs by looking through the symbolic frame:

... I believe every business organization seeks for long-term sustainability rather than short term profits ... we have an advantage of being more flexible in servicing, so that we could

bring more benefits to the stakeholders ... as I said before, it results in better business sustainability in return ... I want to quote a saying that happy staff breeds happy customers, which in turn breeds loyal customers. So we are dedicated to invest in CSR in return for a strong and loyal customer base, which is instrumental to our business sustainability. (C20)

Yes, we engage in CSR practices with a view to benefit the company ... we gear our actions toward this goal. (C16)

### **Talent acquisition and better staff relations**

Looking through the HR frame, most CSR activities in SMEs are internally focused (Jenkins, 2006), aimed at building better staff relations and improving talent acquisition and retention (Hoivik & Shankar, 2011). The findings in this research supported the literature in this respect. Many of the SMEs engaged in CSR to build a more stable and committed workforce, expecting to improve business performance and create a win-win scenario. Viewed through the HR frame, SMEs faced difficulties in recruiting and retaining talent, due to competitive labour market, as discussed earlier. Viewed through the structural frame, CSR practices and programs directed to employees were abundant, as outlined in Table 4.4:

... we did face difficulties in recruiting staff, especially on programming as most of the university graduates focus on the financial sector rather than IT. Since we have less supply of manpower in such a way, we have to do more to retain our staff. As long as we can afford, we try to reward them in different ways. (C24)

### **Enhanced stakeholder relationship**

Strengthening stakeholder relationships is a common driver for SMEs CSR. Through the political frame, some SMEs cited establishing a better relationship with stakeholders as one of the major reasons for practising CSR, creating a win-win and improved business performance:

I think ... all stakeholders will gradually see the value of our CSR efforts as we move along ... and are able to build better and long-term relationships ... I believe if we develop a long-term relationship with the stakeholders, eventually it will bring business benefits to us. (C17)

## Reputation

Enhancing business reputation and company image is also a motivation for SMEs to practise CSR. Looking through the symbolic frame, the corporate identity of a company communicates its values and personality through symbolic representation. When a company's image is perceived as positive, it enhances trust. Many SMEs in this research believed that by establishing themselves as a socially responsible company, their company image could be enhanced, which would improve their competitiveness:

As a SME, we are relatively weak in competing for talents and customers when compared to our competitors so we have to use the positive [CSR] image to compete with large organizations. (C16)

## Efficiency and cost savings

Some SMEs are motivated to practise CSR for long-term cost savings. Only a few of the SMEs in this study cited this reason, and their cost savings were often related to investments made in environmental protection. Through the structural frame, they viewed cost savings as both cause and effect in engaging in CSR, but always the objective was to enhance the company's efficiency:

... we encourage "zero emission" which is beneficial to our production department, in that we could save money through environmental protection. (C07)

... the reason we engaged in environmental protection is to reduce our cost. (C11)

### (ii) Values-based drivers

Consistent with the literature, one of the major drivers mentioned in the interviews was "Values-driven drivers". The three associated themes were "build a better society", "personal interest and fulfilment" and "cultural and religious". "Values-driven drivers" are moral reasons for engaging in CSR, believing that CSR is the right thing to do, and are largely associated with the owner's personal values and beliefs. "Build a better society" refers to the moral obligation to care for society while pursuing business results. "Personal interest and fulfilment" reflects a strong influence of SME owners' personal values and orientation for engaging in CSR. "Cultural and religious reasons" are the

moral justifications for engaging in CSR, resulting from a strong personal belief and faith in doing the right thing by following one's convictions and religious tenets.

### **Build a better society**

Many of the SMEs engaged in CSR to try to build a better society. This finding is in line with how SMEs defined their understanding and principles of CSR, discussed above as part of RQ1, which is driven by moral obligation and ethical consideration, and strongly influenced by the owners' values. Viewed through the symbolic frame, most of the SME owners in this study translated their own values into the meaning of CSR in their company, thereby realizing the ideology of helping build a better society via socially responsible practices:

... we do care for society ... our biggest motivation is to use our platform to stay close to the community ... to extend our engagement of social responsibility to a cover a wider base, to serve and build a better society. (C03)

We believe it is everyone's responsibility and every company's responsibility to contribute to society. (C20)

### **Personal interest and fulfilment**

Many SMEs committed to CSR through personal interest and sense of satisfaction in such an engagement, which is a reflection of the owners' values. Seen through the symbolic frame, they believed that CSR could improve people's quality of life and lead to a better society, and created a culture around this:

I just follow my own principles, with my little effort to influence and amplify what we have learnt from other organizations [about CSR] ... this is what I should do ... I think I can positively influence others and set myself as a role model. (C03)

I just want to do something specific and benefit society, with a sense of achievement in my work. (C08)

I don't have any specific intention or philosophy, I just feel happy when I help others. (C23)

### Cultural and religious reasons

Many of the SMEs tended to define their CSR based on the owner's personal cultural and religious beliefs, as also noted in the literature (Jamali et al., 2009). Looking through the symbolic frame, these SMEs viewed CSR as both their belief and values which served as a moral compass in running their business, helping others and improving broader society, out of altruism and faith:

As a Christian myself, I am keen on helping the underprivileged ... I believe the concept of CSR is closely linked with the teachings of my religion. (C10)

### (iii) External factors

Several companies mentioned external factors as a driver for CSR engagement, stemming from the external environment beyond the control or influence of the company. Two themes emerged: "changing market and societal expectation" and "institutional influences". The first is an increased expectation from the market and society for companies to undertake CSR practices. The second is the capacity or power of various institutions to affect the actions, behaviour and opinions related to the company's CSR practices. These may include the government, government agencies, business associations or CSR intermediary bodies, all of which are external to the company and not directly related to its business operations.

### Rising market and society expectation

Few of the SMEs in this research faced such pressure, probably due to the nature of business in the sampled companies. One exception was the company engaged in manufacturing and retail:

The issue carried much weight due to market and social expectation ... the driving force exists both internally and externally ... because external forces exist, we often chatted with external parties and friends on their views on CSR, and we shared the same understanding that CSR is gaining popularity. (C14)

## **Institutional influence**

As stated in Section, 5.3, under the political frame, SMEs belonging to the global supply chain often face pressure from their international buyers who are in a more powerful position than SMEs, to engage in CSR (Welford & Frost, 2006). Moreover, several companies had to increase their CSR practices because of legislative changes such as more stringent environmental protection in their production processes. These companies were mainly in the manufacturing sector with an international customer base:

... we better think ahead and start working on it [CSR] before it becomes legislated as a statutory requirement. (C14)

We must now integrate environmental concerns into our production operations ... in the past there was not much requirement from the government ... and we did not have too much concept either. (C23)

### **5.5.2 IQ6 – What benefits do you see as a CSR-award winning company?**

#### *Overview of findings – Benefits of winning CSR awards*

Six major themes were coded under NVivo: “Staff motivation”, “Stronger reputation and trust”, “Organizational learning and improvement”, “Self-satisfaction”; “Improved business”, and “No tangible benefits”. NVivo was used to build child nodes and a number of coded references on tree node “Benefits of winning CSR awards” (Table 5.11). The majority of the SMEs saw several distinct benefits in winning CSR awards or recognition, such as inclusion in the SME Index. Some companies even reported positive business performance as a result of the awards, due to a better corporate image as a CSR company. The award or recognition logo is itself a symbolic representation of the CSR commitment and achievements of the companies. According to Morsing et al. (2008), the publicity value of using indirect communication and third party endorsement is greater than when the company initiates the promotion, and as CSR award winners, SMEs’ CSR identity was endorsed and enhanced through the established recognition or award schemes. While most of the companies enthusiastically talked about winning awards and how the application process had helped the owners and the company advance CSR management, several SMEs pointed out that most of the benefits



generated from winning the awards were psychological and symbolic, rather than tangible in terms of increased business.

**Table 5.11: Final set of child nodes and coded references on tree node “Benefits of winning CSR awards”**

<b>BENEFITS OF CSR AWARDS Tree Node</b>	<b>Child Node</b>	<b>Reference Coded</b>
<b>Benefits of Winning CSR Awards</b>	Staff motivation and loyalty	23
	Stronger reputation and trust	22
	Organizational learning & improvement	16
	No tangible benefits	10

### *Discussion of IQ6 – Benefits of winning CSR awards*

#### *Staff motivation and loyalty*

As shown in Table 5.11, this theme recorded the highest coded reference in NVivo. The majority of the interviewees saw one of the benefits of winning awards was staff motivation in creating a sense of pride and loyalty. Under the symbolic frame, the award gave meaning, direction and creates hope to people. Seen through the human resource frame, the recognition enhanced trust between employees and the company, resulting in a more committed and motivated workforce, nurturing a strong CSR culture. From a CSR communication perspective, employees with greater sense of pride in award winning companies often articulated their inner happiness through communication and interaction with other stakeholders in their daily work, serving as powerful CSR ambassadors:

... in terms of the employees, I think the awards enhance their sense of belonging and pride ... our team spirit is still high despite the recent crisis because our staff trust the company. These are the benefits I get from the awards. (C08)

### Stronger reputation and trust

Another major benefit of winning a CSR award was increased reputation and trust, establishing a stronger company image and better trust with stakeholders, leading to increased competitiveness, considered through the structural and political frame. As CSR award winners, and viewed through the symbolic frame, SMEs' reputation was enhanced through the symbolic meaning of the awards in which SMEs owners were looked upon as CSR icons or heroes. They were often given more opportunities to speak in public to share their CSR stories, and these third party and word-of-mouth endorsed communication often added to the trustworthiness of the CSR stories (Morsing et al., 2008):

As CSR awards winner, I think we have a better reputation and an enhanced company image, and our staff and partners had a stronger exposure! I have more chance to talk in public, with more exposure for the company as well. (C03)

Definitely it will be helpful. As the awards already have a continuous promotional effect on your business, through different media. Meantime, we have more interviews by different parties like student groups, universities or some business development groups, etc. ... I think it is a matter of word-of-mouth and to spread the message, it is more effective than advertisement. (C05)

### Organizational learning and improvement

Many interviewees noted the opportunities for continuous learning and improvement through benchmarking with other companies in different award competitions or schemes. Entering the awards gave these SMEs the opportunity to reflect on their CSR performance through the structural frame, and energized the company to seek continuous learning for employees through the human resource frame:

... after winning the awards, we will receive some comments from the panel of judges. These are all benefits to us as our learnings ... These also guide and remind us to improve continuously together with my staff ... we pick up lots of new ideas from the sharing sessions of the top winners as well ... my staff now start to remind me once we have not won any award during a particular year ... so we have to think seriously ahead and see what we should improve. (C13)

As a whole, the greatest benefit of CSR awards is continuous learning and recognition.  
(C21)

### No tangible benefits

Although winning CSR awards helps enhance company image and staff motivation, several SMEs did not see any tangible benefits from a structural view. According to these SMEs which belonged to different sectors, benefits of awards were mostly intangible because Hong Kong customers normally would not favour CSR companies when it came to business transactions. This finding was different from other studies that had reported that consumers would reward CSR companies, particularly large companies (Du et al., 2010). To this group of SMEs, CSR awards were treated more as an internal recognition rather than being used as a public relations tool, which is consistent with SMEs' culture (Nielsen & Thomsen, 2009a):

However, there is no tangible benefit, to be honest. It doesn't mean anything when we got those awards ... or taking photos with the senior government officials ... the critical thing is the trust by customers on our services ... (C07)

No benefit at all ... especially in the real marketplace, real commercial society, people would not count these awards. This is something quite remote and insignificant in business consideration. (C09)

As found in the literature discussed in Section 2.3.9, SMEs in Hong Kong reported diverse drivers for engaging with CSR, reflecting different motivations for different companies at different times. It suggested that while SMEs owners' values took centre stage in shaping how CSR is understood and practised in SMEs (Lepoutre & Heene, 2006), they also needed to consider other aspects of their business, because survival and growth were among their major concerns. External factors were not perceived as prominent drivers, illustrated by SME exemplars' willingness to engage in CSR voluntarily as a way of realizing their ideals of a sustainable business and society.

### 5.5.3 IQ4B and IQ9 – What are your barriers to CSR engagement? What are your difficulties and challenges in communicating CSR?

IQ4B asked interviewees what barriers they faced in CSR engagement, and IQ9 explored further by asking about any difficulties they encountered in CSR communication.

#### *Overview of findings – Barriers*

Most interviewees noted multiple barriers when answering these two interview questions across six major themes: “Lack of resources”, “Lack of knowledge” and “Low staff buy-in”, grouped under “Internal Barriers”; and “Low stakeholder awareness”, “Competitive market conditions” and “Lack of government support” grouped under “External barriers”. “Lack of resources” refers to paucity in financial resources, manpower and time; whereas “lack of knowledge” refers to an inadequate familiarity with CSR management and communication. The majority of the SMEs found it difficult to expand their CSR practices because of limited resources. Most also indicated that, although they had been practising CSR for many years, they still lacked adequate knowledge of CSR management and communication because it was a complex and evolving topic. Consequently, they failed to engage with CSR more creatively and systematically. Not all employees supported CSR, creating a further barrier to CSR management, and SME owners faced the challenge of educating and motivating employees to support CSR and sustaining employees’ interest in CSR practices. Externally, they also experienced low awareness and interests on the topic of CSR. As reflected in the number of coded references (Table 5.12), internal barriers were more prominent than external barriers. Some interviewees noted a generally low awareness and understanding of the CSR concept and benefits by the general public, including some of their major external stakeholders such as customers and suppliers. This resulted in little interest, even scepticism, about CSR, creating a barrier for companies and discouraging their CSR engagement. “Competitive market conditions” included more demanding market needs in terms of products and services, rising operating costs, a more competitive labour market, and lack of government support. These factors made doing business more competitive and difficult, and affected the SMEs’ commitment to CSR management.

In the context of CSR communication, three major themes emerged when SMEs described the difficulties they encountered: “Lack of CSR communication knowledge”, “Low stakeholder interests” and “Fear of boasting”. Lack of CSR communication knowledge referred to their inadequate understanding of and expertise in how to communicate CSR appropriately and effectively. This theme is closely associated with the theme “Fear of boasting” as discussed above in Section 5.4.4. Finally, “Low stakeholders’ interest” referred to external stakeholders, such as customers and suppliers, showing little interest in the interviewees’ CSR efforts and achievements. As a result, SMEs felt little need to communicate CSR. NVivo was used to build child nodes and a number of coded references on tree node “Barriers to engaging with CSR practice”, as shown in Table 5.12.

**Table 5.12: Child nodes and coded references on tree node “Barriers to engaging with CSR practice”**

<b>BARRIERS TO ENGAGING WITH CSR PRACTICES</b>		<b>Child Node</b>	<b>Reference Coded</b>
<b>Tree Node</b>			
<b>Barriers – CSR Management</b>	<b>Internal Barriers</b>		
	Lack of resources		25
	Lack of CSR knowledge		18
	Employees’ buy-in		10
	<b>External Barriers</b>		
	Low stakeholders’ awareness & interest		15
	Competitive market conditions		14
	Lack of government support		9
<b>Barriers – CSR Communication</b>	Lack of CSR communication knowledge		14
	Low stakeholder’s interest		13
	Fear of boasting		12

## *Discussion of IQ8 and IQ9 – Barriers to CSR engagement*

### **(i) Internal barriers**

#### **Lack of resources**

A lack of resources – finances, time and personnel – was a major barrier for interviewees engaging in, managing and sustaining their efforts in CSR. Through the structural frame, SMEs often operate under extremely limited capital, as lean organizations with small teams of staff multitasking, and time is frequently a problem, given the demands of daily routines. This finding concurs with previous studies that have found lack of resources is the major barrier for SMEs to engage in and manage CSR (Hsu & Cheng, 2012; Jenkins, 2004a, 2006; Lee et al., 2012; Murillo & Luzano, 2006). Many SMEs in this research overcame the constraint of resources in CSR with creative and flexible solutions:

The difficulties are mostly about constraints with time and money ... I have thought of expanding my CSR projects but due to shortage of manpower, it is difficult for me to do so. (C09)

In terms of barriers, lack of financial resources is a key barrier ... sometimes it is difficult to allocate special funding to the CSR program within the company. Having birthday leave is an alternative to solve the financial barrier ... it also provides better benefits to the staff. (C04)

#### **Lack of knowledge**

Many interviewees felt they lacked the knowledge to develop a strategy or better planning of CSR activities to meet stakeholders' needs, particularly due to the rapidly changing environment, and highly competitive markets. This theme is also closely linked with lack of resources as discussed above, when some SMEs could not afford time to learn from other companies how to structure CSR more innovatively or strategically:

Well, all along we don't have an explicit strategy, and the real difficulty is that it is not easy to work out a new CSR program, even though we are keen to do it. (C03)

... as our committee was just formed one year ago, and it is not yet full-fledged in its functioning ... we still lack of knowledge to better grasp the dynamics in the society for our community programs. (C20)

### **Employees' buy-in**

Some interviewees advised that not all employees support CSR. Through the human resource frame, it was noted that the employees generally fail to see how they relate to CSR, and what benefits they get out of extra work in caring for different stakeholders, or participating in various CSR programs. Some interviewees explained that community programs are often organized during weekends or public holidays and, while some employees and their families join in enthusiastically, others are simply not interested. This lack of buy-in has a direct effect on the success of CSR management:

... at the beginning, we were not able to engage a lot of staff, so the program may not be very popular, or people participating may not find it successful ... now, I worry about the sustainability of volunteers, whether they will leave suddenly ... that will affect my overall volunteer manpower. (C18)

## **(ii) External barriers**

### **Low stakeholders' awareness and interest**

Many interviewees found low stakeholder awareness and interest in CSR another barrier to CSR management and communication, and some SMEs thought this was a reason for the generally low uptake of CSR by SMEs in Hong Kong. A similar situation has been documented in Europe (Jenkins, 2004a) and Asia (Hsu & Cheng, 2012; Lee et al., 2012). The SMEs considered this barrier posed a particular challenge for those seeking support and endorsement for their CSR engagement:

The lack of people's awareness and buy-in on CSR is another barrier ... as they don't have good understanding on CSR. (C01)

Considered under the political frame, as outlined in Section 3.5.2, many SMEs owners believed that one of the ways to raise people's awareness was to take up the role of CSR advocacy and persuasion to gain more support from different stakeholders, and to communicate CSR more effectively through most suitable channels.

### Competitive market conditions

Some interviewees had been facing fast-changing and more competitive market conditions, such as more demanding customers, higher operating costs and more competition in talent acquisition and retention:

Due to changing market conditions, the requirements on different areas such as CSR for employees and environmental protection are rising. (C08)

... I noted of a higher staff turnover recently, especially the engineering staff ... as a result of the ten infrastructure projects in Hong Kong, resulting in a more competitive job market ... this implies that we become busy with our work and therefore have less time for CSR programs ... we also have to spend time to train some new staff ... this is common in SMEs. (C11)

### Lack of government support

Hong Kong is adopting a “positive non-intervention” policy, which many SMEs in this research criticized as leading to inadequate support being given to industries engaged in the practice of CSR, such as supporting business related to environmental protection, and other types of support to SMEs:

Well, as the government has always mentioned of the six prime industries of development, I hope they would take on the role to liaise with banking sector to provide interest-free loans for companies like us which are dedicated to environment protection. (C06)

### ***IQ 9 – What are your difficulties and challenges in communicating CSR?***

Three major themes emerged here: “Lack of CSR communication knowledge”; “Low stakeholders’ interest” and “Fear of boasting” (Table 5.12). As many of the themes have already been discussed in earlier sections, we discuss just the first theme here.

### Lack of knowledge in CSR communication

Many interviewees indicated lack of knowledge as a barrier to CSR communication, and noted the common practice of simply adding CSR award logos to company



websites, publications and stationery. Corporate logos serve to communicate a company's culture and corporate identity (Bolman & Deal, 2013). Viewed through the symbolic frame, SMEs believe that by displaying award logos in a company's publications and website, stakeholders gain a good understanding of the company's CSR efforts and achievements, and enhance confidence in the company. As discussed in Section 5.4.4, some SMEs publicized their award wins to their business network through different channels such as emails, website or social media – Facebook and others:

... we don't have the knowledge in this area [CSR communication], so we have to start everything from scratch ... it is difficult for us ... we have plenty of room for improvement in such areas. (C01)

Consistent with the literature, barriers to CSR engagement and communication in Hong Kong SMEs were mainly resource constraints and lack of knowledge, when viewed through a structural frame. In contrast with reports that some SMEs are reluctant to commit to CSR because they perceive they have limited social power (Peterson & Jun, 2009), Hong Kong SMEs did not have that concern from a political perspective. Most of them believed that companies of all sizes had an inherent responsibility to practise CSR. This difference in finding could be due to the difference in the demographics of samples, in which SME exemplars in Hong Kong were generally more positive about and committed to CSR than ordinary SMEs.

## **5.6 Research Question 4 – What is Hong Kong SMEs' future direction for CSR?**

This research question aimed to investigate the future vision of CSR in the award-winning SMEs. Since they are regarded as CSR exemplars, understanding their future CSR development plans may indicate the future direction of CSR in the broader Hong Kong SME sector. Interview Question 10 asked SMEs to explain how they see themselves moving forward with CSR in the future.

### 5.6.1 Interview Question 10 – How do you see your company moving forward in CSR in the future?

#### *Overview of findings*

Five major themes emerged in responses: “Expand CSR programs”, “Better CSR management communication”, “Collaboration and advocacy of CSR”, “Stronger CSR culture” and “Sustainable business and society”. Tree nodes, child nodes and coded references were built around “Future direction of CSR” using NVivo (Table 5.13).

**Table 5.13: Final set of child nodes and number of coded references on tree node “Future direction of CSR”**

<b>FUTURE DIRECTION OF CSR Tree Node</b>	<b>Child Node</b>	<b>Reference Coded</b>
<b>FUTURE DIRECTION OF CSR</b>	Expand CSR programs	24
	Better CSR management and communication	18
	Collaboration and advocacy of CSR	15
	Stronger CSR culture	14
	More sustainable business and society	13

The vision of many SMEs was to achieve long-term business sustainability to be in a better position to expand their CSR efforts to achieve a sustainable business as well as a better society, which they believed are interdependent. Many SMEs were keen to learn how to manage and communicate their CSR efforts and achievements more strategically and effectively. They also indicated that their future direction is to expand their CSR programs for their different stakeholders, including employees, customers, suppliers, community and environment. Community and environment were the two most frequently mentioned stakeholder groups for whom SMEs wanted to expand their CSR practices. There are several possible explanations for this finding. First, new plans for customers and suppliers form part of a company’s overall business, and interviewees possibly felt uncomfortable disclosing such proprietary information in a doctoral research project. Second, the SMEs may feel more emphasis should be given to CSR

programs for environment and community in the future. Third, when applying for CSR awards in Hong Kong, these SMEs were more used to planning CSR practices for employees, community and environment, instead of fully incorporating business stakeholders, such as customers and suppliers.

Apart from expanding their CSR programs, some interviewees mentioned strategies to manage and expand CSR practices by collaborating with different stakeholders with better resources and expertise. NGOs were highlighted as such potential partners for community involvement. In addition, many interviewees expressed the importance of engaging more people to practise CSR, and they were ready to take up such roles within their network. Several companies highlighted their aim of building a strong CSR culture for their companies in order to uphold their CSR values and efforts. Some expressed the hope that the government can provide more support to the SME sector, so their business can be more sustainable, and all of them express the eagerness to progress in CSR.

### *Discussion of RQ4 – Future direction for CSR*

#### **More sustainable business and society**

Many SMEs expressed their vision of a more sustainable business so they could continue to practise CSR and contribute to a more sustainable society. This has been a prominent theme throughout this research, reflecting SMEs' belief that sustainability in business and society are interdependent and complementary to each other, grounded in owners' personal values, cutting across Bolman and Deal's (2013) four frames:

I hope my company will grow in size and scale, and our staff will be able to share the same mission on environmental protection and social responsibility. I will not only keep on running my enterprise as a platform for their development, but also train some talent for Hong Kong and the society as a whole ... this is for long-term sustainability and environmental protection. (C06)

However, several SMEs highlighted that the rising operating costs in Hong Kong are having a negative effect on sustaining their efforts in CSR:

Actually, I hope there will be improvement in the overall business environment in Hong Kong ...it is difficult for us to face the high rental and high operating costs, as we have to be cost conscious for each job ... right now we have to spend more time to complete a job

order, and our staff already become tired ... so it is hard to push them for any other extra and voluntary work in CSR, for example. (C19)

### **Expand CSR programs**

As shown in Table 5.13, this theme recorded the highest coded reference in NVivo. The majority of the SMEs had plans to continue and expand their CSR programs and activities in the coming years, directed to their major stakeholders, the most mentioned being community and environment, and the mobilization of volunteers. This further reinforce that Hong Kong SMEs adopted a stakeholder approach in managing and communicating CSR, in ways that suit their CSR principles and culture. The most talked-about programs were related to employees, community and the environment, although there were some companies which talked about plans for innovations that incorporate elements of CSR, which is discussed in the next theme:

For employees, I think we would introduce alternate week for work on Saturdays. We hope this will reduce their workload and have better work-life balance ... for customers, we do not just look at their feedback, we always think more proactively on the new technology to better serve them. (C16)

... we discussed possibly extending our capacity to help more children ... this is what we are thinking ... to have a wider coverage in order to benefit more people in the community. (C18)

### **Better CSR management and communication**

Many SMEs were keen to improve on the management and communication of CSR, and adopt an approach that is more systematic and strategic, instead of the current generally predominant ad-hoc approach, and many specifically shared their plans of incorporating CSR elements with their business plan. Several SMEs planned to work on more business innovations incorporating CSR dimensions:

... we discussed among our management how to strengthen our own CSR practices internally and make them more well-organized ... these are some areas we foresee for further improvement. (C13)

... I will become more involved in external communication ... to raise their awareness and understanding of our company, with a view to expanding our business opportunity and CSR work. (C28)

... we expect more ideas on innovation and originality to be generated within the company through CSR participation ... (C14)

### **Collaboration and advocacy of CSR**

Many SMEs planned to actively seek collaboration with different stakeholders to tap into more expertise and resources for expanding their CSR activities. Collaboration with NGOs in community involvement was the most common plan, followed by customers. Also, some wished to take up CSR advocacy roles to influence more people to engage in CSR:

We are thinking of making an effort to influence the people around us, to share and join us on environmental protection, which is not just planting a few trees. One possible option is to partner with the NGOs, which have more resources and expertise that we could leverage. (C17)

I hope we can enhance our communication and collaboration with different NGOs ... to help those ethnic minority groups to improve their job opportunities ... or the socially withdrawn teenagers ... You know, it is difficult for these people to find a job ... and through collaborating with NGOs to locate them, maybe we can help. (C19)

Many were prepared to use their companies as platforms to promote CSR, and hoped to form more CSR alliances with like-minded people to practise and promote CSR, creating a larger impact in building a better society:

I hope to further foster the CSR practices, and find people to join in and carry on my work. If I just work alone, the result is limited, and it is fruitful if I have other buddies to join in, to share my belief and responsibility under the same direction. (C01)

I think as an SME, the critical thing is to maintain a platform for CSR and to make it a routine, as a habit among our stakeholders, who would then spread and repeat the same cycle in their families and social circle ... to increase the level of influence to achieve greater results. (C20)

I think ... CSR is not just about improving our existing work but we hope to also influence more people to follow ... we share and introduce CSR to my friends from different industries who may be interested. (C23)

### Stronger CSR culture

Some SMEs mentioned that they will continue to uphold their CSR values, nurture a stronger CSR culture, and inspire others to also practise CSR as indicated above. This demonstrated that SMEs believe CSR and company culture are mutually reinforcing:

Personally, I think engaging in CSR good thing ... putting the achievements aside, it gives me more meaning in life ... it brings a more positive image ... and allows my staff to understand more about social responsibility ... some companies may not do it since CSR needs to take up time and money, but without anything tangibles in return ... we will keep on learning ... learn from other companies which do well in CSR. I continue to see that CSR will bring benefits to the company ... the staff become more dedicated ... I hope more people know how to engage in CSR, with the big corps doing more and SMEs do in whatever way possible. The important thing is to use our heart to practise CSR, whether in big or small business. (C08)

Notwithstanding the barriers and challenges, SMEs exemplars in this study demonstrated a firm commitment in CSR for the future, and the construction of a more sustainable future for both their business and broader society. As discussed in Section 2.1, there is a general belief that large companies are the main drivers of economic and social development. However, with the increasing significance of SMEs in Hong Kong and other parts of the world, as discussed in Section 2.3, and as evidenced from the findings of this research, it is argued that SMEs too can play an important role in building a sustainable future for all concerned, given the right motivations and capacity building.

## 5.7 Summary of key findings

The previous sections (5.3 to 5.6) presented the findings and discussions of the four research questions. A summary of key findings is presented in Table 5.14. Implications for management theory and practice are then discussed in Section 5.8.

**Table 5.14: Summary of key findings**

<b>Research Question 1:</b> <i>What is Hong Kong SMEs' interpretation of the concept of CSR?</i>	<b>Area of investigation:</b> <i>SMEs' values and principles of CSR</i>
<b>Key Findings:</b> <p>All SMEs in this research adhered to voluntary practice of CSR. A formal CSR definition was generally lacking, except in several SMEs with longer histories.</p> <p>Major themes in describing CSR included (listed in priority): “stakeholder responsibility”; “contribute to society”; “do the right thing”; “personal responsibility” and “part of business”. Most SMEs viewed social responsibility and profitability as complementary instead of being mutually exclusive. Creating mutual benefits and a win-win situation for all concerned were the most prominent themes in explaining reasons for engaging in CSR, influenced by Chinese culture which emphasizes mutuality and harmony.</p> <p>Contrary to Western research findings, the terminology of “CSR” is well accepted by Hong Kong SMEs, probably due to a cultural difference in translating the term, and the popularity of the term in the Hong Kong context, regardless of firm size.</p> <p>SME owners' personal values and beliefs have a profound influence on how CSR is defined and practiced in their companies.</p> <p>Comparing sectors, some SMEs coming from the health care, environment and education sectors demonstrated a stronger social mission and regarded CSR as an integral part of their business.</p>	
<b>Research Question 2:</b> <i>How do Hong Kong SMEs manage and communicate their CSR practices?</i>	<b>Areas of investigation:</b> <i>Identification of stakeholders</i> <i>CSR management approach</i> <i>CSR communication approach</i>
<b>Key Findings:</b> <p><b>Stakeholders:</b> Four primary stakeholder groups were identified: employees, shareholders, customers and suppliers. Less important secondary stakeholders were community, environment, government and families of employees. There was no formal stakeholder identification system.</p>	

(continued overleaf)

Table 5.14 (continued)

RQ2 (contd)

**CSR management approach:** Planning and budgeting for CSR was largely informal and flexible. None of the SMEs employed full-time staff for CSR management. Most CSR ideas were initiated by SMEs owners themselves and implemented with assistance of staff. Several top winners adopted a more systematic and strategic approach by forming CSR committees to improve CSR management. While some CSR practices, especially those related to community, were organized in an ad-hoc and non-strategic way, some programs relating to employees, customers, suppliers and environmental protection were more strategically aligned with some SMEs' mission, and better integrated into business operations.

The most prominent theme was stakeholder focused. Most SMEs had some sort of CSR practices and programs in place which were directed to employees, customers, suppliers, community and environment (see Table 5.5 for portrait of CSR practices and programs). CSR practices for employees were most abundant, demonstrating SMEs' deep concern for employees' well-being and development. Many SMEs treated their employees as extended members of the family. The SMEs used different ways to motivate and empower employees in order to improve their job satisfaction and social consciousness for supporting CSR. Good staff relationships were reported by the majority of SMEs which resulted in a more stable and committed workforce when compared to the competitive labour market in Hong Kong. This finding supported the literature that CSR practice in SMEs often adopts an "inside-out" approach, focusing on their most important stakeholder group - the employees who are crucial to SMEs' survival.

Although "community" and "environment" were regarded only as secondary stakeholders, the majority of the sample companies had developed programs for these two stakeholder groups. Several SMEs had even set up independent charity foundations or non-profit organizations to address social and environmental issues more directly. Examples of such innovations are shown in Table 5.6. Explanations could include SMEs' experience with CSR recognition/award schemes and SME owners' personal values. This reflected a sense-making approach to CSR management in the sampled companies, in contrast with large companies that justify investment in certain CSR programs according to the salience of stakeholders.

CSR practices for customers and suppliers were treated as a normal way of conducting business, and formed part of most SMEs' business operations. The portrait of CSR practices for customers and suppliers reported in Table 5.5 was structured, flexible and evolved by incorporating stakeholders' feedback and new demands. Many SMEs reported having developed long-term relationships with their different stakeholders by taking a collaborative approach in dealing with politics and resolving potential conflicts. Many SMEs also successfully engaged their business partners in their community programs. Some SME owners even took up roles as CSR ambassadors and advocates, and promoted CSR through different networks and channels.



Table 5.14 (continued)

<p>RQ2 (contd)</p> <p>Many SMEs demonstrated innovative attributes by developing products or services that incorporated different dimensions of CSR.</p> <p>Some SMEs adopted simple systems to monitor staff turnover, customer satisfaction and energy savings (See Table 5.7 for a summary), but none had measured financial performance against CSR practices. They were generally not concerned with systematic measurements of the outcome of CSR.</p> <p>Noticeably, multiple symbols were used by the SMEs to bring people together, nurture CSR culture and strengthen CSR identity, including metaphor, stories and celebrations. The CSR award logo was also treated as a symbolic representation in communicating their CSR achievements and identity.</p> <p>Comparing sectors, manufacturing companies were more concerned about CSR practices for the environment, particularly those belonging to the global supply chain. Several manufacturing companies also used certification and ISO to assist them in CSR management. SMEs in the service sector focused more on reducing waste and saving energy. Across all sectors, those SMEs that had won CSR awards over a longer period of time demonstrated more maturity in their CSR practices, and this was particularly the case with the top CSR winners.</p> <p><b>CSR communication approach:</b> Most SMEs focused on internal instead of external methods when communicating their CSR principles, practices and achievements. About half of the companies, noticeably the top winners, proactively and explicitly communicated their CSR principles, practices and achievements externally through multiple channels, as a way to engage their stakeholders. Table 5.9 illustrates CSR communication approaches and channels used. Other SMEs did not feel comfortable in explicitly communicating CSR awards to their external stakeholders, due to fear of perception of boasting and over-promotion, or lack of knowledge as how to communicate effectively. The usual approach was to insert the award logo in the company website and stationery as a more subtle way of publicity.</p>	
<p><b>Research Question 3:</b></p> <p><i>What are Hong Kong SMEs' motivations in and barriers to engaging with CSR practice</i></p>	<p><b>Areas of investigation:</b></p> <p><i>Drivers for and barriers to CSR engagement</i></p>
<p><b>Key Findings:</b></p> <p><b>Drivers:</b> Three different types of drivers were found, in which the values-based and business drivers were more prominent than the external drivers. Listed in order of priority, the major themes under the three groups of drivers were (1) business drivers: sustainable business; talent acquisition and staff relations; enhanced stakeholder relationships; reputation, efficiency and cost savings. (2) values-based drivers: Build a better society; personal interest and fulfilment, and cultural and religious. (3) external drivers: changing market and societal expectations and institutional influence. Many SMEs responded with different drivers spreading over the three types.</p>	

(continued overleaf)

Table 5.14 (continued)

<p><b>RQ3 (contd)</b></p> <p>Comparing sectors, business drivers were most prominent in five industrial sectors: import/export and trading, manufacturing, environmental, IT, and administration and professional service. Two possible explanations for this are (i) business operating under a more competitive market environment than in other sectors; and (ii) a result of the SME owners' values and business orientation. The values-based drivers were more prominent in three sectors: transportation and logistics, education, and human health and social service, mainly driven by the owners' personal values and social priority orientation. External drivers were more prominent in three sectors: manufacturing, IT, and human health and social work activities sectors, mainly a result of the fast changing market and influenced by legislation and regulatory policies.</p> <p><b>CSR awards:</b> Most SMEs across the different sectors reported distinct benefits in winning CSR awards: staff motivation and loyalty, stronger reputation and trust, and organizational learning and improvement. Only a few found no tangible benefits.</p> <p><b>Barriers:</b> Two main types of barriers, internal and external, were found in CSR management. Listed in order of priority, the major themes under the two groups of barriers were: (1) Internal – lack of resources, lack of CSR knowledge and low staff buy-in; (2) External – low stakeholders' awareness, competitive market conditions, and lack of government support. Three barriers were found in CSR communication: Lack of CSR communication knowledge, low stakeholder interest, and fear of boasting.</p> <p>Comparing sectors, most SMEs across all sectors felt the internal barriers to their CSR engagement. For the external barriers, the manufacturing, IT, I/E, wholesale and retail trades, as well as human health and social work sectors, experienced the most pressure, mainly a result of keen market competition and lack of government support.</p>	
<p><b>Research Question 4:</b></p> <p><i>What is Hong Kong SMEs' future direction for CSR?</i></p>	<p><b>Areas of investigation:</b></p> <p><i>CSR vision for the future</i></p>
<p><b>Key Findings:</b> SMEs gave multiple answers and five major themes emerged, in order of priority: expand CSR program; better CSR management and communication; collaboration and advocacy of CSR; CSR culture; and sustainable business and society. The vision of many SMEs is to achieve long-term business sustainability so that they can expand their CSR efforts. Some wish to improve CSR management and communication, while some are dedicated to enhancing stakeholder relationships through collaboration, and taking up the role of advocates for CSR to promote it more broadly. Some hope to strengthen the company's CSR culture to continue their work, and some affirm their dedication to build a sustainable business and society. Some expressed the hope that the government can provide more support to the SME sector, and all are eager to enhance and progress their CSR management and communication practices.</p>	

## **5.8 Implications for management theory and practice**

This research contributes to management theory and practice in several ways. The findings enhance understanding of CSR in SMEs and develop the body of limited knowledge on the topic, particularly in the context of Hong Kong. The following section outlines the major implications for management theory and practice for SMEs, policy-makers and CSR support organizations. Additional recommendations for these groups and educational institutions are provided in Chapter 6.

### **5.8.1 Research findings consistent with literature**

The major findings are consistent with the literature. This section discusses how the findings concur with those from the most significant studies in this field, such as those of Castka et al. (2004), Jenkins (2004a, 2004b, 2006), Lee et al. (2012), Lepoutre and Heene (2006), Murrilo and Luzano (2006), Nielsen and Thomsen (2007, 2009a, 2009b), Pang et al. (2011), Russo and Perrini (2010), Russo and Tencati (2008) and Spence and Rutherford (2000). For succinctness, these authors are not cited repeatedly throughout this discussion.

First, the personal values and beliefs of the owner-manager were confirmed to have a profound influence on how CSR is conceptualized, managed and communicated in the company. Most SME owners in this research believed that CSR and business sustainability are complementary. Their stakeholder approach was to build a win-win situation by creating mutual benefits for all concerned, rather than strictly aiming to maximize profits. Hong Kong SME owners seek to sustain or improve their CSR efforts in a tough operating environment when even survival sometimes poses a challenge. CSR practices are adopted on a voluntary basis by Hong Kong SMEs, and may incur additional cost, such as improving staff benefits and training, and engaging in environmental or community programs. Many interviewees hope their business will continue to thrive so that they can have the resources to continue or expand their CSR practices. One way to overcome the perception of additional cost is to integrate CSR practices with business operations, making these practices part of company culture rather than add-on programs. Although SME owners possess absolute power in steering the company as a CSR exemplar, they need to seek continuous improvement at a

personal level in both their knowledge of CSR and their leadership skills so that they can further advance in the area.

Second, this research supports the literature that CSR in SMEs is generally informal, with the lack of a formal definition of CSR and no full-time staff assigned to the function. In this research, some SMEs had formed CSR committees and appointed internal CSR ambassadors as a way to improve CSR management and communication. Engaging more employees to support CSR can improve employees' ownership of and commitment to CSR. In the Hong Kong context, where the acquisition of talent is highly competitive, the ability to create a stable and committed workforce is a distinctive competitive advantage. Additionally, it provides a way for SMEs to inspire employees to better understand company CSR principles and to engage in CSR practices to benefit all. CSR communication plays a crucial role in creating greater knowledge of a company's CSR values, principles, practices and achievements, which facilitates employees supporting and advocating the same through their networks.

Third, CSR programs in this study were generally organized around major stakeholders, and were more internally focused, the 'inside-out approach' as coined in the literature (Morsing et al., 2008). SMEs were dedicated to investing in people, and many treated their employees as extended members of family. While CSR practices for employees were plentiful in the sampled companies, CSR programs for other stakeholders were also increasing. The challenge for the Hong Kong SMEs is to engage in innovative CSR practices and approaches for different stakeholders, and to integrate the process into company operations, instead of treating CSR as a stand-alone project. In fact, some of the companies already have their CSR practices embedded as part of their daily business routine. One practical way to improve their CSR is for SMEs to revisit their current CSR practices directed to different stakeholders, as a way of self-assessment. This will provide a holistic view of the current practice, and enable SMEs to better plan and strategize their CSR practices, which may enable them to have a greater chance of creating values for relevant stakeholders in the long term.

In addition, SMEs can design more innovative products or services incorporating CSR dimensions. Increasing research reveals that consumers are becoming more conscious of a company's CSR practices and tend to support products and services with a social or environmental mission (CUMBA, 2011; Nielsen Company, 2014). This provides a good

opportunity for SMEs that are flexible enough to change, to structure and translate CSR as a core company value, and to integrate CSR thinking into the company's business model and planning processes, instead of being an add-on program.

Fourth, both the literature and this research have found that SMEs are motivated by multiple drivers to engage in CSR, ranging from altruistic to business-driven. SMEs believed that both business-driven and values-based drivers were interlinked and important. The diverse interpretation of the concept indicated the heterogeneous nature of SMEs and individual differences. This study found the business case for CSR a prominent driver, together with values-driven factors. This finding has significant implications for the promotion of CSR in Hong Kong. Policymakers and CSR support organizations may need to reflect on their current approach in promoting CSR to Hong Kong SMEs, which is generally based on ethics and social cohesion. While these attributes are the cornerstone of CSR, more emphasis can be given to adopting CSR as a business model to achieve long-term business sustainability and create a win-win scenario for business and society, as a way to attract SMEs to start their CSR journey, or further enhance their commitment. SME exemplars can be invited to share their success stories as advocates for CSR.

Fifth, barriers for CSR management and communication were related mainly to resource constraints and low CSR awareness by stakeholders. Again, this finding lent support to reports in the literature. Even SME exemplars generally lack knowledge of how to communicate CSR, without being perceived as boasting. The implications for SMEs are to embed communication as a management process in the company, and make it a habit to communicate on CSR, nurturing it as a company culture. This will facilitate active discussion on CSR in the entire business operation and processes, and treating communication as an enabler of actions and dreams.

High operating costs and lack of government support in Hong Kong were also highlighted as barriers to CSR engagement. The implications for policy makers in Hong Kong is that the low uptake of CSR by SMEs will certainly affect the city's long-term development and competitiveness as an international financial centre. In order to attract more SMEs to practise CSR, the government needs to build a more favourable business environment, and provide greater support to SMEs in the practice of CSR, including providing relevant knowledge and incentives. Also imperative is more active dialogue

with SMEs to understand the evolving challenges they are facing in managing and communicating CSR.

### **5.8.2 New findings or enhanced understanding on CSR in SMEs**

In addition, this research also discovered some interesting findings which increased the understanding of CSR in SMEs, particularly in the context of Hong Kong. First, contrary to reports in Western literature (ACG, 2008; Jenkins, 2004a, 2006; Vo, 2011), Hong Kong SMEs showed a good understanding and acceptance of CSR terminology (see discussion in Section 5.2.2), due mainly to the popularity of the term “CSR” in Hong Kong, and the cultural difference in its translation. Although SMEs were comfortable to use CSR terminology, Hong Kong does not have a formal definition of CSR, as does Europe or most Asian countries, including the motherland, China.

The implications for policy makers is to take immediate steps to formalize a definition of CSR for the business sector and the public, and to provide leadership in supporting SMEs in the CSR movement, so as to avoid lagging behind other developed economies. This may lead to a greater uptake of CSR in the SME sector, which accounts for over 98% of Hong Kong companies, as a way of enhancing Hong Kong’s overall competitiveness and social development.

Second, in addition to adopting a stakeholder approach to “frame their understanding of CSR” (Jenkins, 2006, p. 252), many winning SMEs in this research organized their CSR programs around their major stakeholder groups. In particular, the top winners demonstrated more systematic CSR practices, with some practices actually integrated into business operations, notwithstanding that over 70% of the sampled companies in this research employ under 50 people. In a similar study in the UK (Jenkins, 2006), it was found that the medium-sized award winning companies with 100–120 employees demonstrated more maturity in CSR with their practices aligned with company vision. This finding suggests that the maturity of CSR practices in some of the top SME exemplars in Hong Kong may be comparable to those in western countries, which usually have a larger organizational headcount. This implies that if SMEs are given more exposure to international best practice, and drawing upon the support of the government and CSR support organizations, Hong Kong SMEs may be able to advance

further in CSR and business sustainability. However, this group is SME exemplars in CSR, and the challenge is to actively motivate, train and engage the majority of SMEs in Hong Kong to commit to CSR. This can only be achieved with the concerted efforts of the government, different organizations and business sectors.

Third, the proactive and voluntary approach demonstrated by this group of award-winning SMEs also contrasted with the earlier findings by Studer et al. (2006) that most SMEs in Hong Kong are not interested in engaging in voluntary environmental measures. In this more recent research, the majority of SMEs had undertaken many voluntary environment measures such as investing in energy-saving lighting systems, waste reduction and recycling. Some even invested in environmentally friendly production equipment and transportation vehicles before the introduction of relevant legislation (see discussion in Section 5.4), further illustrating that SMEs in Hong Kong are willing and capable to commit and practice CSR if the owners themselves are motivated and market conditions warrant the change. Many SMEs exemplars have experienced significant cost savings in committing to environment programs, and their roadmap would be important learnings to other SMEs.

Fourth, although some SMEs felt there were no tangible benefits from winning CSR awards, many others found positive results with respect to enhanced staff motivation, stronger reputation and organizational improvement. This demonstrated that Hong Kong SMEs are experiencing a business case for CSR which may be more appealing when promoting CSR to other ordinary SMEs.

Fifth, with the advances in information technology over the past decade, the channels for CSR communication reported in the literature have expanded. In addition to traditional communication channels such as company websites and publications (Murillo & Lozano, 2006), most SMEs in this research actively used different social media as an informal and timely approach to communicating with their stakeholders. This demonstrated that SMEs in Hong Kong are proactive in using new technologies as communication media. What they are generally lacking is the knowledge of how to communicate more appropriately and effectively, particularly on content and strategies. CSR support organizations and educational institutions can consider providing more formal or informal communication training for Hong Kong SMEs as a way to build their capacity in CSR and CSR communication.

Sixth, previous studies have found that size is one of the determining factors in CSR in SMEs. However, in this research, size was not a major factor for more structured and strategic CSR management. Rather, age and experience emerged as important, given that those companies with longer histories or which had won CSR awards over a longer period proved to be more mature and innovative in their approach to CSR. The implication for SMEs was that a company starting its CSR journey earlier, and extending it over a longer period, has more chance of integrating CSR activities or programs into the company's culture and business operations, as a result of benchmarking and accumulated wisdom. Other SMEs can consider using the award process itself as a way to start or improve their CSR management and communication. Winners should seek to form CSR alliances or CSR winners "clubs" so as to accelerate the learning process. CSR support organizations or award organizations themselves should make greater use of SME exemplars to share best practice and success stories with the SME community, so as to engender greater learning and advancement in the practice of CSR.

Seventh, whilst research on CSR communication in SMEs needs to increase, especially in Hong Kong, some of the findings from this study supported the literature in that SMEs generally lacked the knowledge to communicate CSR effectively (Murillo & Luzano, 2006; Neilson & Thomsen, 2007). However, contrary to literature findings that SMEs were generally not interested in communicating their CSR practices and achievements to external stakeholders (Neilsen & Thomson, 2009a, 2009b; Pang et al., 2011), some SME exemplars in Hong Kong were proactive in explicitly communicating CSR to both internal and external stakeholders, and through different channels. This further demonstrated that strategic CSR communication is possible in SMEs given the right attitude, knowledge, structure, people, relationships and culture. Problems in CSR communication reduce opportunities to improve stakeholder attitudes, increase resources, and attract and retain employees. Knowledge needs to be increased and effective CSR communication practice needs to be enhanced at all levels.

Eighth, the findings on SMEs' vision for the future uncovered SME exemplars' exceptional drive and commitment in practising CSR on a voluntary basis. This finding is significant as their insights, experience and vision in CSR are extremely useful for promoting CSR to the SME sector in Hong Kong. In fact, many of them are already taking up the role of advocate for CSR through their networks. Policy-makers and CSR



support organizations should actively engage them in developing policy and planning promotional campaigns that are truly tailored specifically for the SME sector.

In conclusion, the findings of the research did not suggest that SME owners focused on CSR because of hubris/pride and arrogance, but rather because of commitment to the values and impact of practising CSR (Tang et al., 2015). Their exemplary experience and innovativeness provide valuable insights to the business sector, policy-makers and other stakeholders in advancing Hong Kong's CSR practices. The challenge is to provide SMEs with a simple and yet holistic approach to managing and communicating CSR.

Section 5.9 presents an integrated CSR Best Practice Model as a major contribution to management theory and practice from this research.

## **5.9 CSR Best Practice Management and Communication Model for SMEs**

As discussed in Chapter 2, in recent years, research focus has switched to the operationalization and implementation side of CSR, in order to build theories for effective and sustainable management for organizations, regardless of size. Several authors (Jonker & de Witte, 2006a; Maon et al., 2009) have developed useful management models to assist companies practise CSR in a more systematic and effective way. However, most models are designed for large companies with well-defined structures and dedicated CSR staff. Expecting ordinary SMEs, often operating under a lean and simple structure, to adopt a fully systematic and integrated approach in practicing CSR is unrealistic and not feasible.

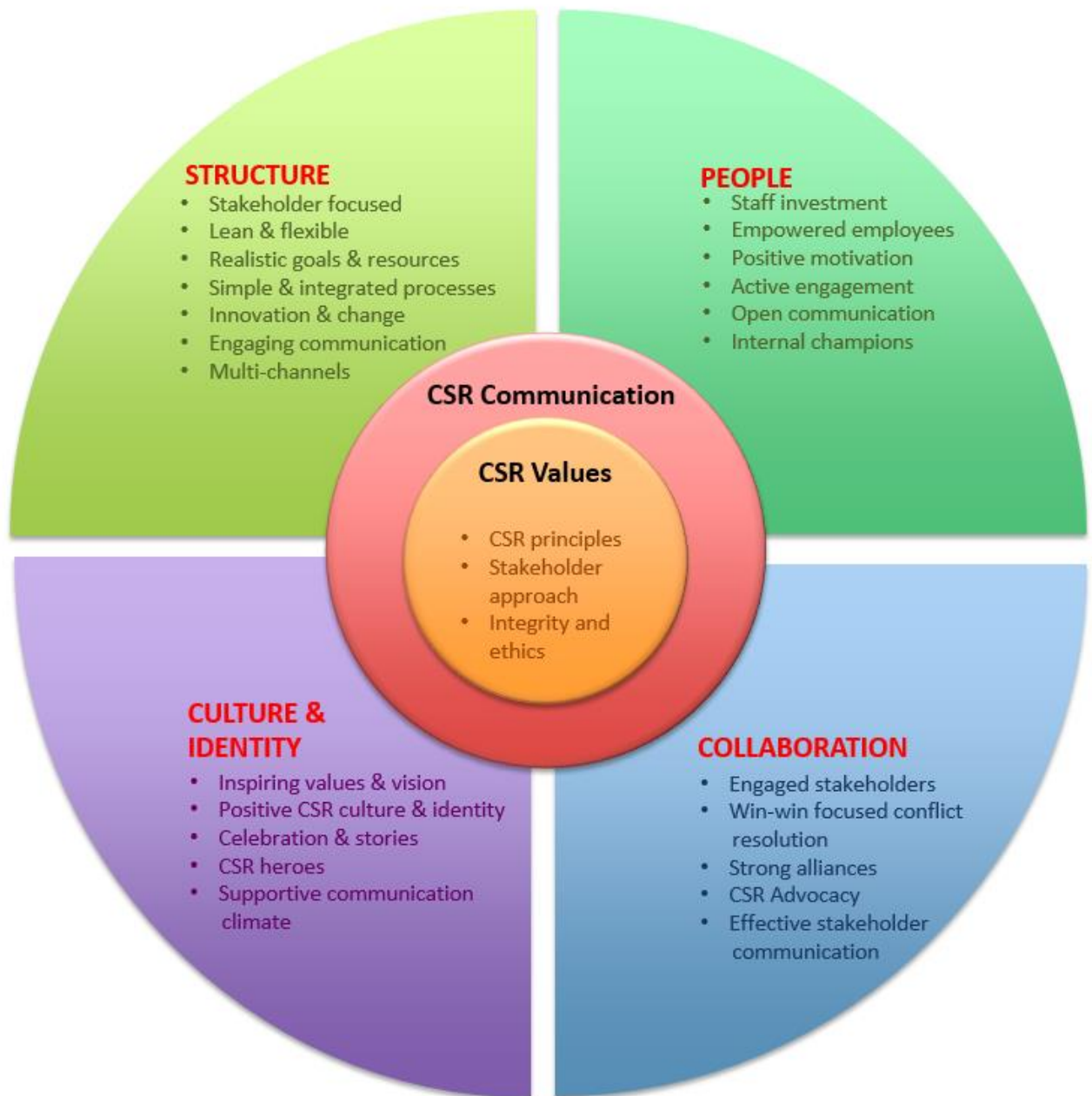
This study developed an integrated Best Practice CSR Management and Communication model to assist SMEs manage and communicate their CSR more holistically and yet flexibly (Figure 5.4). This model, adapted from Bolman and Deal's (2013) four-frame model, serves as a conceptual framework for SMEs to pay attention to six important interconnected themes in managing and communicating CSR.

In a circular shape, driven by the central theme "CSR Values", and circled by "CSR communication" indicating that it is fundamental to the realization of the other themes,

this model consists of four other inter-connected and equally important themes: “Structure”, “People”, “Collaboration”, and “Culture and Identity”. The circular shape of the model depicts the evolving nature of CSR, due to the rapidly changing market environment and rising expectations of stakeholders. CSR communication underpins CSR management, and is an important function in building trust and turning visions into results. It is argued, therefore, that CSR communication should receive equal emphasis in CSR management and form an integral part of it, and be integrated into all the other themes of the model rather than, as is often the case, being ignored or mentioned briefly under HR considerations.

The following provides an elaboration of attributes in the model’s different themes and aspects.

**Figure 5.4: CSR Best Practice Management and Communication Model for SMEs**



### 5.9.1 CSR values

The first and central theme of the SME CSR model is CSR values, which refers to business philosophy, definition and principles of CSR of the company. Its contents form the underpinning guiding principles of a company in its belief, orientation, vision of and

behaviour in CSR. CSR values are grounded in integrity and ethics, and a stakeholder approach.

Values are moral judgments that guide business conduct forming an integral part of an organization's CSR culture and identity, because many decisions and judgments made are determined by people's values. CSR is about conducting business in an ethical and responsible way, and values form the foundation for CSR in practice (Finegan, 2000). Through upholding CSR values, the ideals of building a sustainable business and society can be realized, and become integrated as a core value in the company's culture. Conversely, if a company is uncertain of its CSR values, it is unlikely that CSR can be integrated into the companies' business operations and organizational culture, resulting in CSR being treated as an "add-on CSR" which is short-term and unsustainable, and cannot create the desired impact on society, environment and business.

The abstract concept of CSR is often framed and conceptualized as stakeholder management (Carroll & Shabana, 2010; Maignan & Farrell, 2004), and findings in this research confirmed such an approach is appropriate for SMEs. Therefore, for this model, the stakeholder approach forms a core element under CSR values. Through addressing stakeholders' needs and managing stakeholder relationships, SMEs' CSR principles are put into practice. The three elements of CSR principles, stakeholder approach, and integrity and ethics, form the foundation for CSR values, and provide a moral compass to the company in conducting business that aligns with the concept of CSR and stakeholder management.

Under the CSR Values theme, SMEs are reminded to take a stakeholder approach in addressing the interests of multiple stakeholders and creating value for all, instead of focusing just on company profit-making. Communication, balancing implicit and explicit modes, is key to articulating the company's CSR meaning, principles and vision to its different stakeholders, so as to translate CSR principles into action and a sustainable effort.

Given the influence of SME company owners' values, by putting CSR values as the centre, they can be reminded to review and renew their values from time to time, in order to sustain their CSR efforts, and to drive the organization forward in its CSR practice.

### 5.9.2 CSR communication

The importance of communication in business and management is well accepted and is argued to have implications for everyone within an organization (Argenti, 2009). CSR communication is about the way company communicates in and about the CSR process, and the use of symbols and language regarding these matters (Ihlen et al., 2011, p. 8). CSR communication is considered an integral element of CSR management because it is through effective two-way communication with different stakeholders that a company can articulate its CSR values, vision, strategy, practices and achievements to gain their support. Indeed, truthfulness and ethics are the cornerstone of both CSR and CSR communication (Ihlen et al., 2011; Morsing & Beckman, 2006; Neilsen & Thomsen, 2009a).

Embracing CSR values, CSR communication is the second theme of the CSR model, implying its unique role as a driver, facilitator and enabler between the other themes. CSR communication in this model adopts an integrated approach, aiming to establish and nurture a trusting relationship with different stakeholders within and outside the organizations, which Golob et al. (2013) described as “inter- and intra-organizations”. Through an integrated communication approach, this theme offers a flexible and pragmatic way of communication which can take different forms: verbal vs non-verbal; formal vs informal; direct vs indirect, implicit vs explicit, use of multiple symbols such as company logos, award logos, metaphors, stories and celebration, and through use of different channels, such as company publications, website, electronic and social media (see Table 5.9 for CSR communication approaches and channels). Under this model, SMEs are provided with an array of options from which to choose whatever works best for them and their stakeholders. The essence is to recognize CSR communication as an important enabler or crucial element in all the other themes of the CSR model, instead of treating it as an after-thought. CSR communication goes hand in hand with the other themes to drive action, clarify any misunderstandings and establish trusting relationships. For example, when addressing the theme of “CSR values”, companies are reminded to communicate CSR principles to both internal and external stakeholders, using any of the communication as proposed in this research. This is the starting point of positioning the company as a CSR company, anchoring CSR practices within an organizational vision and mission, and keeping both internal and external stakeholders informed. Often SMEs focus diligently on conducting CSR practices and overlook the

communication aspects of articulating the company's CSR principles, practices and achievements to their stakeholders (Nielsen & Thomsen, 2009a), and this may lead to missing an opportunity to further enhance their trust and support. Also, by failing to communicate the company's CSR principles and beliefs to stakeholders, there is a possibility of misconception that the company is practising CSR for public relations or window-dressing purposes only, which may generate negative results.

When dealing with the “structure” theme which focuses on the infrastructure, process and policies, CSR communication provides a solid platform for the company to discuss, negotiate, articulate or inform the relevant CSR policies, processes, practices or programs. The essence is to clearly communicate the what, how, why, where and who, particularly if a new CSR plan or goal is set, or when a new initiative is being launched. This will enable concerned stakeholders, either internal or external, to be fully aware of the company's policies, rules and regulations related to CSR practices, which may be integrated into the business operations, or simply as an add-on program or activity. When CSR communication interacts with the “People” theme, it focuses on two-way internal communication as mostly fluid, open and direct. Through active employee engagement via communication, the company's vision and plans are discussed and agreed, creating a shared vision for everyone to embrace. In this way, CSR communication serves as a powerful enabler in transforming the company into a trusting and caring one, which is critical for running a sustainable business. CSR communication also serves as role of enabler in stakeholder engagement, conflict resolution, formation of allies, and advocacy of CSR under the “Collaboration” theme. Effective communication brings the components under the “Collaboration” theme to life, as it is through interactive communication that conflicts can be resolved, collaboration established, allies formed, and promotion of CSR is realized. Finally, CSR communication is about nurturing CSR culture and building a CSR identity for the company. Under the “Culture and Identity” theme, CSR communication exemplifies its important role of anchoring CSR at the centre of the company through authentic, interactive, engaging and trusting communication, through the use of integrated symbols and language.

### 5.9.3 Structure

Structure is the second theme of the SME CSR model. As explained in Section 3.4.1, the structural frame deals with issues related to the organizational structure, policies and processes, CSR programs and activities. It covers management processes such as planning, organizing, control and evaluation. Structure under this model provides the appropriate and necessary infrastructure for the company to put into practice the principles of CSR, and to integrate CSR into company operations (Bolman & Deal, 2013). SMEs can revisit the company's structural aspects and make appropriate adjustments in their lean structure, policies and processes to facilitate effective management and communication of CSR.

For example, during business planning, CSR should be included as an important consideration, and appropriate resources, such as financial, human resources and time should be allocated to CSR initiatives as a way of gradually integrating them into the company's business operations. One instance of addressing stakeholder needs is through its design of products and services with stakeholders' input, and tailoring CSR programs to different stakeholder individuals or groups. Putting Structure as a third theme of the model assists SMEs to integrate CSR as a business process instead of an add-on function or program.

One may question that these elements already exist in the structure and management practices of SMEs in running their business. The real difference is to incorporate CSR values into the key dimensions of an organization to enable it to become a CSR and sustainable company. The simple test is to do a quick review of the existing management structure to see if CSR is an add-on program or forms part of the company's decision-making and management process, enabling continuous learning and CSR maturity over time.

To address their rapidly changing external market environment and internal organizational realities, SMEs should continue to operate under their uniquely simple and flexible structures in setting realistic goals and basic guidelines to govern management processes. The structural frame reminds SMEs not to forgo their unique characteristics of smallness, coziness, flexibility and adaptability that can foster innovation and creativity within the company in the context of CSR and business sustainability, and to maintain open communication with both internal and external

stakeholders. Through maintaining a lean structure, and adopting an integrative approach to CSR, SMEs can progress to a more systematic approach to CSR management processes and practice. Using an engaging communication approach with all stakeholders, across appropriate channels, enables different stakeholders to gain a better awareness of the meaning of CSR in the company, and its related goals, practices, policy and processes and, above all, how CSR relates to the company's values and vision.

#### 5.9.4 People

People, the fourth theme of the SME CSR model, refer to the company's human resources, crucial to the success of any business. Employees' commitment is vital if CSR is to become a sustained effort that is integrated into the company's operations. Investing in people is a major sub-theme, which suggests allocating a company's resources to enhance employee well-being and development, including tailoring CSR programs to enhance quality of work, as well as providing training and development opportunities to enrich both their job satisfaction and their non-working life. Active engagement of and communication with employees is important throughout the process. SME owners are often the ones who initiate, lead and manage CSR in their companies, as reported in the literature and found in this research; SMEs must gradually move away from a top-down approach to more active employee engagement in order to manage CSR more effectively, and to communicate a powerful message that the company is really serious about CSR, and committed to building a CSR culture. Under the People theme, SMEs can start to tailor CSR programs for employees and gradually build or enhance a culture of caring for them. Employees' active engagement will ensure CSR practices meet both the organization's and employees' needs. SMEs are reminded to increase their efforts in empowering their employees to take up more responsibility in managing and communicating CSR. One suggestion is to actively identify and nurture internal CSR ambassadors as a way of building the company's CSR capacity, and setting up CSR committees or task forces to drive CSR. Positive motivation is also a key component here. In addition to extrinsic rewards and motivation, intrinsic motivation should aim at reaching employees' emotions and providing satisfaction



through job enrichment and involving them in voluntary service to enrich their life experience.

Active staff engagement throughout the CSR management process is crucial to building trust, while achieving success, and it can only be met by understanding and using appropriate communication channels and strategies. Once achieved, more CSR ambassadors can be nurtured who can act as a strong and effective force in driving, promoting and implementing CSR. As shown in this research, CSR can serve as a powerful glue to draw people together to achieve a win-win scenario, in which employees can benefit from better working conditions, a more meaningful job and fulfilling life, while the company gains a more committed workforce, enhanced reputation and improved results, and contributes towards a better society.

### **5.9.5 Collaboration**

Collaboration is the fifth theme of the CSR model. Bargaining and negotiation are central to all decision making in business (Bolman & Deal, 2013) and the ability to understand and apply politics, in a positive and strategic way, aids prevention or reconciliation of conflicts, forms collaborations and networks, and improves stakeholder relationships. CSR is about addressing and balancing stakeholders' interests during the course of business in a responsible and ethical way, and adopting a collaborative approach to reach a mutually beneficial (win-win) scenario is ideal. Due to the scarcity of resources, power distance and conflict of interests, it is argued that one has to take into consideration the political dimension in order to achieve effective stakeholder management, and to build long-term effective relationships. Therefore, through the Collaboration theme, which is grounded on the political frame, SMEs can be reminded to be more politically sensitive to the changing needs and agendas of their stakeholders, relative power distances, and bargaining power in order to arrive at a win-win scenario. The issues highlighted in the Collaboration theme of this model serve as a lens for SMEs to look beyond daily operations to internal and external political arenas influencing their organizations. The findings from the sampled SMEs in this research show the need to make use of a positive lens on politics that creates mutual benefits. Through the Collaboration theme, SMEs can develop more political sensitivity and

sophistication, which can aid their CSR management and communication with diverse stakeholders.

CSR practices need to evolve to meet changing market and stakeholder expectations. This may pose different challenges and create different kinds of conflicts with and power struggles among stakeholders over time. Forming alliances is an effective form of collaboration, joining forces to promote good and responsible business practice and build a harmonious society. As found in this research, many SME owners have actively engaged their stakeholders and networks to form alliances to practise CSR, including with NGOs. They also take up the role of advocacy of CSR, to promote to different sectors of Hong Kong. If the business sectors are proactive in practising CSR, policy makers may see less urgent need to legislate certain CSR practices such as issues around labour and environment, for example. This may provide more flexibility for SMEs in the long run.

CSR communication plays a pivotal role in stakeholder engagement. Through engaging in communication, misunderstandings can be clarified, positive negotiations undertaken, and conflicts avoided or resolved through following a win-win approach.

#### **5.9.6 Culture and Identity**

Culture and Identity is the sixth theme of the CSR model. Culture refers to organizational culture, and Identity to corporate identity in the context of the SME CSR model. The classic definition of organizational culture is “the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaption and internal integration, and that have worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein, 1997, p.3). Organizational culture embraces wisdom generated from the accumulated experience of all members of the organization (Bolman & Deal, 2013), and reflects the way things are done.

While culture is more associated with internal stakeholders, corporate identity relates more to perceptions of the company’s image by both internal and external stakeholders. Both culture and identity are intertwined, interdependent and mutually reinforcing.

Identity communicates to both internal and external stakeholders' reflection of the organizational culture, and a company's identity also influences the way employees view their own company. Corporate identity can be defined in multiple ways (Balmer & Gray, 2000) Identity at the organizational level can be understood as "who we are as an organization" (Whetten, 2006, cited in Seppala & Fryzel, 2015, p. 84) which reflects a deep commitment that characterizes an organization over time. In a collaborative effort with leading scholars and practitioners, the International Corporate Identity Group drafted the 1995 "Strathclyde Statement" which is widely adopted in the field (cited in Balmer & Gray, 2000, p. 261) in which corporate identity of an organization is defined as:

*Every organisation has an identity. It articulates the corporate ethos, aims and values and presents a sense of individuality that can help to differentiate the organisation within its competitive environment. When well managed, corporate identity can be a powerful means of integrating the many disciplines and activities essential to an organization's success.*

More recent research has indicated that a positive company identity can bring enhanced reputation and engender favourable stakeholder relations (Balmer & Gray, 2000), particularly when a company is perceived as socially responsible (Du et al., 2010). Such perceptions are grounded in the profile, values and beliefs communicated by a company, thus shaping in the minds of its stakeholders the fundamental character of the company, consistently reinforced by its behaviours and the symbols that it uses (Cornelissen, 2011). As the literature demonstrates, the study of CSR identity has gained momentum recently (Seppala & Fryzel, 2015). Findings show that companies that are perceived as socially responsible by consumers are gaining prominence, and that the effect of CSR on consumers' preferences sometimes exceeds the company's other attributes such as its products, customer service and quality (Marin et al., cited in Seppala & Fryzel, 2015). Consequently, CSR company identities need to be well managed and communicated.

Under the Culture and Identity theme, grounded in the symbolic frame, the proposition is to use multiple symbols such as metaphors, humour, play, stories, heroes and celebrations to reinforce the company's values, beliefs, vision and dreams. As found in this research, appropriate use of symbols is a powerful way to draw people together in helping to shape and nurture a strong CSR organizational culture and create a more

distinctive CSR identity over time (Bolman & Deal, 2013; Morgan, 2006). Moreover, as revealed in the interviews, many SME owners act as icons of CSR to promote CSR, both internally and externally. This helps to communicate the company's identity as a being socially responsible. In addition, using stories to communicate CSR values, practices and awards are effective ways to make the hard facts more appealing.

CSR communication serves both as a means and an end under the Culture and Identity theme, serving to remind SMEs to create a supportive communication climate, both internally and externally, to achieve long-term sustainability.

This integrated and holistic model facilitates SMEs to manage and communicate CSR more effectively, and enables translation of their CSR values into all aspects of their organizations, taking into consideration their unique characteristics of informality and simplicity.

## **5.10 Summary of the chapter**

This chapter has reported the research findings and discussion. Section 5.2 presented the demographic data for the 28 participating companies. Sections 5.3–5.6 discussed the four research questions. Section 5.7 provided a summary of findings and Section 5.8 discussed the implications for management theory and practice, with additional recommendations to be presented in Section 6.5 of Chapter 6. Section 5.9 proposed an Integrated CSR Best Practice Model for Hong Kong SMEs as a major contribution to both theory and practice.

# Chapter 6: Conclusion and Recommendations

## 6.1 Introduction

This chapter presents the thesis conclusion and recommendations. Section 6.2 summarizes the conclusions to this research study, and Section 6.3 outlines the contributions to management theory and practice. Section 6.4 discusses the limitations of the study. Section 6.5 provides recommendations for professional practice, for SMEs, policymakers, business associations, CSR support organizations and educational institutions. Section 6.6 suggests areas for future research, and Section 6.7 presents concluding remarks.

## 6.2 Conclusions

CSR has become mainstream of business but SMEs, both globally and in Hong Kong, generally have a low understanding and uptake of CSR. Similar to their counterparts in other developed countries, SMEs face challenging market conditions and rising stakeholder expectations. They therefore have an urgent need to build their CSR capacity and implement relevant CSR programs that are integrated with their business operations, in order to achieve sustainability for business and society.

Research on CSR in SMEs is scarce in Hong Kong. The motivation for and objective of the current research was to generate insights and best-practice cases to enhance the body of knowledge of CSR in SMEs, and to recommend how Hong Kong SMEs may manage and communicate their CSR practices more effectively and holistically. This study adopted a qualitative research methodology under an interpretive paradigm that was useful in gaining perspectives on the best practice of 28 CSR award-winning SMEs. Drawing from the extensive academic and industry literature, and incorporating perspectives from multiple theories, including stakeholder, organizational management and CSR communication, a conceptual analytical framework was developed to investigate the research problem. Based on the findings and drawing from academic

literature, an integrated CSR best practice model was developed to assist SMEs to better manage and communicate CSR.

Hong Kong SMEs were familiar with and comfortable in using the terminology of “CSR” in describing their practices, contrary to reports in Western literature. Consistent with the literature, despite a general lack of formal definition of CSR in Hong Kong SMEs, the majority associated CSR with stakeholder responsibility. Most SMEs believed in the complementarity of profits and social responsibility, and were motivated by both business and values-based drivers. Hong Kong SMEs also demonstrated a good understanding of the stakeholder approach in organizing their CSR practices, with a major focus on employees.

CSR management was generally informal, which supported the literature; but the top winners were more structured and strategic in their planning and practice, and demonstrated the ability to innovate products and services incorporating CSR elements. Another finding, more specific to the Hong Kong context, was that SMEs’ approach to CSR communication was divided, with half adopting an explicit approach and half preferring to communicate implicitly.

Major barriers to CSR management and communication, in accordance with the literature, included a lack of resources and knowledge, low public and stakeholder awareness, and inadequate government support. Many reported positive outcomes from their CSR efforts and awards, and set their vision to expanding and improving CSR to achieve a win-win scenario for all stakeholders and broader society in the future.

### **6.3 Contributions of the research**

This research contributes to management theory and practice in six main ways. First, it contributes to the existing limited body of knowledge of CSR in SMEs, and particularly in Hong Kong. Second, research in CSR communication on a global basis is limited, and the present study will enhance our understanding of CSR communication in SMEs. Third, the findings on SMEs’ motivation in and barriers to CSR engagement provides useful insights for Hong Kong policy-makers and CSR support organizations to promote CSR, which may eventually lead to a greater uptake of CSR in the SME sector. Fourth, the conceptual analytical framework developed for this research provides a

multi-dimensional and holistic basis for greater understanding of the issues under investigation, and can be modified as a self-assessment checklist for SMEs in their CSR engagement. Fifth, the integrated CSR Best Practice Model conceptual framework, developed as part of this study, may help SMEs manage and communicate their CSR practices more effectively and strategically. Since there is little written on CSR best practice management and communication, this ideal model is a useful contribution to the CSR field in its own right as it is applicable to both large and SME organizations. Whilst the content of each dimension may differ in relation to the size, type and context of organisations, the key aspects are relevant in all cases as an ideal prescriptive model to assist best practice in CSR. The focus here is on assisting the Hong Kong SMEs to improve their practice. Finally, this study documents how CSR is practised in Hong Kong SMEs, invites further research, and may contribute to the practice of CSR management and communication for enterprises of different sizes.

## 6.4 Limitations

There are several major limitations of this research. First, the research subjects were drawn from the population pool of CSR award winners, with the results being biased towards best practice of CSR. This bias is intentional, in order to meet the research objective of understanding and building best-practice cases, and the CSR model.

Second, the distribution of samples is another limitation, with 28 companies spread over eight sectors. Most sectors consisted of only two or three companies, making meaningful sector comparisons difficult. Nonetheless, the samples presented a good representation of the diversity of sectors in Hong Kong, and the research findings provided some insights into the CSR practices of different sectors.

Third, the use of interviews as the primary source of data might be seen as another limitation. However, this research aimed to generate perspectives from rich contextual data, and qualitative interviews were considered the most appropriate method. In order to overcome the issue of sole reliance on interview data, a range of strategies around validity and reliability were undertaken, including triangulation of data from study of documents and verification of transcripts by interviewees, as described in Chapter 4.

Fourth, due to unforeseen personal circumstances, given that the data were gathered some time before the thesis was completed and examined, it is recognised that Hong Kong CSR practices (including communication) may be affected by changes in China's economy over the past three years. This is a limitation in the current thesis and the issues should be considered in future research and publications.

## 6.5 Recommendations for management practice

The findings of this research provided insights on how award-winning SMEs manage and communicate CSR. The analysis provided several recommendations for SMEs, policy makers, business association, CSR support organizations and educational institutions.

### 6.5.1 SMEs

1. ***CSR management and communication model:*** In order to fully leverage the benefits of CSR, it is recommended that SMEs improve their CSR management and communication by using the CSR Best Practice Model proposed in this study. This will provide them with a holistic model around issues related to structure, people, stakeholder management and collaboration, company culture and CSR identity.

2. ***Staffing for CSR:*** Unlike large organizations, most SMEs do not have the luxury of appointing a dedicated person to be responsible for CSR. One way to overcome this limitation is to share the responsibility by appointing a CSR champion or ambassador in each department and forming a CSR committee. When the company becomes more mature, it can consider naming a staff member as a CSR officer, empowering him/her to lead, plan, organize, monitor and evaluate CSR and, most importantly, to communicate CSR effectively.

3. ***Put CSR onto the company agenda:*** It is recommended that SMEs continue to keep a lean and flat organizational structure so as to maintain flexibility and a more personal approach to meet rapid market and stakeholder changes. It is useful to adopt simple guidelines on CSR policy and procedures, devising them in order to improve



organizational communication and effectiveness and providing these as a CSR staff handbook. This will allow everyone in the organization to be clear about the company's vision, mission and values, and its CSR practices grounded in these.

4. ***Measurement of CSR outcome:*** In order to justify further investment in CSR and to boost staff morale, it is recommended that simple measurement tools be designed and implemented to measure CSR outcomes on a regular basis, such as feedback and satisfaction surveys for major stakeholders, and impact assessment measures of CSR-based community projects.

5. ***CSR communication:*** To enhance CSR communication, companies are advised to revisit their messages, approaches, channels and symbols used in communicating with internal and external stakeholders. Table 5.9 provided examples of best practice of the sampled companies that could be tailored to individual needs.

Using multiple and appropriate channels that are tailored to the needs and habits of different stakeholders in CSR communication is a fundamental approach to enhancing communication. SMEs can update the profile of their different stakeholder groups and seek to understand their preference for diverse communication styles and channels. SMEs are also advised to make effective use of their website and social media use with regular updates on CSR, and create opportunities for interactions and engagement with stakeholders, where appropriate. Creating a dedicated webpage on the company's website and assigning a fixed column in the company's newsletters may prove an effective way to communicate CSR and to enhance a company's CSR culture and identity. To ensure effective two-way communication, it is also recommended a company engages with stakeholders to understand their needs before planning future CSR activities. An effective feedback system should also be in place and made known to relevant stakeholders.

In addition to communicating with the company's direct stakeholders, and using the best of social media, more active use of traditional mass media is also recommended. SMEs are also advised to establish a good relationship with the media. Simple press releases can be issued on major innovations in products and services that incorporate a CSR element, or upon winning major CSR awards. In Hong Kong, there is increasing interest in mass media to cover the CSR stories as a way to promote good business practices. For example, one of the leading financial newspapers has launched a portal

and invites companies to share their CSR experiences and challenges. This would be a good opportunity to strengthen a company's CSR identity and further promote CSR to a wider community.

To further enhance internal communication, it is recommended companies provide more opportunities for staff to share their understandings, perceptions and feelings about CSR through staff meetings, and use active symbols and stories to enhance the quality of communication, and strengthen staff engagement with CSR. Business owners or senior managers usually act as spokespersons about CSR for the media or public communication. However, due to lean structure in SMEs, everyone in the company has a chance to use their formal or informal networks to communicate the company's CSR principles and practices, both within and outside the company. They are the company's best CSR ambassadors through word-of-mouth communication. It would be helpful to organize regular training sessions on CSR and CSR communication, to equip all employees with this important business practice.

Lastly, although formal CSR or sustainability reports are not common in SMEs, using a simple, short CSR brief, or report, as a CSR communication tool is recommended. This could contain basic information such as the company's principles and definition of CSR, CSR practices or programs for different stakeholders during the period or year, awards, photos and future CSR plans. This can be one approach to communicating the company's CSR efforts and achievements more systematically. Such a document could also be posted on a dedicated webpage of the company's website, and used in social media communication.

### 6.5.2 Policymakers

**1. Formal definition of CSR:** Unlike countries in the European Union and elsewhere, no formal definition of CSR is adopted by the Hong Kong Government. The sustainable development definition promoted by the government is considered useful, but none of the sampled companies quoted it during the interviews. This may reflect a disconnection between the government and the SME sector in the conceptualization of CSR, and a lack of understanding of the relationship between CSR and sustainable development in the Hong Kong context. A formal definition of CSR would help communicate a strong

signal that Hong Kong is concerned about CSR and aims to build a sustainable future for all.

**2. Set up a CSR council to provide leadership in CSR:** Hong Kong currently has no dedicated government department that provides CSR leadership. Different departments promote different dimensions of CSR, and the relationship between CSR and sustainability remains unclear to both business and the wider public. Given that Hong Kong is generally reported as lagging behind in different aspects of CSR when compared with other countries, and the significance of its business sector and its role as an international financial centre, it is imperative that Hong Kong catches up with international best practice. It is, therefore, recommended that a CSR Council be established to provide leadership in CSR education and promotion to the business sector and the general public. There are many benefits of setting up such a council. It could provide a definition of CSR for Hong Kong; make available the latest international development information on the subject so that the respective stakeholders can enhance their knowledge; collaborate with and provide support to educational institutions or support organizations to conduct regular research related to CSR in large corporations and SMEs; and enable the general public to be better educated about CSR, creating a responsible CSR culture in Hong Kong more broadly.

Importantly, any campaigns that are directed to SMEs for CSR engagement through such a council should take into consideration SMEs' unique culture and characteristics, as well as their motivations. It is recommended that both the business case and ethical reasons be emphasized.

**3. Support for SMEs:** Several participating SMEs commented that one of the barriers to practising CSR is lack of adequate government support. Consequently, the Hong Kong Government could consider setting up a CSR Council, as proposed above, as a key aspect of a long-term vision to advance Hong Kong's overall uptake of CSR. As an immediate and more direct measure, the government could consider allocating more resources to support SMEs to practise CSR, such as tax incentives for CSR practices and capacity building. One of the fastest ways that involves minimum structural change in the government is to expand the existing "Support and Consultation Centre for SMEs" of the Industry and Trade Department to include a "CSR Committee" or "CSR Group", to support and promote best practice of CSR in SMEs. SME exemplars could be invited

to provide advice on the most appropriate and appealing way to engage other SMEs in Hong Kong to commit to CSR.

### **6.5.3 Business associations**

It is recommended that business associations set up a “CSR Chapter” or “CSR Committee” as part of their structure, so that the topic of CSR can receive more attention. Speakers could be invited to share with members their knowledge about key CSR trends and best practice. This would help enhance the business sector’s knowledge of CSR and increase public awareness, which, in turn, helps more companies to commit to CSR. They could also apply for funding from the government to produce more CSR-related documentation or guidelines and suggestions for specific sectors as a way to improve the practice of CSR in the business sector, including in SMEs.

### **6.5.4 CSR support organizations**

CSR support organizations include some government agencies and CSR award organizers which are helping to promote, support and facilitate CSR in Hong Kong. More collaboration between different organizations is recommended, to create a greater impact on public and industry awareness of CSR, and to motivate and assist companies to engage in CSR. CSR award organizations could review their judging criteria from time to time in order to make relevant changes in line with the rising expectations of CSR stakeholders and international best practice, such as a broader stakeholder base.

### **6.5.5 Educational institutions**

In order to equip business students with the latest knowledge about this important area, it is recommended that universities take active steps to enhance the content of CSR and related subjects in the existing curriculum. In addition, to prepare business leaders to help Hong Kong further advance in the area, the creation of masters’ degrees in CSR or business sustainability should be considered. This may also enhance the number and quality of research projects on the topic in Hong Kong and the wider region. It is also recommended that more research focus on CSR in SMEs in Hong Kong and

comparative studies with other countries, as a way of advancing knowledge and practice in the field.

## **6.6 Recommended areas for future research**

The findings of this research could be extended by future research in several ways.

First, in the current study, several top SME exemplars demonstrated exceptional leadership, commitment and strategy in CSR practice. It is recommended that a rich case study method be used to further investigate their CSR management and communication by studying the companies in greater depth, exploring their stakeholder engagement, and including more interviews with different stakeholders.

Second, this research comprised samples from different sectors, providing a useful initial overview of CSR practices in Hong Kong. As there are fundamental differences in business priorities and challenges between different sectors that may affect the way CSR is practised, future research could focus on individual sectors in more detail so as to gain further insights into their existing practices and challenges.

Third, this study reported a number of tangible and intangible benefits as a result of CSR. Further research could focus on conducting longitudinal studies on the award-winning companies to track their social and financial performance over a longer period, and to study any change in drivers for engaging in CSR.

Fourth, SME owners have a profound influence on the CSR management of the companies in this study. Future research could focus in more depth on how different leadership styles may affect the management and outcomes of CSR in SMEs.

Fifth, in this research, employees were nominated as the most important stakeholders by SMEs, and CSR programs directed for the benefit of employees were evident. Some studies have found that CSR enhances staff commitment, but little detailed research has investigated this important group of stakeholders as to how they actually perceive the concept CSR and their attitude towards CSR practices, both as a beneficiary of a better employment environment and as a contributor to improved CSR management. Their views are important in the further promotion of CSR, and for companies to gain an insight into how they can better engage their employees in CSR management.

Sixth, staff volunteering is an important part of CSR, as it is through the active participation of staff volunteers that the impact of community projects can be enhanced. Staff volunteering has recently received increased research interest, particularly skill-based volunteering. However, how staff volunteering as it relates to the topic of SMEs' CSR is under-researched and needs to be examined.

Seventh, social capital has been named in the literature as one of the perspectives to explain CSR in SMEs. It would be useful to study the relationship between social capital and CSR in SMEs in Hong Kong, and compare this with findings from other countries.

Eighth, in order to gain a better understanding of the details of CSR activities in the Hong Kong SME sector, a quantitative and longitudinal approach can be adopted to capture more specifically the number and types of CSR activities carried out by SMEs over a longer period time.

Finally, the issue of the political dimensions of CSR policies and practices, in relation to the nexus between China and Hong Kong, warrants further research.

## **6.7 Concluding remarks**

SMEs are well regarded as engines for growth in most economies around the world, and the CSR movement will not be complete without their active participation. Hong Kong is no exception. It is hoped that this research generates more interest in, discussion of and research on the topic so as to increase the uptake of CSR in SMEs, and to assist them in managing and communicating CSR in a more effective way, working towards a sustainable future for their businesses and broader society.

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# Appendices

## Appendix 1: Ethics approval



**Faculty of Business & Economics  
Human Research Ethics Sub Committee**  
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**Phone +61 (0)2 9850 4826**

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20 July 2011

Professor Elizabeth More

Foundation Executive Dean of Faculty of Business (Former Dean of MGSM, Macquarie University)

Australian Catholic University, NSW 2060

**Reference: 5201100510(D)**

Dear Professor Elizabeth More

### **FINAL APPROVAL**

**Title of project: Management and communication of corporate social responsibility in Hong Kong small and medium enterprises.**

Thank you for your recent correspondence. Your response has addressed the issues raised by the Faculty of Business & Economics Human Research Ethics Sub Committee, and you may now commence your research. The following personnel are authorised to conduct this research:

Elizabeth More - Chief Investigator/Supervisor

Lee Wong Yuk Wan Brenda - Co-Investigator

Please note the following standard requirements of approval:

1. The approval of this project is **conditional** upon your continuing compliance with the *National Statement on Ethical Conduct in Human Research (2007)*.
2. Approval will be for a period of five (5 years) subject to the provision of annual reports. **Your first progress report is due on 20 July 2012.**

If you complete the work earlier than you had planned you must submit a Final Report as soon as the work is completed. If the project has been discontinued or not commenced for any reason, you are also required to submit a Final Report on the project.

Progress Reports and Final Reports are available at the following website:  
[http://www.research.mq.edu.au/researchers/ethics/human\\_ethics/forms](http://www.research.mq.edu.au/researchers/ethics/human_ethics/forms)

3. If the project has run for more than five (5) years you cannot renew approval for the project. You will need to complete and submit a Final Report and submit a new application for the project. (The five year limit on renewal of approvals allows the Committee to fully re-review research in an environment where legislation, guidelines and requirements are continually changing, for example, new child protection and privacy laws).
4. Please notify the Committee of any amendment to the project.
5. Please notify the Committee immediately in the event of any adverse effects on participants or of any unforeseen events that might affect continued ethical acceptability of the project.
6. At all times you are responsible for the ethical conduct of your research in accordance with the guidelines established by the University. This information is available at: <http://www.research.mq.edu.au/policy>

If you will be applying for or have applied for internal or external funding for the above project it is your responsibility to provide Macquarie University's Research Grants Officer with a copy of this letter as soon as possible. The Research Grants Officer will not inform external funding agencies that you have final approval for your project and funds will not be released until the Research Grants Officer has received a copy of this final approval letter.

Yours sincerely

Alan Kilgore

Chair, Faculty of Business and Economics Ethics Sub-Committee

---

Faculty of Business & Economics Human Research Ethics Sub Committee

MACQUARIE UNIVERSITY

[http://www.research.mq.edu.au/researchers/ethics/human\\_ethics](http://www.research.mq.edu.au/researchers/ethics/human_ethics)

[www.mq.edu.au](http://www.mq.edu.au)

## Appendix 2: Invitation to participate

Dear Sir/Madam,

Invitation for Interview for a DBA study: "Management and Communication of Corporate Social Responsibility in Hong Kong small and medium enterprises"

You are sincerely invited to participate in a research project related to CSR in Hong Kong SMEs. I am now undertaking a Doctorate degree in Business Administration (DBA) with the Macquarie Graduate School of Management of Australia. My research project is "Management and Communication of Corporate Social Responsibility in Hong Kong small and medium enterprises" and the objective is to investigate how CSR award-winning SMEs manage and communicate their CSR practices, so as to enhance the academic literature in the field, and make recommendations to companies how to manage and communicate CSR more effectively.

Participation to this research is voluntary. If you decide to participate, you or your senior management will be invited to attend an interview to discuss how your company manage and communicate CSR, the motivations in and barriers to engaging with CSR practices. The interview should take around one hour and will be audio-taped. The list of interview questions will be provided to you in advance. As the interviewee, you will be invited to review the draft of the interview report. You will also receive a summary of key findings. All information or personal particulars gathered in the course of the study are confidential. Please note that anytime throughout the research process, you have the right to withdraw from further participation without having to give a reason.

I hope that you will accept my invitation to participate in this research project. I will contact you shortly to answer any questions you may have regarding the research. Meanwhile, you are most welcome to contact me by e-mail: [brendaleedba@gmail.com](mailto:brendaleedba@gmail.com) or mobile: (852) 9034 5887.

Many thanks and with warmest regards.

Brenda Lee

## Appendix 3: Consent letter

Where successful people go to go further



MGSM Research Office  
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Chief Investigator / Supervisor: Professor Elizabeth More, Foundation Executive Dean of Faculty of Business, Australian Catholic University

### Information and Consent Form

**Name of Project : Management and communication of corporate social responsibility in Hong Kong small and medium enterprises**

You are cordially invited to participate in a study of “*Corporate Social Responsibility (CSR) management and communication in Hong Kong small and medium enterprises (SMEs)*”. The purpose of this research is to find out how SMEs manage and communicate their CSR initiatives and programs. The goal of this research is to enhance the academic literature in the field and make recommendations to companies to manage and communicate CSR practices better and to improve the overall CSR performance in the future.

The study is being conducted by Lee Wong Yuk Wan Brenda to meet the requirements of a doctorate degree in business administration of Macquarie Graduate School of Management in Australia. Brenda is under the supervision of Principal Supervisor Professor Elizabeth More in Sydney, as well as Associate Supervisor Professor Carlos Lo in Hong Kong.

Participation to this research is voluntary. If you decide to participate, you will be invited to attend an interview to discuss how your company manage and communicate CSR, the motivations, barriers and the outcome. The interview should take no more than

one hour and will be audio-taped. As the interviewee, you will be invited to review the draft of the interview report. You will also receive a summary of key findings.

All information or personal particulars gathered in the course of the study are confidential. No individual will be identified in any publication of the results. The only people who will have access to the data will be supervisors and researcher named above as well as a research assistant who will help in the transcription of the interview. The research assistant will sign a confidential agreement to ensure confidentiality of the data.

If you decide to participate, please kindly sign on the “***Information and Consent Form***”. Please note that anytime throughout the research process, you have the right to withdraw from further participation without having to give a reason and without any consequences.

If you have any questions about the participation, please kindly contact Brenda by email: [brendaleedba@gmail.com](mailto:brendaleedba@gmail.com); phone: (852) 9034 5887. You are also welcome to contact Professor Elizabeth More by email: [Elizabeth.More@acu.edu.au](mailto:Elizabeth.More@acu.edu.au); phone: (61) 2 9739 2137. Thank you.

I, \_\_\_\_\_ of  
\_\_\_\_\_

have read and understand the information outlined in the “Information and Consent Form”. I agree to participate in this research and understand that anytime throughout the research process, I have the right to withdraw from further participation without having to give a reason and without any consequences. A copy of this form has been given to me to keep.

Participant’s Name : \_\_\_\_\_

(block letters)

Participant’s Signature : \_\_\_\_\_

Date : \_\_\_\_\_

Investigator’s Name : LEE WONG Yuk Wan Brenda

(block letters)

Investigator’s Signature: \_\_\_\_\_

Date : \_\_\_\_\_

The ethical aspects of this study have been approved by the Macquarie University Human Research Ethics Committee. If you have any complaints or reservations about any ethical aspect of your participation in this research, you may contact the Committee through the Director, Research Ethics (telephone (02) 9850 7854; email [ethics@mq.edu.au](mailto:ethics@mq.edu.au)). Any complaint you make will be treated in confidence and investigated, and you will be informed of the outcome.

**(INVESTIGATOR'S [OR PARTICIPANT'S] COPY)**

## Appendix 4: Interview questions

### List of Questions for Semi-structured Interview

1. How do you define CSR in your company?
2. Who are your key stakeholders?
3. How does your company manage and communicate your CSR practices, and what strategies do you use?
4. What are the motivations in and barriers to engaging with CSR practices?
5. How do you measure your CSR outcome?
6. What benefits do you see as a CSR-Award winning company?
7. How do you communicate your CSR practices and achievements to your internal & external stakeholders?
8. What communication channels do you are using?
9. What are your difficulties and challenges in communicating CSR?
10. How do you see your company moving forward in CSR in the future?

## Appendix 5: Interview protocol

<p><b>Introduction</b></p> <ol style="list-style-type: none"> <li>1. Thank interviewees for participation.</li> <li>2. Invite them to sign consent form.</li> <li>3. Seek permission to record interview.</li> <li>4. Ask if they have any questions before the interview.</li> </ol>
<p><b>Conducting Interview</b></p> <p>Ten Interview Questions (IQ) to resolve Four research questions</p>
<p><b>Research Question 1: What is Hong Kong SMEs' interpretation of the concept of CSR?</b></p> <p>Areas of investigation: SMEs' values and principles of CSR</p> <p><i>IQ1: How do you define CSR in your company?</i></p> <p>Probes: What is your understanding of CSR? What makes you think so? What does it mean to your company? Can you elaborate more of your thoughts? Can you quote some examples?</p>
<p><b>Research Question 2: How do Hong Kong SMEs manage and communicate their CSR practices?</b></p> <p>Five IQs to address RQ2 (IQ2, 3, 5, 7, 8)</p> <p>Areas of investigation: Identification of stakeholders; CSR management approach &amp; CSR communication approach</p> <p><i>IQ2: Who are your key stakeholders?</i></p> <p><i>IQ3: How does your company manage your CSR practices, and what strategies do you use?</i></p> <p><i>IQ5: How do you measure your CSR outcome?</i></p> <p><i>IQ7: How do you communicate your CSR practices and achievements to your internal and external stakeholders?</i></p> <p><i>IQ8: What communications channels do you use?</i></p> <p>Probes: How do you arrive at such a decision? Why do you choose to take this approach in CSR management / CSR communication? What are your considerations? What are the implications to your organizational structure and people? How do you engage your stakeholders in CSR – internal vs external? Can you give some examples?</p>
<p><b>Research Question 3: What are Hong Kong SMEs' motivations in and barriers to engaging with CSR practice?</b></p> <p>Four Interview questions to address RQ3 (IQ4A, 6, 4B and 9)</p> <p>Areas of investigation: Drivers for and barriers to engaging with CSR practice; Management of CSR and CSR Communication</p> <p><i>IQ4A: What are your motivations in practising CSR?</i></p> <p><i>IQ6: What benefits do you see as a CSR-Award winning company?</i></p>



*IQ4B: What are your barriers to CSR management?*

*IQ9: What are your difficulties and challenges in communicating CSR*

Probes: Why do you think this is a driver / barrier? What makes you think this way? What are the implications for your company? Can you share some examples of drivers / barriers? What are the implications for your CSR management and communication? Can you quote some examples?

**Research Questions 4: What is Hong Kong SMEs' future direction for CSR?**

Area of investigation: CSR vision for the future

*IQ10 – How do you see your company moving forward in CSR in the future?*

Probes: What is your vision for CSR? Why do you plan this way? What do you want to achieve in the long-run? Can you elaborate a bit more about your thinking? Can you give some examples?

**Concluding questions and remarks**

Q: Is there anything else you would like to say that we have not covered just now?

Q: Is it possible for you to share with me your company's documents related to CSR management and communication, such as company policies, brochures and CSR award application for my study?

Thank you very much for your time. Please feel free to contact me anytime you have questions related to this research.

## Appendix 6: Confidentiality agreement

### CONFIDENTIALITY AGREEMENT

I, ..... (the part-time research assistant) agree that I will assist Professor Elizabeth More and Mrs Lee Wong Yuk Wan Brenda in the transcription of the interviews for the purpose of Mrs Lee's DBA studies at the Macquarie University. During my engagement, I may have access to confidential or sensitive information (the Information).

I agree that I will keep the Information confidential and will not copy, reveal or disclose the information to any third party without the prior approval of Professor More or Mrs Lee.

I will not use the Information for my own financial benefit or the benefit of any other organisation with which I am affiliated now or in the future. In addition, I agree to:

1. Keep all original audio material in a locked cabinet.
2. Return all original and transcribed material to the chief investigator after transcription is completed.
3. Save transcriptions onto a secure external hard drive that is kept in a locked cabinet.
4. Not retain any original material or copy of transcriptions after completion of the transcription.
5. Undertake not to disclose any private or confidential information that appears in the original material or transcriptions.

I confirm that I have read and understand the terms of this Agreement.

**Signature:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_

**DBA Candidate, Macquarie University**

\_\_\_\_\_  
Lee Wong Yuk Wan Brenda

Date: \_\_\_\_\_