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**THE MODERATING EFFECTS OF
OWNER-MANAGERS' PERSONAL VALUES ON
THE RELATIONSHIP BETWEEN CORPORATE
SOCIAL RESPONSIBILITY DRIVERS
AND PRACTICES**



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**DOCTOR OF PHILOSOPHY
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RESPONSIBILITY DRIVERS AND PRACTICES**



By
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**Thesis Submitted to
Othman Yeop Abdullah Graduate School of Business,
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In Fulfillment of the Requirement for the Degree of Doctor of Philosophy**

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ABSTRACT

While corporate social responsibility (CSR) among large corporations has been widely investigated, it is often overlooked among small and medium-sized enterprises (SMEs) as their involvement in CSR activities is often based on less formalised business strategies, and more on the ethical concerns of the owner-managers. However, recent trends show that there is growth in CSR activities among manufacturing SMEs. Hence, this study aimed at examining the influence of stakeholders (employee, local community, customer, government, competitor and supplier) and performance on CSR participation among Malaysian manufacturing SMEs. This study also examined the moderating effects of personal values (religious, economic, social, theoretical, political and aesthetic) on these relationships. Structured self-administered questionnaires were distributed to SME owner-managers using the simple random sampling technique. Usable responses were received from 203 SMEs, giving a response rate of 13.7%. Partial least square structural equation modelling (PLS-SEM) was subsequently performed using Smart PLS. The results indicate that employees and local communities are positively related, while suppliers are negatively related, to SME-CSR participation. Customers, governments, competitors and performance are insignificant drivers for CSR practices. Owner-managers' personality like economic, social and aesthetic values can moderate the relationship between employees and CSR participation. A strong positive association exists between the employee factor and CSR practices when these three values of the SME owner-managers are high, and vice versa. Religious values can moderate the association of suppliers and performance with CSR participation. The relationship between suppliers and CSR participation is strengthened when SME owner-managers' religious values are high. The results also reveal that SME owner-managers with low religious value are concerned with the economic benefits of CSR practices and vice versa. Political and theoretical values do not moderate the relationship between CSR drivers and CSR practices. Integrating stakeholders into the institutional theories in explaining CSR participation will enrich the existing literature.

Keyword: Personal values of owner-managers, CSR drivers, SME-CSR participation.

ABSTRAK

Tanggungjawab sosial korporat (TSK) telah dikaji secara meluas dalam syarikat-syarikat besar. Namun, bagi perusahaan kecil dan sederhana (PKS) ianya sering diabaikan. Ini kerana penglibatan mereka dalam aktiviti TSK sering berlandaskan strategi perniagaan kurang formal dan rasional atau pertimbangan etika pemilik-pengurus. Walau bagaimanapun, kebelakangan ini wujudnya trend pertumbuhan dalam aktiviti TSK di kalangan PKS pembuatan. Oleh itu, tujuan kajian ini adalah untuk mengkaji pengaruh pemacu pemegang taruh (pekerja, masyarakat tempatan, pelanggan, kerajaan, pesaing dan pembekal) dan prestasi ke atas penglibatan TSK bagi PKS di sektor pembuatan Malaysia. Kajian ini juga mengkaji kesan nilai-nilai peribadi (agama, ekonomi, sosial, teori, politik dan estetik) dalam menyederhanakan hubungan ini. Borang soal selidik berstruktur dan bersifat isi sendiri telah dihantar kepada pemilik-pengurus PKS melalui teknik pensampelan rawak mudah. Maklum balas yang boleh digunakan diterima daripada 203 PKS, dengan kadar respons sebanyak 13.7%. Permodelan persamaan berstruktur kuasa dua terkecil separa (PLS-SEM) kemudiannya dilakukan dengan menggunakan *SmartPLS*. Hasil kajian menunjukkan bahawa pekerja dan masyarakat tempatan berhubung positif dengan penyertaan TSK manakala pembekal berhubung negatif dengan penyertaan TSK. Pelanggan, kerajaan, pesaing dan prestasi didapati ketiadaan hubungan yang signifikan dengan aktiviti TSK. Nilai-nilai peribadi pemilik-pengurus berunsurkan ekonomi, sosial dan estetik didapati menyederhanakan hubungan antara pekerja dan penyertaan aktiviti TSK. Hubungan positif antara faktor pekerja dan aktiviti TSK diperkukuhkan lagi dengan nilai ekonomi, sosial dan estetik pemilik-pengurus PKS yang tinggi, dan begitu juga sebaliknya. Nilai agama didapati menyederhanakan hubungan pembekal dan prestasi dengan penyertaan TSK. Hubungan antara pembekal dan penyertaan TSK diperkukuhkan apabila nilai agama pemilik-pengurus PKS adalah tinggi. Hasil kajian juga menunjukkan bahawa pemilik-pengurus PKS yang bernilai agama rendah menitikberatkan manfaat ekonomi yang dibawa TSK dan begitu juga sebaliknya. Nilai-nilai politik dan teori tidak menyederhanakan hubungan antara pemacu-pemacu TSK dan aktiviti-aktiviti TSK. Pengintegrasian pemegang taruh ke dalam teori institusi untuk menjelaskan penyertaan TSK akan menyumbangkan kepada penyelidikan yang sedia ada.

Kata Kunci: nilai-nilai peribadi pemilik-pengurus, pemacu CSR, penyertaan PKS-TSK.

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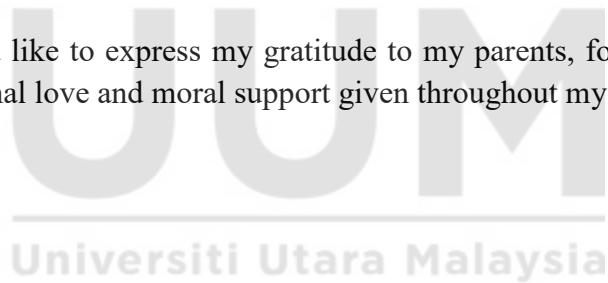
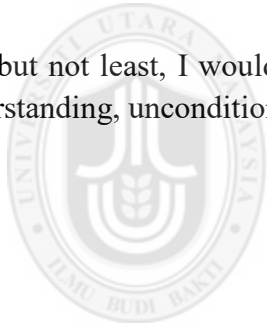


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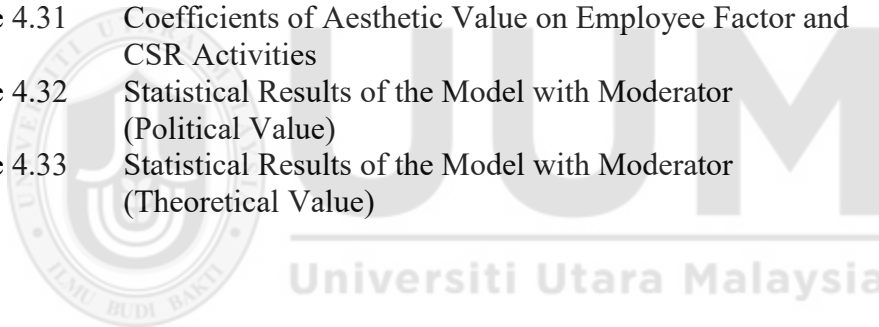
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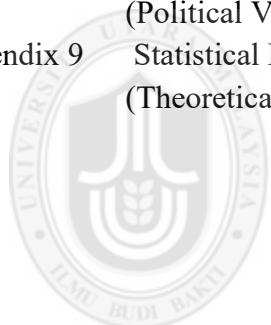
LIST OF ABBREVIATIONS

AFTA	ASEAN Free Trade Area
AVE	Average Variance Extracted
AVL	Allport, Vernon and Lindzey
CB-SEM	Covariance-Based SEM
CFA	Confirmatory Factor Analysis
CSR	Corporate Social Responsibility
EFA	Exploratory Factor Analysis
FMM	Federation of Malaysian Manufacturers
GLCs	Government-Linked Companies
MNCs	Multinational Corporations
NGOs	Non-Governmental Organizations
WTO	World Trade Organisation
PCA	Principal Component Analysis
PLCs	Public Listed Companies
PLS-SEM	Partial Least Squares SEM
SEM	Structural Equation Modelling
SMEs	Small-and Medium-Sized Enterprises
SME Corp Malaysia	SME Corporation Malaysia
VIF	Variance Inflation Factor



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CHAPTER 1

INTRODUCTION

1.1 Background of the Study

Corporate social responsibility (CSR) has attracted worldwide interest among businesses, societies, governments and the academia implying that profit is not the only concern of business entities. In fact, fulfilling social responsibility is as important as earning profits. As enterprises are important parts of any society, social responsibilities should go beyond social obligations (Sethi, 1975). This is shown by an increasing number of shareholders, activists, community organisations, labour unions, employees, and news media requesting companies to be responsible to the society.

Various definitions of CSR have been developed, over the years, by different researchers and institutions and as such, there is no one universally agreed the definition of CSR. Carroll (1979) who developed the well-known CSR pyramid defines CSR as the social responsibility that comprises economic, legal, ethical and discretionary responsibilities. Epstein (1987) linked CSR to social responsibility, responsiveness, and business ethics. He further explained that corporate social policies should have beneficial effects on corporate stakeholders. McWilliams and Siegel (2001) illustrated corporate social responsibility as an action that can further some social goods of the firms way beyond those required by law.

From an institutional perspective, the European Commission (2001) has defined CSR as organisational coordinated but deliberate social and environmental activities of

business operations in collaboration with partners. According to The World Business Council for Sustainable Development (2000), CSR is defined as an ongoing obligation by a company to perform morally and contribute to economic growth while upgrading the standard of living of the stakeholders. CSR, according to World Bank (2003), is a form of obligation by businesses to work with employees and their families, local communities, and societies to attain sustainable living by raising their standards of living much to the benefit of businesses and development. Despite the various definitions, CSR is understood as an ongoing ethical obligation by firms to add to the economic improvement and well-being of their stakeholders.

Yet, CSR activities are mainly adopted by large corporations (Jenkins, 2006) and have traditionally been the domain of large corporations due to the word “corporate.” Large multinational corporations (MNCs) have overwhelmed CSR activities by significantly playing a major role in societies (Jenkins, 2004). It is argued that large MNCs are capable of adopting CSR practices through their cooperation and involvement with the common social orders through practices that include codes of conduct on human rights, labour standards, or climate changes (Rasche & Kell, 2010).

In MNCs, internal formal incentive schemes and training methods are established to stimulate social responsibilities and responsiveness amongst workers, through performance evaluations, complaint channels and reporting schemes. Collaborations with external stakeholders such as non-governmental organisations (NGOs) are also crucial in CSR settings (Baumann-Pauly, Wickert, Spence, & Scherer, 2013). Hence, it is not surprising that the focus of CSR has a tendency to be on large corporations

while small-and medium-sized enterprises (SMEs) are neglected (Fuller, 2003; Jenkins, 2006).

Limited research and literature have focused on SMEs involvement in CSR (Baden, Harwood, & Woodward, 2011; Fassin, van Rossem, & Buelens, 2011; Lynch-Wood, Williamson, & Jenkins, 2009; Murillo & Lozano, 2006; Perrini, Russo, & Tencati, 2007). Nonetheless, recent trends show that there is an inclination among SMEs to participate in CSR. It is argued that firms, regardless of their size, have some effect on the public and environment through their operations, products, services and their interactions with the main stakeholders such as employees, the communities and the supply chains (Jenkins, 2006).

Studies have shown that SMEs do participate in societal activities, such as supporting local communities; activities to enhance employee motivation and retention; environmental activities, such as waste minimisation and recycling, supply chain activities, such as developing the continuing relationship with customers and suppliers (Jenkins, 2006; Perrini, 2006). This shows the significant roles played by SMEs in CSR.

It has been found that more than 90% of the world's businesses are small firms having approximately 65% of the world's total workforce (Jamali, Zanhour, & Kejishian 2009; Perrini *et al.*, 2007), and accounting for 60% employment ratio in developing countries (Luetkenhorst, 2004). CSR is vital to large corporations as well as to the small firms (Delchet-Cochet & Vo, 2012). Roberts, Lawson and Nicholls (2006) argued that

SMEs do participate greatly in the aspects of social, economic and environment without depicting these activities as CSR.

Recognising SMEs potentials and future growth in the country in general, and specifically the manufacturing SMEs, the Malaysian government had set up the National SME Development Council and SME Corporation Malaysia to support these sectors. SME Bank had been established, and SME development agendas have been integrated into the Tenth Malaysia Plan (2011-2015), Eleventh Malaysia Plan (2016 – 2020), and the Third Industrial Master Plan (2006-2020). Also, the SME Master Plan (2012-2020) reveals the desirability of the government, in creating globally competitive SMEs through innovation-led and productivity-driven, for growth and wealth creation (Malaysia Productivity Corporation, 2012). The support by the government indicates that SMEs contribute to Malaysia's economy and play an increasing role in international trade. Through government's concerted efforts in promoting SMEs in Malaysia, the number of SME establishments is larger than large corporations. It is expected that the Malaysian SMEs specifically the manufacturing sector will have great potentials to involve in CSR just like the large corporations.

1.2 Problem Statement

According to the Economic Census (Department of Statistics Malaysia, 2011), 645,136 SMEs were operating in Malaysia which representing 97.3% of total business establishments. Among the 645,136 SMEs, the service sector accounted the largest with 90%, followed by manufacturing sector constituted 5.9% and construction sector indicated 3.0% of the total establishments.

While the service sector accounts for being the largest business establishment in SMEs, it is the manufacturing sector that contributes most to GDP growth (Department of Statistics Malaysia, 2011). The main reason for large corporations to be involved in CSR is because these firms are financially stable. However, the same principle can be applied to the SME manufacturing sector owing to its tremendous growth potential. This means that the SME manufacturing sector is capable of practising CSR activities in Malaysia.

Among the SME sectors in Malaysia, the manufacturing sector faced new challenges and opportunities after Malaysia joined the World Trade Organisation (WTO) and ASEAN Free Trade Area (AFTA). Talib and Salleh (1997) and also Hashim (2000) highlight that SMEs have an inclination to export more activities than larger companies, the manufacturing sector being the main players (57.6%), followed by service sector (40.6%) and the agricultural sector (1.8%). Since Malaysia's entry into WTO and AFTA, international trading activities have become active among the manufacturing SMEs. In general, it is also a common practice for SMEs to comply with certain social and environmental standards as set forth by large corporations both domestically and internationally (Jenkins, 2006; Russo & Perrini, 2010). This strategically moves by Malaysian manufacturing SMEs, to comply with the business practices of large corporations, both domestically and internationally, has compelled them to adopt CSR practices that meet the demands of these internal and external trading partners.

CSR Initiatives among Malaysian SMEs

CSR practices in Malaysia are commonly associated with large corporations such as government-linked companies (GLCs) and public listed companies (PLCs). This can be seen from the CSR initiatives for businesses developed for GLCs and PLCs through the CSR Silver Book launched during GLCs' transformation programme in 2006, providing guidelines for implementing CSR initiatives for the large corporations. Similarly, in 2006, Bursa Malaysia propelled a CSR agenda as an aid for PLCs to implement and report their CSR activities in four areas, namely environment, workplace, community, and marketplace.

Most of the CSR studies in Malaysia are mainly focused on PLCs and GLCs (For example, Amran & Susela, 2008; Nik Ahmad, Sulaiman, & Siswantoro, 2003; Ramasamy & Ting, 2004; Teoh & Thong, 1984; Rahman, Zain, & Al-Haj, 2011). It is found that there is a lack of studies on CSR practices among Malaysian SMEs due to several reasons. SMEs are usually managed by the owners or managers often reacting on a more personal basis to social needs (Jenkins, 2006). Hence, there is a lack of a code of conduct or vision statements in SMEs as compared to large corporations (Jenkins, 2004; Spence, 2007). The adoption of CSR practices often used to gain short-term profits and achieve long-term economic goals (Spence, 1999), is also very challenging for SME owner-managers due to a lack of resources. Furthermore, as SME owners are unlikely to use the term CSR to describe their CSR practices the contributions by SMEs, despite being socially responsible business entities, often go unnoticed (Perrini, 2006; Perrini *et al.*, 2007).

Although SMEs receive limited attention in their CSR involvement as compared to the large corporations in Malaysia, nonetheless, SMEs' involvement in CSR activities cannot be overlooked. United Nation Development Programme (UNDP) (2007) reported that SMEs in Malaysia have developed into being key suppliers and service providers to corporations such as multinationals and transnational corporations.

The collaboration between SMEs and large corporations has led to the expansion of SMEs. This relationship may have influenced SMEs in following large corporation in CSR initiatives. Many researchers are starting to focus on CSR issues and challenges faced by Malaysian SMEs such as the access to finance, embracing new technology, productivity improvement, initiative to enhance SME performances, market access, management, technology, technical, research and development, raw material costs and deepening industrial linkages (Hung, Effendi, Talib, & Rani, 2011; Federation of Malaysian Manufacturers, 2008; Ong, Ismail, & Goh, 2010; Shah & Ali, 2011).

Despite the limited empirical studies in the realm of CSR practices in SMEs, some related studies are evident, in the Malaysian context (e.g. Nejati & Amran, 2009; Ahmad, Amran, & Halim, 2012). However, some of these studies have to be taken at face value, and more studies need to be conducted to provide a better understanding of SME participation in CSR activities.

Nejati and Amran (2009) carried out an exploratory study on ten Malaysian SMEs and their founder-owners. This study provides some fundamental knowledge on the reasons that motivate Malaysian SMEs to participate in CSR activities. Using a series of semi-structured interviews with SME founder-owners, they found that the

tendencies to participate in CSR originated from the owners' religious, beliefs and values. Pressure and encouragement from stakeholders also played a role in their involvement in CSR. While the study provides the motivation on CSR practices among Malaysian SMEs, it does not reflect the extent to which psychological factors account for the relationship between the motivation and the CSR practices. Also, due to the small sample size of SMEs used, the study could not be generalised to the SMEs in Malaysia. Studies should also consider incorporating psychological factors in examining the CSR drivers, besides expanding the scale and scope of studies, to enable them to be generalised to the SME population at large.

Another study conducted by Ahmad *et al.* (2012) showed that the personal values of the SME entrepreneurs are linked to ethically and socially responsible practices in business performances. However, limited studies have focused on this psychological aspect of owner-managers on CSR practices in Malaysia. Such a knowledge gap also exists because CSR literature mainly focuses on disclosures and reporting (Ramasamy & Ting, 2004), on the physical evidence available from company annual reports of large corporations, thus not reflecting the psychological motivations of the owner-managers in practising CSR. Due to the fact that owner-managers have absolute autonomy in their business decisions (Jenkins, 2006), the involvement of SMEs in CSR activities is often based on less formalised business strategies and also ethical and religious concerns (Vives, 2006). Yet, the personal values of owner-manager can be a good guide to behaviours of these owner-managers in determining CSR directions.

CSR Drivers and CSR Practices

There are many reasons why firms may engage in CSR, and researchers have categorised the motivation that drives a firm to CSR. Maignan and Ralston (2002) categorised the motivations of CSR into three views namely utilitarian view, compliance view and commitment view. The aim of utilitarian view is to achieve economic performance. Compliance view is to conform to stakeholder norms and expectations, and commitment view is to enhance corporate identity, value or strategy. Besides, Aguilera, Rupp, Williams and Ganapathi (2007) depict that firms engage in CSR out of three motivations, namely instrumental (for example, to improve financial performance), relational (to improve the relationship with stakeholders) and morality based. In short, the implementation of CSR practices can be generally explained by three different motives related to achieving economic well-beings of companies, attending to stakeholders' concerns for relationship enhancements, and improving the images of companies and values from the lens of societies.

It is noted that many studies (Hsu & Cheng, 2011; Inyang, 2013; Williamson, Lynch-Wood, & Ramsay, 2006) are focused on business performance when it comes to implementing CSR. Business performance factor could serve as a motivation to participate in CSR. However, the extent to which profit maximisation lead to CSR participation differs by the size of the firms. For instance, SMEs do not participate in CSR because of the absence of formal administration framework, financial and the workforce restrictions (Jenkins, 2004; McWilliams & Siegel, 2001). However, the main reason for large multinational corporations (MNCs) to engage in CSR is often profit maximisation.

MNCs hope to increase profits in both short term and long term (Baron, 2001; Ditlev-Simonsen & Midttun, 2011; Graafland, 2002). The CSR proponents of the performance drivers indicate that large corporations such as MNCs engage in CSR out of their perceptions that CSR engagements create benefits that exceed costs (Branco & Rodrigues, 2006). Carroll (1999a) suggests that CSR, which has been regarded as a company's responsibility to the society, can also be seen as business opportunities to generate profits. To maximise profits, companies can develop strategies for profit maximisation by acting positively to benefits, either by expanding incomes or cutting expenses (Inyang, 2013; Hsu & Cheng, 2011; Williamson *et al.*, 2006). Other researchers state that companies engaging in CSR activities are often driven by reasons of efficiency and profitability (Brown, Vetterlein, & Roemer-Mahler, 2010).

Besides large corporations, many studies have found that CSR initiatives among SMEs could also be driven by economic or financial motives such as long-term and short-term benefits, cost reduction, and enhancing efficiency (Hsu & Cheng, 2011; Inyang, 2013; Jenkins, 2004, 2006; Vives, 2006). It follows that economic motive for CSR implementation is applicable to both large corporations and small company, such as the SMEs. Therefore, it comes to us that a study on the performance-based CSR driver in SMEs is thus necessary. Understanding performance or economic motives may explain the implementation of CSR among SMEs.

However, some researchers argue that CSR practices among SMEs are motivated by ethical points of view and not by profit maximisation (Jenkins, 2004, 2006; Fitjar, 2011; Vives, 2006). This view is not consistent with that of the large corporations where the motive of CSR implementation is mainly profit-driven.

The motives for firms to engage in CSR should not consist only of economic value creation (e.g. profit maximisation), but they should be concerned with value creation in social dimension, focusing on the relationship with their stakeholders. According to Freeman (1984), firms are not responsible only to their shareholders, but should also concern on the interests of stakeholders that can affect or are affected by their operations. Freeman further classified stakeholders into two categories, namely narrow and wider stakeholders. Narrow stakeholders refer to those who are mostly affected by a firm such as shareholders, management, employees, suppliers, and customers. While wider stakeholders are those who are less affected such as government, community, and peripheral groups.

Many researcher found that the involvement of firms in CSR are driven by stakeholders such as employees, customers, competitors, local communities, suppliers and government (Aguilera *et al.*, 2007; Bagnoli & Watts, 2003; Jenkins, 2006; Madden, Scaife & Crissman, 2006; Massoud, 2010; Matten & Moon, 2008; Murillo & Lozano, 2006; Preuss & Perschke, 2010, Russo & Perrini, 2010; Santos, 2011). For example, Jenkins (2006) identified employees as the most important stakeholder and their action might influence an involvement of firms in CSR efforts. On the other hand, Bagnoli and Watts (2003) found that involvement of firm in CSR practices was motivated by stakeholders such as consumers and competitors. They reported that firms' engagement in CSR practices depends on the extent to which the consumers are willing to pay for CSR and the intensity of competition in the market and provision of CSR. In addition, SMEs often engage with CSR in their local community as they view their relationship with the local community as reciprocal (Massoud, 2010). Aguilera *et al.* (2007) indicated that the government can serve as a significant driver in

motivating firms to participate in CSR activities. Besides, the need to improve relationship with suppliers also drive SMEs to engage in CSR (Perrini *et al.*, 2007; Vives, 2006).

Although researchers have tended to investigate the motivation of firms involved in CSR by examining stakeholders' relationships, it is also argued that pressure from stakeholders such as employees, customers, local communities and suppliers also drive these firms in CSR setting. Jenkins (2004, 2006) stated that the increased attention of CSR among SMEs is stemmed from consumer pressure, employee pressure and also pressure from local communities. Brown and King (1982) stated that community norms and pressures would affect SME engagement in CSR practices. Hence, the arguments of stakeholders' pressures as CSR motivators among SMEs is consistent with Matten and Moon (2008) who stated that "motives of managers, shareholders, and other key stakeholders shape the way corporations are governed and institutional theory brings interdependencies between and interactions among stakeholders into the analysis, which is vital to understanding CSR, given its societal orientation". (The details of the institutional theory will be explained later).

Thus, it comes to us that a study on the stakeholder-based CSR driver in SMEs which include motives and pressures from stakeholders is crucial. Understanding stakeholders' motives may explain why SMEs would behave in socially responsible ways. However, studies on the CSR drivers from the stakeholders' perspective and their corresponding pressures have received less attention in the past within the Malaysian context. Most of these studies focus only on the stakeholders' as the CSR drivers without exploring the extent to which pressures from them might influence

Malaysian firms' CSR practices (e.g. Ahmad *et al.*, 2012). Therefore, this is the theoretical gap to be filled up in the present study.

Personal Values of SMEs' Owner-Managers

Researchers have found that personal values are vital to understanding the relationship between SME owner-managers' behaviour and CSR directions. Personal values have been recognised to influence owner-managers in implementing social or environmental sustainability strategies (Jenkins, 2006; Longenecker, McKinney, & Moore, 1989; Murillo & Lozano, 2006; Vives, 2006). These CSR strategies involve donations to charitable organisations, sponsorship to community events (Worthington, Ram, & Jones, 2006), participating in education, training and employment for the community (Santos, 2011), and reduction in environmental pollution (Madden *et al.*, 2006). In addition, the owner-managers of SMEs make their decisions incongruent with their personal values thus affecting their perceptions, interpretations, behaviours and subsequently, organisational outcomes (Agle, Mitchel, & Sonnenfeld, 1999). Since CSR is itself the organisational outcome, therefore, the personal values of owner-managers influence their decisions on CSR practices.

Some past studies have examined the relationship between SME owner-managers' personal values and CSR practices (e.g. Hemingway & Maclagan, 2004; Jenkins, 2006; Longenecker *et al.*, 1989; Murillo & Lozano, 2006; Vives, 2006). In addition, the relationship between non-personal-valued CSR drivers and CSR activities among SMEs has also been widely discussed among scholars (Fraj-Andrés, López-Pérez, Melero-Polo, & Vázquez-Carrasco, 2012; Jenkins, 2004, 2006; Madden *et al.*, 2006; Preuss & Perschke, 2010; Russo & Perrini, 2010; Spence & Lozano, 2000;

Williamson *et al.*, 2006; Worthington *et al.*, 2006; Quazi & O'Brien, 2000; Vives, 2006; Zu & Song, 2008).

However, these two strands of empirical studies only focus on the direct relationship between the cause and effect, ignoring the possible moderating effects of some other factors that are pertinent in explaining decisions on CSR practices. For example, while CSR drivers such as economic motives have influenced the CSR practices in large corporations (Jenkins, 2004, 2006; Vives, 2006) it is argued that owners of SMEs are not generally spurred by profit (Fitjar, 2011).

In other words, the same economic motive may have differing effects on the CSR practices based on firm sizes. These contradicting findings remain as a puzzle without considering the possible intervening effects of other factors. Meanwhile, Fitjar (2011) emphasised that the undertaking of CSR activities by SME owner-managers are motivated by internal factors characterised by ethical concerns and personal values (Valentine & Barnett, 2003). Taking it all together, one may expect that the effect of CSR drivers on CSR practices is not a direct one. The relationship could be an indirect one depending on the owner-managers' personal values, thus making personal values as moderating effects.

Besides, it is noticed that internal stakeholder such as employees and external stakeholders such as customers, local communities, suppliers and competitors would influence CSR practices in SMEs (Jenkins, 2004; Madden *et al.*, 2006; Murillo & Lozano, 2006; Preuss & Perschke, 2010, Santos, 2011; Vives, 2006). For example, many researchers have found a positive relationship between employee driver and

CSR practices (Jenkins, 2004; Preuss & Perschke, 2010; Russo & Perrini, 2010; Santos, 2011; Spence & Lozano, 2000; Vives, 2006). Researcher such as Fuller and Tian (2006), Hammann, Habisch and Pechlaner (2009), Jenkins (2006) confirmed that maintain the good relationship with customer and pressure from customers drive SMEs to engage in CSR. Yang and River (2009), Zulkifi and Azlan (2006) stated that government pressure can be considered as a driver of CSR implementation.

However, other researchers reported different results. Revell and Blackburn (2007) indicated that employees have little influence on the socially responsible behaviour of SMEs. The positive relationship between government pressure and CSR implementation is not supported by Campbell (2007). Drumwright (1994) also found no relationship between customer driver and CSR practices. In addition, researchers such as Jenkins (2006), Russo and Perrini (2010), and Vives (2006) described that suppliers serve as a driver to motivate firms to engage in CSR practices. However, Lee and Kim (2009) found that suppliers themselves are not concerned about CSR issues. Hence, the relationship between supplier drivers and CSR practices may show negative rather than positive results.

With all these studies on CSR providing mixed results with positive, negative or no relationships, a clear picture on the relationship between CSR motivations and practices cannot be established. Hence, the anticipation is that other possible intervening factors may be able to explain such contradicting results. According to Murillo and Lozano (2006), attention should be focused on the personal values of the owner-managers in providing a good comprehension of CSR initiatives among SMEs.

Their argument is consistent with Vives (2006) who reported that personal values of SMEs owner-manager would moderate employees and CSR participation.

It is argued that owner-managers who are concerned with their firm's profitability may not be spending on CSR-related activities that incur extra cost. They would be making business decisions based on the benefit-cost principle. However, if the owner-managers' daily life have been governed by strong religious belief or philanthropic behaviour, they would be making the business decision out of line with the benefit-cost principle. That being said, owner-managers may be implement CSR practices even at the risk of declining profits. Likewise, owner-managers who are on the lookout for power may prioritise their interactions with the government even at the expense of the mostly silent employees and customers. In short, these speculations have come to us that the personal values possessed by owner-managers on how they view the political, social and economic aspect of life would have an intervening effect on the extent to which their concerns on the stakeholders would affect their CSR practices. Their view on the religious, political, social and economic aspects of life can be well reflected in the AVL (Allport, Vernon, & Lindzey, 1960) personal value structure which includes religious, economics, social, aesthetic, political and theoretical values.

As mentioned above, Vives (2006) has studied the moderating effect of personal value in explaining the relationship between CSR drivers and CSR practices. However, his study mainly focused on employees, which is inadequate to generalise the findings of other stakeholders. In addition, his measurement of personal value was rather general, without referring to the specific types of personal values as proposed in the AVL value structure. As such, his study may not reflect differences in values governing the

business decision makings of the owner-managers. This is thus the gap to be explored in this study where the moderating effects of personal values using a more specific definition should be examined to better understand the relation between CSR drivers and CSR practices.

Theoretical Explanations for CSR Initiative in Past CSR Studies

The commonly applied theories to explain CSR initiatives are the stakeholder theory and the social capital theory. Stakeholders, as defined by Freeman (1984) refer to a group or individuals who can influence or are influenced by an organisation. As such, the stakeholder theory is used to explain CSR issues associated with large corporations which engage in formal strategic managements (Jenkins, 2004; Russo & Perrini, 2010). However, the stakeholder relationship with SMEs may be based on an informal basis depending on the personalised style of the owner-managers (Jenkins, 2004), leading to limited attention in the literature, despite the importance of various stakeholders in SMEs. Due to their importance, researchers are keen to examine how well SME owner-managers understand stakeholder management and relate it to SME CSR orientations (Russo & Perrini, 2010).

On the other hand, the social capital theory has been applied in numerous ways. Putnam (2000) uses the theory to explain the connection between individuals and social network, and the reciprocity norms and trustworthiness that arise from them. McGrath and Sparks (2005) state that social capital can be used to analyse human behaviour such as learning and trusting and enhance it during personal interactions. The concept of social capital is useful and appropriate in analysing CSR-SME relationship because SMEs are less structured and operate in local markets. Hence,

SME owner-managers are able to construct trust, reputation and legitimacy with their particular stakeholders such as suppliers, customers, local communities and employees (Jamali *et al.*, 2009; Russo & Perrini, 2010; Worthington *et al.*, 2006).

However, these two commonly used theories are disputable. For instance, the stakeholder theory emphasises on the group or individuals who can affect and be affected by an organisation as argued by Freeman (1984). Such an emphasis on the type of groups or persons involved is deemed to be a formality and compulsory for the interaction between an organisation and its stakeholders in the way that can be explained by the social capital theory. This kind of interaction may only reflect a superficial obligation of the organisation in carrying out its responsibility to the society, without considering if there is any pressure by the stakeholders. As such, the need to perform CSR activities is solely based on the notion of 'doing a legitimate action' to conform to the norm. Though, it is presumed that performing CSR activities are means to show concerns to the stakeholders, the motivation may not be as effective as compared to the situation where the motivation is rooted, one being from the pressure coming out directly from the stakeholders involved. This is an aspect that is not well explained in the stakeholder theory and therefore requires another theory such as the institutional theory to clarify the interest of SMEs in CSR participations.

The institutional theory concentrates on the pressure and limitations of the institutional environment on the organisational decisions (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Examples of institutions include public and private regulations, NGOs and other independent groups that oversee and organise dialogues among businesses and stakeholders (Campbell, 2007; Matten & Moon, 2008). In the context of CSR

practices, pressure from the institutional environment can originate from its stakeholders like customers, employees, local communities, suppliers, competitors, and governments.

The institutional theory is used by Spence, Jeurissen and Rutherford (2000) to explain CSR behaviours of Dutch and British SMEs. They report that Dutch SMEs are much more willing to pursue CSR on environmental issues as compared to UK SMEs. They found this could be due to pressure from the Dutch government and trade associations that focus on environmental protection. British SMEs, on the other hand, receive less pressure from their government. Therefore, an institutional role is significant in influencing the environmental behaviour of Dutch and British SMEs. In the case of Malaysia, stakeholders' pressure is a major factor for companies to participate in CSR activities (William & Pei, 1999).

Putting it together, institutional pressure from the stakeholders is essential in justifying CSR implementation. Organisations that receive pressure from the stakeholders will probably take part in CSR activities in contrast to organisations that receive less pressure from their stakeholders. It, therefore, comes to us that the stakeholder theory only emphasises on the superficial conformance to what is deemed to be legitimate and is not sufficient in explaining the motives of practising CSR since the conformance is rooted on the pressure by the stakeholders – a situation that is more appropriately explained by the institutional theory.

Moreover, previous studies, utilising institutional theory to explain CSR motives, mainly focused on large corporations, with limited evidence from the SMEs. It should

be noted that both large corporations and SMEs have similar stakeholders, regardless of the scale of business. As such, the stakeholder theory should be augmented by considering the elements of pressure proposed by the institution theory. However, such theories are not well documented in the CSR literature, thus creating a gap to be explored in the present study.

1.3 Research Questions

In light of the earlier discussion, the following research questions are developed.

- (i) What are the CSR areas undertaken by Malaysian manufacturing SMEs?
- (ii) What are the key drivers for Malaysian manufacturing SMEs to participate in CSR activities?
- (iii) Do personal values of SME owner-managers (religious, economics, social, aesthetic, political and theoretical values) moderate the relationship between CSR drivers and CSR practices?

1.4 Research Objectives

This study aims at examining the participation in CSR among SMEs, factors that drive CSR participation and, the moderating effect of owner-managers' personal values on explaining the relationship between CSR drivers and CSR activities participation.

Specifically, this study aims:

- (i) To identify types of CSR areas undertaken by manufacturing SMEs in Malaysia.
- (ii) To examine the key drivers for Malaysian manufacturing SMEs to participate in CSR activities.

- (iii) To examine the moderating effect of personal values of SMEs' owner-manager (religious, economics, social, aesthetic, political and theoretical values) in explaining the relationship between CSR drivers and SMEs' participation in CSR activities.

1.5 Significance of Research

Past studies on CSR in Malaysia have focused on large corporations and only limited empirical studies have been conducted on SMEs involvement in social responsibility initiatives. Thus, there is limited knowledge and information on SME-CSR practices in the Malaysian context. This study aims to contribute to the existing CSR literature specifically SMEs CSR literature in several ways.

First, this study would enhance the corpus of knowledge in CSR literature. We would be able to know the extent to which personal values motivated by psychology can account for the nexus of CSR drivers and CSR practices. Without including the psychological motivation, one may not be able to explain the CSR practices clearly, especially in the SMEs where the CSR activities are characterised by informal and ethical concerns.

Next, after having completed this study one would have a clearer understanding of the motives behind the CSR practices among the SMEs manufacturers. Based on the findings, the Malaysian government can then devise appropriate policies to nurture further the culture of practising CSR among SMEs in Malaysia.

In addition, by examining the CSR stakeholder-based and institutional-based factors, this study will add on to the existing knowledge about the importance of pressure-induced motives in practising CSR. Given the fact that this dimension has not been previously incorporated into the CSR-SME research, this study is considered as a breakthrough in CSR study when integrating both the stakeholder and institution perspectives in adopting CSR practices. The emerging result will be significant in providing insights for CSR scholars and practitioners in Malaysia.

Lastly, the findings of this study may also be of interest to SME association such as the SME Corporation Malaysia for future CSR planning. By understanding CSR practices among SMEs, factors associated with the CSR practices and the behaviours of SME owner-managers, appropriate guidelines and initiatives can be drafted to encourage CSR participations among SMEs in Malaysia.

1.6 Scope of Study

This study examines the CSR practices of SME in the Malaysian manufacturing sector. The Malaysian manufacturing SME sectors include the handling and generation of crude materials such as textiles, food, beverages, wood, rubber, petroleum and the assembling, manufacturing of electrical and electronics appliance, recycling and others.

The manufacturing SME is chosen for several reasons. Firstly, literature reviews about the SMEs study have addressed various concerns on the increased challenges which are influenced by globalisation and internationalisation process (Beal, 2000, Chelliah, Sulaiman, & Yusoff, 2010; Hashim & Hassan, 2008; Ocloo, Akaba, & Worwui-Brown,

2014; Oseh, 2013). The significant change of Malaysian manufacturing SMEs has been observed through the SMEs development agendas discussed in the Tenth Malaysia Plan (2011-2015), Eleventh Malaysia Plan (2016 – 2020), Third Industrial Master Plan (2006-2020), and the SME Master Plan (2012-2020).

However, when it comes to the matter on CSR size, CSR has essentially focused on large corporations (Jamali *et al.*, 2009; Spence 2007). In Malaysia, large corporations such as GLCs and PLCs have engaged in CSR practices, namely environmental-oriented, workplace-oriented, community-oriented and marketplace-oriented activities (Bursa Malaysia, 2007).

Nonetheless, through the concerted efforts shown by the government to promote SMEs, the number of SME establishments in Malaysia is larger than that of large corporations. Hence, it is argued that SMEs have high potentials to involve in CSR practices (Jenkins, 2004; Nejati & Amran, 2009; Ahmad *et al.*, 2012; Perrini *et al.*, 2007; Spence, 2007).

In addition, the present study examines both direct relationships between stakeholder and performance factors, CSR participation and their indirect relationship via moderating effects generated by psychological-oriented personal values among SME owner-managers.

1.7 Operational Definition

Corporate Social Responsibility

For the purpose of this study, the European Commission's definition of CSR is used as broad guidance for CSR activities. European Commission, (2011) defined CSR as "social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis". In this study, CSR is categorised into four areas, namely the community, marketplace, workplace and environment (Bursa Malaysia, 2008).

Small and Medium Size Enterprise (SMEs)

The definition of SMEs used in this study is based on SME Corporation Malaysia (SME Corp). This definition has been adopted by the government ministries and agencies involved in SME development. A new SME definition had been reviewed in 2013 and has come into effect as of 1 January 2014. The specific definitions of SMEs are based on their annual turnover sales and their employment of full-time employees, and the details as shown in Table 1.1.

Table 1.1
Definition of SMEs

Category	Micro	Small	Medium
Manufacturing	Sales turnover of less than RM300,000 OR full-time employees less than 5.	Sales turnover from RM300,000 to less than RM15 million OR full-time employees from 5 to less than 75.	Sales turnover from RM15 million to not exceeding RM50 million OR full-time employees from 75 to not exceeding 200.

Source: Official website of SME Corporation Malaysia (New SME Definition, effective on 1 January 2014)

Stakeholder-driven CSR

“CSR is presented as a response to the pressure and scrutiny of one or more stakeholder groups” (Maignan & Ralston, 2002). In this study, stakeholders are categorised into internal and external stakeholder-driven CSR. Internal stakeholder-driven CSR occurs when the pressures arise from actors inside of the organisation such as employees. External stakeholder-driven CSR occurs when the pressures originate from individuals or groups outside of the organisation such as customers, local communities, governmental, supplier and competitors (DiMaggio & Powell, 1983; Campbell, 2007).

Performance-driven CSR

In this study, firm performance is referred to the ability of a firm to achieve economic objectives such as cost savings, efficiency, profitability and firms’ images (Inyang, 2013).

Personal Values of Owner-Managers

For the purposes of this dissertation, the personal values of owner-managers are measured by the values structure developed by Allport, Vernon, and Lindzey (1960), which refined the profile of values across six categories, namely religious, economic, social, aesthetic, political and theoretical values.

1.8 Organisation of the Thesis

This thesis is organised in the following manner. Chapter one provides the background to this study, which covers the introduction, problem statement, research questions, research objectives and, the significance of this study. Chapter 2 reviews the literature

related to CSR, CSR activities among businesses, CSR drivers, and the role of personal values. Research framework will be presented after literature reviews. Chapter 3 describes the research design, research methodology, sampling design, research instrument, data collection and also statistical analyses to be conducted in this study. Chapter 4 presents the results of data analysis. Chapter 5 discusses the major findings, implications, limitations of the current study and recommendations for future research.

1.9 Summary

Chapter one described research background which includes the problem statement, significance of the study, research questions, research objectives were all briefly explained for the conduct of this research. Moreover, advancement in the area of competitive environment made companies around the world to adequately comprehend and change into more ethical behaviour in conducting the business operation. Citizens in many countries are making it clear that corporations should meet standards of social and environmental care no matter where they operate. Businesses around the world recognised the adoption of an effective CSR approach can reduce a risk of business disruptions, open up new opportunities and enhance brand and company reputation.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the literature review of the key variables in this study. The first section of the chapter begins with the history of corporate social responsibility (CSR). The next section dwells on reviewing the underpinning theories that explain the phenomenon of CSR activities. The subsequent section comprises explanations on the independent variables and their relationship with CSR and the literature review on personal values as the moderator. The section that follows covers the conceptual framework and hypotheses of the present study and ends with a summary.

2.2 History of Corporate Social Responsibility (CSR)

Adam Smith, the classical economist, initiated the idea of social responsibility in the eighteenth century. Smith proposed that, in the pursuit of efficiency and gains from free trade, and allowing people to have their freedom in terms of employment, purchases and investment, capitalism would maximise liberty and create greater social wealth (Lantos, 2001), hence implying the very origin of the idea of social responsibility for company.

Many advocates of CSR argue that the narrow definition of CSR by Adam Smith is too simplistic and subsequently refined the definition of CSR in a more humane, ethical, responsible, transparent and sustainable way (Marrewijk, 2003). The alternative concepts and formal definitions of CSR have evolved over the years. The book under the credit of Bowen (1953) entitled *Social Responsibility of the*

Businessman, defined CSR as the obligation of businesses to pursue policies and make decisions, or to follow lines of actions which are desirable regarding the goals and the values of society (Bowen, 1953). He viewed CSR as a social obligation that included responsiveness, stewardship, social audit, and corporate citizenship. His work denoted the commencement of the modern period of CSR literature (Carroll, 1999b). Drucker (1954) who followed the same ethical argument used by Bowen asserted that firms have to figure out whether their business activities would enhance the provision of public goods, improve the mindset of the society, and ensure sustainability in the society.

There are three major ideas of the CSR concepts in the 1950s. Firstly, corporate managers are regarded as parties to be entrusted by the public. Secondly, CSR concept involves the act of striking a balance between competing claims and corporate resources. Thirdly, corporate resources are expected to portray its charitable nature in increasing the well-being of the human-kind (Frederick, 2006).

2.2.1 CSR in the 1960s

In the 1960s, the CSR literature expanded significantly. According to Frederick (1960), CSR did not only focus on the interests of private firms. Firms' public posture towards human resources and economics of a society and how these resources were to be used for broader social reasons were gaining attention. Davis (1960) viewed that the decision for businessmen to be involved in CSR should, in part, go beyond their direct economic and technical interest. McGuire (1963) also highlighted that the firms' responsibility to society should extend beyond their responsibility to the economy and

jurisdiction, their obligation to employees, and the social well-being of the society, which encompasses the society necessities toward politics and knowledge creation.

However, Friedman (1962) has criticised the views of CSR by other proponents. According to Friedman, business managers only had the responsibility to shareholders, and the problems of society were not the concern of business. In other words, business managers were not accountable for issues related to public welfare. Friedman mainly focused on profit maximisation.

Friedman's view was criticised by Davis (1967) who opined that businesses did not exist alone as there was mutual dependence between business and society, and a healthy business could not exist within a sick society. Walton (1967) also opposed the view of Friedman by stating that social responsibility always included a certain degree of voluntarism. Hence, Walton consolidated the ethic-based discussion of corporate social responsibility and recognised that the resulting CSR expenses might not be well paid off from the economic perspective.

2.2.2 CSR in the 1970s

Many authors started focusing on the contents and implementation processes of CSR as more firms began participating in CSR activities in the 1970s. Johnson (1971), who was the pioneer in proposing the stakeholder's theory of CSR implementation, recognised CSR as a socially responsible art that balanced an array of interests, rather than just generating enormous monetary prosperity for its shareholders.

Ackerman (1976) further examined the relevant organisational factors and integration mechanisms to manage social issues with the organisation. Sethi (1975) criticised the procedural reaction taken by firms with respect to social issues and then proposed a three-tiered model related to social issues, namely social obligation, social responsibility and social responsiveness. According to Sethi (1975), an enterprise is an integrated part of the society, and social responsibility should go beyond social obligation. Hence, corporate behaviour should come in the form where it is consistent with the current group-held beliefs about how members should behave, values, and the anticipation of societies.

Ackerman and Bauer (1976) described social responsibility regarding their impact on employees, customers, owners, vendors, and communities at large. They contended that the accomplishment of CSR projects relied upon the CEOs of large corporations and proprietors of SMEs. They additionally contended that companies ought to be proactive to empower both internal and external stakeholders to take part in CSR activities.

The first comprehensive framework of CSR was first developed by Carroll in the late 1970s. He proposed that businesses should fulfil four CSR, namely economic, legal, ethical and Philanthropic responsibilities, as shown below (Figure 2.1).

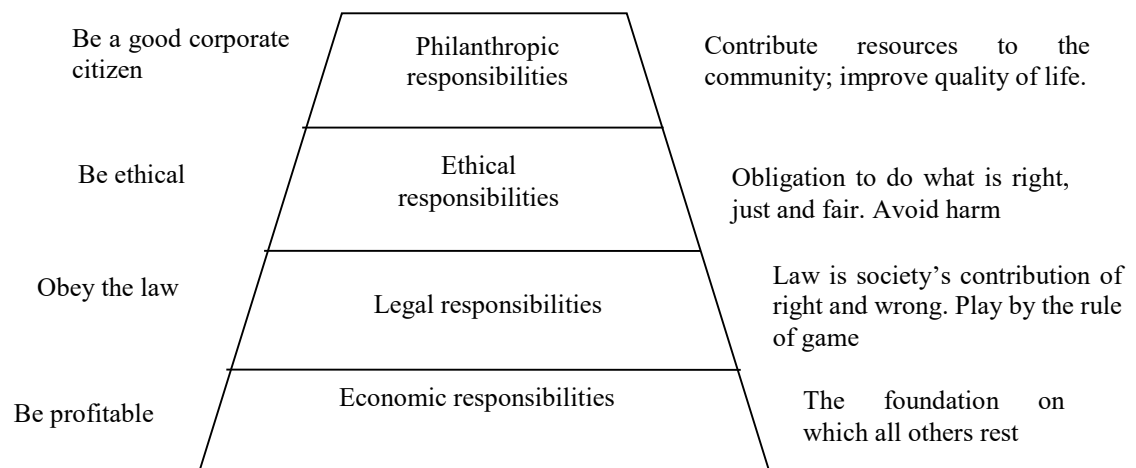


Figure 2.1
The Pyramid of Corporate Social Responsibility
 Source: Carroll (1991)

The new arguments appeared in the 1980s and led to the development of an approach labelled as the stakeholder theory, rather than the customary perspective of advancing the shareholder theory.

2.2.3 CSR in the 1980s

CSR has been extended to financial performances in the 1980s. Many researchers discussed the relationship between CSR and financial profitability. Drucker (1984) asserted that CSR can be a business opportunity to improve financial profitability. Cochran and Wood (1984) also found a positive relationship between CSR and financial profitability.

In addition, a significant reference to the development of stakeholder approach in CSR was proposed by Freeman (1984). Freeman opined stakeholders as any group or individuals whom the accomplishment of firms' mission could affect and be affected. Framework forms the perspective of stakeholder was viewed as a constructive

approach to incorporate the goals of the firms to CSR regarding ethical or moral considerations and values.

Wartick and Cochran (1985) have structured a model which was built upon the corporate social performance model developed by Carroll (1979). Their proposal expanded the scope of CSR integrations, social reactivity, and issues within the realm of society. Wood (1991) extended this model by linking Carroll's pyramid of CSR with social legitimacy, public responsibility, and managerial discretion. Epstein (1987) argued that the linking of social responsibility, responsiveness, business ethics, and corporate social policy process, would bring beneficial effects to the corporate stakeholders.

The rise of the idea of sustainable development was another major development in CSR. World Commission on Environment and Development (WCED) (1987) stated that sustainable development should address the current needs and aspirations without trading off the capability of fulfilling future needs and aspirations. This theme began to recast into alternative concepts, outcomes, and consequences of CSR policies in the 1980s.

2.2.4 CSR in the 1990s

Wood revisited the corporate social performance model based on the works of Carroll (1979), Wartick and Cochran (1985). His work has been viewed as one of the most important contributions to CSR literature. According to Carroll (1991), the main contribution by Wood was to combine Wartick and Cochran's policies and Carroll's social issues and restructure them under a new outcome in corporate behaviour

(Carroll, 1991). Wood (1991) linked Carroll's (1979) pyramid of social responsibility (economic, legal, ethic and philanthropic) with social legitimacy (institutional level), public responsibility (organisation level) and managerial discretion (individual level). Hence, Wood's model identified the processes of social responsiveness in business, which included environment evaluation, stakeholder management, and issue management.

The definitions of the three aspects of stakeholder theory, namely descriptive, instrumental and normative, are differentiated by Donaldson and Preston (1995). They suggested that the descriptive aspect of stakeholder theory illustrated the specific corporate characteristics and behaviours regarding stakeholders. As for the instrumental aspect, the corporation identified the connection, or lack of association amongst stakeholder and management, and the achievements of the customary business objective.

Finally, on normative aspect, businesses needed to infer the functions of the corporations which included the guidelines of philosophical or identifications of morals for the operation of corporations. In contrast, Jones (1995), focusing on the instrumental stakeholder theory connected the CSR-oriented stakeholder model to economic theories and created different propositions, for example, the principal-agent theory, team production theory and transaction cost economics theory.

2.2.5 CSR in the 21st Century

The present day CSR relates to more mind-boggling issues, for instance, the measure to preserve the environment, to manage the human resource, to enhance workplace

well-being and security, and to connect to local communities, suppliers and consumers (Branco, 2007).

The focus of discussion in CSR literature in the 21st century has diverted from being US-dominant to being globally-oriented. Academics such as Perrini *et al.* (2007) from Italy, Lucas, Wollin and Lafferty (2001) from Australia, Maignan and Ralston (2002) from France and Netherlands, Aaronson (2003) from the UK have extended the CSR debate to other nations. Many studies have compared public views of CSR along with the societal function of businesses.

The Commission of the European Communities (2001) defines CSR as a concept where the organisations integrated issues of societal and environmental interest into their business decision-making process, in addition to the voluntary interactions between them and their stakeholders. World Business Council for Sustainable Development (WBSCD) (2000) viewed CSR as improving the well-being of the employees and their families, local communities and society, besides having business organisations to commit to an ongoing obligation to be ethical and contributive towards economic prosperity.

Review on the Chronological Development of CSR Studies

Based on the studies from the 1950s to the 21st century, it is noticed that the motives for CSR activities implementation have shifted from being profit-oriented to social- and environmental-oriented, where the former motive is more purposive in nature, while the latter is more voluntary in nature.

Another observation from past studies is that the targeted beneficiaries from CSR activities have been shifted from the profit-oriented shareholders who focused primarily on monetary rewards to the socially-alert stakeholders who are more concerned with the predominant group-held beliefs, ethical virtue and the anticipation of societies besides profitability.

In addition, the context of CSR studies has shifted from their early focus on US-based companies predominantly to European-based companies in their recent works. The CSR-related studies have subsequently gained strength in the European nations that an official definition of CSR has been proposed by the European Commission to serve as a guideline for CSR implementation.

In a nutshell, since past studies on CSR had focused on developed western nations, CSR studies should, therefore, be extended to the developing nations with a comparison being made between the profit-oriented motives and stakeholder relevance motives, given the fact that Asian countries are more socially concerned after an improvement in their standard of living. This is the gap that the current study is seeking to fill.

2.3 The Definition of CSR

The aim of this study is to find a place for CSR among SMEs. As such, CSR, as developed by the Commission of the European Communities (2001), is proposed. The Commission of the European Communities (2001) defines 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”. This definition

is chosen because it has been constructed in a specific context which includes five dimensions, namely the environmental dimension, the social dimension, the economic dimension, the stakeholder dimension and the voluntariness dimension. All these five dimensions are essential in examining CSR practices among SMEs in Malaysia.

However, with the word “corporate” being associated with “social responsibility”, it would be expected that large corporations would play a significant role in this social domain (Jenkins, 2004). With such an expectation, therefore, the term CSR would be considered unapproachable to SME managements. Academicians have long debated the language and semantics of CSR and whether CSR is distinctive between large corporations and SMEs. Castka, Balzarova, Bamber and Sharp (2004) opined that “corporate” ought to be comprehended on a larger scale of businesses. SMEs have been viewed as an issue in the CSR discourse because they have neglected their participation in CSR activities (Jenkins, 2004). Also, large corporations are always associated with the stakeholder concept, numerous SMEs have often excluded this term in their organisations’ practices (Jenkins, 2006).

Hence, several alternatives have been suggested to replace CSR, such as ‘small company social responsibility’ (Lepoutre & Heene, 2006), ‘responsible business behaviour’ (Ortiz & Kuhne, 2008) ‘business social responsibility’ (Jamali *et al.*, 2009), ‘responsible business practice’ (Moore & Spence, 2006) and ‘responsible entrepreneurship (Fuller & Tian, 2006).

However, many authors such as Murillo and Lozano (2006), Sweeney (2007), and Perrini (2006) still preferred the term CSR when analysing the issue of social responsibility in a wider range of business. Perrini *et al.* (2007) asserted that SMEs' business behaviours have exhibited a substantial impact on economic, social, and environment. However, they did not utilise the term CSR to depict their practices. Therefore, "silent CSR" or "sunken CSR" have been used to describe SMEs as they were "unknowingly socially responsible" (Perrini, 2006).

As a result, the term CSR could still be used in SME context (Russo & Perrini, 2010). The Public Draught of the Australian Corporate Social Standard (Standard Australia, 2003) also stated that "corporate" ought to be comprehended in a wider scope. The idea of CSR is comprehensive by characteristics and applicable for different types and sizes of the organisation, be it small, medium or multinational in scale, or be it manufacturing or service in nature. Following this line of reasoning, this study will employ the concept of CSR while examining the societal obligation for all types of small and medium enterprises.

2.4 Underpinning Theories

In general, two theoretical frameworks are regularly used in the study of CSR practices in SMEs, namely stakeholder theory and social capital theory. According to previous studies, social capital theory or stakeholder theory alone is not well-suited to examine CSR as they neglect the issue of how stakeholders are being coerced upon by specific political and cultural norms which make firms adopt CSR practices (Campbell, 2007).

In addition, past studies have proposed the use of the stakeholder-institutional theoretical framework to justify a firm's implementation of CSR (Campbell, 2007; Marquis, Glynn, & Davis, 2007; Teelak, 2007). The combination of stakeholder-institutional theories has been seen as a useful theoretical approach to examine CSR practices among large corporations (Aguilera & Jackson, 2003; Campbell, 2006, 2007). Hence, the adoption of the stakeholder theory, institutional theory, and social capital theory may provide alternative perspectives to the study of CSR among SMEs.

2.4.1 Stakeholder Theory

Stakeholders have been regarded as important target groups for CSR activities (Abreu, David, & Crowther, 2005; Clarkson, 1995; Davenport, 2000; Longo, Mura, & Bonoli, 2005). The stakeholder theory describes the relationship between society and business (Freeman, 1984). According to Freeman (1984), the term 'stakeholder' emerged in 1963 at the Stanford Research Institute (SRI). SRI defined stakeholders as the groups that an organisation needed to depend on for their continued survival. This traditional view of stakeholders was only limited to shareholders of the business.

Freeman (1984) argued that firms must deal with groups that could affect them. According to Freeman (1984), the classifications of stakeholders have been done by many scholars and each group (stakeholder) could be assigned based on its relative importance to an organisation out to reach its objective.

The stakeholder theory consists of two perspectives, namely normative and managerial (Deegan & Unerman, 2011). The ethical perspective highlights the responsibilities of organisations and emphasises on how organisations should consider

the interest of all stakeholders (Donaldson & Preston, 1995). In other words, all stakeholder groups have the privilege to be well dealt with by a company. The more important the stakeholders to the organisation, the better the efforts will be exerted by organisations in managing their relationship with the stakeholders.

2.4.1.1 Forms of Stakeholder Theory

Three forms of stakeholder theory, namely instrumental, descriptive and normative have been identified (Donaldson & Preston, 1995). Instrumental stakeholder views that firms will respond to stakeholders' concerns only when they are consistent with profit maximisation objectives. In other word, the instrumental approach explores specific links between the stakeholder management and company performance.

The descriptive approach focuses on the past, present, and future activities of companies and their stakeholders, to create predictive plans that are related to stakeholder management. Among these three approaches, the normative approach tries to interpret the establishment of some fundamental moral and philosophical principles (Donaldson & Preston, 1995).

Mitchell, Agle and Wood (1997) contented that the importance of stakeholders lies upon their salient attributes, namely power, legitimacy, and urgency. Stakeholders can possess one or more of these attributes. If stakeholders possess only one attribute, one can label them as latent stakeholders who contain low stakeholder salience. Among these latent stakeholders, if power is their attribute, they are labelled as dormant stakeholders; if legitimacy is their attribute, then they are discretionary stakeholders. If urgency is the only attribute, they are referred to as demanding stakeholders. If two

attributes exist at the same time, stakeholders' salience is moderate, and they are labelled as expectant stakeholders. If stakeholders' attributes consist of power and legitimacy, they are called dominant stakeholders. If they have legitimacy and urgency, they are the dependent stakeholders, and if their attributes are power and urgency, they are called dangerous stakeholders.

In a similar vein, Freeman (1984) classified stakeholders into shareholders, customers, employees, suppliers, communities, and the environment. On the other hand, Freeman and Reed (1983) classified stakeholders as narrow stakeholders and wider stakeholders. Narrow stakeholders are the individual who is the most influenced by an organisation, such as shareholders, management, employees, suppliers, and customers.

Wider stakeholders are those who are less affected such as government, the wider community, and peripheral groups. Clarkson (1995) identified two categories of stakeholders, namely primary stakeholders that comprise the organisation itself, employees, shareholders, customers, and suppliers, and secondary stakeholders that consist of media and different special interest groups.

On the other hand, Davenport (2000) classified stakeholders into customers, suppliers, employees, shareholders, and communities. In a similar vein, Longo *et al.* (2005) divided the stakeholders into four groups that include employees, suppliers, customers and the community.

In the SMEs context, the bond with stakeholders is tight, unique, greatly personalised and, always on a one-to-one basis (Perrini, 2006). SMEs owners gave additional

consideration to the internal stakeholders, particularly employees (Jamali *et al.*, 2009). However, they also tended to be linked to the development of the local community (Spence & Schmidpeter, 2003). There is not much difference between SMEs and large corporations regarding stakeholder classification but, the nature of stakeholder's relationship and the way to manage these relationships are different (Perrini, 2006).

From the above discussions, the stakeholder theory is closely related to CSR and has been used to describe firms' CSR behaviours about their stakeholders. However, the stakeholder theory alone is not well-suited to examine CSR practices as it overlooks the question of how stakeholders are associated with politics, culture, and others institutional environment (Campbell, 2007). To fill this gap, the institutional theory ought to be taken into account to explore how institutional conditions can influence stakeholders' involvement in firms' CSR behaviours.

2.4.2 The Institutional Theory

The institutional theory emphasises on the pressure and restrictions facing the institutional environment on the organisational choices (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). Examples of institutions include public and private regulations, NGOs and other independent establishments that monitor and organise dialogues among businesses and stakeholders (Campbell, 2007; Matten & Moon, 2008).

DiMaggio and Powell (1983) proposed three institutional systems that compel companies to be adaptable to their institutional surroundings – coercive, mimetic and normative isomorphism. The formal and informal coercion put by members of the

institutional environment on the organisations results in coercive isomorphism. Examples of pressure include direct measures by way of rules, norms or laws, and sanctions. Mimetic isomorphism refers to lawful practices from the behaviours of other organisations. Uncertainty is also another dominant force that encourages imitation. Normative isomorphism is primarily from professionalisation regarding ways of thinking, norms, and models conveyed through education and professional bodies.

Early institution theory stated that companies could sustain and attain their goals when involving in lawful activities (Suchman, 1995). Legitimacy results in an isomorphism between the firms, and this, subsequently, causes uniformity among firms (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). However, Levy and Rothenberg (2002) explain numerous channels through which institutionalism would cultivate diversity, rather than uniformity. First, institutional forces or pressures should be transformed, filtered and comprehended by the firms' managers based on the organisational unique historical and cultural background. Second, an institutional field may enclose contradicting institutional coercion and need prioritisation from the firms' managers. Third, multinational organisations operate within institutional fields, both at the societal and organisational levels exposed to various types of institutionalised practices and norms.

Jennings and Zandbergen (1995) examined the institutional theory on firms' practices in managing issues of environmental concern. Coercive pressure, mainly in terms of regulations and regulatory enforcement was the primary stimulus of environmental management practices. Firms in each industry were found to implement similar

practices. Milstein, Hart and York (2002) reported different levels of coercive pressure being applied to different industries, and this had led to different environmental management strategies.

In the case of CSR, it is found that the dominant mechanism firms are considered as coercive isomorphism. Teelak (2007) found that coercive isomorphism such as a certified management standard (CMS) was a conspicuous endeavour from institutions to characterise the firms' socially responsible behaviours. According to Campbell (2007), through coercive isomorphism, industry's association can set a standard for its members on product quality control, workplace safety and the likes of socially responsible behaviours. However, mimetic and normative isomorphisms have also been documented (Matten & Moon, 2008). Global reporting initiative (GRI) was considered as normative isomorphism and was discussed under social organisational performance (Waddock, 2008).

Institutional theory is associated with CSR by taking into account the interactions and interdependencies among stakeholders, and the creation of rational myths that regulate and standardise firms to implement CSR and thus subsequently leading to the homogenisation of institutional environment (Matten & Moon, 2008).

2.4.2.1 Institutional Pressure

Based on the institutional theory, firms can sustain and achieve their objectives only when lawful actions are performed. Hence, based on the standards for legitimate organisational practices, they put forth their coercion on firms in conforming to social

norms, motivate and drive the implementation of CSR practices (Campbell, 2007; Doh & Guay, 2006; Galaskiewicz, 1997; Matten & Moon, 2008).

In showing how firms could identify the characteristic and the extent of socially responsible corporate behaviours, Scott (2001) classified institutions into three elements, namely regulatory, normative and cultural-cognitive. First, regulative or legal systems consist of rules, regulations, and sanctions that codify socially acceptable behaviour of firms. Different regulatory systems conducted by different actors can generate various types of CSR. Examples of such regulations could be conducted by the state to establish hard regulations that serve as the coercive mechanism for CSR adoption while industries develop soft regulations to encourage their members to participate in CSR voluntarily (Campbell, 2007; Marquis *et al.*, 2007). Second, normative or social elements are referred to as the values and social norms (Marquis *et al.*, 2007) for acting as a good corporate citizen (Brammer & Millington, 2004). Normative values are determined by an array of social players that include the media, NGOs, educational, professional associations and social movement organisations. Cultural-cognitive elements comprise common beliefs, shared the logic of action, and take a more informal structure. These beliefs are comprehensively shared and give crucial layouts to encompassing individual insights and decisions to participate in CSR activities (Scott, 2001).

Srinivasan, Lilien and Rangaswamy (2002) highlighted institutional pressures originating from an organisation's environment which includes stakeholders' pressure and competitive pressures. Stakeholders' pressure includes the pressure from customers, the public, trading partners, the media, and employees. Other scholars have

classified institutional pressure into two categories, namely internal pressures and external pressures. Both internal and external institutional pressures are exerted on firms to embrace CSR initiatives (Aguilera *et al.*, 2007; Campbell, 2007; DiMaggio & Powell, 1983; Logsdon & Wood, 2002; Matten & Crane, 2005; Weaver, Treviño, & Cochran, 1999). External institutional pressures include the government, consumers and the public (DiMaggio & Powell, 1983) while internal institutional pressures include employees, management, organisational culture, structure and leadership (Campbell, 2007).

Institutional theory is traditionally the domain of research on the social or cultural pressure in analysing CSR in large companies, especially multinational companies. For example, Lee (2011) introduced a theoretical framework that combined institutional and stakeholder theories to shape the large companies' CSR strategies. Yang and Rivers (2009) employed stakeholder theory and institutional theory to identify internal and external pressures for legitimacy in MNCs' subsidiaries. Nikolaeva and Bicho (2011) examined the role of institutional pressures on corporate social responsibility among 600 top global companies. Muthuri and Gilbert (2010) used institution theory to examine the form of CSR practices in companies both domestically and internationally. However, this theory is also applicable in analysing CSR in SMEs as both large companies and SMEs have a close relationship with the stakeholders (Perrini, 2006).

2.4.3 The Social Capital Theory

Coleman (1988, 1990) and Putnam (1993) discussed the concept of social capital. Cooperation, trust, and reciprocal social norms are the key factors in promoting social

capital (Coleman, 1990; Cote & Healy, 2001; Fukuyama, 1995; Putnam, 1993). The social capital consists of the institutions, relationships, attitudes and values that influence people in contributing to economic and social development (Grootaert & Bastelaer, 2001). Coleman (1990) defined social capital by its function in which a variety of different actors have common features. These common features consist aspects of social structure that promote these actors within the structure.

Putnam, Leonardi and Nanetti (1993) defined social capital as a social interaction among individuals or households and related norms and values that generate externalities to improve the efficiency of the society. From interpersonal interactions by certain interest groups, Putnam predicted that these externalities enable participants to pursue shared objectives and enhance the cooperative social network.

Some researchers argue that trust is an outcome of social capital. For example, Fukuyama (1995) integrated social capital and trust, and defined social capital as the radius of trust, working within an economic framework. Cote and Healy (2001) viewed trust as an element of shared values that form social capital. The concept of trust also has been discussed by Nahapiet and Ghoshal (1998). The social capital dimensions identified by them include structural, cognitive and relational. Many studies have found the significance of each dimension from the perspective of SME business (Fuller & Tian, 2006; Xerri & Brunetto, 2011).

The structural dimension of social capital theory is related to the network that grants access to resources and information (Liao & Welsh, 2005) which includes a connection with the community, with other firms and government. As SMEs owners

tend to have personal and interpersonal relationships with their stakeholders, this networking can be used to help them in their functioning (Murillo & Lozano, 2006). Cognitive dimension of social capital is related to share representations, interpretations and systems of meaning among parties (Nahapiet & Ghoshal, 1998). Among these dimensions of social capital, the relational dimension is built on trust. Relational dimension of social capital enhances trust, norms, responsibility, anticipation, identity, respect and friendliness of the SME owners to other counterparts in the community. This common understanding stimulates trusting relationships among the stakeholders in the network. According to Birley (1985), the relational dimension is a distinctive feature of SMEs that enables SMEs to obtain physical and emotional support in their business operations (Liao & Welsch, 2005). The creation of the sense of similarity via the common language and code facilitates the exchange of information and cooperation in the future.

Hence, it is not surprising that social capital theory has been widely adopted in examining the nexus of CSR and SME owner-managers as they have more personal and interpersonal relationship with their stakeholders (Fuller & Tian, 2006; Russo & Perrini, 2010; Roxas, 2008; Worthington *et al.*, 2006; Xerri & Brunetto, 2011). Research by Perrini (2006) suggests that the motivations for SMEs practices are based on factors of social capital such as reputation, the trust of stakeholders, company legitimacy, and consensus pressure.

Zu and Song (2008) argued that CSR can generate social capital, such as improving image from the lens of the public, communities and industrial relations for SMEs to grow. Other researchers also support social capital as a multi-dimensional concept

because it has been examined regarding trust, reciprocity norms, and relation network competencies. Besides, social capital also relates to business ethics such as transparency, goodwill and good citizenship (Paldam, 2000; Putman, 1993; Spence & Schmidpeter, 2003).

Based on previous studies, social capital has gained importance in CSR research, especially when associating the concept of CSR with SMEs (Fuller & Tian, 2006; Roxas, 2008; Spence & Schmidpeter, 2003; Worthington *et al.*, 2006; Xerri & Brunetto, 2011). Spence and Schmidpeter (2003) identify a few types of social capital which could be linked to SME's social responsibility, for example, informal business relationship, networking within sectors and across the sectors, and also classical tools of responsibility such as charity and voluntary activities.

Fuller and Tian (2006) proposed reasons SMEs contribute to social capital such as a feeling of “give something back” to the community and the possible benefits from their involvement. To understand the social role and responsibility of SMEs, social capital is indeed a resource for SMEs and may contribute to their economic capital, such as profit.

Integrating Social Capital Theory with the Stakeholder-Institutional Theory of CSR

Based on past studies, the concept of social capital is appropriate in analysing CSR-SME relationship because SMEs are less structured and operate in the local market (Fuller & Tian, 2006; Roxas, 2008; Spence & Schmidpeter, 2003; Worthington *et al.*, 2006; Xerri & Brunetto, 2011) where interpersonal relationship between SME owner-

managers and the stakeholders are informal and based on trust, respect and social networking explain in the social capital theory.

The stakeholder theory emphasises the types of groups or individuals involved in business and the interactions between the organisation and these stakeholders. However, this kind of interaction may only reflect a superficial obligation of the organisation in undertaking CSR activities, without considering if there is any pressure from the stakeholders.

Hence, an institutional theory is appropriate in explaining the motives of practising CSR if the conformance is otherwise rooted from pressures given by the stakeholders. As such, the existing stakeholder theory can be expanded by considering the elements of pressure proposed in the institutional theory, to become ‘institutional-augmented stakeholder theory’ in the present study.

The social capital theory emphasises the interpersonal relationship built upon trust and respect, it should, therefore, reflect the form of relationship between SME owner-managers and their pressure-exerting stakeholders whose concerns would be taken care of through trust and respect shown by the owner-managers. Social capital theory is an underlying theory explaining the way SME owner-managers interact with their stakeholders as proposed in the “institutional-augmented stakeholder theory”.

2.5 Nature of Corporate Social Responsibility Practices in SMEs

For the past few decades, SMEs become increasingly crucial for almost every country's economy and their accomplishments have a noteworthy impact around the world.

Jenkins (2004) had criticised that the academic literature focusing on SMEs for CSR is limited. Large parts of the studies on CSR are focused on large companies. Conventional CSR theories are also based on the myth that SMEs are “little big companies” (Tilley, 2000) scaled down to ‘fit’ SMEs. It is not suitable to contemplate strategies for SMEs based on the norms of large companies because of the special characteristics of SMEs. Another new explanation of CSR relevant to SMEs should be developed to understand SMEs involvement in CSR programmes.

2.5.1 Differences between Large Corporations and Small and Medium-Sized Enterprises (SMEs)

The characteristics of a company tend to influence the CSR practices, and it has been widely discussed by researchers. They compare and contrast large corporations and SMEs using different dimensions. Hence, when it comes to analysing the differences between different companies, SME related theories have to take motivations, constraints and uncertainties into consideration. This is because SMEs are not scaled down versions of large corporations (Westhead & Storey, 1996). SMEs are mainly owned and managed by the owners, hence, the personal characteristics of the ‘owner-managers’ will have a significant impact on the company's structures, strategies, social behaviours and CSR orientations (Jenkins, 2006, 2009; Spence, 1999). According to Jenkins (2004), the management of SMEs owners is on personal

judgement, motivation, intuition, and trust, while corporate managers are associated with strategies, procedures and results. Jenkins listed 14 dimensions of the cultural differences between large corporations and SMEs as shown in Table 2.1.

Table 2.1
Cultural Differences between Large Corporations and SMEs

Large Corporations	SMEs
Order	Untidy
Formal	Informal
Accountability	Trusting
Information	Personal observation
Clear demarcation	Overlapping
Planning	Intuitive
Corporate strategy	“Tactically strategic”
Control measures	“I do it my way”
Formal standards	Personally monitoring
Transparency	Ambiguous
Functional expertise	Holistic
Systems	“Freely”
Positional authority	Owner-managed
Formal performance	Customer/network exposed

Source: Jenkins (2004)

Hashim (2000) has also refined SMEs in four qualitative characteristics to show the common ownership profiles of SMEs. First, it is actively managed by its owner-manager or family business. Second, it is highly personalised, referring to the management style of owners. Third, it is mainly local in its area of the company, and lastly, it is largely dependent on the internal source of capital to expand its business development.

The disposition of stakeholder management relationship for SMEs is not much different when compared to MNCs (Jenkins, 2006). However, the management of their relationship tends to be different due to the nature of doing business. SMEs are largely emphasis on the interpersonal and personal relationship. Hence, stakeholder relationships for SMEs might be founded on a more informal style. Fuller and Tian

(2006) concurred that SMEs are largely personal, and their relationship with stakeholders, employees, customers, suppliers and the local community is more direct and impersonal compared to large corporations.

Studies show that SMEs have a high degree of inter-relation with the local communities (Jenkins, 2004; Murrillo & Lozano, 2006), produce a strong, caring relationship with employees and customers (Miller, Miller, & Scholnick, 2008) and focus on the areas of the welfare and participation of workers (Vives, 2006).

Research on SMEs and their interpersonal associations with the different stakeholder groups find that SMEs aim at establishing closer ties with local communities as compared to large corporations (Perrini *et al.*, 2007; Russo & Tencati, 2009). This also enhances reputation and stimulates confidence and loyalty, workforce stability and better relationship with financial institutions, suppliers, and partners (Vyakarnam, Bailey, & Burnett, 1997). Studies also highlight that SMEs also pursue employees' health and safety so as to improve the work environment and productivity, and create market opportunities (Murrillo & Lozano, 2006; Spence & Lozano, 2000).

Studies comparing SMEs and MNCs regarding their organisational structure and management style have revealed that SME owner-managers have high levels of autonomy in decision making (Jenkins, 2006). They tend to have small management teams who are greatly influenced by owners' values, policies and daily practices (Murrillo & Lozano, 2006). The values of owners and managers of SMEs, such as ethics and religion influence CSR practices among SMEs (Vives, 2006).

In a nutshell, since the SME owners emphasise personal judgement, motivation, intuition and trust, while corporate managers are associated with strategies, procedures and results, CSR motivations and outcomes between these two types of companies also vary to a certain extent, especially when SMEs owner-managers' decision makings are largely based on their personal values. As such, a study of CSR practices among SME owner-managers is warranted.

2.5.2 Corporate Social Responsibility in Small-Medium Sized Enterprise (SME)

The practices of CSR in SMEs are different from those of larger firms. Involvement of SMEs in CSR activities is often based on less formalised business strategies and ethical rationales of the SMEs' owner-managers. Therefore, there is a tendency for SMEs to under-report their CSR activities. This can be due to SMEs' informal approach in conducting their CSR activities. As such the public is less likely to be aware that SMEs are adopted CSR activities (Business in Community, 2002; Russo & Tencati, 2009).

Many SMEs carry out a range of activities that can be perceived as CSR. However, they go unrecognised because they do not use the official terminologies, including the term CSR itself (Granerud, 2011; Spence, 2007). The involvement of SMEs in CSR activities has been highlighted by Perrini's (2006). He noticed that European SMEs are actively involved in CSR, whereby 50% of SMEs have implemented CSR activities.

Many researchers have categorised SMEs CSR activities into four main categories, namely workforce-oriented (Dzansi & Pretorius, 2009; Jenkins, 2006; Kechiche &

Soparnot, 2012; Moore, 2001), market-oriented (Dzansi & Pretorius, 2009; Granerud, 2011; Jenkins, 2006; Kechiche & Soparnot, 2012; Moore, 2001), community-oriented (Dzansi & Pretorius, 2009; Hess, 2001; Jenkins, 2006; Russo & Tencati, 2009) and, environmental-oriented activities (Jenkins, 2006; Moore, 2001; Preston & O'Bannon, 1997; Russo & Tencati, 2009; Vives, 2006).

2.5.2.1 Workforce-Oriented CSR Activities

Workforce-oriented CSR activities refer to the activities that seek to improve the working conditions of the workers. This can be done by providing work-life balance, supporting workers' involvement with community causes, committing to the health and safety of the employees, supporting staffs to develop their skills and long-term job prospects and ensuring that sufficient steps are taken against all forms of discrimination (Hess, 2001; Jenkins, 2006; Madden *et al.*, 2006). According to Vives (2006), workforce-oriented activities also include health and welfare of the employees, training and participation in business, equality of opportunities, work-family relationships and corporate governance practices.

2.5.2.2 Market-Oriented CSR Activities

Customers have been recognised as one of the most important stakeholders for SMEs. They have been viewed as primary social responsibilities by SMEs (Preuss & Perschke, 2010). To stay competitive, firms need to fulfil the requirements of their customers because the latter determine the growth of the business. Studies by Hess (2001), Dzansi and Pretorius (2009), Hammann *et al.* (2009) have identified market-oriented CSR activities which are important to SMEs, such as providing quality and safe products, accurate information, coping with customer complaints and customer caring.

2.5.2.3 Community-Oriented CSR Activities

Community-related activities are related to improving the welfare of the local communities in which a firm operates. Socially responsible businesses can engage themselves in CSR initiatives by providing support for local events, such as donations to charity, donations for community causes, working with local schools projects, and sponsorships of community events (Dzansi & Pretorius, 2009; Hess, 2001; Jenkins, 2006; Worthington *et al.*, 2006). These activities are viewed as building a good-neighbourly relationship that deals with local concerns.

It is argued that, in the context of CSR, SMEs are more likely to contribute to their local communities as compared to large firms (Andrés, Pérez, Polo, & Carrasco, 2012; Moore & Spence, 2006; Murillo & Lozano, 2006). Community involvement, such as donations, sponsorship of sporting events, internships and study grants, participation in education, training, employment, working with local schools and supporting local homeless people are some CSR activities undertaken by SMEs (Jenkins, 2006; Santos, 2011).

2.5.2.4 Environmental-Oriented CSR Activities

Environmental management has received considerable attention in CSR strategies. Researchers have identified various approaches SMEs can undertake to minimise the negative impact arising from their business activities (Hess, 2001; Jenkins, 2006; Murillo & Lozano, 2006; Vives, 2006). Environmental-oriented activities involve measures that SMEs can implement to control the negative impacts on environment, for example, reduction of energy consumption, reduction of waste, environmental reporting, environmentally “friendly” packaging, and reduction of greenhouse gas

emission (Hess, 2001; Jenkins, 2006; Madden *et al.*, 2006; Murillo & Lozano, 2006; Vives, 2006).

According to Santos (2011), the most common environmental CSR practices for SMEs are to bring about a reduction in pollution and waste as well as the implementation of environmental management systems. Research that has been conducted to examine CSR practices are shown in Table 2.2.

Table 2.2
Listed CSR Practices from Literature Review

	Employee	Community	Market	Environment
Andrés <i>et al.</i> , 2012		√		
Carroll, 1979		√	√	
Dzansi and Pretorius, 2009	√	√	√	
Fuller and Tian, 2006	√	√	√	√
Granerud, 2011			√	
Hess, 2001		√		
Jenkins, 2006	√	√	√	√
Kechiche and Soparnot, 2012	√		√	
Moore, 2001	√		√	√
Murillo and Lozano, 2006		√		
Preston and O'Bannon, 1997				√
Russon and Tencati, 2009		√		√
Santos, 2011	√	√	√	√
Vives, 2006	√	√		√

2.5.3 CSR Practices in Malaysia

To date, it has been found that a majority of CSR research in Malaysia centred on large firms (e.g. Amran & Susela, 2008; Nik Ahmad *et al.*, 2003; Rahman *et al.*, 2011; Ramasamy & Ting, 2004; Teoh & Thong, 1984). Furthermore, most studies emphasise the awareness of CSR (Zulkifli & Amran, 2006), CSR disclosures and reporting (Ramasamy & Ting, 2004; Thompson & Zakaria, 2004), and corporate governance (Devi, 2003).

CSR studies have focused on the awareness of CSR among large firms in Malaysia. Locally published studies on CSR awareness in Malaysia were conducted by Teoh and Thong (1984) on 100 foreign and locally owned firms in Malaysia. Their studies focused on three related issues; the understanding of the concept, the nature of CSR, and the extent of corporate social reporting.

Ramasamy and Ting (2004) also investigated CSR awareness among employees in Malaysia and Singapore. The results reveal that the employees who worked in Singaporean firms are more aware of CSR practices than employees from Malaysian firms. This infers that different levels of economic development may have contributed to different CSR awareness.

As CSR activities in Malaysia are mainly focused on large firms, such as PLCs and GLCs, disclosures of CSR have attracted the interest of researchers in Malaysia. Many local studies have tried to explore CSR disclosures by PLCs and GLCs. Association of Chartered Certified Accountants (ACCA, 2004) survey found that 43% of the firms had reported their CSR initiatives involving social dimensions while 26% planned to do so in the future.

Nik Ahmad *et al.* (2003) examined CSR disclosures in the annual reports of 200 firms listed on the Kuala Lumpur Stock Exchange (KLSE). The study showed that most organisations revealed information related to products and consumers, employees and community. There is not much difference regarding nature and the types of CSR disclosure across industry groups.

Rahman *et al.* (2011) assessed the level of CSR disclosures by 44 GLCs between 2005 and 2006. The study found the topic of disclosure has changed from human relations to the marketplace. The study also found that some GLCs have influenced other firms to disclose their CSR practices. It was also reported that GLCs are more willing to report on CSR matters as the result of government intervention, through policies and regulations, such as the launching of *The Silver Book* in 2006. The existing guidelines on the different issues of social responsibilities are summarised in Table 2.3.

Table 2.3
Malaysian Guidelines on CSR Issues

Malaysian Guidelines	Date	Agency	Main Issues
Malaysian Code on Corporate Governance (MCCG)	1999, revised 2007	Malaysian Institute of Corporate Governance	- Corporate governance
National Integrity Plan (NIP)	Apr 2004	Institute of Integrity Malaysia	- Enhancing corporate governance, business ethics, and CSR – has a Corruption Perception Index (CPI) factor.
Government – Linked Companies (GLCs) Transformation Program	May 2004	Putrajaya Committed on GLC Performance (PCG)	- Enhance board effectiveness - Strengthen directors capabilities - Improve the regulatory environment - Clarify social obligations - Review and revamp procurement - Manage and develop leaders and other human capital - Intensify performance management
The Green Book	Apr 2006	PCG	- Enhancing board effectiveness governance.
The Silver Book	Sept 2006	PCG	- Enhance shareholder returns and meets the needs of other key stakeholders - Create value for shareholders and other key stakeholders - Manage contributions to society.
CSR Framework	Late 2006	Bursa Malaysia	- Environment, community, marketplace and workplace.

Source: Lu and Castka (2009)

In addition, the role of the government in promoting CSR initiative has also been investigated. Amran and Susela (2008) explored the role of the government in the development of corporate social reporting in the Malaysian context. The results indicate, based on the annual reports from 201 listed companies in Bursa Malaysia, that the government has played a vital role in the development of corporate social reporting in Malaysia. Companies that are dependent on government or a higher proportion of government ownership are likely to report their CSR practices.

Much effort has been carried out by the Malaysian government to promote the awareness of the CSR such as awards for good practices in the area of CSR in order to raise awareness of CSR among the private sectors. The awards are shown in Table

2.4.

Table 2.4
Malaysia Awards for CSR Practices

Malaysian Awards	Date	Award Initiator	Main Issues
Quality Management Excellent Awards (QMEA)	1990	Malaysia Productivity Corporation (MPC)	<ul style="list-style-type: none"> - Top management leadership and management of quality - Use of quality data and information - Human resources management - Customer focus - Quality assurance of external suppliers - Process management - Quality and operational/business results.
Prime Minister's Hibiscus Award (PMHA)	1996	Business Council for Sustainable Development (BCSDM)	<ul style="list-style-type: none"> - Environment
Malaysian Business Corporate Government Award	2002	Malaysian Business Association of Chartered Accountants (ACCA)	<ul style="list-style-type: none"> - Corporate governance
ACCA Malaysia Environmental Reporting Award	Jul 2002	Association of Chartered Accountants (ACCA)	<ul style="list-style-type: none"> - Corporate transparency

Malaysian Awards	Date	Award Initiator	Main Issues
ACCA Malaysia Environmental and Social Reporting Awards (ACCA MESRA)	Oct 2004	Association of Chartered Accountants (ACCA)	- Environmental - Social
Malaysian Business Ethics Excellence Award	2005	Business Ethics Institute of Malaysia (BEIM)	- Business ethics - Code of ethics
Prime Minister's CSR Award	2007	Ministry of Women, Family and Community Development	- Education - Environment - Culture and heritage - Community and social welfare - Small company CSR - Workplace - Media reporting
StarBiz-ICR Malaysia Corporate Responsibility Award	Jan 2008	Star Biz and ICR Malaysia	- Marketplace - Workplace - Environment - Community

Source: Lu and Castka (2009)

Criticism on the past CSR studies in Malaysia

Most of the previous studies done on CSR in Malaysia were only focused on CSR disclosure and reporting for large corporations, with a less focus being placed on the CSR practices in the smaller-size company, such as the SMEs. Studies on CSR practices in SMEs should not be neglected since the SME owner-managers have developed close ties with their stakeholders which better facilitates for CSR implementation – a close tie that may not be observed in large corporations that follows a rather formal standard operating procedure in implementing CSR activities. In addition, such a close tie between the SME owner-managers and their stakeholders could be maintained through informal interpersonal interaction that is much influenced by the SME owner-managers' personal values – a characteristic that is less observed in the large corporation where CSR practices are well strategized and planned alongside their corporate value.

However, there are some exceptional cases in Malaysia studies on how CSR SMEs is implemented. For example, Nejati and Amran (2009) conducted an exploratory study on ten Malaysian SMEs to provide some fundamental knowledge of the reasons that motivate Malaysian SMEs to participate in CSR activities. The study involved ten Malaysian SME founder-owners. A series of semi-structured interviews with these SME founder-owners found that their tendency in practising CSR practices was based on religious reason, owner's beliefs and values, and also pressure and encouragement from stakeholders.

Nonetheless, their study is limited to understanding the motivation behind ten Malaysian SMEs, which are not representative of the entire SMEs in Malaysia. New studies are needed as the sample size in this study only involved ten SMEs using a qualitative approach. Another study conducted by Ahmad *et al.* (2012) noted that there is a linkage between personal values of the SMEs entrepreneurs in relation to ethical and socially responsible practices and business performance. However, such a linkage is a direct one running from personal values to CSR implementation. One should notice that the relationship between personal values and CSR implementation could be an indirect one, given the fact that the same CSR driver could lead to differing intention for CSR practices if SME owner-managers are under the influence of different personal values. This is a gap that the present study is seeking to fill up. Further justification will be explained below.

2.6 Drivers of Corporate Social Responsibility (CSR) in SMEs

The motivations behind the firm practices of CSR are adopted from Maignan and Ralston (2002), which consists of stakeholder-driven CSR, performance-driven CSR,

and value-driven CSR. Stakeholder-driven CSR and performance-driven CSR are discussed in this section as independent variables followed by personal values of the owner-managers as intervening (moderating) variables.

2.6.1 Stakeholder-driven CSR

The stakeholder-driven CSR focus on how firms meet the expectations of their stakeholders (Massoud, 2010). Stakeholder-driven CSR, are exhibited as responses to the pressures and investigations of one or more stakeholder groups (Maignan & Ralston, 2002). Stakeholders play a crucial role in CSR matters, and firms are responsible for promoting the interests of stakeholders, for example, employees, suppliers, customers and other stakeholders who can affect the allocation of organisational resources (Friedman & Miles, 2002).

It is noted that the stakeholder theory has been developed primarily for large firms (Abreu, David, & Crowther, 2005; Clarkson, 1995; Davenport, 2000; Longo *et al.*, 2005; Papasolomou-Doukakis, Krambia-Kapardis, & Katsiolouides, 2005). However, the stakeholder theory is still applicable to small firms (Jenkins, 2004). Much literature on SMEs have described the stakeholder theory as a viable theory for SME CSR activities (Fuller & Tian, 2006; Hammann *et al.*, 2009; Jenkins, 2004, 2006; Murillo & Lozano, 2006; Perrini, 2006; Russo & Perrini, 2010; Spence, 2007; Vives, 2006).

Russo and Perrini (2010) assert that the stakeholder's theory explains CSR issues associated with large firms. Fuller and Tian (2006) suggested that the nature of conducting business in SMEs is largely personal, and the close relationship between management style and ownership make SMEs different from the large firms (Vives,

2006). The differences between stakeholder relationships with SMEs and large firms are shown in Table 2.5.

Table 2.5

<i>Stakeholder Relationships Differences between SMEs and Large Firms</i>	
Corporate CSR	Small Business CSR
<i>Who</i>	<i>Who</i>
<ul style="list-style-type: none"> - Responsible for wide range of stakeholders - Perceived responsibility to society at large - Importance to shareholders 	<ul style="list-style-type: none"> - Responsible to few and different stakeholders - Perceived responsibility to the local community - SME often don't have shareholders
<i>Why</i>	<i>Why</i>
<ul style="list-style-type: none"> - Protection of brand image and reputation - Pressure from consumers 	<ul style="list-style-type: none"> - Protection of customer business - Pressure from business customers down to the supply chain
<i>Why</i>	<i>Why</i>
<ul style="list-style-type: none"> - Shareholder pressure, the Socially Responsible Investment movement - The business case 	<ul style="list-style-type: none"> - Pressure from money lenders. Unaffected by Socially Responsible Investment movement - Proven business case lacking
<i>How</i>	<i>How</i>
<ul style="list-style-type: none"> - Based on corporate value - Formal strategic planning for CSR - Emphasis on standards and indices - Key involvement for CSR professionals - Mitigation risk 	<ul style="list-style-type: none"> - Based on principles of "owner-manager." - Informally planned CSR strategic processes - Emphasis on intuitions and ad hoc processes - No dedicated personnel for CSR programmes - Avoidance of risk
<i>What</i>	<i>What</i>
<ul style="list-style-type: none"> - Prominent campaigns e.g. Cause Related Marketing - Publicity linked to CSR activities 	<ul style="list-style-type: none"> - Small-scale activities such as sponsorship of local football teams - Activities often unrecognised as CSR related

Source: Jenkins (2004)

It is found that internal stakeholders and the local community have received much attention from SMEs owner-manager (Fuller & Tian, 2006; Hammann *et al.*, 2009; Jenkins, 2004, 2006; Murillo & Lozano, 2006; Spence, 2007; Vives, 2006).

Fuller and Tian (2006) suggest that SMEs act responsibly with their immediate stakeholders such as employees, customers, suppliers, and the local communities, which is consistent with Jenkins's (2006) findings. The results show that the key stakeholders are employees, customers and suppliers and local communities. Hammann *et al.* (2009) found that the key stakeholders in Germany SMEs are employees, customers, and local communities. The above findings indicate that employees are precious to firms, where the owners have a close contact with their workers. It appears to be sensible that employees are the key assets of the firm while customers are second most relevant stakeholder groups for SME entrepreneurs.

However, previous studies relating to stakeholder's theory to CSR practices focused on the effects of the existence of different stakeholders' on a firm's decision in CSR engagement, without exploring the circumstances under which the stakeholders' existence could influence the firms' CSR decision. The circumstances could be the pressures exerted by stakeholders on the owner-managers in pursuing their personal objective. This kind of pressures can be explained by the institutional theory.

Institutional environment and stakeholder pressures influence CSR initiatives. It is argued that institutional pressure originates from an organisation's environment; it reflects the stakeholders' opinions and actions as evaluated by the organisation toward the attainment of a specific goal (Nikolaeva & Bicho, 2011). Stakeholders' demand is at the heart of the institutional theory, which reflects the process of the organisations' evolution in the context of the environmental actors' norms, values, and beliefs (Handelman & Arnold, 1999).

The institutional theory had been applied by Spence *et al.* (2000) to examine the CSR behaviours of Dutch and British SMEs. They found that Dutch SMEs received more pressure from their government and trade associations in environmental issues as compared with UK SMEs, who received less pressure from their government and trade associations. Hence, they conclude that the institutional environment is significant in influencing the environmental behaviour of Dutch and British SMEs in Europe. In the case of Malaysia, it is found that stakeholders' pressure is the main factor for large firms to be actively involved in CSR practices (William & Pei, 1999).

2.6.1.1 Employee as a CSR Driver

Employees are identified as the most important internal stakeholder for SMEs because the association between the SME owner-managers and their employees quite frequently has close contacts as the owners may almost always assume the role as co-workers (Hammann *et al.*, 2009). Previous studies have found that employees are also important resources and often represent the company, in its actions, guiding the firm towards its social responsibilities (Fuller & Tian, 2006; Hammann *et al.*, 2009; Jenkins, 2006; Preuss & Perschke, 2010; Russo & Perrini, 2010; Santos, 2010; Spence, 2007; Vives, 2006).

SMEs have a high degree of involvement with the various levels of employees in the company (Russo & Perrini, 2010) and the informal structure of SMEs also imply that SMEs are more likely to be dependent on employees to complete a large number of tasks. Hence, it is crucial for SMEs to create incentives for responsible labour practices to prevent a high employee turnover (Jenkins, 2009). Such incentives, as concerning employees' health and welfare have empirically proven as key motivations to

implement CSR activities (for example, Spence & Lozano, 2000). In addition, improving employees' job satisfaction (Jenkins, 2004; Preuss & Perschke, 2010; Santos, 2011), improving employees' morale and developing their sense of belonging (Madden *et al.*, 2006) have also been identified as the key driver of CSR initiatives among SMEs (Jenkins, 2009).

It is suggested that 'employee buy-in' as being a crucial strategic CSR in SMEs and has been discussed by Davis and Crane (2010). According to Davis and Crane, for CSR to become part of the company strategy, all employees must believe it and engage in it. This informal and personal relationship between SME owner-managers and employees could engage all employees to participate in CSR activities. CSR culture within an SME will attract skilled labour as Preuss and Perschke (2010) found, that job seekers wish to work in an ethical environment that allows for some expressions of ethical motivations for CSR.

On the other hand, employee pressure also triggers firms to response in CSR initiatives (Aguilera *et al.*, 2007; Campbell, 2007; Logsdon & Wood 2002; Matten & Crane, 2005; Weaver *et al.*, 1999). Employees who have strong ethical values may spur moral development within their firms (Treviño, 1986).

However, a study conducted by Revell and Blackburn (2007) reported contradicting findings in the relationship between employee driver and CSR practices. They stated that employees have little impact on CSR decision making. This is inconsistent with those reported in the literature.

2.6.1.2 Local Community as a CSR Driver

Previous studies show that the external stakeholder, such as the local community, receiving substantial attention from SMEs (Jenkins, 2004; Murillo & Lozano, 2006; Spence, 2007; Vives, 2006). According to Besser (1999), Miller and Besser (2000), community value is important in determining SMEs business strategies as there is a strong linkage between community involvement and the business successes. SMEs are found to have a direct relationship with the local community and can benefit by perceiving as being part of the local community in which they do business. As a result, SMEs are the supporters of CSR programmes for their communities (Habisch, 2004). They sponsor community events, innovations for their community and create job opportunities for local communities (Jenkins, 2006),

With regards motivation, the involvement of SMEs in the local community is largely driven by discretionary or philanthropic wishes of the owner-managers, which is giving back to the local community, such as supporting charities and fund raisings (Worthington *et al.*, 2006). Such involvement helps improve the firms' reputation and stakeholder relationship, improve the image of the SMEs in the local community, instil greater employee loyalty and morale and enhance their prestige in the local community (Russo & Perrini, 2010; Worthington *et al.*, 2006).

Another key motivation for CSRs in SMEs is to gain the support of the local community (Jenkins, 2004). The reasons SMEs engage in CSR practices (such as adopting environmental management practices) is their desire to improve relations with the local communities which in return will gain the community support (Delmas & Toffel, 2004).

In addition, Henriques and Sadorsky (1996) reported that firms' decision to implement an environmental plan is positively related to community pressure. Local communities also impose coercive pressures on firms via their votes in the national elections. Such community pressures arise from local media, NGOs and community-based organisations, often putting pressure on the SMEs to solve these issues of social performances (Inyang, 2013).

2.6.1.3 Customer as a CSR Driver

Customers have been regarded as the most important external stakeholder for SMEs (Preuss & Perschke, 2010). Previous studies showed that improve the relationship with customers and customers' demand, improvements in the products and production processes are likely to motivate SMEs to engage in the CSR agenda (Fuller & Tian, 2006; Hammann *et al.*, 2009; Jenkins, 2006; Russo & Perrini, 2010; Santos, 2010).

In addition, Santos (2010) found that motivations for fostering social responsibility practices are associated with customer loyalty and pressures from customers. Due to customers' demands that exert coercive pressures, firms would respond to meet customers' requirements. Henriques and Sadorsky (1996) showed that customers' pressure as the second source of pressure, after government pressure, to implement CSR activities. Besides coercive pressure, firms may mimic CSR practices which are implemented by other successful firms.

Other studies, however, concluded that SMEs experience little external pressure from their customers (Revell & Blackburn, 2007; Hillary, 2000). This assertion has been supported by Lynch-Wood and Williamson (2007) who suggest that customers, of

SMEs, are more focused on traditional criteria such as price, rather than social responsibility. In addition, in developing countries, customers are more concerned about the price, quality and durability of the products. Therefore, it is argued that their buying decisions are based on personal reasons and hence are less likely to emphasise on CSR efforts embarked by SMEs. Hence, it can be concluded that the engagement of SMEs, in customers related CSR, is almost nonexistence in some instances (Sen & Cowley, 2012).

2.6.1.4 Government as a CSR Driver

According to DiMaggio and Powell (1983), external institutional pressures such as the government is another driver compelling firms to undertake CSR. Yang and Rivers (2009) noted that government legislations may influence CSR practices in two ways. Firstly, the government provides monetary rewards for firms to act in a socially responsible way and also contribute some of their resources to their stakeholders. Secondly, the government applies penalties when firms disobey the standards laid down and are irresponsible to their stakeholders. The efficacy of government legislation on the development of CSRs has been demonstrated in many studies. Studied found that that CSR practices among SMEs are related to regulatory requirements (Santos, 2011; Stone, Joseph, & Blodgett, 2004). The mandatory nature of government legislations makes this legal responsibility uniquely powerful (Aguilera *et al.*, 2007).

Considerable research has been undertaken to examine the roles of governments in promoting CSR. In the western context, firms seeking to be socially responsible need to fulfil the requirements of legal responsibility (Carroll, 1991). The importance of

CSR practices in western countries can be seen in U.K. where the British government has appointed a minister for corporate social responsibility to promote CSR (UK Government, 2004). The European Commission (2001) has also issued a green paper promoting a European framework for corporate social responsibility. Hence, it is argued that government regulations could be key drivers to implementing CSR activities (Murillo & Lozano, 2006; Williamson *et al.*, 2006). In Malaysia's perspective, findings show that Malaysian firms' involvements in CSR are due to government pressures through enacted acts and regulations (Amran & Susela, 2008; Lu & Castka, 2009; Zulkifi & Amran, 2006). Governments can exert coercive forces by enacting policies to ensure and promote responsible practices from firms (Matten & Moon, 2008).

However, Masurel (2007) suggests that motivations for SMEs to engage in CSR practices are more for internal pressure and other external drivers (such as the market driver) rather than governmental intervention or legislation. This is because there is a lack of rules and legislations that induce SMEs to participate in CSR (Katos & Nathan, 2004). In addition, it is argued that SMEs are not adopting CSR practices because there are inadequate programmes and incentives provided by the government (Burke & Gaughran, 2006; Doane, 2005; Pimenova & Vorst, 2004).

2.6.1.5 Competitor as a CSR Driver

Numerous studies have suggested that CSR has become increasingly important in helping a firm to differentiate itself from its competitor to improve business efficiency and reputation (Bhattacharya, Sen, & Korschun, 2008; Simmons, 2009; Weber, 2008). That is to say, if consumers have high demand for firms to address CSR issues, such

as human rights and other social and environmental issues, firms have to fulfill the need of consumers in ensuring the survival and prominent placing, in the competition market (Arend, 2013; Baron, Harjoto, & Jo, 2011).

According to Spence, Coles and Harris (2001), competitors often constitute the forgotten stakeholder in the stakeholder theory. However, the impact of competition on CSR implementation is evident through the lens of institutional theory. The notion of CSR could change from stakeholders' obligations to business obligations and change the entire competitive environment. This, in turn, will produce direct competitive pressure to implement CSR. For example, Christmann (2004) states that a competitor's action would create pressure on a firm to implement environmental responsibility programmes in order to enhance its legitimacy with the competitor in the industry. Sangle (2010) also found that competitors' pressure forced the firms to disclose CSR information, in India. This observation could be explained by mimetic isomorphism, the institutional mechanism that forces organisations to adapt to their institutional environment (Christmann, 2004; DiMaggio & Powell, 1983).

However, according to Friedman (1962), a firm in a competitive marketplace would not participate in socially responsible activities because the costs are greater than benefits. This is supported by Ven and Jeurissen (2005) who stated that firms in a competitive marketplace may not engage in CSR because these firms are not able to bear the costs.

2.6.1.6 Supplier as a CSR Driver

According to Andersen and Skjøtt-Larsen (2009), supplier-based manufacturing does take place across national borders; therefore, SMEs have to incorporate the entire network of the suppliers. Some researchers show that suppliers play an important role in driving SMEs to engage in CSR activities. For instance, according to Jenkins (2006), a good relationship between SME owner-managers and their suppliers would motivate SMEs to engage in CSR. This finding was supported by Vives (2006) who concur that the main reason for SMEs to be involved in CSR activities is to enhance the bonding with the suppliers. Besides, a study conducted by Perrini *et al.* (2007) also found positive views among SMEs in achieving CSR along the supply chain in Italy where SMEs form a partnership with their suppliers and customers to promote human rights, conducive working conditions and embark on environmental protection efforts.

Some studies have explored the CSR requirements set by the SMEs on their suppliers (Baden, Harwood, & Woodward, 2009; Ciliberti, Pontrandolfo, & Scozzi, 2008). An empirical study conducted by Jørgensen and Knudsen (2006) found that about 20% to 30 % of SMEs pass on the customers' social requirements to their suppliers. Besides, it is claimed that the supply-chain pressure is a strong force in promoting CSR among SMEs than any other regulations (Baden *et al.*, 2009).

Supply chain pressure exerted by large firms has been considered as an external pressure for SMEs to engage in CSR practices (Jenkins, 2004). United Nations Industrial Development Organization (UNIDO, 2002) reported that large firms also influence CSR. To do business with large firms, SMEs are required to comply with social and environmental standards stipulated by large firms. Large firms could

influence the behaviour of SMEs in their supply chain (Jenkins, 2006; Russo & Perrini, 2010).

However, it is also found that SMEs in developing countries experience problems in transferring socially responsible behaviours to their suppliers (Ciliberti *et al.*, 2008). Hence, some researchers reported that some SMEs perceived little external pressure and influence from their suppliers to behave in a more socially responsible manner (Hillary, 2000; Revell & Blackburn, 2007; Wycherly, 1999).

2.6.2 Performance-driven CSR

In the case of SMEs, performance has been identified as the driver in CSR practices (Hsu & Cheng, 2011; Inyang, 2013; Williamson *et al.*, 2006). In general, business performance can be classified as financial performance and non-financial performance. Both, financial performance motives (such as profit maximization, cost minimization, and efficiency) and non-financial performance motives (such as improved image among the community and improved customer loyalty) are found to be important in motivating SMEs to participate in CSR activities (Hsu & Cheng, 2011; Williamson, *et al.*, 2006).

However, Fitjar (2011) argue that managers of SMEs are not always driven by profit to undertake CSR. In fact, SMEs' motivations are more internal in nature from an ethical point of view as compared to large firms which are more motivated by enhancing profitability (Jenkins, 2004, 2006; Vives, 2006). It follows that both, drivers from the business performance and ethical point of view are determinants for CSR practices. In fact, financial motives are equally important to social, ethical and

environmental responsibilities in SMEs (Hsu & Cheng, 2011; Inyang, 2013; Worthington *et al.*, 2006).

CSR Drivers and CSR Practices - Inconclusive Findings

Previous studies on the effect of CSR drivers on CSR practices do not provide definite findings on the relationship. Some studies (Amran & Susela, 2008; Baden *et al.*, 2009; Baron *et al.*, 2011; Ciliberti *et al.*, 2008; Fuller & Tian, 2006; Hammann *et al.*, 2009; Jenkins, 2006; Lu & Castka, 2009; Preuss & Perschke, 2010; Russo & Perrini, 2010; Worthington *et al.*, 2006; Yang & Rivers, 2009; Zulkifi & Amran, 2006) supported the influence and pressures of stakeholders (e.g. employees, local communities, customers, government, suppliers and competitors) as being the reasons for SMEs to participate in CSR activities, while other studies argued that stakeholders are not the main drivers in motivating SMEs to implement CSR (Burke & Gaughran, 2006; Doane, 2005; Hillary, 2000; Revell & Blackburn, 2007; Sen & Cowley, 2012; Ven & Jeurissen, 2005).

Besides, studies on the effect of performance drivers on CSR practices also do not provide definite findings on the relationship, despite using both, external factors (profit, cost and efficiency) as well as an internal factor (ethical reasoning) to explain the motivation of SME owner-managers for CSR practices. It comes to us that the relationship between performance drivers and CSR practices may not be a direct one – they could be indirectly linked via an external factor intervening the relationship. Hence, this study seeks to fill up this gap by proposing personal values of owner-managers as moderating variables explaining the relationship between CSR drivers and CSR practices.

To summarise, the following studies have been conducted to examine factors that influence CSR practices are shown in Table 2.6.

Table 2.6
Stakeholder and Performance Drivers

	Employee	Local Community	Customer	Government	Supplier	Competitor	Performance
Aguilera <i>et al.</i> , 2007				√			
Amran & Susela, 2008				√			
Basser, 1999		√					
Christman, 2004						√	
Delma, 2002				√			
Coles & Harris						√	
DiMaggio & Powell, 1983						√	
Hsu & Cheng, 2011							√
Jenkins, 2004	√						√
Jenkins, 2006			√		√		√
Fuller & Tian, 2006			√				
Fraj-Andrés <i>et al.</i> , 2012		√					
Habisch, 2004		√					
Hammann <i>et al.</i> , 2009			√				
Inyang, 2013							√
Idowu & Papisolomou, 2007							√
Lu & Castka, 2009				√			
Murillo & Lozano, 2006	√	√					
Madden <i>et al.</i> , 2006	√	√					
Majumdar & Marcus, 2001				√			
Marrewijk, 2003					√		

Table 2.6 (Continued)							
	Employee	Local Community	Customer	Government	Supplier	Competitor	Performance
Matten & Moon, 2008				√			
Miller & Besser, 2000		√					
Murillo & Lozano, 2006	√						
Perrini <i>et al.</i> , 2007					√		
Preuss & Perschke, 2010	√		√				
Russo & Perrini, 2010		√	√		√		
Santos, 2011	√		√				
Sangle, 2010						√	
Stone <i>et al.</i> , 2004				√			
Spence & Lozano, 2000	√						
Vives, 2006	√		√		√		√
Worthington <i>et al.</i> , 2006.		√					
William <i>et al.</i> , 2006							√
Yang & River, 2009				√			
Zulkifi & Azlan, 2006				√			

2.7 SME Owner-Managers' Personal Values and CSR Activities

Values, as an essential part of a firm's overall culture, affect many important activities and relationships such as competitive strategies, personnel policies, and relationships with different stakeholders (Hunt, Wood, & Chonko, 1989; Valentine & Barnett, 2003). Values also imply ethical components. Ethics deal with individual's characters

and the moral rules that govern and limit conducts and investigate the questions of right or wrong, duty, and obligation, moral responsibility and religion involving certain moral instructions, values and commitments (Shaw & Barry, 2010; Valentine & Barnett, 2003).

Personal values are internalised social representations or moral beliefs that people appeal to as the ultimate rationale for their actions (Oyserman, 2001). Studies show that personal values serve as an instrument for analysing the individual perceptions on CSR. The role of owner-managers is considered important in the context of CSR participation (Swanson, 2008). According to Godos-Díez, Fernández-Gago, and Martínez-Campillo (2011), the perception of owner-manager is very important when a firm embarks on CSR activities. Without socially responsible managers, there could not be socially responsible firms. Owner-managers personal value is one of the factors that influence CSR activities. Many researchers have examined the influence of personal values on CSR decision makings. For example, Hemingway and Maclagan (2004) studied the effects of managers' personal values on their attitudes and behaviours in CSR commitment. Recent empirical findings suggest that collective values corresponding to stakeholders' views, will improve the welfare of people and employees' morality in a company (Shafer, Lee, & Fukukawa, 2007).

In addition, some empirical studies indeed show that personal values of the owner-managers can be decisive motivations when deciding on social or environmental sustainability strategies (Jenkins, 2006; Longenecker *et al.*, 1989; Murillo & Lozano, 2006; Vives, 2006). SMEs are driven to integrate CSR because of the personal beliefs and values of the owner-managers (Morsing & Perrini, 2009).

As highlighted by Jenkins (2006), the most common form of SMEs is the owner-managed firms where the owner-managers have a greater degree of autonomy in how CSR is to be approached. Hence, SME behaviours are frequently interpreted as the entrepreneurs' or owner-managers' psychological characteristics. This is closely linked to owners' value structure and reflects a greater extent the personality (Jenkins, 2004), ethics (Fuller & Tian, 2006; Russo & Perrini, 2010), attitudes and beliefs of the owner-managers of SMEs (Nielsen & Thomsen, 2009).

Past studies have identified ethical values and religious values are important explanatory reasons for the involvement of SMEs in socially responsible practices. Fuller and Tian (2006) found a connection between personal motives and ethics and CSR in SMEs. These ethical issues are openness, trust, religious-based references to ethics, selected relationships with suppliers, and honest dealings with employees (Russo & Perrini, 2010).

Nielsen and Thomsen (2009) acknowledged that the personal influence of managers of SME is an important driver for the SMEs involvement in CSR practices. Jenkins's (2006) in-depth interview with owner-managers of SMEs in the United Kingdom concluded that a majority of SMEs used moral and ethical arguments to justify their CSR initiatives. Vives (2006) examined SMEs in eight Latin American countries. He reported that 40% to 50% of the firms asserted that ethics and religious values are the reasons for them to involving in CSR practices.

Similarly, in exploring SMEs' motivations to be involved in CSR practices in Malaysia, Nejati and Amran (2009) reported that Malaysian SME owner-managers

undertake CSR activities for the sake of their beliefs, values, religions, and not expecting any benefits in return for their initiatives.

Ahmad and Seet (2009) compared Australian and Malaysian SME owners and identified ethical behaviours in three clusters. Firstly, conducting ethical business practices, through ethical standards and philosophical considerations, being fair and open in business practices and committed to offering products or services at a fair price. Secondly, the need to maintain honesty and integrity and, the willingness to take responsibility and accountability.

In regard to motivation, the literature shows that SMEs engagement in the community is largely driven by discretionary or philanthropic wishes of the owner-managers, for instance, donating money, goods and services to another organisation or cause. The principal reasons given for community to engage in CSR tend to be seen as giving back to the local community or the personal wishes of the top management (Worthington *et al.*, 2006).

SME owner-managers play an important role in directing the CSR effort and activities. They inevitably affect to some extent of their networks of suppliers, customers, community, and employees. Hence, CSR scholars (for example, Vives, 2006; Jenkins, 2006; Murillo & Lozano, 2006) recommend that attention should be focused on personal values of the owner-managers and its moderating effects that would provide a better understanding of CSR practices among SMEs.

2.7.1 Theories of Values

Values are used to describe a person (Meglino & Ravlin, 1998). It can be defined as beliefs or standards that influence a person to act or to choose in one way rather than another (des Jardin, 2011). The principles and meanings of values refer to core beliefs, morals, and ideas of individuals which guide and reflect human behaviours and attitudes (Onkila, 2009). Human values are used to answer questions such as “what is the right way to behave,” “what is the most important thing” and “what is appreciated here” (Rokeach, 1973).

The concept of values has its root in moral philosophy and social psychology, which provide various definitions and measurements for values (Sitaoja, 2006). In sociology, values may be categorised at the individual level, institutional level, national level, and regional level. These are determined by cultural, philosophical, religious and customary factors (Visser, Matten, Pohl, & Tolhurst, 2007).

Spranger (1928) classified values into six categories, namely religious, economic, social, aesthetic, political and theoretical. Based on Spranger’s six dimensions of values, Allport, Vernon and Lindzey (AVL) (1960), refined the profile of values across six categories. According to Allport *et al.* (1960), a *religious* person is one whose mental structure is permanently directed to the creation of the highest and satisfying value experience. He has a mystical orientation and seeks to relate to the universe in a meaningful way. In addition, his dominant value is unity. The *economic* person is primarily oriented toward what is practical, and perceive unapplied knowledge as being wasteful. This person is interested in the use of economic resources; and in the accumulation of tangible wealth.

The essential values of a *social* person are the love of people, which refers to the altruistic or philanthropic aspects of love. He tends to be kind, sympathetic and unselfish. An *aesthetic* person finds his chief interest in the artistic aspect of life, even though he may not be a creative artist. He views experience in terms of grace, symmetry or harmony.

A *political* person is a concern for personal power, not necessarily in politics, but in whatever area he functions. Most leaders have a high power orientation, and a tendency to desire personal power, influence, and renown, with the likelihood of becoming a leader in society. A *theoretical* person is primarily interested in the discovery of truth and systematised knowledge. He is rational, in order, empirical and critical.

AVL has been recognised as the most widely used instrument to examine personal values (Hurka, 1980). Such personal values as the political value, economic value and theoretical value have been empirically proven to be important characteristics of the top-gun in an organization who are involved in daily business decision making, such as the research managers, scientists and business managers, and entrepreneurs, regardless of the ethnicity and gender (Hodgettes & Cascio, 1979; Tagiuri, 1965). Since the respondents in the present study are the SME owner-managers who are themselves the decision makers of their company, they are therefore expected to have been equipped with these personal values, thus rendering rationale for applying AVL to SME owner-managers.

Why is AVL system of values relevant to SME?

The values structure developed by Allport, Vernon, and Lindzey (AVL) is used to examine SME owner manager's personal values in the present study. This is because SMEs tend to have an informal management structure and personalised management style. In addition, it is also found that an involvement of SMEs in socially responsible behaviour is largely determined by the personal values and religious beliefs of the SME owner-managers (Devi & Hemant, 2009; Fuller & Tian, 2006; Jenkins, 2004, 2006; Murillo & Lozano, 2006; Russo & Perrini, 2010; Santos, 2011; Spence, 2007; Vives, 2006).

For example, among SME owner-managers' CSR decisions, many have proven to have been driven by their *religious* beliefs (Jenkins, 2006; Murillo & Lozano, 2006; Russo & Perrini, 2010), which is a component of value in the AVL theories that is not evident in any other value-related theories discussed above.

Besides that, the *social values* in AVL theory reflect people-centred characteristics like unselfishness, altruistic, philanthropic, sympathetic, and love of people. These characteristics are identical to SME owner-managers since the SME engagement in the community is largely driven by discretionary or philanthropic wishes of owner-managers (Jamali *et al.*, 2009). These may not be reflected in the personality of the owner of a large firm where the CSR decision making is mainly initiated based on the corporate vision and mission (Jenkins, 2004).

Economic values in the AVL theory deals with the efficient use of economic resources based on the benefit-cost analysis. This value is not evident in any other theories of

values discussed earlier. This value is reflective of the characteristic of SME owner-managers because they have a limited budget and revenues with the size of their firm – an aspect that may not be a concern among larger firms. As such, their decision in CSR engagement is based on sensible and justifiable benefits and cost comparisons gave the scarce resources available.

Aesthetic value in the AVL theory explains the chief interests of a person in embracing grace, symmetry or harmony in every aspect of his or her life at the surroundings closest to him or her. Since SMEs tend to fulfil their perceived responsibility to the local community as opposed to the large firms that fulfil their perceived responsibility to the society at large (Jenkins, 2004), this AVL theory of value can better reflect the SME owner-managers' artistic interests in creating peace and harmony in a local community within which their firm is located.

Political values in the AVL theory concern the intention of gaining personal power in whatever area a person functions. Since SME owner-managers are the bosses of their respective firms, they have absolute power in managing their firms. This is different from the large firms where the power of managing the firm does not fall into the hands of one person – there are other shareholders, managers and the board of directors.

Theoretical values in the AVL theory explain the character of a person who is rationale, in order, empirical and critical. This value is not explained in any other theories of value discussed earlier. This value better reflects the character of the SME owner-managers because they are rationale in making daily operation decisions given the limited resources available. They critically examine the cash flow and operating

experience in the past based on their firm records and documentations to ensure that their current and future operations are sustainable. This characteristic is different from that of the owner of the large firm because it requires inputs from different departments' heads with different backgrounds. The SME owner-managers play different roles, given the limited number of employees and expertise. As such, this aspect of values proposed in the AVL reflects the characteristics of SME owner-managers. The AVL values used in analysing personal values of SMEs owner-managers are shown in Table 2.7.

Table 2.7
AVL Dimension of Values

Classification of AVL Values	Descriptions
Religious value	Unity, seek to relate himself to the universe in a meaning way.
Social value	Philanthropy aspects of love, kind, unselfish.
Economic value	Interested in practical affairs, the use of resources.
Aesthetic value	View experience in terms of grace and harmony.
Political value	Concern for personal power.
Theoretical value	Rational, in order, empirical and critical. Discovery of truth and systematised knowledge.

2.8 Research Framework

After reviewing the literature related to CSR implementation in SMEs in the previous section, this section presents the research framework that determines the relationship between the research variables. These variables are classified as (i) SMEs participation in CSR activities, (ii) Variables that influence SMEs to participate in CSR activities, (iii) Personal values of SMEs' owner-managers as the moderating factor on the SMEs participation of CSR.

2.8.1 The Conceptual Framework

The proposed research framework consists of three segments; the first segment identifies the CSR participation among SMEs. The second segment explains the factors that motivate SMEs to participate in CSR activities and the third examines the moderating effects of SMEs owners' personal values in SMEs participation in CSR activities.

This study integrates the stakeholders-institutional and social capital perspectives in adopting CSR practices and will depict the dynamic drivers in the participation of CSR activities among SMEs in Malaysia. In addition, knowing the factors that drive CSR practices might differ depending on the types of personal values possessed by the SME owner-managers; this study considers personal values to be the moderating factors to explain the relationship between CSR drivers and SME's participation in CSR activities. As such, the following diagram (Figure 2.2) has been established to examine the relationship between factors that drive CSR and SMEs' participation in CSR activities which is moderated by SMEs' owner-manager personal values.

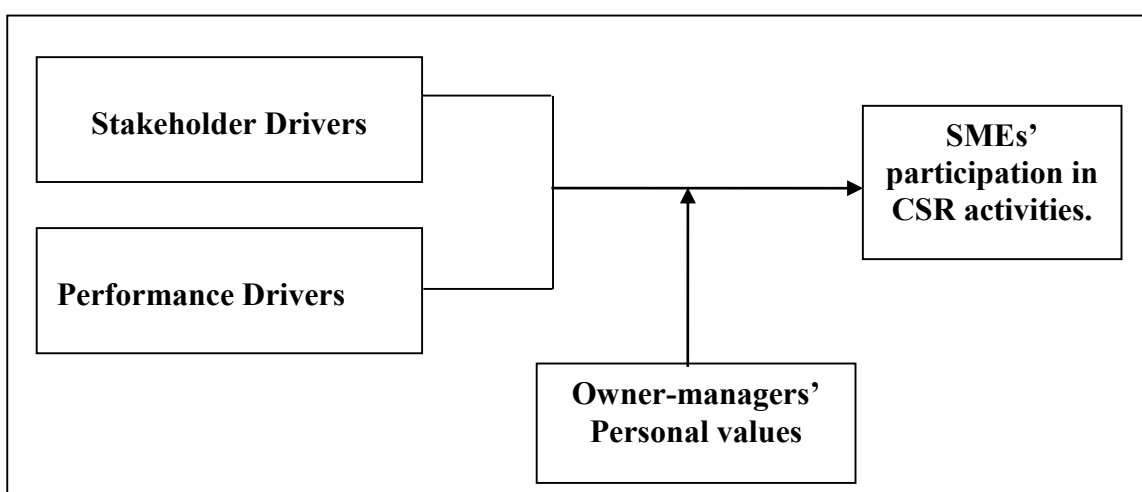


Figure 2.2
Indirect Relationship between Stakeholder and Performance Drivers, Personal Values, and CSR Practices

Stakeholders and owner-managers' personal values could influence an organisation's behaviour through their direct or indirect pressure (Henriques & Sadosky, 1999). To conduct an empirical investigation of the effect of stakeholders on SMEs' CSR participation, this study adopts stakeholder groups established by DiMaggio and Powell (1983) and Campbell (2007) that include employee, local community, government, customer, competitor and suppliers. The SMEs' performance that includes cost savings, efficiency, profitability and firms' images will also be examined (Jenkins, 2004; Perrini *et al.*, 2007; Russo & Perrini, 2010; Vives, 2006).

CSR practices or activities are categorized into four areas, namely workforce-oriented activities, community-oriented activities, market-oriented activities and environmental-oriented activities (Dzansi & Pretorius, 2009; Hammann *et al.*, 2009; Hess, 2001; Madden *et al.*, 2006; Santos, 2011; Vives, 2006; Worthington *et al.*, 2006). According to Málovics (2009), social capital issues such as networks, local involvement and informal relationship with the stakeholders are relevant aspects of SME activities. Hammann *et al.* (2009) opined that these are the internal stakeholders in the firm that has a significant influence on firm policies on CSR especially the case of SMEs, which are characterised by informal structures and the close relationship between SME owners and their employees.

2.8.1.1 Research Hypotheses

The research hypothesis develops from the main considerations regarding the relationship between CSR drivers and practices, how these relationships are moderated by owner-managers' personal values.

Types of CSR Areas across Micro-, Small- and Medium-sized SMEs

Many studies have categorised CSR practices into four areas, namely workforce-oriented activities, community-oriented activities, market-oriented activities and environmental-oriented activities (Dzansi & Pretorius, 2009; Hammann *et al.*, 2009; Hess, 2001; Madden *et al.*, 2006; Santos, 2011; Vives, 2006; Worthington *et al.*, 2006). In the case of Malaysia, Bursa Malaysia has focuses on four CSR areas which consist of environment (including climate Change, renewable energy, energy efficiency, biofuel, waste management, biodiversity, and endangered wildlife), community (including employee volunteerism, Education such as School Adoption Scheme, youth development, underprivileged, graduate employment and children), marketplace (green products, stakeholder engagement, ethical Procurement, supplier management, vendor development, social branding and corporate governance) and workplace (including employee involvement, workplace diversity, gender issues, human capital development, quality of life, labour rights, human rights, health and safety).

A study conducted by Adapa and Rindfleish (2013) showed that medium-sized firms were more engaged in market-oriented activities, followed by the workforce and community-oriented activities a while small-sized firms were on workforce-oriented activities followed by environment-oriented activities. Again, Adapa (2014) confirmed that both micro-sized and small-sized firms were focused on workforce-oriented activities. On the other hand, medium-sized firms tend to emphasise on market-oriented activities. This leads to the Hypotheses 1.

H1: CSR areas undertaken by Malaysian manufacturing SMEs vary across micro-, small- and medium-sized SMEs.

Employee Driver and CSR

Employees have been considered as the most important stakeholders due to the close relationship between SME owner-managers and employees. It has been noted that many SME owners may almost always take on the role of co-workers (Hammann *et al.*, 2009). As such, the participation in CSR helps SMEs to gain competitive advantages and attract skilled labour forces (Jenkins, 2004). According to Preuss and Perschke (2010), employees want to work in firms that are ethical in their operations. Hence, in the effort to attract employees, firms may take part in CSR practices. (Aguilera *et al.*, 2007; Matten & Crane, 2005; Srinivasan *et al.*, 2002).

In addition, another motivation for socially responsible practices among SMEs is to create the feelings of pride in belonging (Madden *et al.*, 2006; Murillo & Lozano, 2006). The sense of belonging is important because it motivates employees who are considered as an important stakeholder of business (Fuller & Tian, 2006; Jenkins, 2006; Spence, 2007; Vives, 2006). Hence, CSR activities will enhance employees' pride and morale (Madden *et al.*, 2006). This leads to Hypotheses 2a.

H2a Employee is significantly related to SMEs' participation in CSR activities.

Local Community Driver and CSR

Literature shows that SMEs engagement with the local community is largely motivated by the philanthropic wishes of owner-managers. Madden *et al.* (2006) highlighted that the main reason for the owner-managers to engage in the local community is to give something back to the community. Such involvement can help to improve their relationships with the local community (Delmas & Toffel, 2004). SMEs that interact more with local communities have obligations with the societies

and future generations (Fraj-Andrés *et al.*, 2012). Miller and Besser (2000) found that local community values are important in shaping small business strategies. Local community involvement is crucial in determining the successes of small businesses. Small businesses such as SMEs have direct connections with local communities, and pressures from local communities may influence the decision for SMEs in adopting CSR practices (Henriques & Sadorsky, 1999; Srinivasan *et al.*, 2002). This leads to Hypotheses 2b.

H2b Local community driver is significantly related to SMEs' participation in CSR activities.

Government Driver and CSR

Institutional pressures can be classified into two categories namely, internal pressures and external pressures (Aguilera *et al.*, 2007; Campbell, 2007; DiMaggio & Powell, 1983; Logsdon & Wood, 2002; Matten & Crane, 2005; Weaver *et al.*, 1999). Government pressure is one of the external institutional pressures which may influence SMEs' CSR orientations (DiMaggio & Powell, 1983). The relationship between government pressure and CSR has been examined by Spence *et al.* (2000). Based on the study on Dutch and British SMEs, it was found that Dutch SMEs received more pressure from their government as compared to British SMEs. Dutch SMEs are much more willing to pursue environmental CSR initiatives while British SMEs are less willing to pursue environmental CSR initiatives. Hence, it is argued that SMEs act responsibly because they are obliged to fulfil government regulations and policies (Aguilera *et al.*, 2007; Carroll, 1991). According to Yang and Rivers (2009), governments may also provide tangible incentives to encourage firms to be involved in CSR practices or impose penalties if firms fail to comply with CSR

requirements. The functions of governments have been recognised in Malaysia. It was found that the government plays an important role in CSR by enforcing CSR disclosure needs among the large firms (Amran & Susela, 2008; Lu & Castka, 2009; Zulkifi & Amran, 2006). This leads to Hypotheses 2c.

H2c Government driver is significantly related to SMEs' participation in CSR activities.

Customer Driver and CSR

Many studies have confirmed that customers are important stakeholders and have been regarded as major motivations for SMEs to engage in CSR activities (Fuller & Tian, 2006; Jenkins, 2006; Hammann *et al.*, 2009; Preuss & Perschke, 2010; Russo & Perrini, 2010; Santos, 2010). It is argued that pressures from customers could be the main key drivers for SME owner-managers to initiate CSR activities. As stated by Jenkins (2004), organisational structures of SMEs are more informal, trust as the basis, and have more close interpersonal relationship with their customers. Hence, the aim to improve relationship with customers has also been considered as one of the reasons for SMEs to engage with the CSR agenda. Preuss and Perschke (2010) also revealed that the demand by customers to improve their products will motivate SMEs to behave responsibly. This leads to Hypotheses 2d.

H2d Customer driver is significantly related to SMEs' participation in CSR activities.

Supplier Driver and CSR

It is found that SMEs have formed partnerships with their suppliers to promote human rights and environmental issues. Hence, the need to improve relationship with suppliers motivates SMEs to engage in CSR activities (Perrini *et al.*, 2007; Vives,

2006). In addition, it is argued that the behaviour of SMEs in CSR is influenced by large firms in their supply chain (Jenkins, 2006; Russo & Perrini, 2010). This is because some SMEs supply their products to large firms. In order to maintain a good relationship with large firms, SMEs often comply with social and environmental standards imposed by large firms (UNIDO, 2002). This leads to Hypotheses 2e.

H2e Supplier driver is significantly related to SMEs' participation in CSR activities.

Competitor Driver and CSR

Firms cannot disregard CSR activities if their competitors have engaged in CSR. Based on the previous studies, it is found that competitors play important roles in CSR implementations. (Adam & Shavit, 2008; Christmann, 2004; Fassin & Van Rossen, 2009; Helmig, Spraul, & Ingenhoff, 2013; Matten & Moon, 2008). According to Matten and Moon (2008), industries in Europe mandate CSR initiatives more when the number of competitors increases. Firms that engage in CSR initiatives are found to have better CSR rankings and are able to achieve better positions in their industries (Adam & Shavit, 2008; Fassin & van Rossen, 2009). This, in turn, attracts responsible consumers that prefer to purchase from socially responsible firms (Barnett, 2007). This leads to Hypotheses 2f.

H2f Competitor driver is significantly related to SMEs' participation in CSR activities.

Performance Driver and CSR

Performances such as maximising business profits, cost savings, improve efficiency and enhancing company images drive SMEs to participate in CSR. It is argued that the main objective of CSR is to maximise profits (Friedman, 1962). This argument has

been supported by some authors who have identified profitability and increased efficiency as the significant economic motivator in CSR participation (Hsu & Cheng, 2011; Williamson *et al.*, 2006; Worthington *et al.*, 2006). In addition, in the case of SMEs, performance factor such as cost reduction has also been identified as a driver in CSR practices (Kiran & Sharma, 2011; Quazi & O'Brien, 2000; Williamson *et al.*, 2006; Worthington *et al.*, 2006; Zu & Song, 2008). Idowu and Pappasolomou (2007), Inyang (2013) opined that enhancing the image of the firm is important in motivating firms to engage in CSR activities. Hence, CSR is being implemented when there is a positive relationship with firm performance. This leads to Hypotheses 2g.

H2g Performance driver is significantly related to SMEs' participation in CSR activities.

Personal Values as Moderator between CSR Drivers and CSR Practices

Previous studies on the effects of CSR drivers on CSR practices produce contradictory findings. For example, studies have found that SMEs' engagement in CSR practices is largely motivated by the stakeholders such as employees (Preuss & Perschke, 2010; Santos, 2011), local communities (Fraj-Andrés *et al.*, 2012; Habisch, 2004), customers (Hamman *et al.*, 2009; Russo & Perrini, 2010) government (Amran & Susela, 2008; Santos, 2011), suppliers (Jenkins, 2006; Russo & Perrini, 2010) and competitors (Campbell, 2007; Flammer, 2013). However, other studies found no relationship between some of the stakeholders and CSR practices. For instance, Campbell (2007) highlighted that pressure of government could not compel SMEs to implement CSR practices. Drumwright (1994) found no significant relationship between CSR initiatives and the influence of customers. Lee and Kim (2009) stated that suppliers are not interested in participating in CSR activities (Lee & Kim, 2009).

In addition, performance or economic factor has been identified as the driver in CSR practices. Studies have identified cost reduction, budget, and profit as economic motives in driving SMEs to be involved in CSR practices (Hsu & Cheng, 2011; Williamson *et al.*, 2006). However, Fitjar (2011) found no significant relationship between performance and CSR practices.

Putting all these conflicting results together, lead us into believing that the relationship between CSR drivers and CSR practices may be accounted for by other factors serving as intervening roles in the nexus, in this case, the personal values. The moderating effects of SME owners' personal values were investigated by Vives (2006) who found that the personal values of SME owners moderated employees and SME CSR participation. However, Vives' study only considered employees to be one and the only factor influencing the CSR practices, which is insufficient to account for the different roles played by different stakeholders in CSR implementation. Therefore, this study argues that an SME owner-managers personal value could moderate the relationship between CSR drivers and their participation in CSR activities.

Hence, this is the gap to be explored by the present study. To examine the personal values of owner-managers, the profile of personal values developed by Allport, Vernon and Lindzey (AVL) (1960) namely religious, economics, social, aesthetic, political and theoretical values is used to moderate the relationship between CSR drivers and CSR Practices.

Religious Value as a Moderator

It should be understood that owner-managers' personal religious values may also influence the way they view the importance of CSR drivers. For instance, owner-managers may be motivated to practise CSR if their firms perform well, and vice-versa. However, owner-managers who are religious tend to lead their lives in line with their religious teachings. They may behave in the opposite way, in a sense, that an unfavourable performance of their firm may not halt them from practising CSR. There is evidence showing the direct but conflicting role of firms' performances on CSR practices and the significant direct role of religious value on CSR practices. Therefore, we could anticipate that religious values could moderate the influence on owner-managers' CSR participation and firms' performances. On the same ground, it could also be speculated that owner-managers' level of religious value may govern their interaction with the employees, local community, government, customers, suppliers and competitors, this leads to the Hypotheses 3a, 3b, 3c, 3d, 3e, 3f and 3g.

H3a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' religious value.

H3b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' religious value.

H3c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' religious value.

H3d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' religious value.

H3e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' religious value.

H3f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' owner-managers' religious value.

H3g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' religious value.

Economic Value as a Moderator

Owner-manager with an economic perspective will prioritise by efficiently allocating the firm's resources for cost minimisation and profit maximisation purposes. They will formulate strategy and devote resources to CSR through the cost-benefit analysis. Under the influence of such behaviour, an owner-manager may not prioritise the social well-being of the local community or the industrial relation harmony within the firm because these actions might incur additional spending and reduce firm's profit. As such, owner-managers' concern on the well-being of their local communities, employees, customers, government, competitors and suppliers may not influence their CSR participation if the daily operation decisions are motivated by economic wellbeing of their company. This leads to the Hypotheses 4a, 4b, 4c, 4d, 4e, 4f and 4g.

H4a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

H4b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-manager' economic value.

H4c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

H4d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

H4e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

H4f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

H4g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

Social Value as a Moderator

It is found that SMEs engage in local communities' development because it may improve their relationship with the stakeholders and the image of SMEs from the lens of the local community. However, an engagement of SMEs in community development activities would incur higher costs, such as offering sponsorship for community events and donating to community causes. Hence it may not encourage employer to participate in such socially responsible activities in the interest of the local communities when cost is the concern. If the owner-manager possesses social value which reflects their philanthropic behaviour and social concern towards the well-being of their local community, government, employees, customer, suppliers, and competitors, they may still engage in CSR practises regardless of the financial performance of their company. This leads to the Hypotheses 5a, 5b, 5c, 5d, 5e, 5f and 5g.

H5a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' social value.

H5b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' social value.

- H5c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' social value.

Aesthetic Value as a Moderator

Besides that, employees are empirically perceived to influence CSR practices (Jenkins, 2004; Preuss & Perschke, 2010; Spence & Lozano, 2000; Santos, 2011). It is understood that employers implement CSR to attract and retain the best talents in their company. However, it is undeniably true that some employers may not take their employees' concerns seriously, and thus do not implement CSR in the interest of their employees. This may adversely influence the harmonious workplace relationship between employer and employees. If the employers possess aesthetic value, they may tend to create harmonious industrial relations within the company. It comes to us that the aesthetic value possessed by employers may influence the way they treat their employees, which in turn will affect firm's decision in CSR engagement. On the same line of reasoning, an owner-manager who possesses aesthetic values may also wish to live in harmony with the local communities, customers, government, suppliers, and

competitors, despite doing so may not be in line with their firm performance. This leads to the Hypotheses 6a, 6b, 6c, 6d, 6e, 6f and 6g.

H6a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

H6b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

H6c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic values.

H6d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

H6e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

H6f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

H6g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

Political Value as a Moderator

In addition, CSR practised by the suppliers or competitors may not necessarily trigger owner-managers into implementing CSR. If the owner-managers have political ideology in which power is their primary concern, they would still implement CSR practices to extend their influence or power in the market in which their firms operate. By so doing, they can build up their firms' reputations and images. This serves as an advantage in negotiating with their suppliers or competing against their competitors. On the other hand, owner-managers who are in demand for controlling power may

neglect the welfare of their employees, customers, and local communities, while spending more time in lobbying the government for special privilege out of line with their firm performance. This leads to the Hypotheses 7a, 7b, 7c, 7d, 7e, 7f and 7g.

H7a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' political value.

H7b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' political value.

H7c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' political value.

H7d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' political value.

H7e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' political value.

H7f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' political value.

H7g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' political value.

Theoretical Value as a Moderator

Regulations and pressures from the governments may not necessarily promote CSR practices due to owner-managers' ignorance. However, owner-managers who are theoretical persons are equipped with rational and critical thinking capabilities; they would practise CSR after evaluating the pros and cons of non-compliance with the government regulations and policies. On the same ground, owner-managers who are theoretical persons may also be rationale in dealing with their employees, local

community, suppliers, customers, and competitors, especially if the financial performance of the SMEs depends upon their interaction with these stakeholders. This leads to the Hypotheses 8a, 8b, 8c, 8d, 8e, 8f and 8g.

H8a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

H8b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

H8c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

H8d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

H8e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

H8f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

H8g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

Based on the above, it can be argued that the direct and indirect role of factors that determine CSR practices should be examined further. Specifically, the indirect way taking into consideration the moderating role of owner-managers' personal values in accounting for the variance in these relationships.

2.8.1.2 Theoretical Framework

Based on the theories and review, the following framework (Figure 2.3) represents the research framework for this study.

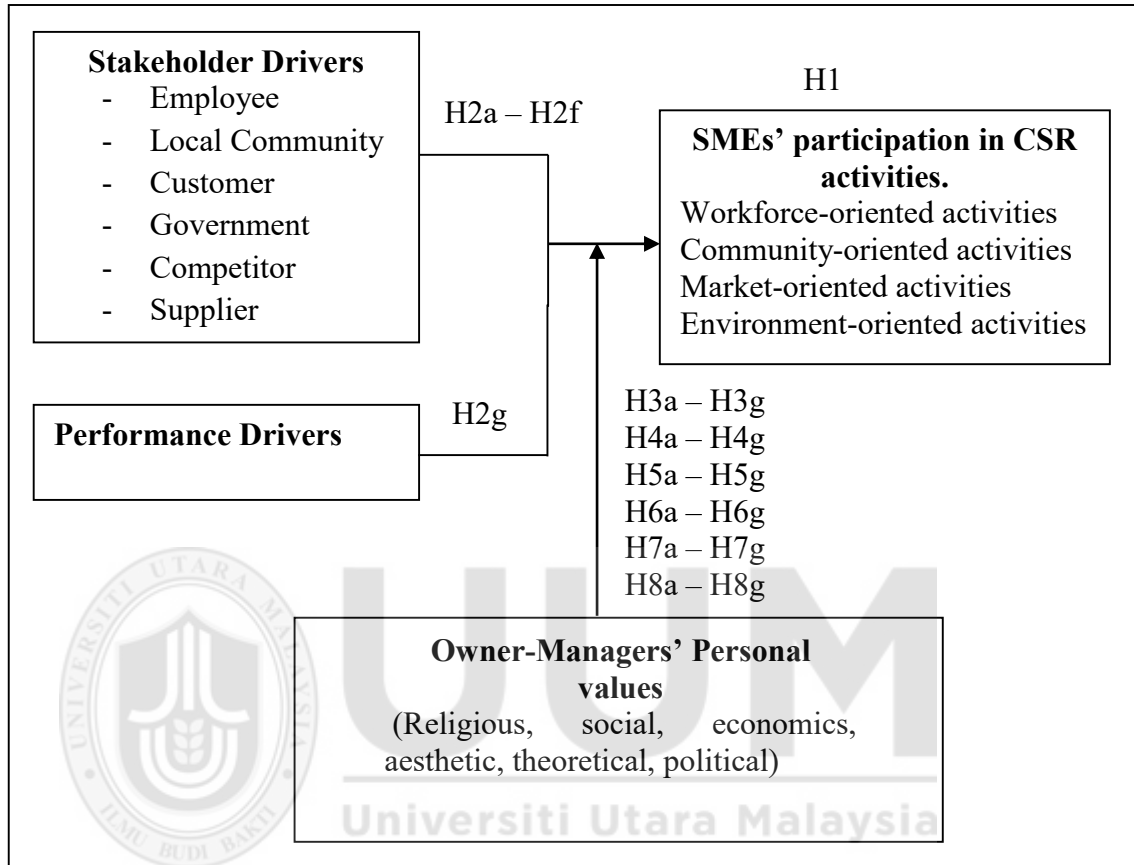


Figure 2.3
Proposed Research Framework

The arguments as discussed in the previous section give rise to the following hypotheses:

- H1 CSR areas undertaken by Malaysian manufacturing SMEs vary across micro-, small- and medium-sized SMEs.
- H2a Employee is significantly related to SMEs' participation in CSR activities.
- H2b Local community is significantly related to SMEs' participation in CSR activities.
- H2c Government is significantly related to SMEs' participation in CSR activities.

- H2d Customer is significantly related to SMEs' participation in CSR activities.
- H2e Supplier is significantly related to SMEs' participation in CSR activities.
- H2f Competitor is significantly related to SMEs' participation in CSR activities.
- H2g Performance is significantly related to SMEs' participation in CSR activities.
- H3a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' religious value.
- H3b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' religious value.
- H3c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' religious value.
- H3d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' religious value.
- H3e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' religious value.
- H3f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' owner-managers' religious value.
- H3g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' religious value.
- H4a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' economic value.
- H4b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-manager' economic value.
- H4c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' economic value.

- H4d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' economic value.
- H4e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' economic value.
- H4f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' economic value.
- H4g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' economic value.
- H5a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H5g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' social value.
- H6a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.

- H6b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.
- H6c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic values.
- H6d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.
- H6e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.
- H6f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.
- H6g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.
- H7a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' political value.
- H7b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' political value.
- H7c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' political value.
- H7d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' political value.
- H7e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' political value.
- H7f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' political value.

- H7g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' political value.
- H8a The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.
- H8b The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.
- H8c The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.
- H8d The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.
- H8e The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.
- H8f The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.
- H8g The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.

2.9 Summary

The literature review has provided a basis for building a research model that can be used to examine the relationship between CSR drivers and participation of CSR activities. The review of the three theories suggests that the CSR implementation should be examined from the angle of SME owner-managers' concern over their stakeholders besides the commonly-used performance factor.

On the other hand, conflicting results in the previous studies on the relationship between CSR drivers and CSR practices have called for an attention to consider the extent to which these conflicting results vary by the SME owner-managers' personal values. This is the theoretical gap for which the present study is trying to fill up. In a nutshell, the theoretical framework proposed in the present study comprises both direct of CSR drivers on CSR practices and indirect effect of AVL-based personal values in moderating the relationship between CSR drivers and CSR activities.



CHAPTER 3

RESEACH METHODOLOGY

3.1 Introduction

The previous section reviewed the literature related to CSR implementation in SMEs and developed a theoretical framework to examine various research questions derived from this research. The next stage is to design a research methodology that constitutes the best approach to collect data. As this research focuses on CSR practices among SMEs in Malaysia, this chapter will review major research designs used in the field of CSR research. The rationale of choice of the research methods, survey populations, sampling frames, research instruments, data collection and data analysis procedures will be discussed in this chapter.

3.2 Research Strategies

There are two approaches to research; namely quantitative and qualitative approach. Various research designs have been used to collect data for CSR research. Taneja, Taneja and Gupta (2011) listed six major research designs used in CSR-related studies, namely surveys, focus groups, case studies, experience studies, action researches and observations. In their review of 278 articles on CSR research from 1970 to 2008, they found that 22% of the CSR research was conducted using the survey method, 22% by observations, 12% using case studies, 5% adopted experimental researches, 4% using focus groups and 2% using action research.

This study adopts a survey method to examine CSR-SME practices in the Malaysian manufacturing sector because survey is a useful instrument in obtaining opinions,

thoughts and descriptions and for apprehending causal nexus (Ghauri & Grónhaug, 2010). As the objective of this study is to gather the information from manufacturing SMEs, survey approach is an appropriate approach because the researcher can acquire data from a substantial number of individuals ranging from hundreds to thousands of people in the research (McIntyre, 2005). Cooper and Schindler (2008) highlighted that survey research is the most common methodology adopted by the quantitative researcher. It is useful to measure consumer behaviour, knowledge, opinion or attitudes. Such methodology can answer questions related to “how much”, “how often”, “how many”, “when” and “who”. Other research strategies such as observations, case study, experimental research, focus group and action research cannot be used in this study. This is because observations in the context of research mean observing some actions, activities or phenomenon, and recording them in some manner (Quinlan, 2011). Case study research is applied when the happening under investigation is hard to contemplate outside its regular setting and the variables under study are hard to measure (Yin, 1994). Experimental research involves interference by the researcher beyond that required for measurement (Cooper & Schindler, 2008). Focus group is where an analyst gathers a few respondents together to examine a topic established by an analyst (Ghauri & Grónhaug, 2010). Action research is a methodology that incorporates a consultant method and research design implying cooperation amongst researchers and clients (Tharenou, Donohue & Cooper, 2007).

Previous studies have shown that CSR researchers (Fuller & Tian, 2006; Jenkins, 2006, 2009; Morsing & Perrini, 2009; Murrillo & Lozano, 2006; Nejati & Amran, 2009; Perrini, 2009; Vives, 2006) had used survey methods to investigate the CSR-SME related issues.

Survey approach involves mail survey, personal interview, telephone interview and internet survey (Zikmund, Babin, Carr, & Griffin, 2012). According to Zikmund *et al.* (2012), the mail survey is a self-administrated questionnaire sent to respondents through mails. A personal interview allows an interviewer to have face-to-face interviews with respondents. A personal interview method enables the researcher to adjust to the inquiries to clear suspicions and to assure that the feedbacks are correctly acknowledged. While personal interview conducted by telephone is able to provide a fairly representative sample of the population. An internet survey is a survey where the target respondent can complete the questionnaire over the internet (Zikmund *et al.*, 2012).

As the primary objective of this study is to investigate the CSR practices among SMEs in Malaysia, mail survey is an appropriate approach and is adopted in this study. By adopting the mail survey, respondents from broad geographic regions are reached and questionnaires are completed at the respondents own pace. Data is collected from a large sample size at a relatively low cost. Other methods such as personal interviews, which require smaller sample sizes to gather data cannot achieve broad access, while face-to-face contact, may lead to interview bias. Personal interviews and telephone interviews are relatively expensive when a broad geographic region is to be covered.

However, the major problem of the mail survey is the low response rate (Ticehurst & Veal, 2000). Typically, only 25% or 30% response rate is reported in the most literature. A 30% response rate is considered acceptable (Sekaran, 2003). Hence, to increase mail survey responses rate for this study; seven factors affecting mail survey response were taken into consideration (Ticehurst & Veal, 2000).

1. The interest of the respondent in the survey topic.
2. The length of the questionnaires.
3. Questionnaire design, presentation and complexity.
4. The style, content and authorship of the accompanying letter.
5. The provision of a reply-paid envelope.
6. Rewards for responding.
7. The number and timing of reminders and follow-ups.

3.3 Research Instrument

The self-administrated questionnaire survey is used for this study. Survey approach using questionnaire is a popular data collection method. In the survey research, it is important to know how to construct the questionnaire. The exact wordings in questions are important in accomplishing the utmost legitimacy of the information (Ghauri & Grónhaug, 2010).

Various guidelines have been proposed for constructing the survey questionnaires (Ghauri & Grónhaug, 2010; Zikmund *et al.*, 2012). The following guidelines are proposed by Zikmund *et al.* (2012) for the construction of the questionnaires.

1. Use simple and easy language.
2. Avoid leading and loaded questions.
3. Avoid ambiguity and be as detailed as possible.
4. Avoid double-barrelled questions.
5. Avoid making assumptions.
6. Avoid difficult questions as this may strain the respondents' memory.

The questions used in the questionnaire are derived from literature review. The questionnaire is structured into five main sections. Section A consists of a series of questions designed to obtain background information about the company, such as the types of the sector, states, the number of years it has been in the business, the form of ownership, annual sales turnover, number of full-time employees, and the level of their agreement with CSR practices. Section B is designed to elicit information related to CSR activities. Section C is intended to measure the drivers of CSR. Section D composes of items that measure personal values of the owner-managers. Section E is designed to elicit other information about respondents. Social-demographical information is developed and placed in the last section, which captures information about ownership, position in the company, gender, age, and level of education. In short, the questionnaire is divided into five sections as shown in Table 3.1.

Table 3.1
Summary of Questionnaire

Section	Theme	No. of questions
A	Background information of SMEs	10
B	Corporate Social Responsibility (CSR) Involvement	23
C	CSR Drivers	35
D	The personal values of owner-manager	35
E	Information about respondents	5

A cover letter is placed before the questionnaire to inform the respondents about the purpose of this study. It is also meant to provide the assurance of confidentiality of the survey. The cover letter also includes the estimated time to complete the questionnaire, the name, email address and contact number of the researcher, in case the respondents need additional clarification about the study.

Respondents are asked to respond to all the questionnaire items using a five-point Likert scale. To indicate respondents' level of agreement (section A part II, section C

and D), the five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5) is used. In part B respondents are asked to indicate their frequency of implementing CSR activities. Here the five-point Likert scale ranging from (1) Never to (5) Always. The five-point Likert scale is used because prior studies in CSR research also used the five-point Likert scales (Lee, Mak, & Pang, 2012; Menguc, Auh, & Ozanne, 2009; Roy, Vyas, & Jain, 2013).

The five-point Likert scale is recommended for CSR studies (Carifio & Perla, 2007; Dawes 2008; Dillman *et al.*, 2009; Nejati & Amran, 2012). This is because the five-point scale can make compromises to conflicting goals by offering enough choices. Also, the five-point scale is also manageable for most respondents. Very few can manage the eighth and ninth points scale. According to Johns (2010), the data from the Likert items, especially those with similar rating scales becomes less precise when the number drops below five or goes above seven points. Hence, this study has chosen the five-point Likert scale based on the findings of prior studies.

Demographic information is important in understanding the profile of the respondents in this study. Nominal scales are used to measure demographic variables such as ownership, position in the company, gender, age, and level of education.

3.3.1 The Unit of Analysis and Unit of Observation

As the main objective of this study is to examine CSR participation among manufacturing SMEs in Malaysia, the unit of analysis is firm-level whereas the unit of observation is SME owner-manager representing each firm. In another word, the statistical analysis reflects conclusions drawn on firm's characteristics from data

collected from individual SME owner-managers in Malaysian manufacturing sector. Manufacturing SMEs in this study consist of basic metal, chemical (including Petroleum), electrical and electronic, fabricated metal, food, beverage and tobacco, machinery, manufacture of furniture, medical, precision and optical instruments, non-metallic mineral, paper, printing and publishing, plastic, recycling, rubber, transport, textile, wearing apparel and leather, wood and wood Products (including Furniture) located in the Peninsula and East Malaysia.

3.4 Measurement of Independent Variables, Dependent Variable and Moderator: Operational Definition

3.4.1 Independent Variables: CSR Drivers

Seven CSR drivers have been identified in this study, namely employee, local community, customer, government, competitor, supplier and performance. All items are measured on a five-point Likert scale, with 1 for “Strongly Disagree” and 5 for “Strongly Agree”.

Employee Driver

Employees are referred as those who have responsibilities and duties responsible for performing in an organisation. Employees as an important stakeholder play a significant role in the operation and management of the whole business. Firms respond to demands and pressures from their employees to participate in CSR activities to improve employees’ morale and developing their sense of belonging (Madden *et al.*, 2006). It is possible that their employees would perceive these actions as a form of firm’s support, and they may be more likely to reciprocate with positive work behaviours (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001).

Employee driver in this study is measured by using eight items. Five items are adapted from Jenkins (2006) to describe employee relationship. Sample items include “*My company wishes to be able to attract skilled workers*”, “*My company wishes to be able to create the sense of belonging to the company among workers*”. Another three items are adapted from Helmig *et al.* (2013) to measure pressure from employees, the sample items are “*My employees expect the firm to implement CSR activities*” and “*My employees monitor whether the promises concerning CSR are fulfilled*”.

Local Community Driver

Local communities have been seen as the main supporters for the firms’ CSR programmes (Habisch, 2004). For the purposes of this dissertation, a community is defined as “a social network of interacting individuals, usually concentrated in a defined territory” (Johnston, 2000). It is found that pressures from local communities and an intention to improve the relationship with the local community may influence the decision for SMEs in adopting CSR practices (Srinivasan *et al.*, 2002).

In this study, a local community driver consists of five items. Three items are used to measure local community relationship which is adapted from Jenkins (2006). The sample items include “*My company wishes to give something back to the community*” and “*My company wishes to gain trust from local community*”. Two items are adapted from Helmig *et al.* (2013) to measure the pressure from the local community; the sample items are “*There has been an increasing expectation from local community on CSR practices*” and “*There has been an increasing pressure from local community on CSR practices*”.

Customer Driver

In this study, a customer is defined as the people who pay for products or services and expect the products or services to be offered in good quality and expect those products and services to offer a reasonable price. Customers are increasingly pressuring firms to be involved in CSR through exerting the influence of their purchasing power (Santos, 2011).

Customer driver consists of five items and is assessed by both customer relationship and pressure from the customer. Five items are adapted from Torugsa, O'Donohue & Hecker (2012). Sample items include “*My company wishes to attract repeating customers*”, “*My company wishes to increase customer loyalty*” and “*My company wishes to explore new customers and markets*”. Two items are used to measure pressure from the customer, for instance, “*My customers' purchasing habits are changing to support CSR firms (e.g. fair trade)*” and “*My customers are ready to boycott products and services which do not comply with CSR standard*”.

Government Driver

Pressure for responsibility management also comes from the imposition of government regulations (Amran & Susela, 2008). Government pressures for responsible practices derive from penalties to firms if they disobey the standards and are irresponsible to their stakeholders. However, the government may also provide monetary rewards for firms to act in a socially responsible way, or contribute some resources to their stakeholders (Yang & Rivers, 2009).

Thus, in this study, government driver is assessed by four items. Four sample items include “*Government starts to increase transparency in businesses*” and “*Government pressures through enacted acts and regulations to implement CSR*”. The items are adapted from Helmig *et al.* (2013).

Competitor Driver

A competitor is referred to the company in the same industry that provides similar products or services. Firms to engage in CSR practices are also driven by their competitors (DiMaggio & Powell, 1983). This is because to choose a unique position in their industry, firms must do things differently from their competitors (Porter, 2006). A competitor’s action in CSR would create industry pressure to implement socially and environmentally responsible programmes to facilitate their legitimacy with competitors in the industry. This, in turn, will improve the firm’s own image or obtain a competitive advantage in comparison to competitors.

In this study, competitor driver is measured by four items, adapted from Helmig *et al.* (2013). Sample items include “*My competitors take a leading role in CSR*” and “*My competitors communicate openly about their CSR activities*”.

Supplier Driver

A supplier is defined as any person or entity that contribute to the firm by providing crucial materials, component parts, or other services that allow the firm to reduce uncertainty in its production operations and allow cost efficiencies. Suppliers are an integral part of the supply chain. The performances of firms do not remain limited to their company itself, but also can be affected by the practices of their suppliers

throughout the whole supply chain. The good relationships between firms and supplier companies may promote human rights, working conditions and ecological issues (Perrini *et al.*, 2007).

In this study, supplier driver is measured by using three items. These measures are adapted from Perrini *et al.* (2007) and the sample items include “*Improving relationship with suppliers is important to my company*” and “*Suppliers’ business practices are the source of motivation for my company*”.

Performance Driver

A firm is motivated to achieve economic mission which is the aimed for financial returns and competitive positions in the market such as cost savings, efficiency, profitability and firms’ images (Hsu & Cheng, 2011).

Hence, performance driver is assessed by four items adapted from Hsu and Cheng (2011). Some sample items are “*Increasing profit is important to my company*” and “*Increasing efficiency is important to my company*”.

3.4.2 Dependent Variables: CSR Activities

CSR activities are operationalised by using 23 items to measure workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities. The five-point Likert scale ranges from (1) Never to Always (5) to measure the frequency of the company to implement CSR activities.

Workforce-Oriented Activities

Workforce-oriented activities can be defined as those activities undertaken for the attraction and retention of employees. These activities would facilitate teamwork, transparency, accountability and flexibility within the workers in the organisation (Bødker, Kensing, & Simonsen, 2004).

In this study, Workforce-oriented activities comprise seven items, adapted from Torugsa *et al.* (2012). The sample items are “*My company encourages employee participation in decision-making process*”, “*My company invests in people, e.g. training and employee development*” and “*My company supports good work-life balance practices*”.

Community-Oriented Activities

Community-oriented activities can be defined as the voluntary activities performed to help individuals living in the community; it also refers to those actions taken by a person or organisation to perform for the benefit of the society or community, for instance, giving back the community jobs (Wenger, McDermott, & Snyder, 2002).

In this study, community-oriented activities are measured by five items; samples items include “*My company engages in Philanthropic activities, e.g. Charitable donation*” and “*My company joins voluntary works in local communities*”. All the items are adapted from Torugsa *et al.* (2012).

Market-Oriented Activities

Market-oriented activities can be defined as the business activities which are being set up. It is related to issues to market and sells their goods and services to customers (McAdam & McCormack, 2001).

In this study, market-oriented activities comprise five items adapted from Torugsa *et al.* (2012). Samples items include “*My company offers safety products and services beyond legal obligations*” and “*My company provides content knowledge of products*”.

Environment-Oriented Activities

Environment-oriented activities can be defined as those activities that take into consideration effective utilisation of natural resources, preservation of ecological systems and also involve the activities undertaken by the company towards the impediment of global warming (Epstein & Buhovac, 2014).

In this study, environment-oriented activities consist of six items. Sample items include, “*My company uses recycled materials in manufacturing process*”, “*My company reduces waste in manufacturing process*” and “*My company reduces energy consumption*”. All the items are adapted from Torugsa *et al.* (2012).

3.4.3 Moderators: Personal Values

The six dimensions of Allport-Vernon-Lindzey study of values (AVL), namely religious, aesthetic, economic, social, theoretical and political values are used to measure the personal values of owner-managers. The questionnaire items are adapted from the updated version of the AVL, developed by Kopelman, Rovenpor and Guan

(2003). Personal values are assessed by using 25 items. All these items are measured on a five-point Likert scale, ranging from Strongly Disagree (1) to Strongly Agree (5).

Religious Values

A person with religious values defined themselves as mystical oriented and seeks to relate to the universe in a meaningful way (Allport *et al.*, 1960). In this study, religious values are measured by using five items; the sample items include *“I would read more attentively to the headlines which relate to leaders of different religions to consulting on reconciliation”* and *“I prefer to listen to a series of lectures on the comparative development of the great religious faiths”*.

Aesthetic Values

A person with aesthetic value views experiences in terms of grace, symmetry or harmony (Allport *et al.*, 1960). In this study, aesthetic values are assessed using five items, the sample items include *“I am a person with high ideals and reverence”* and *“If I had some time to spend in a waiting room, I would read magazines which relate to arts and decorations”*.

Economic Values

A person who has economic value is concerned on something practical, interested in the use of economic resources and in the accumulation of tangible wealth (Allport *et al.*, 1960). Economic values are measured by six items and the sample items are *“I would read more attentively to the headlines which relate to great improvements in market conditions”* and *“I would consider the most important function of education is the preparation for practical achievements and financial rewards”*.

Social Values

A person with social value tends to be kind, sympathetic and unselfish and concern on altruistic or philanthropic aspects of love (Allport *et al.*, 1960). Social values are measured using six items, the samples items are, *“If I have sufficient leisure time, I’d prefer to use it to perform volunteer social or public service work”* and *“I think that a good government should aim chiefly at more aid for the poor, sick and old”*.

Theoretical Values

A person with theoretical value is rational, in order, empirical and critical (Allport *et al.*, 1960). Seven items are used to measure theoretical values. The sample items include *“I believe the main objective of a scientific research is the discovery of truth”*, *“I would read more attentively to the headlines which relate to new scientific theory announcement”* and *“If I had some time to spend in a waiting room, I would read magazines which relate to the scientific age”*.

Political Values

A person who is concern about political value is a concern for personal power and has a tendency to desire for personal power (Allport *et al.*, 1960). Political values are measured using six items, the sample items are *“Assuming that I have sufficient capability, I prefer to be a politician”* and *“I would read more attentively to the headlines which relate to Federal Court renders decision”*. The summary of measures used for the present study is shown in Table 3.2.

Table 3.2
Summary of Measures used for Present Study

Variables	Items	Adapted from	Scale
Employee factor - Employee relationship - Pressure from employee	8 items	Jenkins (2006), Helmig, Spraul & Ingenhoff (2013)	Strongly Disagree (1) to Strongly Agree (5)
Local community factor - Local community relationship - Pressure from local community	5 items	Jenkins (2006), Helmig, Spraul & Ingenhoff (2013)	Strongly Disagree (1) to Strongly Agree (5)
Customer factor - Customer relationship - Pressure from customer	7 items	Torugsa, O'Donohue & Hecker (2012), Helmig, Spraul & Ingenhoff (2013)	Strongly Disagree (1) to Strongly Agree (5)
Pressure from government	4 items	Helmig, Spraul & Ingenhoff (2013)	Strongly Disagree (1) to Strongly Agree (5)
Pressure from competitor	4 items	Helmig, Spraul & Ingenhoff (2013)	Strongly Disagree (1) to Strongly Agree (5)
Supplier factor	3 items	Perrini <i>et al.</i> , 2007	Strongly Disagree (1) to Strongly Agree (5)
Performance factor	4 items	Hsu & Cheng (2011)	Strongly Disagree (1) to Strongly Agree (5)
Workforce-oriented activities	7 items	Torugsa, O'Donohue & Hecker (2012)	Never (1) to Always (5)
Community-oriented activities	5 items	Torugsa, O'Donohue & Hecker (2012)	Never (1) to Always (5)
Market-oriented activities	5 items	Torugsa, O'Donohue & Hecker (2012)	Never (1) to Always (5)
Environment-oriented activities	6 items	Torugsa, O'Donohue & Hecker (2012)	Never (1) to Always (5)
Personal values: - Religious values - Aesthetic values - Economic value - Social values - Theoretical value - Political value	5 items 5 items 6 items 6 items 7 items 6 items	Kopelman <i>et al.</i> , (2003) (Adapted from Allport <i>et al.</i> , 1960)	Strongly Disagree (1) to Strongly Agree (5)

3.5 Population and Sample Procedure

The population refers to the total number of people, occasions, or things that researcher wishes to examine (Sekaran, 2013). SMEs have been recognised as a vital part of the Malaysia economy; hence, SMEs are being targeted in this study. In recent statistics (Department of Statistics Malaysia, 2011), SMEs represent 97.3% of the total business establishment, contributing 56% of the employment, 32.5% of GDP and 19% of exports. SMEs in the service sector accounts for 90% of total establishments, followed by manufacturing sector (5.9%), construction sector (3%), agriculture sector (1%), mining and quarrying sector (0.1%).

The manufacturing sector is being targeted for this study since it has assumed a critical function in the economic development in Malaysia. Malaysia has accomplished a noteworthy improvement in the manufacturing sector since 1957. SMEs have a significant presence in the Malaysian manufacturing sector. SMEs account for about 23% of the GDP in the manufacturing sector and are expected to contribute 50% of the GDP in 2020 (Hashim, 2000), and the total employment created by SMEs in the manufacturing sector is about 39% of the total employment (Department of Statistics Malaysia, 2011).

According to the Department of Statistics Malaysia (2011), SMEs in the service sector were the largest, accounting for 90% or 580,356 establishments, followed by the manufacturing sector, 5.9% or 37,861 establishments, construction sector, 3% or 19,283 establishments, agriculture sector, 1% or 6,708 establishments, mining and quarrying sector, 0.1% or 299 establishments.

However, even if the manufacturing sector accounted for only 5.9% of the total business establishments, among the SMEs, its gross domestic product (GDP) growth was the highest (7.6%), followed by both the service (6.4%) and agriculture sector (6.4%) as shown in Table 3.3.

Table 3.3
SME GDP and Overall GDP Growth by Key Economic Activity in 2011 (at 2005 prices)

	Year 2011 (% annual change)	
	SME GDP growth	Overall GDP growth
Manufacturing	7.6	4.7
Services	6.4	7.0
Agriculture	6.4	5.9
Mining and Quarrying	3.4	-5.7
Construction	2.9	4.6

Source: Department of Statistics Malaysia, 2011

In addition, UNIDO (2009) reported that Malaysia's manufactured export had achieved one of the most sophisticated export structures among developing countries by 2003. According to Hashim (2000), the exporters in SMEs are primarily located in the manufacturing sector (57.6%), followed by service sector (40.6%) and agriculture sector (1.8%).

Owing to the tremendous growth statistic postulated by the manufacturing sector, the sampling frame upon which the sample size in this study is drawn is based on the manufacturing sector among Malaysian SMEs.

Hence, this study requires a list of SMEs that would represent the manufacturing sector in Malaysia, as currently there is no single source of the SMEs listing in Malaysia. The formation of SME Corporation Malaysia in 2009, formerly known as SMIDEC (The Small and Medium Industries Development Corporation) has provided a list of

SMEs online business directory in Malaysia. However, not all the firms in the list can be obtained. For example, the total record of SMEs in Johor is 3044, but only 477 of the SMEs provide details of their companies' background. Hence, the online resource is not complete and as such is not a representative of the Malaysian manufacturing sector.

To obtain a reliable official list of SMEs involving manufacturing activities, different sources are being considered. Two main manufacturing associations, which could represent the manufacturing companies in Malaysia, are Federation of Malaysian Manufacturers (FMM) and Small Medium Industries Association (SMIA).

FMM was established in 1968 and is recognised as the representative voice of the Malaysian manufacturing sector. FMM consists of more than 2,000 manufacturing and service companies, of different sizes, in Malaysia. FMM also issues a yearly index and provides the latest and reliable information on the manufacturing sector. The directory provides information such as the names of CEOs, the number of employees, and also contacts numbers.

In contrast, SMIA was established in 1995 and publishes an annual directory, namely the SMI/SME Business Directory. This directory provides information of the SMEs in the various sectors of agriculture, ICT, manufacturing and services. Currently, 500 members are registered under SMIA, and the majority of them are also members of the FMM.

As the main objective of this study is to examine the CSR participation among the Malaysian manufacturing SMEs, the FMM directory seems to be the most appropriate source for studies, in Malaysia. Most of the empirical studies in Malaysia focused on the use of FMM directory in different years on the topics both directly related to CSR practices like environmental-related issues, and indirectly related to CSR like internalisation of SMEs and their operational capability.

For studies which are directly related to CSR, ElTayeb, Zailani, and Jayaraman (2009) used the FMM Directory of 2007 to study the impacts of rules, the pressure of customers, social obligation and expected profits on green acquirements in the Malaysian manufacturing sector.

Ramli and Ismail (2013) also used the FMM Directory 2012 to study environmental management accounting practices among the ISO 14001 Certified Malaysian organisations. Another study, on the effects of ISO 14001 Environmental Management System implementation on SME Performances in Malaysia also identified their respondents from FMM 2009 (Goh & Wahid, 2010).

For the indirect studies on CSR, on the other hand, Afsharghasemi, Zain, Sambasivan and Ng (2013) also used the FMM directory of 2012 to examine the importance of market orientation, government mechanism and competitive advantages among manufacturing SMEs engaged in international exporting in the Klang Valley of Malaysia.

In addition, the FMM directory of 2012 had also been used to analyse the impact of supply chain integration on the operational capabilities among Malaysian manufacturers (Thoo, Abdul Hamid, Rasli, & Huam, 2013).

Hence, the FMM directory of 2014 is an appropriate sampling frame and is adopted for this study. There are a couple of criteria have been recognised from the FMM directory. Among them are:

1. The full-time employees not exceeding 200, or the annual sales turnover not exceeding RM50 million.
2. The availability of an office or a company addresses.
3. The availability of e-mail accounts.
4. Company contact numbers.

In total, there are 1608 registered manufacturings SMEs in the FMM Directory (2014). The higher number of registered establishments found in the FMM Directory than that in the Small Medium Industries Association (SMIA) permits the sample size being drawn from a rather representative sampling frame.

3.5.1 Sampling Method

According to Economic Census (Department of Statistics Malaysia, 2011), the total number of Malaysian manufacturing SMEs was 37,861. Using the table of sample size provided by Krejcie and Morgan (1970), 380 minimum respondents are required. According to Ismail and King (2005), the response rate for mail survey in Malaysia was 25%, hence, a simple random sampling is used to select 1,500 respondents (registered manufacturing SMEs) from FMM Directory (2014) to obtain the required

minimum sample size of 380 respondents. Hence, 1500 questionnaires will be distributed to respondents to ensure the response rate is sufficiently large to draw a reliable result for this study.

3.6 A Pre-Test and Pilot Study

Once the questionnaire was developed, a pre-test was carried out to ensure the clarity of the questions. The research instrument was reviewed by three academics and three owners of SMEs. Their comments were used to redraft the survey questions for the pilot study. The aim of the pre-test among academics and owners of SMEs was to gain their opinion of the items in the questionnaire.

Before the mass distribution of the questionnaire to the targeted respondents, a pilot study was conducted to seek better clarification on the items and the wordings of the questionnaire. This involved the testing of the instrument designed for the research (Quinlan, 2011). It is also aimed to determine to what extent the participants would respond to the questions and understand the items in the questionnaire.

Researchers had proposed a few ways to determine the sample size of the pilot study. For example, Treece and Treece (1982) suggested a 10% of the sample size. Connelly (2008) also proposed that a pilot study sample should be 10% of the sample projected. Isaac and Michael (1995) suggested 10 to 30 participants.

For this study, the pilot study was conducted from 1st July 2015 to 5th August 2015. A total of 300 questionnaires were mailed to the owners of SMEs. 29 completed questionnaires were returned, making a total response rate of 9.7%. As good

impressions were given by the 29 respondents, therefore, there wasn't any need to adjust the items in the questionnaire. The number of respondents is considered acceptable in accordance with Isaac and Michael (1995) who suggested that the pilot study sample could consist of 10 to 30 participants.

To determine the internal consistency and reliability of the instrument developed in this study (Hair, Money, Samouel, & Page, 2007), Cronbach's alpha coefficient was computed. The general rule of the thumb is if Cronbach's alpha value is more than or equal to 0.9, the value is considered as excellent, 0.8 to less than 0.9 is very good, 0.7 to less than 0.8 is good, 0.6 to less than 0.7 is considered as moderate and less than 0.6 is poor (Hair *et al.*, 2007). Table 3.4 shows the Cronbach's alpha for each variable based on the data from the 29 returned questionnaires.

Table 3.4
Summary of Reliability Results for the Study Variables for Pilot Study

	Cronbach's Alpha (α)	No. of Items
CSR activities	0.912566	23
Local community	0.885124	5
Competitor	0.957956	4
Customer	0.959539	7
Employee	0.914592	8
Government	0.905120	4
Performance	0.926811	4
Supplier	0.938996	3
Religious value	0.827944	5
Aesthetic value	0.934006	5
Social value	0.881687	6
Economic value	0.837306	6
Theoretical value	0.794096	7
Political value	0.677027	6

The Cronbach's Alpha value for all the variables (except theoretical and political variables) in this study was more than 0.8 indicating very good and excellent reliability.

The value for the theoretical variable was above 0.7, indicating good reliability while

political variable was 0.678, showing moderate reliability (Hair *et al.*, 2007). However, Cronbach's alpha value of 0.6 or more is still acceptable (Nunnally, 1978). Hence, all the items have remained in this study.

3.7 Data Collection Process for the Main Study

The primary data collection for this study involved sending a personalised cover letter, questionnaire and stamped return envelope to the owners of 1,500 SMEs to gauge their CSR implementation. The personalised cover letters were to assure the strictest of confidentiality. The cover letters also explained the purpose of the survey. Two weeks after sending the questionnaire, postcards were sent to the respondents to remind the respondents about the questionnaire. The response rate measures the effectiveness of the questionnaire. A low response rate means that the data collected is unreliable and low on the credibility scale. Hence, reminders and follow-up questionnaires serve as useful tools to increase the questionnaire response rate (Babbie, 2010).

3.8 Data Analysis

After the survey questionnaires were collected, the data from the questionnaires were transferred to the Statistical Package for the Social Science (SPSS) software version 16 for preliminary data analysis. A structural model using the Partial Least Squares Structural Equation Modeling (PLS-SEM) was used to test the hypotheses of this study, and the SmartPLS 3.0 was used to analyse the hierarchical component model.

3.8.1 Descriptive Statistics

Descriptive statistics is used to reveal the attributes of a sample and examine the relationship among the variables in a sample (Babbie, 2010). It is used to produce the

respondents' profile expressed in frequency and the percentage of the sector, geographical distribution, firm age, form of ownership, annual sales turnover, the number of full-time employees, ownership, position, gender, age group and education level in this study.

Also, the means and variance of each independent, dependent and moderating variable are calculated. Mean or average is used to determine the central tendency as this provides an overall description of the data. The standard deviation is used to determine the distribution of interval and ratio scaled data, it is used to measure the amount of dispersion of a set of data (Sekaran, 2003).

3.8.2 One-Way ANOVA

One-way ANOVA can be used to provide a mean for making statistical comparisons across more than two groups (Pavkov & Pierce, 2003). In this study, SMEs are divided into three groups based on its annual turnover sales and or its employment of full-time employees. The SPSS One-Way ANOVA procedure performs comparisons across three different SMEs groups, namely micro, small and medium-sized enterprises, and to examine whether there is any between-group difference among SMEs (micro, small and medium) on CSR practices.

3.8.3 Structural Equation Modelling (SEM)

As the present study intends to examine the relationship between independent variables (stakeholder and performance drivers) and dependent variables (CSR activities) moderated by the personal values of the SME owners-managers,

Multivariate analysis techniques are used in this study because it could simultaneously analyse multiple variables (Hair, Hult, Ringle, & Sarstedt, 2013).

Multivariate techniques can be categorised into first-generation techniques and second-generation techniques (Hair *et al.*, 2013). The first-generation techniques such as cluster analysis, exploratory factor analysis and multidimensional scaling can be applied to a research problem when there is no or only little prior knowledge on the variables. Using data is to confirm a theory or relationship between the variables, methods such as analysis of variance, logistic regression and multiple regressions can be utilised.

Researchers in the 1980s have widely used first-generation techniques. However, from the early 1990s, second-generation techniques have expanded rapidly to conquer the limitations of the first-generation techniques. Methods referred to as Structural Equation Modelling (SEM) allows the simultaneous modelling of relationships among multiple endogenous and exogenous variables (Gefen, Straub, & Boudreau, 2000). A series of statistical methods are used to test hypotheses about the relationship between observed and latent variables (Hoyle, 1995).

SEM is an extension of other traditional multivariate techniques which include factor analysis and multiple regression analysis; it can be reviewed as the combination of factor analysis and regression or path analysis (Hair *et al.*, 2007). SEM offers an extremely broad and useful framework for statistical analysis compared to the traditional factor analysis. SEM grants for comprehensive measurements, by considering measurement errors in the variables (Raykov & Marcoulides, 2000). Also,

SEM can frame and answer complex questions about a data (Kelloway, 1998) and able to specify structural relationships among the latent variables (Bollen & Long, 1993).

SEM has a potential advantage over other older multivariate methods. SEM can be used to assess the moderator and mediator relationship simultaneously; it can integrate the measurements and paths involved into simultaneous assessments (Hair *et al.*, 2013). These techniques are shown in Table 3.5 as below.

Table 3.5
Organisation of Multivariate Methods

	Primarily Exploratory	Primarily Confirmatory
First-generation techniques	<ul style="list-style-type: none"> • Cluster analysis • Exploratory Factor Analysis • Multidimensional scaling 	<ul style="list-style-type: none"> • Analysis of variance • Logistic regression • Multiple regression
Second-generation techniques	<ul style="list-style-type: none"> • PLS-SEM 	<ul style="list-style-type: none"> • CB-SEM, including • Confirmatory Factor Analysis

Source: Hair *et al.* (2013)

The two common approaches to SEM are Covariance-Based Structural Equation Modelling (CB-SEM) and Partial Least Squares Structural Equation Modelling (PLS-SEM), also regarded as second-generation techniques. There is some software for modelling data using CB-SEM and PLS-SEM. Some of the common software for CB-SEM are LISREL (Jöreskog & Sörbom, 1996) AMOS (Arbuckle, 1995), EQS (Bentler, 1989), and MPLUS. In contrast, the PLS-SEM software includes SmartPLS (Ringle, Wende, & Will, 2005) and PLS-Graph.

According to Hair, Ringle and Sarstedt (2011), CB-SEM is used to examine the extent to which the model can fit the data. It focuses on how to reduce the disparity between model covariance matrixes and assesses the covariance matrix. It is also used to

examine the confirmation or rejection of a set of hypothetical relationships between multiple variables.

However, a set of stringent assumptions must be achieved in conducting CB-SEM such as adequate sample size and normality of data. The alternative approach, namely PLS-SEM (Haenlein & Kaplan, 2004; Rigdon, Ringle, & Sarstedt, 2010) is used if all these assumptions for CB-SEM are not met. The PLS-SEM makes use of a series of ordinary least squares (OLS) regression aimed at maximising the explained variance of the endogenous latent constructs while not providing any global goodness-of-fit criterion (Henseler, Ringle, & Sinkovic, 2009).

Basically, to employ CB-SEM, the sample size of data should be larger than 200 (Hooper, Coughlan, & Mullen, 2008). According to Hair *et al.* (2010), the complexity of the model and the fundamental model characteristics are vital to determining the minimum size of the sample. To overhaul the weakness of CB-SEM (data should be larger than 200 samples), PLS-SEM is recommended as it is a powerful method even with a small sample size. However, sample size should not be the primary reason for employing PLS-SEM. According to Hoyle (1995), a path modelling can be started with a relevant sample size of 100 to 200. Each construct should have more than three items (indicators) to avoid identification problems.

Secondly, to perform CB-SEM model estimation, another assumption, namely the multivariate normality of data has to be fulfilled. However, PLS-SEM does not assume the normality of the data distribution. Non-normality can be conducted in PLS-SEM since its application is performed through a non-parametric method. Hence, if CB-

SEM assumptions cannot be met, then variance-based PLS-SEM is the preferred method. The advantage of PLS-SEM is that it can comprise a larger number of indicator variables (even more than 50 items) compared to CB-SEM which only accepts several indicator variables. According to Hair *et al.* (2013), there are few rules of thumb for choosing PLS-SEM over CB-SEM as shown in Table 3.6.

Table 3.6
Rules of Thumb for Choosing between PLS-SEM and CB-SEM

Use PLS-SEM when	Use CB-SEM when
<ul style="list-style-type: none"> • The goal is predicting key target constructs or identifying key “driver” constructs. • Formative measured constructs are part of the structural model. • The structural model is complex (many constructs and many indicators) • The sample size and/or the data are non-normally distributed. • The plan is to use latent variables scores in subsequent analyses. 	<ul style="list-style-type: none"> • The goal is theoretical testing, theory confirmation, or the comparison of alternative theories. • Formative measurement creates identification problems. • Error term require additional specification, such as covariation. • The structural model has non-recursive relationships. • The research requires a global goodness-of-fit criterion.

Source: Hair *et al.* (2013)

In short, hypothesis testing using CB-SEM can be adopted to confirm or reject theories, particularly when the model is precisely determined, the sample size is large enough and the data is distributed normally. Also, the researcher must select and connect the appropriate variables when transforming a theory, into a SEM (Hair *et al.*, 2011; Reinartz, Haenlein, & Henseler, 2009). On the other hand, PLS-SEM is used when applications have a little available theory; the correct model specification cannot be ensured and predictive accuracy is vital. It is more appropriate to use PLS-SEM when the sample size is small, and with no assumptions about data distribution.

3.8.4 Partial Least Square Structural Equation Modelling (PLS-SEM)

This study uses the second generation technique (PLS-SEM) because of a few reasons. PLS-SEM requires non-parametric analysis as it does not rely on distribution

assumption and avoids parameter identification problems that can occur with CB-SEM (Bollen, 1989a).

Besides, PLS-SEM is capable of handling both reflective and formative constructs as compared to CB-SEM, which is much more complicated in applying formative constructs (Hair *et al.*, 2013). Hence, PLS-SEM is chosen because the CSR constructs have been operationalised as reflective first-order and formative second-order (dependent variable) while CSR drivers (independent variables) and personal values (moderators) have been identified as reflective constructs in this study.

Lastly, the PLS-SEM structural model can include many constructs and indicators while CB-SEM is only able to accept several indicator variables (Hair *et al.*, 2013). Hence, CB-SEM cannot be applied because more than 50 indicators are used in this study.

3.8.4.1 PLS Factorial Validity

There are two independent analyses are required in applying first generation regression models. The first analysis examines how items load on the constructs through factor analysis and then separate hypothesised paths are run independently of these factor loadings (Gefen *et al.*, 2000). Factorial validity of the first generation regression model is most frequently measured by an Exploratory Factor Analysis (EFA) (Gefen & Straub, 2005).

EFA is applicable to discover the significant variables from numerous latent variables that constitute a set of items, subsequently, a theory or model can be created (Henson

& Roberts, 2006; Pett, Lackey, & Sullivan, 2003; Swisher, Beckstead, & Bebeau, 2004; Thompson, 2004). This method follows assumptions and expectations which are based on prior models and theory about the number of constructs, and for which construct theories or models best fits (Brown *et al.*, 2010). An EFA indicates the fundamental latent variables that explain the configuration of correlations inside a set of measurement items.

The process of data reduction will determine the small number of factors used in explaining most of the discrepancy in the measurement items. The loading pattern of the measurement items is hence identified and interpreted in the statistical output. Based on a screen test or theory, the researcher will select more or fewer factors (Hair, Black, Babin, Anderson, & Tatham, 2006). These steps are accomplished through a Principal Components Analysis (PCA) which removes the factors assuming uncorrelated linear combinations of the measurement items, after that the loading pattern is rotated to simplify the interpretation of the results.

In contrast to the first generation regression models, the second generation technique (PLS-SEM) performs a Confirmatory Factor Analysis (CFA) (Gefen *et al.*, 2000). Also, by using PLS-SEM, loadings from the instrument items to the constructs can also be interpreted in a similar manner to the PCA, hence, it is argued that PLS also has been interpreted as a PCA technique (Gefen *et al.*, 2000). This is also supported by Maitra and Yan (2008) who highlighted that PCA and PLS are used to transform a set of highly correlated variables into a set of independent variables by using linear transformation and both of the techniques are used for variable reductions. However, when a dependent variable for a regression is identified, the PLS technique is more

effective when compared to the PCA technique for dimension reduction due to the supervised nature of its algorithm (Maitra & Yan, 2008).

Moreover, assessing the CFA in PLS can also be done by verifying the Average Variance Extracted (AVE). This can be done by making sure that the AVE of each construct is larger than its correlations with the other constructs and that each item loading in the factor analysis is much higher on its assigned construct (factor) than on the other constructs.

In a CFA, the pattern of loadings the measurement items on latent constructs is identified explicitly in the model. Hence, the fit of this pre-specified model is analysed to discover its convergent and discriminant validities. This factorial validity deals with whether the pattern of loading the measurement items corresponds to the theoretically anticipated factors (Gefen & Straub, 2005).

The second generation technique (PLS-SEM) is chosen in this study to maximise the explaining variance of the dependent latent constructs. Therefore, to assess the factorial validity in this study, convergent validity and discriminant validity tests are examined to meet the confirmatory factor analysis's criteria (Hair *et al.*, 2011). The guideline of the convergent validity and discriminant validity can be seen in Table 3.7.

Table 3.7

Guidelines to Evaluate Convergent and Discriminant Validity

Assessment	Indicators	Desired value	Studies
Convergent validity	Individual item standardized loading on parent factor	Above 0.50	Nunnally (1978) Hair <i>et al.</i> (2006)
	Composite reliability (CR)	0.70 to 0.90	Nunnally & Bernstein, 1994
	Average Variance Extracted (AVE)	Above 0.50	Hair <i>et al.</i> , 2013
		AVE > 0.5, but CR < 0.6, the convergent validity of the construct is still adequate	Fornell & Larcker (1981)
Discriminant validity	Square-root of AVE	More than the correlations of the latent variables	Hair <i>et al.</i> (2006)
	Variance Inflation Factor (VIF)	less than 10	Hair <i>et al.</i> (2006)
		less than 5	Kock & Lynn, (2012)

To be consistent with the choice of multivariate analysis used in this study (PLS-SEM), CFA for all constructs are performed using SmartPLS software (Ringle *et al.*, 2005), SmartPLS software has made it easy to perform CFA and has properly built the model into the application. CFA is a basic ingredient of SEM, within the SEM framework; it is possible to model the structural relationships between multiple latent variables. When estimating a latent variable, CFA uses the co-variation between a set of manifest indicators. The variance part in each indicator is unrelated to the latent variables excluded from it, a procedure that reduces measurement error (Brown 2006; Schumacker & Lomax, 2010).

3.8.4.2 The Measurement Model and Structural Model

Hair *et al.* (2013) have provided eight stages in conducting PLS-SEM analyses in as shown in Figure 3.1.

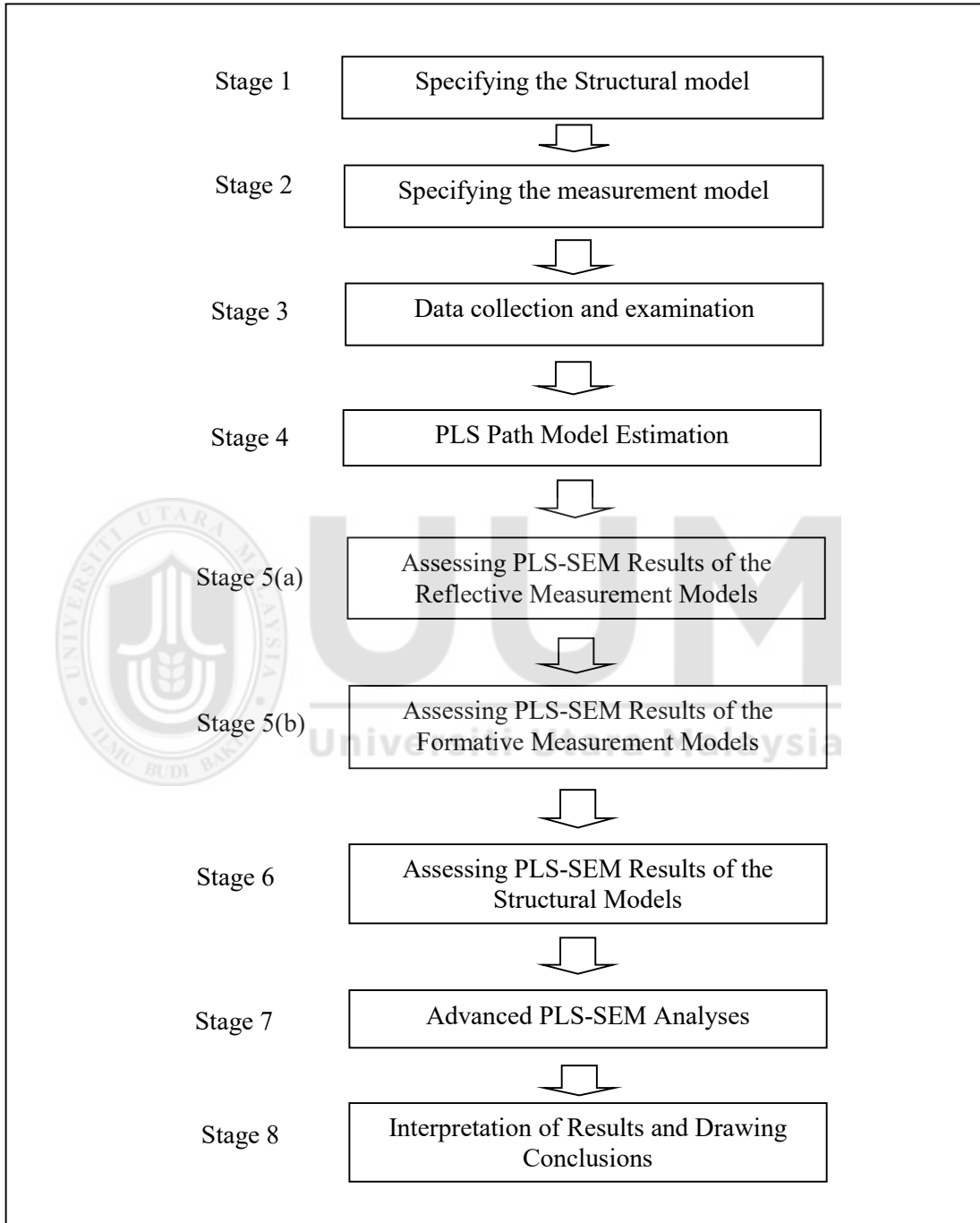


Figure 3.1
Steps for Applying PLS-SEM
Source: Hair *et al.*, 2013

In stage 1, researchers must prepare a diagram called path model to reveal the research hypotheses and describe the relationship between variables. After stage 1, researchers must indicate two types of measurement models, namely reflective and formative measurement models. This stage is followed by data collection and examination. Stage 4, 5(a) and (b) will assess reflective and formative measurement model. Once measurement model(s) is (are) being identified, the higher-order constructs (hierarchical component models) are tested using SmartPLS 2.0 or 3.0. Finally, researchers can interpret results and conclusion.

Hence, in general, PLS-SEM follows a two-step procedure, namely measurement and structural model assessments. According to Hair *et al.* (2013), measurement models are used to describe the relationships between constructs and their indicator variables (manifest variable). There are two types of the measurement model, namely reflective and formative models.

The reflective model indicates that the construct causes the indicators, and all the individual indicators are mutually interchangeable. Deleting any one item would not change the meaning of the overall construct. The direction of the arrow is from construct to the indicators (Figure 3.2).

The formative model indicates that the indicators cause the construct. All the items are not mutually interchangeable. If one item is missing, it will affect the meaning of the construct. The direction of the arrow is from indicator to construct (Figure 3.2).

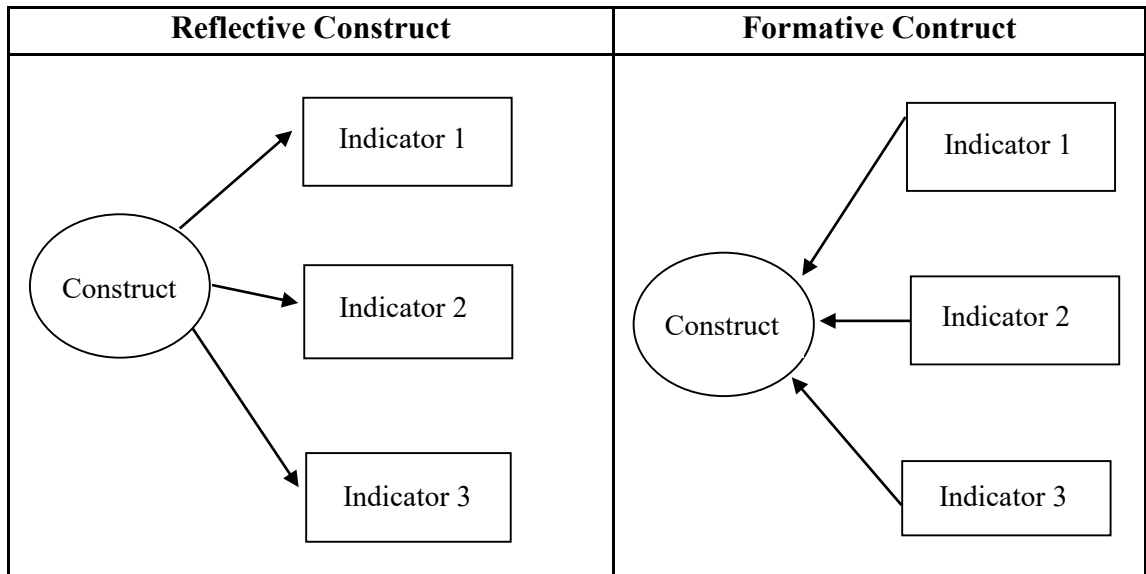


Figure 3.2

The Differences between Reflective and Formative Constructs

Source: Hair *et al.*, 2013

3.8.4.3 Assessing of the Measurement Model

(i) Reflective Measurement Model

To achieve the fitness of reflective measurement model, internal consistency, indicator reliability, convergent validity and discriminant validity need to be evaluated (Hair *et al.*, 2013). It is important to note that the validation guidelines and internal reliability be examined when employing reflective measurement model.

The traditional method used to analyse internal consistency is Cronbach's alpha, which assumes that indicators are equally reliable. If the value is higher than 0.70, it is considered as reliable. However, Cronbach's alpha may underestimate the internal consistency reliability because it is sensitive to the number of items in the construct, and assumes that all the indicators have equal outer loadings. Hence, there is an alternative method to replace Cronbach's alpha, namely composite reliability. As opposed to Cronbach's alpha, composite reliability does not assume that all indicators are equally reliable; indicators are estimated on their individual consistency.

Composite reliability of 0.60 to 0.70 can be regarded as acceptable in exploratory research, and values between 0.70 and 0.90 are considered as satisfactory in more advanced stage of the research (Nunnally & Bernstein, 1994).

Indicator reliability measures how much of the indicator variance is explained by the latent variable (Chin, 1998). The outer loadings of the indicator should be greater than 0.70. In general, indicators with outer loadings of 0.40 to 0.70 should be considered for removal from the scale only when deleting the indicator might lead to an increase in the composite reliability above the suggested threshold value. Indicators below 0.40 should definitely be removed from the scale (Hair *et al.*, 2013).

A standard measure is applied to test the convergence validity on the construct level is the Average Variance Extracted (AVE). If an AVE value is 0.50 or above, it indicates that the construct explains more than 50 percent of the variation of its indicators. The result demonstrates sufficient convergence validity. However, if the value in the construct is less than 0.50, more error remains in the items than the variance explained by the constructs (Hair *et al.*, 2013).

Discriminant validity measures the extent to which a construct indeed differs from another construct. Two approaches have been proposed to assess discriminant validity, namely the cross loading and the Fornell-Larker criterion (Fornell & Larker, 1981). The cross loading criterion has been considered as liberal because it requires that the indicator's outer loadings on the construct are greater than all of its loadings on other constructs (i.e., the cross loading).

The second approach of discriminant validity is Fornell-Larker criterion. Fornell-Larker criterion compares the square roots of the AVE values with the latent variable correlations, and the square root of each construct's AVE values should be greater than its highest correlation with any other constructs. The criteria of reflective measurement model evaluation are shown in Table 3.8.

Table 3.8
Reflective Measurement Model Evaluation

	<i>Description</i>	<i>Acceptable Fit</i>
Internal consistency	Cronbach's Alpha	Value > 0.60 (Hair <i>et al.</i> , 2007)
	Composite reliability	≥ 0.70 (Hair <i>et al.</i> , 2013)
Indicator reliability	Indicator loading	Value > 0.6 (Chin & Marcoulides, 1998)
Convergence validity	Average Variance Extracted (AVE)	AVE ≥ 0.5 (Hair <i>et al.</i> , 2013)
Discriminant Validity	Cross loading	The outer loadings on each indicator should load highest on the construct (Hair <i>et al.</i> , 2013)
	Fornell-Larker criterion	AVE should exceed the squared correlation with other construct (Hair <i>et al.</i> , 2013)

(ii) Assessing Formative Measurement Model

Unlike reflective measurement model, formative measurement model does not apply convention validity assessment models. The concept of internal consistency or AVE also cannot be applied when employing this model because formative indicators do not necessarily co vary. In addition, formative indicators are not interchangeable. Hence, a high degree of correlation between the items is not expected in formative measurement model (Ringle, Sarstedt, & Straub, 2012).

There are three steps in evaluating formative measurement model. The first step is to access formative constructs convergence validity, followed by examining collinearity among the indicators. The last step is to assess the significance and relevance of the formative indicators.

The assessment of the formative construct convergence validity is intended to measure whether the formative construct is highly correlated with a reflective measure of the same construct. According to Ringle *et al.* (2012), the value is above 0.80.

Since formative constructs are not interchangeable, the high correlation between items cannot exist. High correlations between two formative indicators are referred to as collinearity. High collinearity between formative indicators can result in the weight being incorrectly estimated. The level of collinearity can be measured by calculating the tolerance or the Variance Inflation Factor (VIF). Tolerance represents the amount of variance of one formative indicator not explained by the other indicators in the same block while VIF is the reciprocal of the tolerance. Each tolerance and VIF should range between 0.2 and 5.0. If a tolerance value is 2.0 or lower and the VIF value is 5 or higher, the level of collinearity is great and as such one of the corresponding indicators should be considered for removal (Hair *et al.*, 2013).

Outer weight (relative importance) and outer loading (absolute importance) are used to evaluate the contribution of a formative indicator and its relevancy. Bootstrapping is used to assess its significance to each indicator. When an indicator weight is significant, it will be retained based on the empirical support. When an indicator weight is not significant but its outer loading is significant (factor loading for reflective measurement model is above 5.0), the indicator should be retained. However, if both the indicator weight and outer loading are not significant, the indicator should be removed from the model, as there is no empirical support to maintain the indicator. The criteria of formative measurement model evaluation are shown in Table 3.9.

Table 3.9
Formative Measurement Model Evaluation

	<i>Criterion</i>	<i>Description</i>
Convergence validity	Interconstruct correlations	> 0.8
Collinearity among indicators	Tolerance or the Variance Inflation Factor (VIF)	Tolerance > 0.20 VIF < 5
Significant of weight	Indicator weight	The factor loading for reflective measurement model should be above 5.0

3.8.4.4 Assessment of the Structural Model

It is essential to know the differences between CB-SEM and PLS-SEM in examining the structural model. According to Hair *et al.* (2013), CB-SEM is associated with goodness-of-fit measures, and as such Chi-square test, Goodness of Fit Index (GFI) and Comparative Fit Index (CFI) which are not relevant in the PLS-SEM context. CB-SEM estimates parameters to minimise the differences between the sample covariance and those predicted by the theoretical or conceptual model while PLS-SEM fits the model to the sample data to obtain the best parameter estimated by maximising the explained variance of the endogenous latent variables. PLS-SEM is built on a non-parametric analysis. Hence, it does not rely on distribution assumptions but it uses bootstrapping and blindfolding to evaluate the quality of the model (Chin, 1998).

PLS goodness of fit index has been discussed by Henseler and Sarstedt (2013), but this measure mainly focuses on the reflective measurement model and is not applicable in the formative measurement model.

To address the hypothesised relationship among the constructs, the results of path coefficient between endogenous and exogenous variables should be identified. The values of path coefficients are between -1 and +1. Estimate of path coefficient that is closer to -1 indicates a strong negative relationship while estimate path coefficient

closer to +1 indicates a strong positive relationship. If the values of path coefficient are closer to 0, it indicates a weak relationship or it is nonsignificant. To show the significant path, the bootstrapping technique should be used. Bootstrapping performs a non-parametric analysis, and it can resample data until the data meets the result; this technique is also useful for non-normal data (Hair *et al.*, 2013). Besides, Hair *et al.* (2013) have proposed that the minimum number of bootstrap samples is 5,000. The number of cases should be equal to the number of observations in the original sample. Critical *t*-values for a two-tailed test are 1.65 (significance level = 10%), 1.96 (significance level = 5%), and 2.58 (significance level = 1%).

Unlike CB-SEM, PLS-SEM method is developed for prediction orientation. Hence, the coefficient of determination (R^2 value) is used to measure the variance of an endogenous construct in the structural model. The R^2 value ranges from 0 to 1. R^2 of 0.75 is regarded as substantial, 0.50 as moderate and 0.24 as weak (Hair *et al.*, 2011).

Another procedure for assessing structural model is the predictive ability of the path model. Stone-Geisser's Q^2 value is obtained by using blindfolding. Blindfolding is a sample reuse technique that omits every *d*-th data point in the endogenous constructs indicators and estimates the parameters with the remaining data points (Chin, 1998; Henseler *et al.*, 2009). Q^2 values of larger than zero indicate that the exogenous constructs have predictive relevance for the endogenous construct under consideration (Hair *et al.*, 2011). The rules of thumb for model evaluation are shown in Table 3.10.

Table 3.10

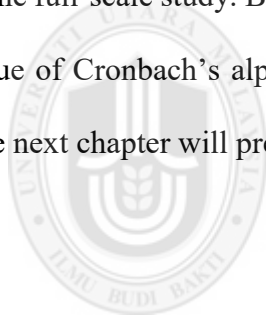
Rules of Thumb for Model Evaluation

Criterion	Description
The coefficient of determination (R^2 value)	R^2 values of 0.75, 0.50, or 0.25 for endogenous latent can be described as substantial, moderate, or weak, respectively.
Predictive relevance (Q^2 values)	Q^2 values of larger than zero indicate that the exogenous constructs have predictive relevance for the endogenous construct

Source: Hair, Ringle, & Sarstedt, 2011

3.9 Summary

This chapter describes the procedures and research methods employed in this study. SME owner-managers of manufacturing sector are the primary target respondents of this study. A pilot study was carried out to ensure the reliability of the instrument used in the full-scale study. Based on the 29 complete questionnaires, in the pilot study, the value of Cronbach's alpha showed that all the key variables are of good reliability. The next chapter will present the findings of descriptive and inference analysis.



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CHAPTER 4

FINDINGS

4.1 Introduction

In this chapter, the descriptive statistics relating to the respondents' demographic profile is provided. Multivariate data analysis is performed using the Partial Least Squares Structural Equation Modelling (PLS-SEM) technique. In applying PLS-SEM, evaluation of measurement model has to be done before presenting the results of the structural model. Two types of measurement specification, namely reflective and formative measurement specification (Hair *et al.*, 2013) have to be identified before the selection of appropriate methods for reliability and validity assessments, and subsequent data analysis. The results from the structural model are presented, followed by the summary of the chapter.

4.2 Survey Responses Analysis

The collection of questionnaires took about one month. It started in October 2015 and was completed in November 2015. Of the 1,500 questionnaires distributed to SMEs in Malaysia, 181 questionnaires were returned by the respondents. Of these seven questionnaires were discarded because of missing data, due to the respondents' failure to answer many items, and also giving inappropriate responses. Many items had the same responses. The respondents provided similar responses to many of the items in the questionnaires. The responses from the pilot study were also included in the final analysis since the study had also used the same questionnaire. After the exclusion of the seven unusable questionnaires, the final responses consisted 203 questionnaires, yielding a response rate of 13.7%.

It is found that the average response rate for SMEs studies in the Malaysian manufacturing sector is relatively low. For example, studies conducted by Ahmed & Hassan (2003) achieved 12.3% response rate, Ahmed, Hassan, & Taha, (2004) obtained 9.1%, Zakaria and Hashim (2004) received 13.0%, Boocock and Shariff (2005) obtained 12.3%, and Jusoh, Ibrahim and Zainuddin, (2008) achieved 12.3%. The average response rate calculated for these studies is 11.8%. Hence, the usable response rate received in this study is slightly better than the average response rate of 11.8%. It can be concluded that the response rate obtained in this study (13.7%) is acceptable for analysis.

Macpherson and Wilson (2003) found that the low response rate in SMEs business research was probably due to the difficulty of SME owner-managers to engage in research. Jusoh *et al.* (2008) stated that a low response rate was common for postal questionnaires in Malaysia because Malaysian managers hesitate in participating in mail surveys. Boocock and Shariff (2005) argued that it is quite rare for Malaysian SMEs to receive academic questionnaires, as they might be suspicious of such documents. Table 4.1 showed a summary of the responses to the survey.

Table 4.1
Summary of the Responses for the Survey

Data Collection	Number of questionnaires
Questionnaires distributed	1608
Questionnaire returned from survey	181
Unusable questionnaires	7
Usable questionnaires from survey	174
Questionnaires from pilot study	29
Total questionnaires used in this study	203

4.3 Preliminary Data Screening

Preliminary data screening is a crucial step before conducting the multivariate analysis. This included analysis of missing data, identifying outliers, testing for the normality, a test of Multicollinearity and non-response error (Hair *et al.*, 2007; Lindner, Murphy, & Briers, 2001).

4.3.1 Analysis of Missing Data

In general, the Smartpls software can deal with the missing data using two approaches namely, the mean value replacement and case wise deletion (Hair *et al.*, 2013). The mean value replacement implies that the missing values of an item in the construct are replaced with the means of another valid value of that item in the construct. The second approach is case wise deletion which eliminates the cases with missing values in the indicators.

In this study, the mean value replacement is used to deal with missing data. According to Hair *et al.* (2013), this method is easy to implement, and able to reduce data variability. In addition, it is suitable when the missing value per indicator is less than 5%. Casewise deletion method is not considered in this study because it can dramatically diminish the number of observation in the data set. According to Hair *et al.* (2013), in general, an observation should be removed from the data if the number of missing data is more than 15%.

Table 4.2
Missing Data by Case

Sample ID	Missing Data	
	Number of unanswered items	Percent
45	25	23
54	41	39
72	25	23
207	17	15.74

Table 4.2 shows that sample ID 45, 54, 72 and 207 are removed in the present study because the missing data is more than 15%, leaving 206 to be used for further analysis.

4.3.2 Outliers

An outlier can be defined as a special case with extreme values that is very different from the rest of the observations (Churchill Jr. & Iacobucci, 2005). Multivariate outliers were examined in this study using the Mahalanobis distance statistic (Tabachnick & Fidell, 2013). Mahalanobis distance (D^2) measures were computed using linear regression methods in IBM SPSS 16, evaluated with a Chi-square criterion with the degrees of freedom equal to the number of independent variables (Meyers, Gamst, & Guarino, 2006). Based on the results of the analysis of Mahalanobis D^2 scores, it was revealed that 3 cases (samples 9, 103 and 148) were detected as multivariate outliers, with p -value < 0.001 . Hence, these 3 cases were omitted, leaving only 203 cases to be used for later multivariate analysis.

4.3.3 Normality

Normality of the distribution can be tested by skewness and kurtosis (Hair *et al.*, 2013). Skewness measures the extent to which a distribution of the variable is symmetrical. Kurtosis provides information on peak or flatness of the distribution. If the skewness value is more than +1 or less than -1, it indicates a skewed distribution. If the skewness

value is in the range of ± 2 , it is considered as a significant departure from normality. If the skewness values fall between ± 3 , the distributions are extremely skewed (Kline, 2011). If kurtosis value is less than -1, it indicates that the distribution is too flat. If kurtosis is more than +1, then the distribution is peaked. Table 4.3 shows the values of skewness and kurtosis in this study.

Table 4.3
Skewness and Kurtosis

	Skewness	Kurtosis
Workforce-oriented activities	-.385	.338
Market-oriented activities	-.225	-.137
Community-oriented activities	-.255	-.308
Environment-oriented activities	-.515	1.014
Employee factor	-.019	.243
Community factor	-.368	2.562
Customer factor	-.552	1.002
Government factor	-.478	-.144
Competitor factor	-.339	.241
Supplier factor	-.342	.306
Performance factor	-.589	.684
Religious value	-.514	1.221
Economics value	-.205	.944
Social value	.043	.537
Theoretical value	-.168	1.113
Political value	-.113	1.465

Source: Extract from multiple regression analysis

From Table 4.3, the skewness of the indicators is within the -1 and +1 acceptable range, and most values are closer to -1, hence, suggesting negatively skewness. Most of the kurtosis values of the indicators are within the -1 and +1, except for environment-oriented activities, community factor, religious value, theoretical value and political value which have kurtosis values of more than one, exhibiting a little degree of non-normality.

Besides, data was also analysed through histogram and cumulative normal probability plot (p-p) of regression (Newton & Rudestam, 1999) to further confirm the normality of distribution, as shown in Figures 4.1 and 4.2.

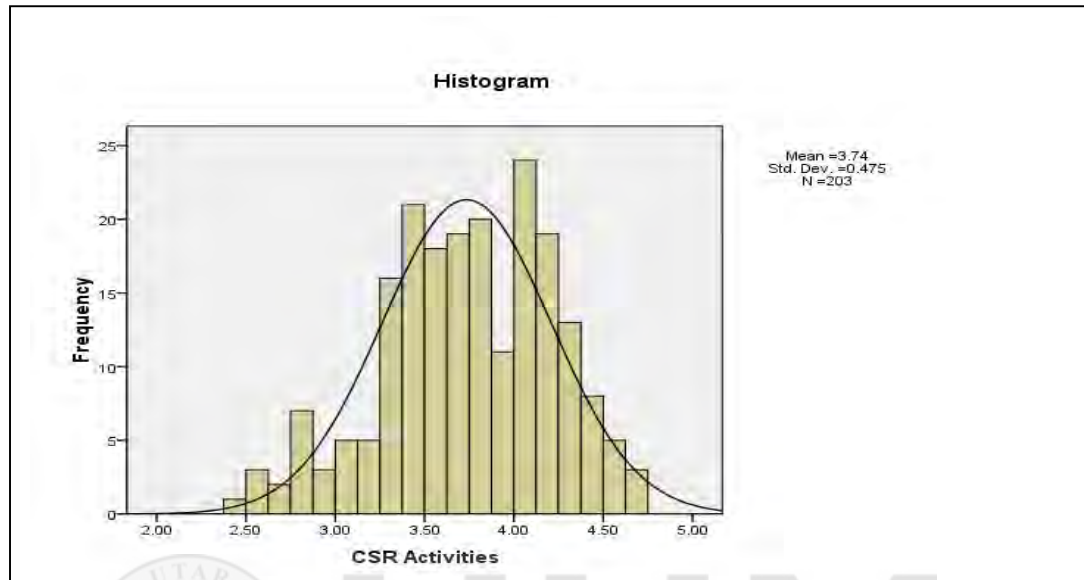


Figure 4.1
Histogram

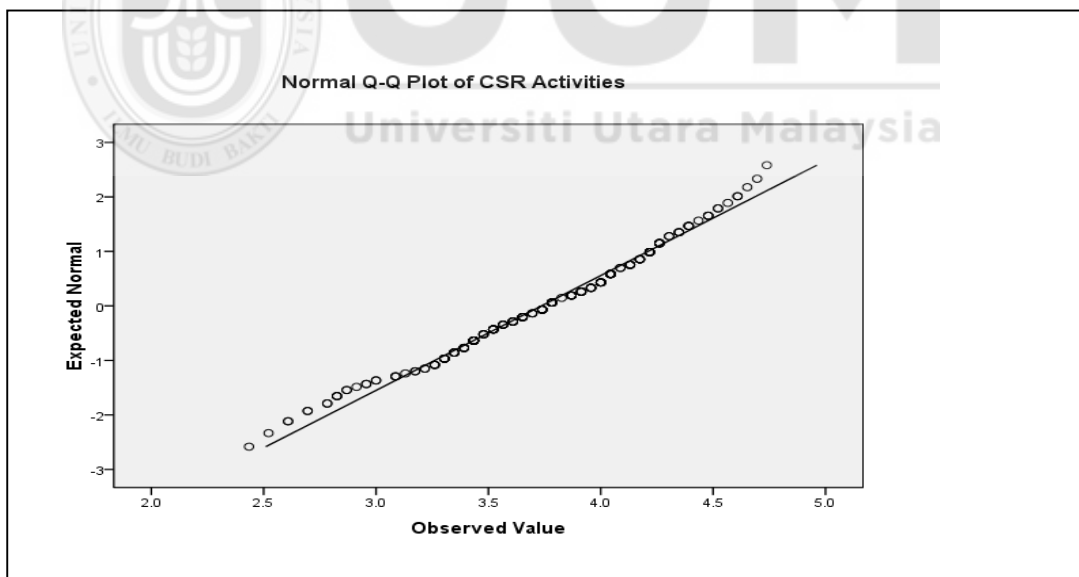


Figure 4.2
Q-Q Plot

A histogram (Figure 4.1) of the data shows nearly bell-shaped. Figure 4.2 indicates the majority of the observations of normal Q-Q Plot are located close to the trend line.

Hence, we can conclude that our observations are akin to the nature of a normal distribution.

4.3.4 Test of Multicollinearity

Multicollinearity is used to analyse the relationship between more than two independent variables. The ideal case is when the independent variables show the little correlation among each other and are highly correlated with the dependent variables, and as such can have significant impacts on the predictive ability of the regression model, the estimation of the regression coefficients and their statistical significant tests (Hair *et al.*, 2007).

Multicollinearity can be detected by using the tolerance values and the Variance Inflation Factor (VIF) (Hair *et al.*, 2013). Tolerance value can be defined as the amount of variability of independent variables not explained by the other independent variable while VIF is the inverse of the tolerance effect. The threshold value for tolerance is above 0.20 and for VIF is below 5, indicating no collinearity among independent variables (Hair *et al.*, 2013). In another word, if VIF is above 5 (tolerance value below 0.2), it shows the presence of multicollinearity.

Table 4.4
Tolerance Value and Variance Inflation Factor (VIF)

Independent variables	Collinearity statistics	
	Tolerance	VIF
Employee factor	0.486	2.057
Community factor	0.675	1.481
Customer factor	0.299	3.340
Government factor	0.598	1.672
Competitor factor	0.518	1.932
Supplier factor	0.357	2.803
Performance factor	0.368	2.719

Source: Extract from multiple regression analysis

The results presented in Table 4.4 reveal that tolerance values are more than 0.2 and VIF less than 5, showing the absence of multicollinearity within independent variables.

4.3.5 Test of Non-Response Error

It is important to ensure that the sample collected represents the entire population during data collection. Data is considered bias when the sample does not represent the whole data obtained from the data collection (Saunders, Lewis, & Thornill, 2007). Non-response error arises when subjects included in the sample are different from the target population (Lindner *et al.*, 2001).

To handle non-response errors, Miller and Smith (1983) suggested five strategies. Firstly, ignore non-respondents. Secondly, compare respondents to the population on characteristics of interests known as priori. Thirdly, compare respondents to non-respondents on characteristics of interests known as priori. Fourthly, compare early to late respondents on core study variables, and lastly, sample non-respondents a second time.

In studying the potential for non-response bias, this study compares early and late respondents on key estimates, as proposed by Miller and Smith (1983). To address non-response bias, the dataset in this study is classified into two subsets, namely early and late responses. The first 30 observations are taken as early respondents, and last 30 are taken as late respondents. The late respondents are proxies for non-respondents.

The independent Sample t-test is used to determine the possibility of non-response error between the two groups and is performed with SPSS. The conventional level of

significance is $p < .05$. Non-response bias can be indicated when a mean statistic illustrates a significantly different between early and late respondents as shown in Table 4.5.

Table 4.5
Independent Sample t-test

	Lavene's Test F	Sig.	Significance at 95% level
Employee participation in decision process	7.029	0.484	Not significant
Improves health and safety of employees.	2.273	0.220	Not significant
Equal opportunities in workplace	0.004	0.593	Not significant
Promotes women to senior management position	0.415	0.553	Not significant
Supports good work-life balance practices.	3.886	0.208	Not significant
Creates family friendly working environments.	0.729	0.393	Not significant
Training and employee development.	2.959	0.769	Not significant
Engages in Philanthropic activities, e.g. Charitable donation.	1.341	0.516	Not significant
Creates job opportunities for local communities.	2.606	0.781	Not significant
Joins voluntary works in local communities.	11.008	0.814	Not significant
Sponsorship for community events	0.219	0.430	Not significant
Donates to community causes.	9.145	0.085	Not significant
Offers safety products and services beyond legal obligations.	0.760	0.635	Not significant
Provides high quality products and services.	0.016	0.217	Not significant
Provides content knowledge of products.	7.294	0.656	Not significant
Practices fair pricing	0.794	0.009	Not significant
Handles customers' complaints beyond legal requirement.	0.341	0.524	Not significant
Uses recycled materials in manufacturing process	0.135	0.186	Not significant
Reduces waste in manufacturing process.	1.891	0.279	Not significant
Filters and controls on emissions and discharges.	4.510	0.563	Not significant
Reduces/replaces hazardous chemicals or materials	2.902	0.580	Not significant
Minimize the ecological footprint	0.286	0.063	Not significant
Reduces energy consumption	0.006	0.147	Not significant
Attract skilled workers	3.130	0.615	Not significant
Create the sense of belonging	6.681	0.141	Not significant
Increase employee retention	0.547	0.864	Not significant
Increase employee morale.	16.718	0.036	Significant
Attract new employees.	0.226	0.443	Not significant
Employees voluntarily engage in CSR activities of the firm.	10.337	0.137	Not significant
Employees expect the firm to implement CSR activities.	1.987	0.727	Not significant
Employees monitor whether the promises concerning CSR are fulfilled.	0.130	0.510	Not significant
Give something back to the community.	4.384	0.363	Not significant

Table 4.5 (Continued)			
	Lavene's Test F	Sig.	Significance at 95% level
Gain trust from local community.	4.190	0.735	Not significant
Develop better connection with local community	8.824	0.507	Not significant
Increasing expectation from local community on CSR practices.	0.187	0.891	Not significant
Increasing pressure from local community on CSR practices.	2.022	0.773	Not significant
Increase sales.	0.781	0.017	Significant
Attract repeating customers.	0.025	0.030	Significant
Increase customer loyalty.	4.110	0.013	Significant
Explore new customers and markets.	4.745	0.002	Significant
Improve customer satisfaction	3.096	0.018	Significant
Customers purchasing habits change to support CSR firms	1.194	0.155	Not significant
Customers boycott products and services which do not comply with CSR standard	0.819	0.900	Not significant
Government starts to increase transparency in businesses.	0.002	0.879	Not significant
Government applies penalties if companies do not implement CSR activities.	0.876	0.514	Not significant
Government provides incentives to implement CSR activities.	1.748	0.010	Not significant
Government pressures through enacted acts and regulations to implement CSR.	1.571	0.169	Not significant
Competitors take a leading role in CSR.	1.501	0.116	Not significant
Competitors are known for transparent communication policies on CSR.	0.627	0.732	Not significant
Competitors communicate openly about their CSR activities.	0.123	0.871	Not significant
Competitors invest in social funds and projects.	1.333	0.872	Not significant
Improve relationship with suppliers.	0.550	0.019	Significant
Requested by suppliers to implement CSR.	1.858	0.761	Not significant
Motivated by suppliers	0.297	0.136	Not significant
Increase profit	6.505	0.088	Not significant
Increase efficiency	0.428	0.063	Not significant
Enhance company image	9.045	0.154	Not significant
Enhance long term cost savings	3.266	0.386	Not significant
Headlines on religions to consult on reconciliation.	5.369	0.438	Not significant
Encourage spiritual worship and a sense of communion with the highest.	1.702	0.081	Not significant
Comparative development of the great religious faiths.	0.588	0.378	Not significant
Is important for to secure training in religion.	5.057	0.618	Not significant
I prefer to help advance the activities of local religious groups.	0.001	0.756	Not significant
I am a person with high ideals and reverence.	0.793	0.214	Not significant
I read magazines which related to arts and decorations.	3.214	1.000	Not significant
I read the section on picture galleries and exhibitions.	0.160	0.576	Not significant

Table 4.5 (Continued)			
	Lavene's Test F	Sig.	Significance at 95% level
The educational policies are to promote the study and participation in music and the fine arts.	0.321	0.063	Not significant
I prefer to make a collection of fine sculptures or paintings.	0.743	0.625	Not significant
Read the headlines related to great improvements in market conditions.	19.651	0.189	Not significant
Read the real estate sections and the account of the stock market.	0.389	0.497	Not significant
A good government should aim at the development of manufacturing and trade.	3.479	0.673	Not significant
I prefer to apply it productively to assist commercial and industrial development.	0.293	0.831	Not significant
The function of education is the preparation for practical achievement and financial reward.	0.449	0.580	Not significant
The educational policies of the nation's public schools are to increase the practical value of courses.	0.578	0.116	Not significant
I am a person with unselfishness and sympathy	0.049	0.071	Not significant
I prefer to use it to perform volunteer social or public service work.	0.001	0.664	Not significant
The function of education is prepare for participation in community activities and aiding less fortunate persons.	6.428	0.667	Not significant
A good government should aim chiefly at more aid for the poor, sick and old.	4.172	0.570	Not significant
I prefer to establish a center for the care and training of the disabled.	1.008	0.374	Not significant
I am more interested when the conversation concerns poverty and social improvement.	0.088	0.305	Not significant
I believe the main objective of scientific research should be the discovery of truth.	1.086	0.053	Not significant
I believe the main objective of scientific research should not be its practical applications.	2.304	0.625	Not significant
I would read more attentively on the headlines which related to new scientific theory announced.	0.359	0.184	Not significant
I prefer to use it to develop my mastery of a favourite skill.	0.839	0.464	Not significant
I would read magazines which related to scientific age.	1.230	0.875	Not significant
I am more interested when the conversation concerns development in science.	3.018	0.847	Not significant
I am more interested when the conversation concerns the meaning of life.	3.237	0.681	Not significant
I prefer to be a politician.	3.378	0.242	Not significant
The more important function of modern leaders is to bring accomplishment of practical goals.	1.423	0.538	Not significant
Modern leaders should encourage followers to take a greater interest in the rights of others.	0.735	0.636	Not significant
Read attentively on the headlines related to Federal Court renders decision.	0.512	0.747	Not significant
Modern society benefits more from greater knowledge of the fundamental laws of human behaviour.	0.489	0.556	Not significant
I prefer to aim at a senatorship or a seat in the Parliament.	0.343	0.787	Not significant

The result shows that 7 out of 93 variables tested indicated little significance difference (at the 5% significant level) between early and late respondents. Hence, this would suggest that non-response bias is not a significant concern. According to Weiss & Heide (1993), the response bias is not considered as a major problem if the study attains effective response rates. In fact, the non-response bias is very common in survey research as they occur when respondents differ in a meaningful way from non-respondents (Armstrong & Overton, 1977; Churchill, 1979).

4.4 Profile of Responding SMEs

The background information of the respondents is shown in this section, which includes the sectors in which the firms operate, geographical location of the firms, firms' ages, forms of ownership, annual sales turnover, the number of full-time employees, ownerships, positions, gender, ages and education levels.

Table 4.6
Respondents' Profile

<i>Demographic variables</i>	<i>Description</i>	<i>Frequency</i>	<i>Percentage</i>
Sector	Basic metal	12	5.9
	Chemical, including Petroleum	16	7.9
	Electrical and Electronic	11	5.4
	Fabricated Metal	18	8.9
	Food, Beverage and Tobacco	25	12.3
	Machinery	16	7.9
	Manufacture of Furniture	8	3.9
	Medical, Precision and Optical Instruments	6	3
	Non-Metallic Mineral	4	2
	Paper, Printing and Publishing	11	5.4
	Plastic	19	9.4
	Recycling	8	3.9
	Rubber	12	5.9
	Transport	8	3.9
	Textile, Wearing Apparel and Leather	15	7.4
	Wood and Wood Products, including Furniture	11	5.4
	Others	5	2.5
Geographical Distribution	Perlis	0	0
	Kedah	19	9.4
	Perak	30	14.8

	Kuala Lumpur	4	2
	Terengganu	0	0
	Selangor	72	35.5
	Pulau Pinang	36	17.7
	Negeri Sembilan	6	3
	Pahang	1	0.5
	Melaka	8	3.9
	Johor	27	13.3
	Kelantan	0	0
	Putrajaya	0	0
	Sabah	1	0.5
	Sarawak	1	0.5
	Labuan	0	0
Firm Age	Less than 5 years	14	6.9
	6 to 10 years	30	14.8
	11 to 15 years	43	21.2
	16 to 20 years	46	22.7
	21 to 25 years	25	12.3
	26 to 30 years	23	11.3
	31 years and above	22	10.8
Form of Ownership	Citizen-owned	152	74.9
	Foreign-owned	30	14.8
	Joint-venture	21	10.3
Annual Sales Turnover	Less than RM 300,000	18	8.9
	RM 300,000 to less than RM 15 million	110	54.2
	RM 15 million to less than RM 50 million	75	36.9
Number of Full Time Employee	Less than 5 workers	15	7.4
	5 workers to less than 75 workers	117	57.6
	75 workers to less than 200 workers	71	35
Ownership	Owner	107	52.7
	Non-owner	96	47.3
Position	Managing Director	68	33.5
	Chief Executive Officer	26	12.8
	Senior Manager	70	34.5
	Manager	39	19.2
Gender	Male	129	63.5
	Female	74	36.5
Age	20 - 29	23	11.3
	30 - 39	43	21.2
	40 - 49	60	29.6
	50 and above	77	37.9
Education Level	Secondary	26	12.8
	College	43	21.2
	University	134	66

Table 4.6 indicates that the sample came mostly from food, beverage and tobacco (12.3%), plastic (9.4%), fabricated metal (8.9%), chemicals (including Petroleum) (7.9%), machinery (7.9%), and textile, wearing apparel and leather (7.4%). Regarding the geographical distribution of SMEs in the manufacturing sector, Selangor shows

the highest number of SMEs (35.5%). This is followed by Pulau Pinang (17.7%), Perak (14.8%) and Johor (13.3%).

Overall, the results show that 78.3% of the SMEs in the Malaysia have worked for over ten years. 43.9% have operated between 11 to 20 years, and 34.4% of the SEMs have been in business for more than two decades. This result indicates that most of the responding SMEs are matured in producing their products. In addition, the majority of the SMEs in operation are citizen-owned with 152 establishments (74.9%). This is followed by foreign-owned companies with 30 establishments (14.8%) and the remaining SMEs in the sample (21 establishments) are under joint ventures (10.3%).

Table 4.6 shows that more than 50% of the SMEs in the sample have sales turnover of between RM300,000 to RM15 million. 36.9% of the sample have a turnover of more than 15 million while only 8.9% of SMEs have a turnover of less than RM300,000. It is found that more than 90% of the SMEs have more than five workers. 57.6 % of the sample has full-time employees of between 5 to less than 75 employees (small-sized firms). This is followed by more than 75 employees and less than 200 employees (35%) which are categorised as medium-sized firms and less than five employees (7.4%) are classified as micro-sized firms.

Table 4.6 illustrates that approximately 53% of the respondents are the owner of the firm while 47.3% of them are not the owner. The majority of the respondents are senior manager of the firms (34.5%), followed by managing director (33.5%), manager (19.2%) and chief executive officer (12.8%). Most of the respondents are males (63.5%) while only 36.5% were female. According to Chee (1986), men mainly

operated SMEs in Malaysia. This sample shows that the condition has not changed the past 30 years.

Most of the SME owner-managers are 50 years old and above (37.9). This is followed by 29.6% who are between 40 and 49 years old, 21.2% between 30 and 39 years, and only 11.3% are between 20 and 29 years. As shown in Table 4.6, a total of 134 (66%) participants is university graduates. About 21.2% of the participants were graduated from college, and 12.8% have completed secondary schooling.

4.5 The level of Agreement to CSR Practices

Table 4.7 demonstrates the level of agreement to CSR practices among respondents in this study. It is found that 65% of the respondents agreed to classify their firms as socially responsible firms. 68.9% of SMEs agree that their firms are aware of CSR, while 43.7% of SMEs agree that they conduct CSR activities on regular basis. However, 37.4% of the responding SMEs remain neutral on this issue. Only 34.5% of SMEs allocate budget for CSR activities, while 43.2% of the respondents are neutral on this matter. On the other hand, 34.5% of the respondents has allocated budget to CSR activities. Nevertheless, 22.3% of them do not allocate budget for CSR activities.

Table 4.7
The level of Agreement to CSR Practices

	Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
	Frequency (%)	Frequency (%)	Frequency (%)	Frequency (%)	Frequency (%)
My firm is a socially responsibility firm.	1 (5%)	12 (5.8%)	59 (28.6%)	102 (49.5%)	32 (15.5%)
My firm is aware of CSR.	0 (0%)	12 (5.8%)	52 (28.6%)	108 (52.4%)	34 (16.5%)
My firm's activities are conducted on a regular basis.	3 (1.5%)	36 (17.5%)	77 (37.4%)	74 (35.9%)	16 (7.8%)
My firm has allocation for budget on CSR activities.	6 (2.9%)	40 (19.4%)	89 (43.2%)	61 (29.6%)	10 (4.9%)

4.6 Descriptive Analysis of Variables

Descriptive statistics are used to describe the descriptive analysis which includes mean, standard deviation (SD), skewness and kurtosis. The skewness and kurtosis values of the questionnaire items are explained in section 4.33 (refer to Table 4.3).

All items are measured on a five-point Likert scales ranging from Strongly Disagree (1) to Strongly Agree (5). Table 4.8 shows the descriptive statistics for dependent variables (CSR activities: workforce-oriented activities; market-oriented activities; community-oriented activities and environmental-oriented activities), independent variables (local community, employee, customer, government, competitor, suppliers and performance) and moderators (religious, aesthetic, economic, social, theoretical and political values).

Table 4.8
Summary of Descriptive Statistics for Key Variable in the Study

	Mean	Std. Deviation
Workforce-oriented activities	3.7399	.57770
Market-oriented activities	4.1456	.57165
Community-oriented activities	3.2709	.72518
Environment-oriented activities	3.7937	.69759
Local community	3.6513	.56731
Employee factor	3.3525	.59382
Customer factor	3.1158	.78953
Government factor	2.8252	.72821
Competitor factor	2.7039	.73688
Supplier factor	2.9741	.79523
Performance factor	3.3167	.81306
Religious value	3.3107	.61254
Aesthetic value	3.1845	.60643
Economics value	3.7735	.52414
Social value	3.7565	.51128
Theoretical value	3.5652	.44112
Politic value	3.2055	.54310

This study has identified the CSR practices using four dimensions, namely workforce-oriented activities, market-oriented activities, community-oriented activities and environment-oriented activities. Table 4.8 shows that SMEs on an average exhibit a slightly higher mean score in implementing market-oriented activities (Mean = 4.1456), followed by environment-oriented activities (Mean = 3.7937), workforce-oriented activities (Mean = 3.7399) and community-oriented activities (Mean = 3.2709).

Seven factors affecting CSR activities are examined. The mean score for factors such as local community (Mean = 3.6513), employee (Mean = 3.3525), performance (Mean = 3.3167), the customer (Mean = 3.1158) are relatively low but still above the mid-point of the rating scale. Other factors such as supplier (Mean = 2.9741), government (Mean = 2.8252) and competitor (Mean = 2.7039) are below the mid-point of the rating scale.

Among the six types of personal values, the highest average mean is economic value (Mean = 3.7735), followed by social value (Mean = 3.7565), theoretical value (Mean = 3.5652), religious value (Mean = 3.3107), political value (Mean = 3.2055) and aesthetic value (Mean = 3.1845).

4.7 Data Analysis: Partial Least Squares Structural Equation Modelling (PLS-SEM)

To test a set of hypotheses and to examine how personal values act as moderators, in the relationship between stakeholders, performances drivers and CSR activities,

Partial Least Squares Structural Equation Modelling (PLS-SEM) was applied in this study instead of Covariance Based Structural Equation Modelling (CB-SEM).

PLS-SEM was chosen for several reasons. First, PLS path modelling is suitable for prediction-oriented research, used to explain endogenous constructs on theory building rather than theory testing (Hair *et al.*, 2013). In the present study, personal values acting as moderators, in the relationship between stakeholders, performances drivers and CSR activities, can be conceived as exploratory because it is still considered to be at an infancy stage, in Malaysia. Hence, PLS-SEM is more appropriate in this study.

Second, PLS-SEM can be used in both reflective and formative model measurements, while CB-SEM is limited to reflective constructs (Hair *et al.*, 2013). SmartPLS software can include and measure first-order and second-order formative constructs. This is particularly important in this study since CSR activities have been identified as second-order formative constructs formed by four other first-order reflective constructs (workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities).

Third, PLS-SEM can produce reliable estimates with smaller sample sizes, it can be started with a sample size of 100 to 200 (Hoyle, 1995). The sample size adequacy is confirmed through the sample size recommendation in PLS-SEM for a statistical power of 80% (Hair *et al.*, 2013). As the maximum number of independent variables in the measurement model is 8, 84 observations are needed to achieve a statistical power of 80% for detecting R^2 values of at least 0.25, with a 5% probability of error.

Therefore, the actual data set of 203 observations is more than the minimum sample size requirements of 84.

Lastly, PLS-SEM is useful when the structural model is complicated, in the case when there are many constructs and indicators (Hair *et al.*, 2013). In this study, there are 17 constructs and 86 indicators. Hence, PLS-SEM is an appropriate approach to use in this study.

The analysis of a PLS model involves two stages. First, the assessment model (outer model) describes the relationship between a latent variable and indicators. Second, the structural model (inner model) identifies the relationship between the different latent variables (Edwards & Bagozzi, 2000).

4.8 Assessment of the Measurement Model

The analysis of the data is undertaken in two steps. First, the measurement model in the SmartPLS is constructed using the PLS algorithm. In the second phase, the structural model is estimated using the bootstrapping procedure. According to Hair *et al.* (2011), the bootstrapping procedure “involves repeated random sampling with replacements from the original sample to create a bootstrap sample, to obtain standard errors for hypothesis testing”. As PLS-SEM does not require normality of data distribution, it relies on the non-parametric bootstrap procedure to test coefficients to check the significance of the hypotheses (Hair *et al.*, 2013).

In PLS-SEM, it is important to establish the internal reliability and validity of the measures. There are two types of measurement models in PLS-SEM, namely, reflective measurement model and formative measurement model.

4.8.1 Reflective Measurement Model

The reflective measurement model is based on the assumption that all indicator items are caused by the same constructs (i.e., they stem from the same domain) and individual items be interchangeable. To assess the measurement model, CFA is used to measure reliability (e.g. Cronbach's α and composite reliability) and validity (e.g. convergent and discriminant) (Hair *et al.*, 2007). Table 4.9 shows the criteria for the measurement model in this study.

Table 4.9
Criteria for the Measurement Model

Criteria	Description	Acceptable Fit
Reliability		
Indicator reliability	Indicator loading	Value > 0.5 (Nunnally, 1978; Hair <i>et al.</i> , 2006) Value > 0.6 (Chin & Marcoulides, 1998)
Internal Reliability	Cronbanch's Alpha	Value > 0.60 (Hair <i>et al.</i> , 2007)
	Composite reliability	Value > 0.70 (Hair <i>et al.</i> , 2013)
Validity		
Convergence validity	Average Variance Extracted (AVE)	Value > 0.5 (Hair <i>et al.</i> , 2013)
Discriminant Validity	Cross loading	The outer loadings on each indicator should load highest on the construct (Hair <i>et al.</i> , 2013)
	Fornell-Larker criterion	AVE should exceed the squared correlation with other construct (Hair <i>et al.</i> , 2013)

In this study, stakeholder and performance drivers are treated as reflective constructs because the direction of causality is from the construct to the constituent items, and the indicators are interchangeable. The removal or addition of an indicator will not affect the constructs. For example, items to measure SME's motivation to engage in

CSR activities, such as “*My company wishes to be able to attract new employees*”, “*My company wishes to be able to attract skilled workers*” and “*My company wishes to be able to increase employee retention*” reflect the content of the construct.

Six moderating variables have been used to describe personal values, namely religious value, aesthetic value, economic value, social value, theoretical value and political value. All these six moderators are treated as reflective constructs because the indicators are interchangeable. For example, indicators used to measure social values such as “*I am a person with unselfishness and sympathy*”, “*If I have sufficient leisure time, I prefer to use it to perform volunteer social or public service work*” and “*If I had sufficient leisure and money, I prefer to establish a centre for the care and training of the disabled*”, can be interchangeable and still reflect the concept of social values.

4.8.1.1 Results

As PLS-SEM does not require normality of data distribution, it relies on the non-parametric bootstrap procedure to test coefficient to check the significance of the hypotheses (Hair *et al.*, 2013). In line with Hair *et al.* (2013), 5,000 bootstrap samples are used to test means, standard errors and t-statistics for each of the parameters. SmartPLS version 3.0 is used to conduct data analysis.

The component-based CFA in SmartPLS 3.0 is used to conduct factor analysis and retain items that have factor loadings of at least 0.5 (Hair *et al.*, 2006; Nunnally, 1978) and drops items with loadings less than 0.5.

Through several stages of elimination, the measurement scales are modified. First, items with loadings values less than 0.5 are removed, and new loadings are calculated. The same step is repeated several times until only items with loading values exceeding the suggested threshold value of 0.50 or higher remains in the study as shown in Figure 4.3.

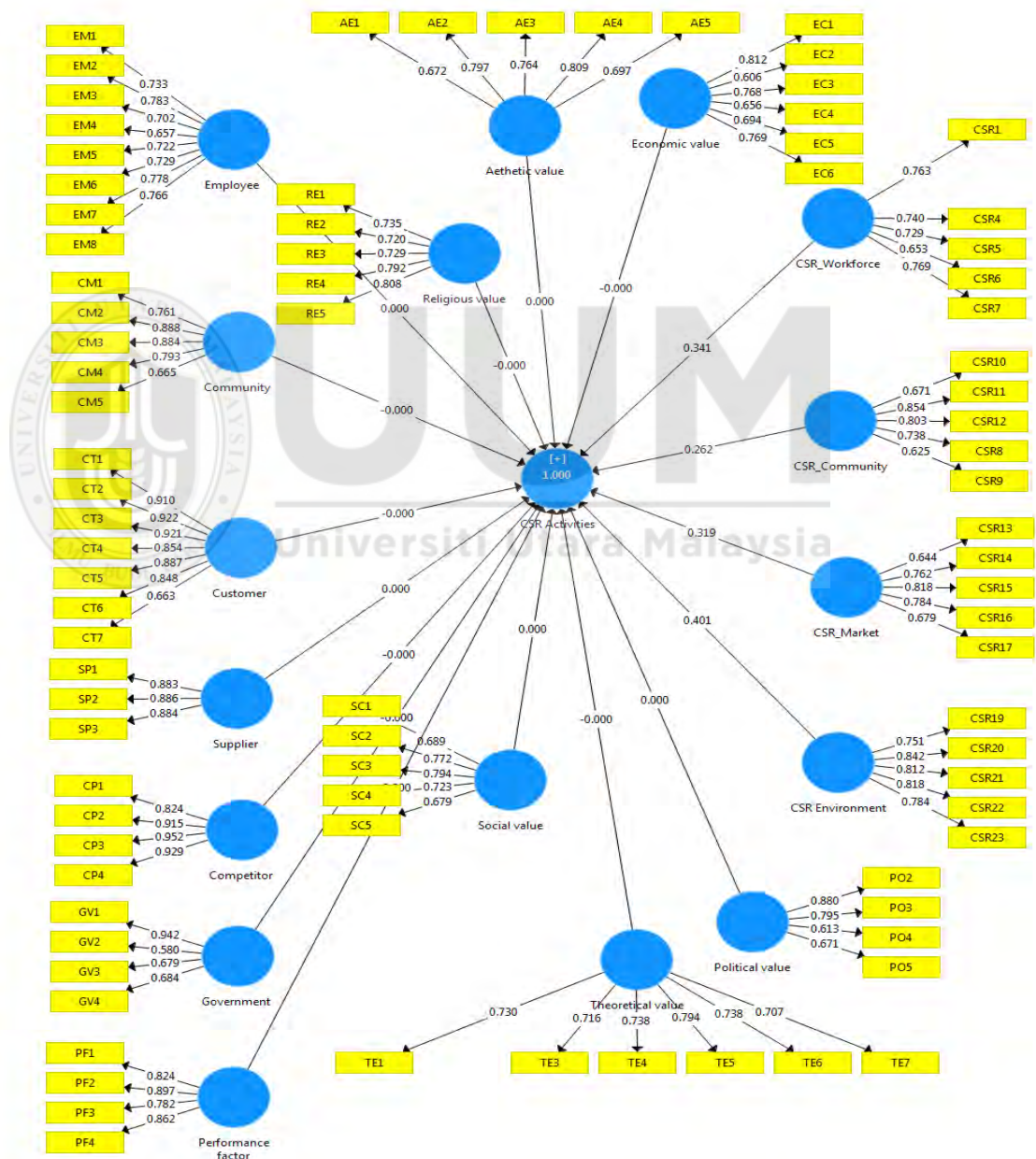


Figure 4.3
Measurement Model

Table 4.10 displays the outer standardise factor loadings, composite reliability, Average Variance Extracted (AVE) and Cronbach alpha.

Table 4.10
First-Order Reflective Indicators

Construct	Measurement model	Item	factor Loading	Composite reliability	AVE	Cronbach's α
Independent Variables						
Employee	Reflective	EM1	0.733	0.903	0.539	0.883
		EM2	0.783			
		EM3	0.702			
		EM4	0.657			
		EM5	0.722			
		EM6	0.729			
		EM7	0.778			
		EM8	0.766			
Local community	Reflective	CM1	0.761	0.899	0.644	0.858
		CM2	0.888			
		CM3	0.884			
		CM4	0.793			
		CM5	0.665			
Customer	Reflective	CT1	0.910	0.953	0.744	0.941
		CT2	0.922			
		CT3	0.921			
		CT4	0.854			
		CT5	0.887			
		CT6	0.848			
		CT7	0.663			
Government	Reflective	GV1	0.942	0.827	0.551	0.804
		GV2	0.580			
		GV3	0.679			
		GV4	0.684			
Competitor	Reflective	CP1	0.824	0.949	0.823	0.931
		CP2	0.915			
		CP3	0.952			
		CP4	0.929			
Supplier	Reflective	SP1	0.883	0.916	0.783	0.863
		SP2	0.886			
		SP3	0.884			
Performance	Reflective	PF1	0.824	0.907	0.71	0.87
		PF2	0.897			
		PF3	0.782			
		PF4	0.864			
Moderators						
Aesthetics value	Reflective	AE1	0.672	0.865	0.563	0.813
		AE2	0.797			
		AE3	0.764			
		AE4	0.809			
		AE5	0.697			

Table 4.10 (Continued)

Construct	Measurement model	Item	Factor loading	Composite reliability	AVE	Cronbach's α
Religious value	Reflective	RE1	0.735	0.87	0.573	0.819
		RE2	0.720			
		RE3	0.729			
		RE4	0.792			
		RE5	0.808			
Economic value	Reflective	EC1	0.812	0.866	0.52	0.817
		EC2	0.606			
		EC3	0.768			
		EC4	0.656			
		EC5	0.694			
		EC6	0.769			
Theoretical value	Reflective	TE1	0.730	0.878	0.545	0.836
		TE3	0.716			
		TE4	0.738			
		TE5	0.794			
		TE6	0.738			
		TE7	0.707			
		Political value	Reflective			
PO3	0.795					
PO4	0.613					
PO5	0.671					
PO6	0.485					
Social value	Reflective	SC1	0.689	0.852	0.537	0.784
		SC2	0.772			
		SC3	0.794			
		SC4	0.723			
		SC5	0.679			

Note: TE2, PO1, PO6 and SC6 are deleted due to low loadings.

The results of the outer factor loadings show that items TE2, PO1, PO6 and SC6 are below 0.50 and thus have been removed from the measurement model. All items above the suggested threshold value of 0.50 or higher are retained for further analysis to achieve the composite reliability value of above 0.80.

Results show that the Cronbach's alpha value for customer and competitor are more than 0.9 indicating excellent internal consistency. The Cronbach's alpha value for the employee, local community, government, supplier, performance, aesthetics value, religious value, economic value and theoretical value are between 0.8 and 0.9, indicating very good internal consistency. While the Cronbach's alpha value for

political value and social value are more than 0.7 but less than 0.8, indicating satisfactory internal consistency (Hair *et al.*, 2007).

Convergent validity is assessed by AVE which is defined as the grand mean value of the squared loadings of the indicators associated with the constructs. The AVE should be at least 0.5 for conditions of convergent validity to be met (Hair *et al.*, 2013). Table 4.10 shows that the AVE extracted for each construct is higher than the required value 0.5 (Fornell & Larcker, 1981). This indicates that each construct explains more than half of the variance of the indicators. In other words, on average, less error remain in the items for which the variance is explained by the constructs.

Two tests are proposed to assess discriminant validity (Hair *et al.*, 2013), namely cross-loadings and the Fornell-Larcker criterion. In this study, results show that all indicators' outer loadings, on the constructs, are greater than all the loadings on other constructs. Hence, discriminant validity is exhibited. All cross loadings are shown in Table 4.11.

Table 4.11
Cross Loadings

	AE	CM	CP	CT	EC	EM	GV	PF	PO	RE	SO	SP	TE
AE1	0.672	0.346	0.142	0.205	0.305	0.241	0.186	0.237	0.304	0.426	0.317	0.177	0.297
AE2	0.797	0.316	0.257	0.286	0.098	0.321	0.181	0.247	0.078	0.434	0.32	0.273	0.267
AE3	0.764	0.196	0.331	0.207	0.111	0.221	0.258	0.153	0.034	0.319	0.239	0.301	0.231
AE4	0.809	0.231	0.234	0.252	0.126	0.258	0.188	0.226	0.107	0.386	0.213	0.262	0.218
AE5	0.697	0.153	0.217	0.112	0.068	0.206	0.159	0.102	0.079	0.322	0.226	0.209	0.212
CM1	0.176	0.761	0.141	0.255	0.234	0.362	0.147	0.325	0.365	0.223	0.362	0.285	0.176
CM2	0.22	0.888	0.372	0.406	0.246	0.496	0.276	0.345	0.353	0.252	0.38	0.338	0.169
CM3	0.268	0.884	0.314	0.397	0.35	0.502	0.254	0.367	0.405	0.263	0.469	0.337	0.182
CM4	0.351	0.793	0.354	0.374	0.286	0.437	0.297	0.289	0.212	0.279	0.334	0.299	0.23
CM5	0.458	0.665	0.353	0.421	0.128	0.399	0.362	0.34	0.167	0.353	0.299	0.378	0.229
CP1	0.248	0.279	0.824	0.518	-0.004	0.316	0.514	0.39	0.044	0.2	0.065	0.581	0.056
CP2	0.323	0.333	0.915	0.483	0.061	0.387	0.485	0.383	0.128	0.289	0.144	0.594	0.109

Table 4.11 (Continued)

CP3	0.27	0.377	0.952	0.482	0.006	0.44	0.466	0.359	0.106	0.285	0.17	0.592	0.027
CP4	0.282	0.353	0.929	0.442	-0.012	0.374	0.393	0.344	0.044	0.283	0.118	0.536	-0.008
CT1	0.268	0.406	0.475	0.91	0.075	0.57	0.432	0.669	0.143	0.319	0.215	0.621	0.158
CT2	0.286	0.443	0.469	0.922	0.188	0.609	0.451	0.709	0.17	0.301	0.231	0.626	0.179
CT3	0.222	0.405	0.467	0.921	0.108	0.619	0.469	0.703	0.172	0.245	0.234	0.669	0.171
CT4	0.225	0.398	0.346	0.854	0.11	0.545	0.394	0.648	0.154	0.291	0.2	0.594	0.103
CT5	0.263	0.419	0.45	0.887	0.149	0.625	0.447	0.718	0.164	0.31	0.269	0.678	0.137
CT6	0.302	0.391	0.464	0.848	0.1	0.569	0.475	0.604	0.082	0.327	0.187	0.585	0.108
CT7	0.249	0.28	0.457	0.663	0.031	0.431	0.448	0.448	0.029	0.219	0.058	0.497	0.03
EC1	0.149	0.296	0.031	0.203	0.812	0.296	0.238	0.291	0.477	0.234	0.322	0.153	0.314
EC2	0.179	0.123	-0.024	0.018	0.606	0.108	0.1	0.098	0.202	0.194	0.172	0.056	0.125
EC3	0.227	0.256	0.028	0.052	0.768	0.15	0.069	0.115	0.406	0.194	0.386	-0.035	0.316
EC4	0.156	0.205	0.011	0.116	0.656	0.159	0.199	0.129	0.375	0.062	0.292	0.048	0.345
EC5	0.176	0.222	0.138	0.085	0.694	0.124	0.078	0.104	0.345	0.237	0.356	0.083	0.296
EC6	0.091	0.228	-0.083	0.049	0.769	0.132	0.02	0.095	0.51	0.106	0.416	-0.021	0.477
EM1	0.279	0.418	0.336	0.615	0.171	0.733	0.251	0.467	0.116	0.243	0.248	0.434	0.061
EM2	0.183	0.423	0.269	0.446	0.231	0.783	0.244	0.367	0.241	0.3	0.304	0.377	0.161
EM3	0.161	0.281	0.299	0.455	0.118	0.702	0.312	0.352	0.089	0.258	0.207	0.395	0.036
EM4	0.14	0.409	0.231	0.4	0.235	0.657	0.218	0.394	0.223	0.335	0.312	0.382	0.222
EM5	0.306	0.368	0.375	0.536	0.07	0.722	0.321	0.447	0.08	0.326	0.176	0.484	0.122
EM6	0.332	0.364	0.285	0.432	0.138	0.729	0.301	0.401	0.107	0.334	0.277	0.367	0.192
EM7	0.139	0.477	0.309	0.473	0.187	0.778	0.328	0.349	0.149	0.249	0.366	0.393	0.137
EM8	0.374	0.419	0.399	0.52	0.202	0.766	0.369	0.474	0.136	0.355	0.311	0.531	0.285
GV1	0.254	0.318	0.419	0.462	0.18	0.351	0.942	0.381	0.158	0.209	0.141	0.484	0.067
GV2	0.184	0.188	0.439	0.391	-0.041	0.268	0.58	0.316	0.024	0.224	-0.049	0.372	0.026
GV3	0.201	0.234	0.376	0.364	0.163	0.327	0.679	0.405	0.095	0.253	0.13	0.479	0.228
GV4	0.139	0.188	0.416	0.385	0.055	0.305	0.684	0.416	0.111	0.198	0.047	0.446	0.143
PF1	0.296	0.28	0.344	0.686	0.106	0.47	0.45	0.824	0.1	0.338	0.157	0.627	0.209
PF2	0.236	0.327	0.435	0.729	0.147	0.53	0.517	0.897	0.203	0.309	0.229	0.665	0.093
PF3	0.186	0.459	0.278	0.52	0.201	0.379	0.247	0.782	0.254	0.346	0.314	0.411	0.159
PF4	0.246	0.28	0.285	0.624	0.22	0.504	0.385	0.862	0.238	0.27	0.216	0.583	0.127
PO2	0.13	0.408	0.048	0.173	0.565	0.22	0.14	0.262	0.88	0.2	0.393	0.115	0.404
PO3	0.09	0.285	0.08	0.031	0.352	0.089	0.027	0.163	0.795	0.1	0.335	-0.015	0.362
PO4	0.091	0.109	0.078	0.067	0.307	0.027	0.225	0.059	0.613	0.161	0.251	0.117	0.309
PO5	0.283	0.266	0.087	0.187	0.376	0.216	0.127	0.219	0.671	0.313	0.371	0.189	0.362
RE1	0.373	0.128	0.183	0.29	0.143	0.319	0.14	0.359	0.168	0.735	0.161	0.319	0.212
RE2	0.307	0.219	0.08	0.114	0.169	0.22	0.068	0.096	0.23	0.72	0.26	0.127	0.103
RE3	0.416	0.178	0.335	0.248	0.078	0.219	0.179	0.233	0.132	0.729	0.191	0.233	0.188
RE4	0.416	0.309	0.312	0.292	0.102	0.312	0.2	0.272	0.168	0.792	0.321	0.252	0.145
RE5	0.455	0.385	0.272	0.316	0.305	0.403	0.324	0.405	0.204	0.808	0.341	0.291	0.194
SC1	0.202	0.246	0.034	0.065	0.31	0.187	0.09	0.131	0.269	0.155	0.689	0.126	0.271
SC2	0.36	0.441	0.246	0.327	0.286	0.395	0.159	0.321	0.272	0.282	0.772	0.288	0.353
SC3	0.344	0.364	0.115	0.255	0.402	0.297	0.201	0.333	0.367	0.368	0.794	0.277	0.396
SC4	0.207	0.318	0.046	0.128	0.473	0.259	-0.01	0.161	0.451	0.207	0.723	0.115	0.451

Table 4.11 (Continued)

SC5	0.178	0.317	0.072	0.061	0.168	0.267	0.015	0.058	0.309	0.252	0.679	-0.003	0.247
SP1	0.265	0.419	0.603	0.699	0.093	0.56	0.497	0.649	0.113	0.281	0.255	0.883	0.117
SP2	0.334	0.325	0.527	0.586	0.056	0.474	0.509	0.55	0.145	0.322	0.166	0.886	0.12
SP3	0.268	0.309	0.506	0.564	0.021	0.457	0.473	0.545	0.072	0.269	0.177	0.884	0.12
TE1	0.134	0.177	-0.007	0.038	0.372	0.151	0.006	0.082	0.4	0.135	0.485	0.05	0.73
TE3	0.224	0.135	0.023	0.126	0.313	0.186	0.19	0.14	0.328	0.14	0.242	0.134	0.716
TE4	0.326	0.233	0.052	0.155	0.37	0.179	0.098	0.169	0.452	0.216	0.38	0.064	0.738
TE5	0.349	0.154	0.015	0.148	0.289	0.136	0.128	0.141	0.353	0.148	0.27	0.14	0.794
TE6	0.229	0.08	0.016	0.133	0.299	0.144	0.079	0.109	0.248	0.094	0.245	0.149	0.738
TE7	0.255	0.245	0.073	0.115	0.297	0.173	0.066	0.129	0.305	0.226	0.366	0.092	0.707

The second approach of discriminant validity is the Fornell-Larker criterion. Fornell-Larker criterion compares the square roots of the AVE values with latent variable correlations (Table 4.12).

Table 4.12
Discriminant Validity

	1	2	3	4	5	6	7	8	9	10	11	12	13
1.Aesthetic value	0.75												
2.Community	0.356	0.802											
3.Competitor	0.306	0.378	0.906										
4.Customer	0.301	0.458	0.515	0.862									
5.Economic value	0.215	0.316	0.011	0.131	0.721								
6.Employee	0.34	0.549	0.426	0.661	0.238	0.735							
7.Government	0.261	0.326	0.493	0.513	0.167	0.398	0.734						
8.Performance	0.279	0.415	0.395	0.75	0.208	0.555	0.461	0.842					
9.Political value	0.185	0.383	0.09	0.155	0.555	0.196	0.16	0.249	0.747				
10.Religious value	0.518	0.336	0.297	0.336	0.235	0.405	0.252	0.377	0.245	0.758			
11.Social value	0.359	0.464	0.146	0.238	0.453	0.387	0.131	0.285	0.452	0.345	0.733		
12.Supplier	0.324	0.405	0.623	0.706	0.068	0.569	0.558	0.665	0.125	0.328	0.232	0.885	
13.Theoretical value	0.335	0.243	0.04	0.154	0.443	0.22	0.117	0.171	0.478	0.223	0.472	0.134	0.738

Note: Values on the diagonal (bold) represent the square root of AVE while the off-diagonals represent correlations.

Table 4.12 shows that the square root of each construct's AVE value is greater than its highest correlation with any other construct. For example, performance factor shows the highest discriminant validity among all the other constructs. The Square

root of AVE for metadata ontology is 0.842 while the correlation between performance factor and other constructs range from 0.171 to 0.249. Therefore, discriminant validity on the construct level is established.

4.8.2 Formative Measurement Model

Formative measurement model assumes that the indicators cause the construct, and individual items are not interchangeable (Hair *et al.*, 2013). The concepts of reliability (i.e., indicator reliability, internal consistency reliability) and construct validity (i.e., convergent and discriminant validity) are not meaningful with a formative measurement model (Chin, 2010; Hair *et al.*, 2013). This is because formative indicators are not highly correlated. Hence, the constructs are based on weight instead of loadings. In formative measurement model, the issue of multicollinearity needs to be assessed. According to Hair *et al.* (2013), the high correlation between two formative indicators can cause problems to the method and the results because they have an impact on the weight and statistical significances. Variance Inflation Factor (VIF) is used to assess multicollinearity issue. If VIF values are less than 5, and their tolerance values are more than 0.2, there is no collinearity problem (Hair *et al.*, 2013).

In this study, CSR activities constructs are measured as multidimensional second-order constructs encompassing four dimensions, namely workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities. Diamantopoulos, Reifler and Roth (2008) stated that when dealing with multidimensional constructs, it has to distinguish between two levels of analysis, one level relating manifest indicators to (first order) dimensions, and a second level relating the individual dimensions to the (second-order) latent constructs.

CSR activity constructs are operationalised as a Type II: Reflective First-Order, Formative Second-Order (Jarvis, MacKenzie, & Podsakoff, 2003), in which CSR activities are composed of four formative dimensions, namely workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities (Fuller & Tian, 2006; Hess, 2001; Jenkins, 2006). Workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities are operated as four reflective first-order variables. For example, sample items such as “*My company encourages employee participation in the decision-making process*” and “*My company improves health and safety of employees*” can be used to reflect workforce-oriented activities and all these items are interchangeable.

Hence, even some items are left out; they would not change the meaning of the constructs, as long as the constructs have sufficient reliability (Hair *et al.*, 2013). CSR activities construct operationalised as a Type II: Reflective First-Order, Formative Second-Order (Jarvis *et al.*, 2003) are shown in Figure 4.4.

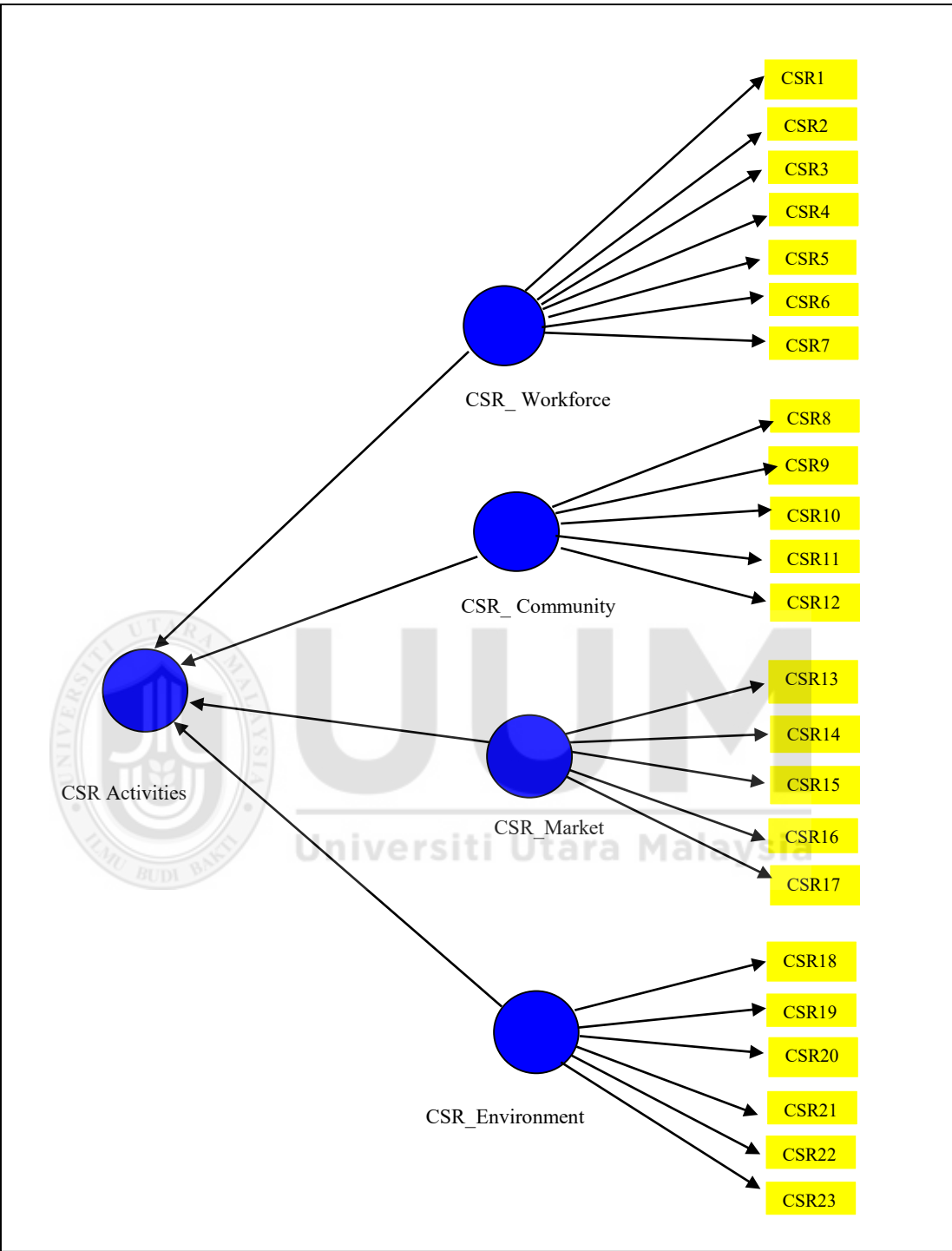


Figure 4.4
CSR Activities Construct (Type II: Reflective First-Order, Formative Second-Order)
 Source: Jarvis *et al.*, 2003

4.8.2.1 Results

CSR activities consisting of workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities are operated as reflective first-order variables. CSR activities construct is measured by the means of formative indicators. Table 4.13 displays the results of factor loadings, composite reliability, AVE and Cronbach Alpha for first order reflective indicators.

Table 4.13
CSR Activities as First-order Reflective Indicator

Construct	Measurement model	Item	factor Loading	Composite reliability	AVE	Cronbach's α
Workforce-oriented activities	Reflective (1 st Order)	CSR1	0.763	0.852	0.536	0.783
		CSR4	0.740			
		CSR5	0.729			
		CSR6	0.653			
		CSR7	0.769			
Community-oriented activities	Reflective (1 st Order)	CSR8	0.738	0.859	0.552	0.793
		CSR9	0.625			
		CSR10	0.671			
		CSR11	0.854			
		CSR12	0.803			
Market-oriented activities	Reflective (1 st Order)	CSR13	0.644	0.857	0.548	0.79
		CSR14	0.762			
		CSR15	0.818			
		CSR16	0.784			
		CSR17	0.679			
Environment-oriented activities	Reflective (1 st Order)	CSR19	0.751	0.90	0.643	0.861
		CSR20	0.842			
		CSR21	0.812			
		CSR22	0.818			
		CSR23	0.784			

Note: CSR2, CSR3 and CSR18 were deleted due to low loadings.

Assessment of First-Order Reflective Indicators

The results of outer factor loadings show that items CSR2, CSR3 and CSR18 are below 0.50, and have been subsequently removed from the measurement models. Reflective items that are above 0.50 (Hair *et al.*, 2013) are retained for further analysis because the composite reliability values are all above 0.80. Results show that

Cronbach's alpha value for all scales is above 0.7 indicating satisfactory internal consistency (Hair *et al.*, 2007).

Table 4.13 shows that AVE extracted for each reflective construct is higher than the required value 0.5 (Fornell & Larcker, 1981) and thus explain more than half of the variance of its indicators. In another word, less error remains in the items as the variances are explained by the constructs.

To assess discriminant, validity cross-loadings and the Fornell-Larcker criterion (Hair *et al.*, 2013) are used in this study. Table 4.14 shows that all the indicators' outer loadings on the constructs are greater than all the loadings on the other constructs. Hence, the items exhibit discriminant validity.

Table 4.14
Cross Loadings (First-Order Reflective Indicator – CSR Activities)

	CSR Workforce	CSR Community	CSR Market	CSR Environment
CSR1	0.763	0.393	0.383	0.429
CSR4	0.740	0.298	0.268	0.305
CSR5	0.729	0.295	0.331	0.428
CSR6	0.653	0.279	0.331	0.257
CSR7	0.769	0.406	0.346	0.449
CSR8	0.388	0.738	0.173	0.187
CSR9	0.425	0.625	0.304	0.29
CSR10	0.252	0.671	0.126	0.111
CSR11	0.332	0.854	0.258	0.156
CSR12	0.278	0.803	0.257	0.166
CSR13	0.389	0.323	0.644	0.37
CSR14	0.263	0.194	0.762	0.298
CSR15	0.398	0.239	0.818	0.388
CSR16	0.308	0.186	0.784	0.396
CSR17	0.307	0.203	0.679	0.317
CSR19	0.366	0.182	0.369	0.751
CSR20	0.478	0.22	0.448	0.842
CSR21	0.328	0.096	0.374	0.812
CSR22	0.484	0.258	0.383	0.818
CSR23	0.406	0.251	0.354	0.784

To access discriminant validity using Fornell-Larker criterion, square roots of the AVE values with latent variable correlations are shown in Table 4.15.

Table 4.15

Discriminant Validity (First-Order Reflective Indicator – CSR Activities)

	1	2	3	4
1.CSR_Environment	0.802			
2.CSR_Community	0.255	0.743		
3.CSR_Market	0.482	0.312	0.74	
4.CSR_Workforce	0.519	0.462	0.455	0.732

To get satisfactory discriminant validity, the square root of each construct's AVE value is greater than its highest correlation with any other constructs (Table 4.15). For example, CSR_Environment shows the highest discriminant validity among all other constructs. The Square root of AVE for CSR_Environment is 0.802 while the correlation between CSR_Environment and other constructs range from 0.255 to 0.519. Consequently, discriminant validity on the construct's level is established.

Assessment of Second-Order Formative Indicator

The development of the formative indicators for the second-order construct model follows the guideline from Hair *et al.* (2013). The issue of the collinearity must be identified in assessing the formative second-order construct; this can be done by measuring the tolerance value and VIF. The result of tolerance value, VIF, factor weight and t-value for second-order formative indicators are shown in Table 4.16.

Table 4.16

Second-Order Formative Indicator

Second order Formative Indicator	Tolerance	VIF	Weight	T-Value
Workforce-oriented activities	0.609	1.642	0.341	13.249**
Community-oriented activities	0.791	1.264	0.262	7.111**
Market-oriented activities	0.691	1.447	0.319	9.010**
Environment-oriented activities	0.713	1.402	0.401	12.468**

*p < 0.10; **p < 0.05; ***p < 0.01

Based on Table 4.16, VIF for all four indicators of the construct for CSR activities are less than the value of 5, and the tolerance values are more than 0.2. Therefore, there is no issue of multicollinearity problem across the indicators. Furthermore, Table 4.16 depicts that four indicators are highly significant at 95% confidence level. In addition, the items weights are above the value of 0.1. Hence, they are accepted to be significant formative indicators for their latent variable constructs (i.e., CSR activities).

4.9 Assessment of the Structural Model

After the reliability and validity measurements of the model have been established, the next step is to evaluate the inner-model (i.e. structural model) which is established with a series of structural equations representing the theoretical model (Chin, 2010). The key criteria used for the assessment of the structural model are the coefficient of determination (R^2), estimation of path coefficient (β), effect size (f^2) and prediction relevance (Q^2) (Chin, 2010; Gotz, Liehr-Gobbers, & Kraft, 2010; Henseler *et al.*, 2009; Tenenhaus & Vinzi, 2005). Table 4.17 summarises the description and threshold value for each criterion in this study.

Table 4.17
The Description and Threshold Value of Structural Model

Criterion	Description	Threshold value
Determination of coefficient (R^2)	Computes the variability and the exogenous variables (Tabachnick & Fidell, 2013; Hair <i>et al.</i> , 2006).	0.19 (weak), 0.33(moderate), 0.67 (good) (Chin1998)
Path coefficient (t -value)	Assess the multiple correlation coefficients between independent and dependent variables (Tabachnick & Fidell, 2013).	$t = 2.58$ ($p < 0.01$), $t = 1.96$ ($p < 0.05$), $t = 1.64$ ($p < 0.10$) (Hair <i>et al.</i> , 2006)
Effect size (f^2)	Measure the strength of the relationship between the variables from the model (Tabachnick & Fidell, 2013).	0.02 (weak effect) , 0.15 (medium effect), 0.35 (large effect) (Cohen, 1988; Chin, 1998)
Prediction relevance Stone-Geisser's (Q^2)	Assess the model's capability to predict R^2 through cross-validation (Henseler <i>et al.</i> , 2009)	0.02 (weak) 0.15 (medium) 0.35 (strong) (Chin, 1998)

4.9.1 Hypothesis Testing

4.9.1.1 Types of CSR Areas across Micro-, Small- and Medium-sized SMEs

A one-way ANOVA is used to provide evidence of any between-group differences among SMEs (micro, small and medium) on CSR practices. The independent variable represents three different SMEs groups, namely micro, small and medium-sized enterprises. The dependent variable is the CSR practices comprising workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities.

Levene test for equality of variances indicates that the variances of the three groups, micro, small and medium enterprises do not differ significantly as shown by the significant values that is greater than 0.05 as shown in Table 4.18. Therefore, the assumption of Homogeneity of Variances is fulfilled.

Table 4.18
Test of Homogeneity of Variances

	Levene Statistic	df1	df2	Sig.
Workforce-oriented activities	1.983	2	200	.140
Community-oriented activities	1.458	2	200	.235
Market-oriented activities	1.763	2	200	.174
Environmental-oriented activities	.192	2	200	.825

Table 4.19
Descriptive (CSR Practices among SMEs)

CSR Practices/Activities		N	Mean	Std. Deviation
Workforce-oriented activities	Micro	18	3.6587	0.6932
	Small	110	3.6649	0.58389
	Medium	75	3.8667	0.50225
Community-oriented activities	Micro	18	3.2111	0.83023
	Small	110	3.2564	0.75523
	Medium	75	3.2773	0.63917
Market-oriented activities	Micro	18	3.9	0.73324
	Small	110	4.1345	0.5493
	Medium	75	4.2133	0.56024
Environment-oriented activities	Micro	18	3.5648	0.69578
	Small	110	3.6894	0.71978
	Medium	75	3.9867	0.63184

Table 4.20
ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Workforce-oriented activities	Between Groups	1.942	2	.971	3.034	.050
	Within Groups	63.996	200	.320		
	Total	65.938	202			
Community-oriented activities	Between Groups	.067	2	.034	.064	.938
	Within Groups	104.120	200	.521		
	Total	104.187	202			
Market-oriented activities	Between Groups	1.442	2	.721	2.209	.112
	Within Groups	65.255	200	.326		
	Total	66.697	202			
Environment-oriented activities	Between Groups	4.926	2	2.463	5.227	.006
	Within Groups	94.243	200	.471		
	Total	99.169	202			

The one way ANOVA results in Table 4.20 shows that firms' engagement in workforce-oriented activities differ significantly among the three groups ($F(2, 200) = 3.034, p = 0.05 \leq 0.10$). Table 4.19 indicates that medium-sized enterprises performed more workforce-oriented activities ($M = 3.8667, SD = 0.50225$) than small-sized

enterprises ($M = 3.6649$, $SD = 0.58389$) or micro-sized enterprises ($M = 3.6587$, $SD = 0.6932$).

In addition, firms' engagement in environment-oriented activities are significantly different among the three groups ($F(2, 200) = 5.227$, $p = 0.006 < 0.05$) (Table 4.20). It is found that medium-sized enterprises have become more involved in environment-oriented activities ($M = 3.9867$, $SD = 0.63184$) than small-sized enterprises ($M = 3.6894$, $SD = 0.71978$) or micro-sized enterprises ($M = 3.5648$, $SD = 0.69578$) (Table 4.19).

However, based on one way ANOVA result in Table 4.20, firms' engagement in community-oriented activities do not differ significantly among the three groups ($F(2, 200) = 0.064$, $p = 0.938 > 0.05$). Firms' engagement in market-oriented activities also do not differ significantly among the three groups ($F(2, 200) = 2.209$, $p = 0.112 > 0.05$).

To further explore the pair of groups in which the differences exist, among the three groups, a post hoc analysis using Games-Howell was carried out. This procedure was adopted because it is more appropriate for unequal sample sizes (Field, 2005). The results of the post hoc analysis are shown in Table 4.21.

Table 4.21
Comparisons of CSR Activities by SMEs Groups

CSR activities	SMEs	SMEs	Mean Difference (I-J)	Std. Error	sig
Workforce-oriented activities	Micro (n=18)	Small	-0.0062	0.17261	0.999
		Medium	-0.20794	0.17338	0.466
	Small (n=110)	Micro	0.0062	0.17261	0.999
		Medium	-.20173*	0.08039	0.035
	Medium (n=75)	Micro	0.20794	0.17338	0.466
		Small	.20173*	0.08039	0.035
Community-oriented activities	Micro (n=18)	Small	-0.04525	0.20852	0.974
		Medium	-0.06622	0.20914	0.946
	Small (n=110)	Micro	0.04525	0.20852	0.974
		Medium	-0.02097	0.10311	0.977
	Medium (n=75)	Micro	0.06622	0.20914	0.946
		Small	0.02097	0.10311	0.977
Market-oriented activities	Micro (n=18)	Small	-0.23455	0.18059	0.412
		Medium	-0.31333	0.18454	0.228
	Small (n=110)	Micro	0.23455	0.18059	0.412
		Medium	-0.07879	0.08323	0.612
	Medium (n=75)	Micro	0.31333	0.18454	0.228
		Small	0.07879	0.08323	0.612
Environment-oriented activities	Micro (n=18)	Small	-0.12458	0.17778	0.765
		Medium	-0.42185	0.17949	0.068
	Small (n=110)	Micro	0.12458	0.17778	0.765
		Medium	-.29727*	0.10016	0.01
	Medium (n=75)	Micro	0.42185	0.17949	0.068
		Small	.29727*	0.10016	0.01

*p < 0.05

Based on the post hoc results (Table 4.21), significant differences, (-.20173*) in the workforce-oriented activities, exist between the small-sized and medium-sized enterprises. However, no significant differences, in terms of workforce-oriented activities, are observed among the micro-sized and medium-size enterprises, and also between small-sized and micro-sized enterprises.

On the other hand, significant differences are observed, in environment-oriented activities, between small-sized and medium-sized enterprises (-.29727*). Nonetheless,

there is no significant difference in terms of environment-oriented activities among the comparison between the micro-sized and medium-size enterprises and also between small-sized and micro-sized enterprises.

Based on Table 4.21, it is found that no significant different for community-oriented activities and market-oriented activities. Hence, there is no evidence to support the existence of between-group differences, in community-oriented activities and market-oriented activities, among the micro, small and medium-sized enterprises.

The summary of hypothesis testing in this study is given as below.

	Hypothesis	Results
H1	CSR areas undertaken by Malaysian manufacturing SMEs vary across micro-, small- and medium-sized SMEs	Supported

4.9.1.2 Direct Effects between CSR Drivers and CSR Practices

To validate the quality of prediction, path coefficients and effect sizes have to be assessed (Hair *et al.*, 2013, Chin, 1998). Path estimation is performed to examine the significance of the path relations in inner-models (e.g. Chin, 1998). In other words, path estimation is used to analyse the extent to which each predictive variable contributes to the variance explained by the endogenous variables. The significance of regression coefficient β is based on t-values. Following the guidelines given by Cohen (1988), the effect sizes can be categorised as small (0.02), medium (0.15) and large (0.35).

To test the significance of the path coefficient and effect size, a bootstrapping technique with 5000 resamples is used. In accordance with Hair *et al.* (2013), critical values for two-tails tests are 1.65 (significant level = 10%), 1.96 (significant level = 5%) and 2.57 (significant level = 1%). When a study is exploratory in nature, researchers can assume a significant level of 10%. In this study, personal values act as moderators in the relationship between stakeholder, performances drivers, and CSR activities. This is an exploratory study of the study that is still in its infancy stage in Malaysia. Hence, in this study, values in the t-test should be higher than 1.65 (significant level = 10%) to indicate statistical significance. All values lower than 1.65 is classified as insignificant.

Based on Table 4.22 below, the determination of coefficient (R^2) is 0.335 which explains an approximate 34 % variation in CSR is explained by the combined effect of exogenous variables. R^2 of 0.335 indicates the model as being moderate according to the standards suggested by Chin (1998).

Next, using the blindfolding procedure, the predictive relevance of the model can be further cross-validated with a Stone-Geisser's (Q^2) statistic (Hair *et al.*, 2013). A Q^2 value of greater than zero has predictive relevance (Chin, 1988), and is applied in a model only with reflective constructs (Chin, 1988). In this study, the positive value of Q^2 (0.280) indicates a medium predictive capability and the model is well reconstructed (Henseler *et al.*, 2009).

Table 4.22 shows the results of path coefficient, t-values, effect size and levels of significance among the variables according to the hypothetical relationship between the variables.

Table 4.22
Structural Model Parameters (Direct Effect)

	B	t-value	f^2	Decision
EM -> CSR	0.18	2.216**	0.021	H2a: supported
CM -> CSR	0.267	2.73***	0.058	H2b: supported
GV -> CSR	0.021	0.381 ^{NS}	0	H2c: not supported
CT -> CSR	-0.087	0.946 ^{NS}	0.003	H2d: not supported
SP -> CSR	-0.156	1.684*	0.013	H2e: supported
CP -> CSR	0.015	0.299 ^{NS}	0.0	H2f: not supported
PF -> CSR	0.092	1.128 ^{NS}	0.005	H2g: not supported
R^2	0.335			
Q^2	0.280			

Note: NS = not significant. *p < 0.10; **p < 0.05; *p < 0.01**
EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Out of the seven hypotheses, three are significant, and the remaining four are insignificant. Results of paths analysis reveal that employee, local community and supplier are significantly related to the dependent variable (CSR activities), while government, customer, competitor and performance are insignificant.

In Table 4.22, local community is the strongest predictor of CSR, with a path coefficient of 0.267 ($\beta = 0.267$, t-value = 2.73, $p < 0.01$). However, the effect size of the CM-CSR path further shows that the effect size of local community is weak ($f^2 = 0.058$). Employee is a strong predictor of CSR ($\beta = 0.18$ and t-value = 2.216, $p < 0.05$) but the effect size is also weak ($f^2 = 0.021$) while the supplier shows a weak influence

on CSR activities ($\beta = - 0.156$ and $t\text{-value} = 1.684$, $p < 0.10$) with a small effect size ($f^2 = 0.013$).

These results suggest that engagement of Malaysian SMEs in CSR activities is mainly influenced by the employee, local community and supplier even the effect size is small.

The summary of hypothesis testing in this study is given as below.

	Hypothesis	Results
H2a	Employee is significantly related to SMEs' participation in CSR activities.	Supported
H2b	Local community is significantly related to SMEs' participation in CSR activities.	Supported
H2c	Government is significantly related to SMEs' participation in CSR activities.	Not supported
H2d	Customer is significantly related to SMEs' participation in CSR activities.	Not supported
H2e	Supplier is significantly related to SMEs' participation in CSR activities.	Supported
H2f	Competitor is significantly related to SMEs' participation in CSR activities.	Not supported
H2g	Performance is significantly related to SMEs' participation in CSR activities.	Not supported

4.9.2 Indirect Relationship between CSR Drivers and CSR Practices - Moderating Effects of Personal Values

In the context of PLS path modelling, moderating effects mean a moderated relationship inside the structural model (Henseler & Fassott, 2010). In PLS-SEM, two approaches are employed to create moderating effects, namely the product indicator approach and the two-stage approach (Hair *et al.*, 2013). The product indicator approach is used to evaluate the moderating effects of the reflective constructs in structural equation models and all indicators of the first-order and the second-order factors must be reflective (Kenny & Judd, 1984). By using the product indicator approach, independent variables, moderator, and dependent variables are viewed as

latent variables and cannot be measured directly. The SmartPLS software then creates a new variable which represents the interaction between the moderator and the independent variable and their direct effect on the dependent variable is included in the structural model.

However, if independent or the moderator variables are formative, the product indicator approach cannot be applied. Instead, the two-stage approach should be used (Hair *et al.*, 2013). In the first stage, the main effect model is run without the interaction term in order to attain the score of the latent variable. The latent variable scores are saved for further analysis in the second stage. In the second stage, the score of the latent variable (exogenous latent variable, X) and moderator variable (M) are multiplied to create a single-term measure used to build up the interaction term (X x M) (Hair *et al.*, 2013).

However, the two-stage approach is not limited to formative measurement model. According to Hair *et al.* (2013), the two stage approach can also be applied even if all constructs are measured by reflective indicators. Besides, Henseler and Chin (2010) argued that the two-stage approach can also be used when the prediction is the major or the only purpose of an analysis. In addition, the two-stage approach is also applicable for the higher (e.g. second) order models in PLS-SEM as proposed by Ringle *et al.* (2012) and Wan Afthanorhan (2014). Therefore, a two-stage PLS approach is used in this study. This is because CSR activities construct have been operationalised as a Type II: Reflective First-Order, Formative Second-Order (Jarvis *et al.*, 2003), in which CSR activities are composed of four formative dimensions

(workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities).

Personal values are hypothesised to be the moderating effects of the employees, local community, governments, customers, suppliers, competitors and performance in implementing CSR activities. To examine the moderating influence of the personal values of SME owner-managers, the values structure developed by Allport, Vernon and Lindzey (1960) is used, in this study. AVL system of values consists of six classifications, namely religious, economic, social, aesthetic, theoretical and political. All these variables are treated as reflective constructs because the indicators are interchangeable.

4.9.2.1 Moderating Effects of Personal Values (Religious Value)

According to Allport *et al.* (1960), an individual is regarded as a religious person if his/her dominant value is unity, and relates him or herself to the universe in meaningful way and has a spiritual orientation. In other words, he or she is concerned with spiritual satisfaction.

In this study, interaction effects for religious values and predictors are shown in Figure 4.5, and the personal religious value of SME owner-managers is hypothesised to moderate all the predictor-criterion relationships in the model as shown in Table 4.23.

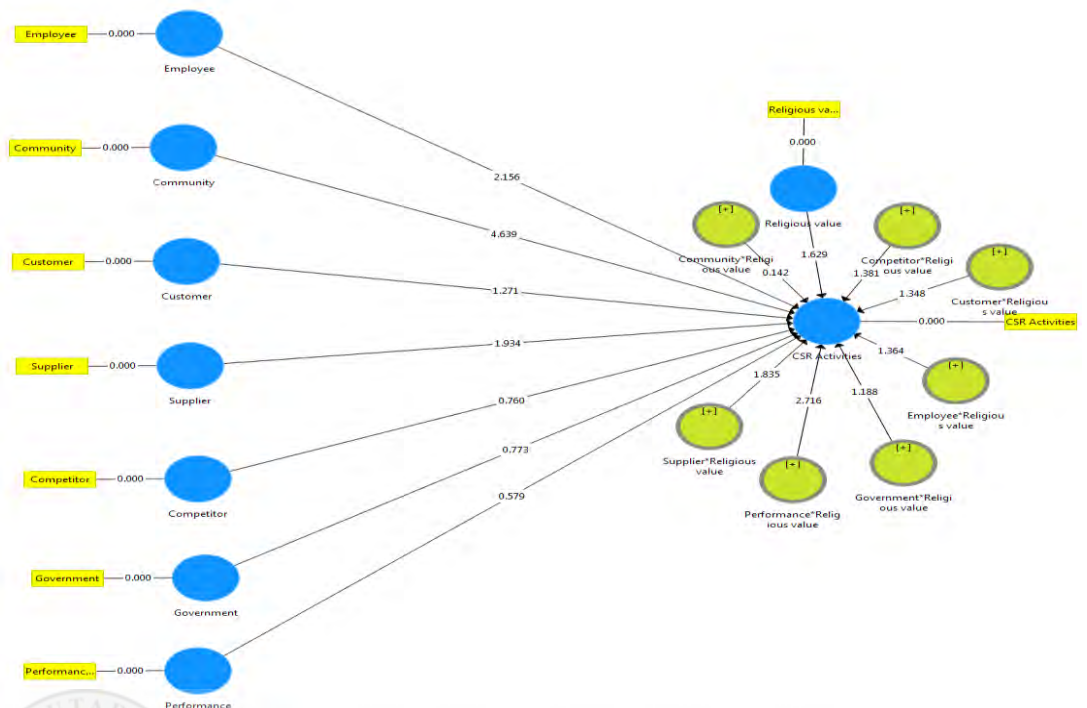


Figure 4.5
Interaction Effect for Religious Value and Predictors

Table 4.23
Statistical Results of the Model with Moderator (Religious Value)

Moderating Effect:	β	t-value	f^2	Decision
1. Religious value (RE)				
RE -> CSR	0.12	1.629 ^{NS}	0.015	
(RE x EM) -> CSR	0.113	1.364 ^{NS}	0.006	H3a: not Supported
(RE x CM) -> CSR	0.007	0.142 ^{NS}	0	H3b: not Supported
(RE x GV) -> CSR	0.075	1.188 ^{NS}	0.005	H3c: not supported
(RE x CT) -> CSR	-0.087	0.946 ^{NS}	0.003	H3d: not supported
(RE x SP) -> CSR	0.187	1.835*	0.014	H3e: Supported
(RE x CP) -> CSR	-0.119	1.381 ^{NS}	0.001	H3f: not supported
(RE x PF) -> CSR	-0.345	2.716*	0.058	H3g: supported

Note: NS = not significant. *p < 0.10; **p < 0.05; ***p < 0.01

EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Based on the results in Table 4.23, religious value has significantly moderated the suppliers' influence and performance factor in implementing CSR activities in the

model, supporting H3e ($\beta = 0.187$, t -value = 1.835, $f^2 = 0.014$,) and H3g ($\beta = -0.345$, t -value = 2.716, $f^2 = 0.058$), while H3a, H3b, H3c, H3d and H3f are not supported.

Moderating Effect of Religious Value on Supplier and CSR Activities

Based on the hypothesis H3e, the effect size ($f^2 = 0.014$) shows that the moderator (religious value) has a slight effect, thus implying that SME owner-managers put a minuscule attention on the relationship of religious value and supplier's influence in implementing CSR activities. However, according to Chin, Marcolin and Newsted (2003), even a small interaction effect can be meaningful under extreme moderating conditions, if the resulting beta changes are significant. Therefore, it is important to take these circumstances into account. Hence, the moderating effective size could also not be ignored.

Religious value as a single construct ($\beta = 0.12$, t -value = 1.629, $f^2 = 0.015$) is not significantly correlated with implementing CSR activities. However, the results show that the interaction effects of the religious value of SME owner-managers are significant and positively correlated with implementing CSR activities ($\beta = 0.187$, t -value = 1.835, $f^2 = 0.014$,). To further explore the nature of this interaction effect, the results can be interpreted visually by calculating the values of independent and moderating variables with high and low z-values to track the moderating effects, which applies to the continuous variables with two-way interactive, unstandardised results (Dawson, 2014) in Table 4.24 and Figure 4.6.

Table 4.24

Coefficients Religious Value on Supplier Factor and CSR Activities

Model		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	
1	(Constant)	2.935	.194		15.135	.000
	Religious value	.182	.057	.229	3.191	.002
	Supplier factor	.066	.043	.110	1.538	.126

a. Dependent Variable: CSR Activities

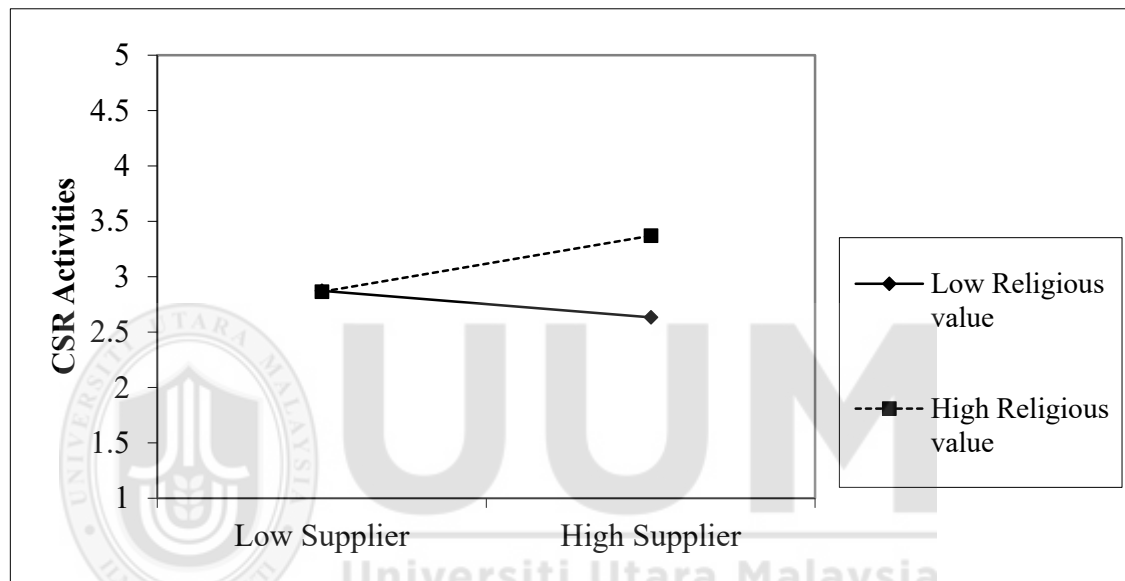


Figure 4.6

Interaction Effect of Religious Value on Supplier Factor and CSR Activities

Based on the coefficients in Table 4.24, the interactive effect of religious values on supplier factor and CSR activities has been created (see Figure 4.6). Figure 4.6 shows that when owner-managers have high religious value, supplier factor is positively associated with CSR activities. On the contrary, when the religious value of owner-managers is low, supplier factor is inversely related to CSR activities.

Moderating Effect of Religious Value on Performance Factor and CSR Activities

Religious value is found to be significantly moderating the performance in implementing CSR activities (Hypothesis H3g). The results can be shown visually by measuring the values of independent and moderating variables with high and low z-values to track the moderating effects (Dawson, 2014) for a continuous variable with two-way interactions in Table 4.25 and Figure 4.7.

Table 4.25
Coefficients of Religious Value on Performance Factor and CSR Activities

Model		Coefficients		t	Sig.	
		Unstandardized Coefficients	Standardized Coefficients			
		B	Std. Error	Beta		
1	(Constant)	2.830	.194		14.593	.000
	Performance factor	.119	.042	.202	2.824	.005
	Religious value	.153	.057	.192	2.689	.008

a. Dependent Variable: CSR Activities

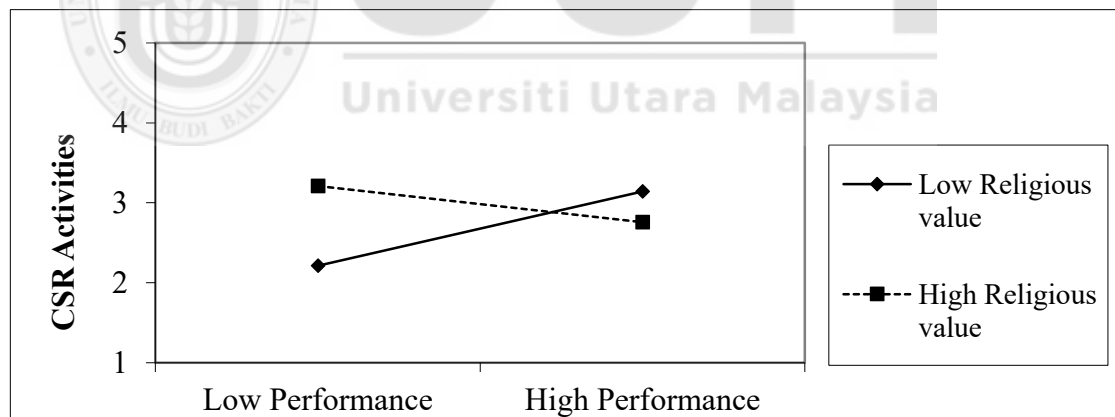


Figure 4.7
Interaction Effect of Religious Value on Performance Factor and CSR Activities

Figure 4.7 shows that the relation between performance and CSR activities varies depending on the different levels of religious values. Performance is positively related to CSR practices with owner-managers of low religious value. When the religious value is high, performance is inversely related to CSR practices. The summary of hypothesis testing is shown as below.

	Hypothesis	Results
H3a	The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Not supported
H3b	The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Not supported
H3c	The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Not supported
H3d	The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Not supported
H3e	The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Supported
H3f	The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Not supported
H3g	The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' religious value.	Supported

4.9.2.2 Moderating Effects of Personal Values (Economic Value)

An individual can be regarded as an *economic* person if he or she is concerned with what is useful and focuses on the use of economic resources. An economic person appreciates practical experience has a realistic view in every aspect of life. Interaction effects of economic value and predictors are presented in Figure 4.8.

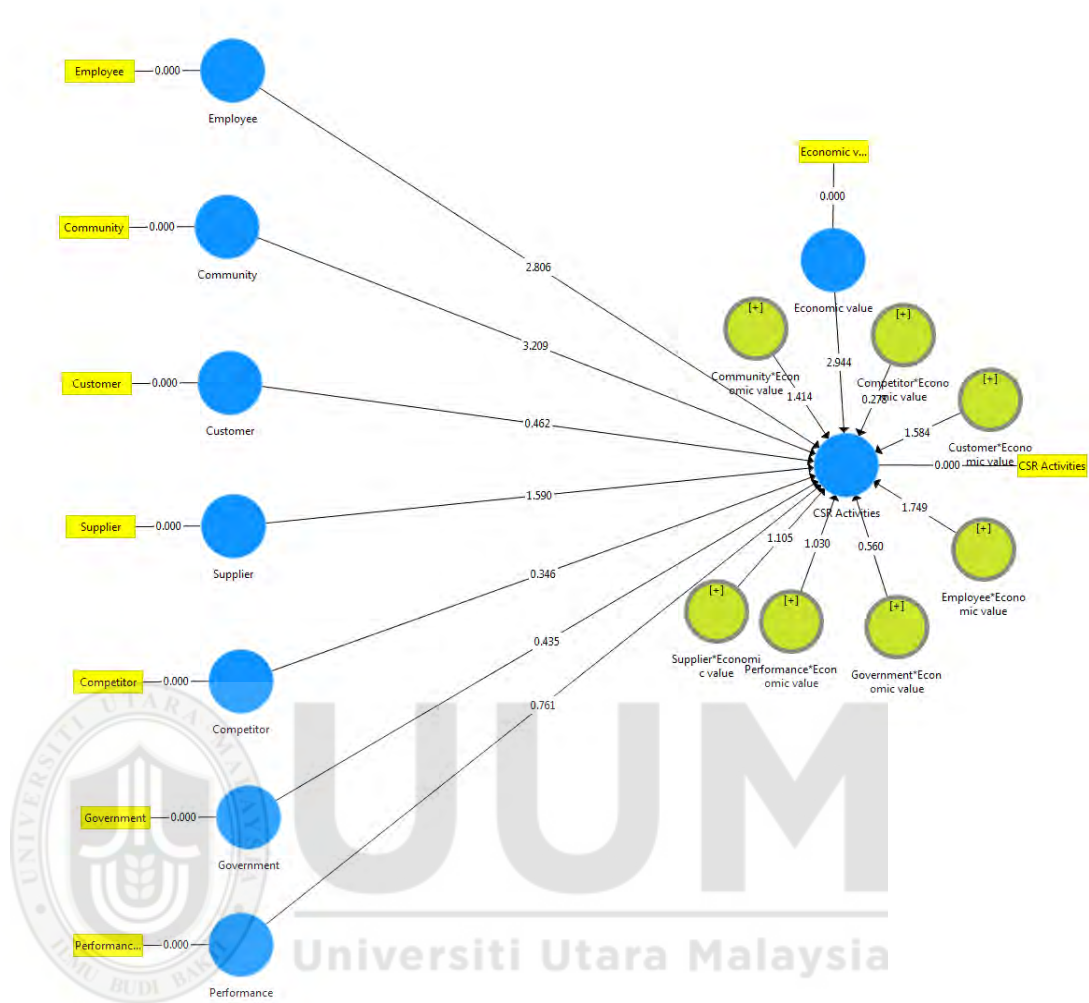


Figure 4.8
Interaction Effect for Economic Value and Predictors

In this study, economic values are hypothesised to moderate all predictor-criterion relationships. Table 4.26 depicts the results of the model with the economic values as the moderator.

Table 4.26

Statistical Results of the Model with Moderator (Economic Value)

Moderating Effect:	β	t-value	f^2	Decision
2.Economic value (EC)				
EC -> CSR	0.206	2.944**	0.046	
(EC x EM) -> CSR	0.137	1.749*	0.014	H4a: supported
(EC x CM) -> CSR	-0.102	1.414 ^{NS}	0.011	H4b: not Supported
(EC x GV) -> CSR	-0.035	0.56 ^{NS}	0.001	H4c: not supported
(EC x CT) -> CSR	0.184	1.584 ^{NS}	0.018	H4d: not supported
(EC x SP) -> CSR	-0.099	1.105 ^{NS}	0.005	H4e: not supported
(EC x CP) -> CSR	-0.017	0.278 ^{NS}	0	H4f: not supported
(EC x PF) -> CSR	-0.09	1.03 ^{NS}	0.004	H4g: not supported

Note: NS = not significant. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Table 4.26 indicates that the moderating effect of an economic value is limited to the Employee-CSR path in the model, supporting only H4a ($\beta = 0.137$, t-value = 1.749, $f^2 = 0.014$). An economic value significantly moderates the employee influence in implementing CSR activities in the model, while H4b, H4c, H4d, H4e, H4f, and H4g are not supported. Based on f^2 (0.014), the effective size of the economic value is small. This shows that the economic value of SME owner-managers is low on the employee factor in implementing CSR activities.

Based on the result from Table 4.26, it is found that economic value as a single construct is significantly and positively correlated with implementing CSR activities ($\beta = 0.206$, t-value = 2.944, $f^2 = 0.046$). In addition, the economic value as an interactive effect is also significant and positively correlated with implementing CSR activities. The results are shown in Table 4.27 and Figure 4.9.

Table 4.27

Coefficients of Economic Religious Value on Employee Factor and CSR Activities

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.993	.257		7.751	.000
	Employee factor	.237	.054	.285	4.389	.000
	Economic value	.251	.059	.278	4.268	.000

a. Dependent Variable: CSR Activities

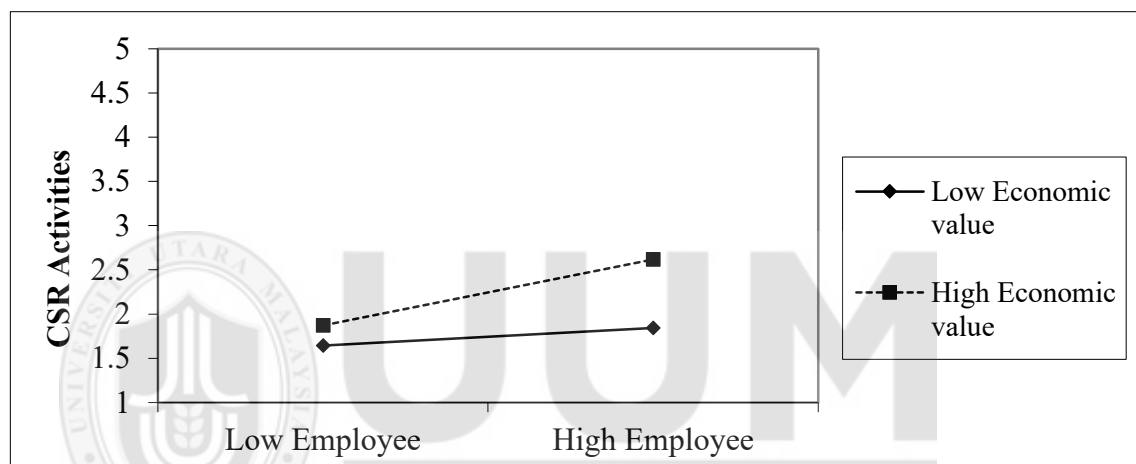


Figure 4.9

Interaction Effect of Economic Value on Employee Factor and CSR Activities

Figure 4.9 shows that the positive relationship between employee and CSR activities is stronger when economic value of SME owner-manager is high. When their economic value is low, the positive association between employee and CSR activities is weak. Hence, it can be argued that economic value can strengthen the relationship between employee influence and CSR activities. The summary of hypothesis testing is given as below.

	Hypothesis	Results
H4a	The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' economic value.	Supported
H4b	The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' economic value.	Not supported
H4c	The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' economic value.	Not supported
H4d	The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' economic value.	Not supported
H4e	The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' economic value.	Supported
H4f	The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' economic value.	Not supported
H4g	The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' economic values.	Not supported

4.9.2.3 Moderating Effects of Personal Values (Social value)

A person can be regarded as a social person if he or she shows altruistic or philanthropic aspects of love, and he or she is concerned for humanity, love for mankind and generous (Allport *et al.*, 1960). An interactive effect of social values and predictors is shown in Figure 4.10.

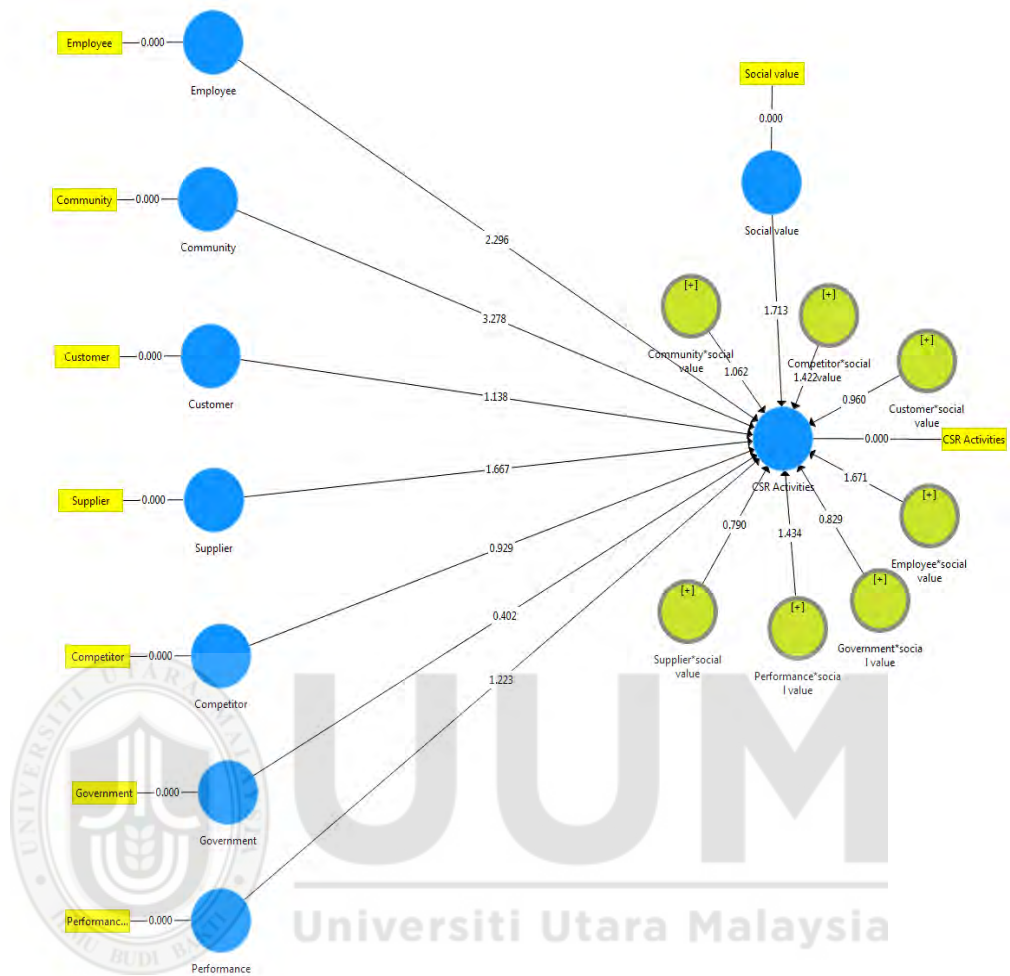


Figure 4.10
Interaction Effect for Social Value and Predictors

Social value is hypothesised to moderate all predictor-criterion relationships in the model, and the results are shown in Table 4.28.

Table 4.28

Statistical Results of the Model with Moderator (Social Value)

Moderating Effect:	β	t-value	f^2	Decision
3. Social value (SC)				
SC -> CSR	0.134	1.713***	0.018	
(SC x EM) -> CSR	0.152	1.671*	0.015	H5a: supported
(SC x CM) -> CSR	-0.061	1.062 ^{NS}	0.003	H5b: not Supported
(SC x GV) -> CSR	0.048	0.829 ^{NS}	0.015	H5c: not supported
(SC x CT) -> CSR	0.096	0.96 ^{NS}	0.004	H5d: not supported
(SC x SP) -> CSR	0.058	0.79 ^{NS}	0.002	H5e: not supported
(SC x CP) -> CSR	-0.127	1.422 ^{NS}	0.011	H5f: not supported
(SC x PF) -> CSR	-0.147	1.434 ^{NS}	0.013	H5g: not supported

Note: NS = not significant. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Based on Table 4.28, the social value significantly moderates the employee factor in practising CSR. In this model, only H5a ($\beta = 0.152$, t-value = 1.671, $f^2 = 0.015$) is supported while H5b, H5c, H5d, H5e, H5f, and H5g are not supported. The effective size ($f^2 = 0.015$) is at the low level, which explains that the moderator (social value) has a small effect on the relationship between employee and CSR practices.

It is found that social value as a single construct is significantly and positively correlated with implementing CSR activities ($\beta = 0.134$, t-value = 1.713, $f^2 = 0.018$). The interaction effect of the social value is also significant and positively correlated with CSR practices. The interaction effect of social value and employee factor is shown by using the simple plot diagram suggested by Dawson (2014). The result can be seen in Table 4.29 and Figure 4.11.

Table 4.29

Coefficients of Social Value on Employee Factor and CSR activities

Model		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	
1	(Constant)	2.154	.247		8.727	.000
	Employee factor	.195	.058	.235	3.337	.001
	Social value	.247	.066	.263	3.733	.000

a. Dependent Variable: CSR Activities

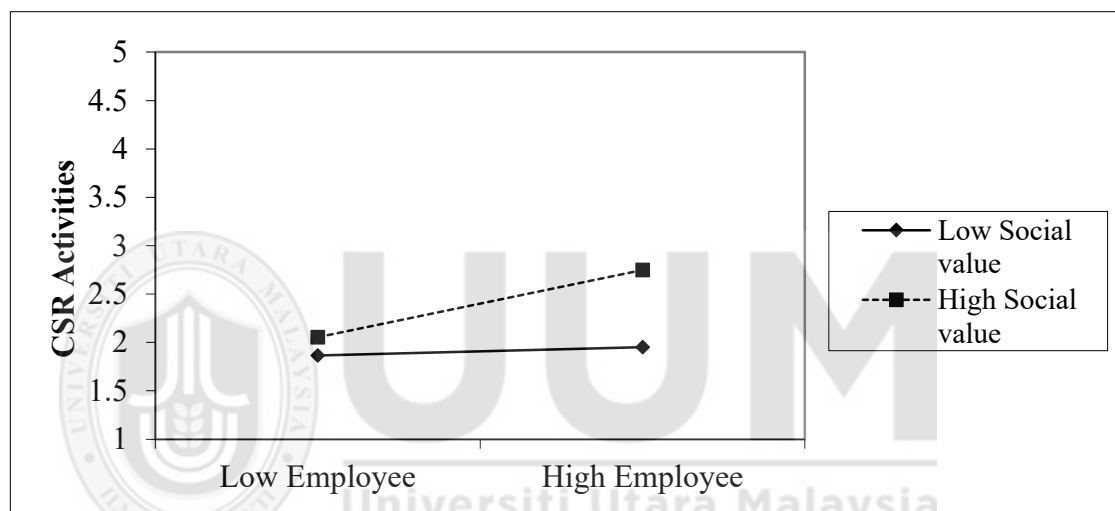


Figure 4.11

Interaction Effect of Social Value on Employee Factor and CSR Activities

From the graph above, it is found that if the social value of SME owner-manager is high, the positive relationship between employees and CSR activities is strong. If the social value of SME owner-manager is low, the positive relationship between employees and CSR activities is weak. Hence, it can be concluded that social value can strengthen the relationship between employees and CSR activities. The summary of hypothesis testing is given as below.

	Hypothesis	Results
H5a	The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Supported
H5b	The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Not supported
H5c	The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Not supported
H5d	The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Not supported
H5e	The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Supported
H5f	The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Not supported
H5g	The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' social value.	Not supported

4.9.2.4 Moderating Effects of Personal Values (Aesthetic value)

Allport *et al.* (1960) defined an aesthetic individual as a person who is interested in an artistic aspect of life. He or she views experience in terms of grace, symmetry or harmony. In this study, aesthetic value is hypothesised to moderate all predictor-criterion relationships in the model (Table 4.30) and the interaction effects of social value and predictor are shown in Figure 4.12.

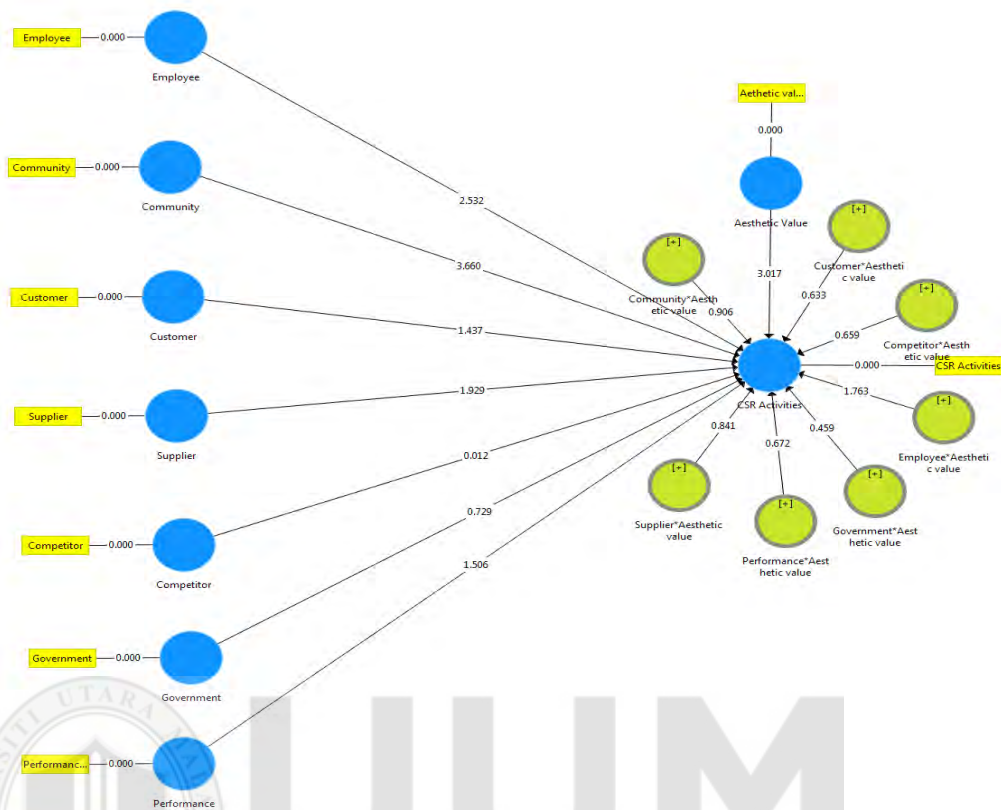


Figure 4.12 Interaction Effect for Aesthetic Value and Predictors

Table 4.30
Statistical Results of the Model with Moderator (Aesthetic Value)

Moderating Effect:	β	t-value	f^2	Decision
4. Aesthetic value (AE)				
AE -> CSR	0.235	3.017***	0.06	
(AE x EM) -> CSR	0.157	1.763*	0.013	H6a: supported
(AE x CM) -> CSR	-0.043	0.906 ^{NS}	0.002	H6b: not Supported
(AE x GV) -> CSR	-0.032	0.459 ^{NS}	0.001	H6c: not supported
(AE x CT) -> CSR	0.07	0.633 ^{NS}	0.001	H6d: not supported
(AE x SP) -> CSR	0.063	0.841 ^{NS}	0.002	H6e: not supported
(AE x CP) -> CSR	-0.039	0.659 ^{NS}	0.001	H6f: not supported
(AE x PF) -> CSR	-0.054	0.672 ^{NS}	0.001	H6g: not supported

Note: NS = not significant. *p < 0.10; **p < 0.05; ***p < 0.01

EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Table 4.30 reveals that aesthetic value significantly moderates only the relationship between employee and CSR activities. Hence, only H6a ($\beta = 0.157$, t-value = 1.763, $f^2 = 0.013$) is supported while H6b, H6c, H6d, H6e, H6f, and H6g are not supported.

Based on the value of f^2 (0.013), the effect size of an aesthetic value is less than 0.2, implying that aesthetic value of SME owner-managers' has a minuscule effect on moderating the relationship between employee and CSR practices.

The results show that aesthetic value as a single construct is significantly and positively correlated with implementing CSR activities ($\beta = 0.235$, t-value = 3.017, $f^2 = 0.06$). By using the simple plot diagram as suggested by Dawson (2014), the interactive force for aesthetic value and employee factor can be seen below (Table 4.31 and Figure 4.13).

Table 4.31
Coefficients of Aesthetic Value on Employee Factor and CSR activities

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.310	.209		11.050	.000
	Aesthetic value	.229	.052	.292	4.359	.000
	Employee factor	.208	.056	.251	3.752	.000

a. Dependent Variable: CSR Activities

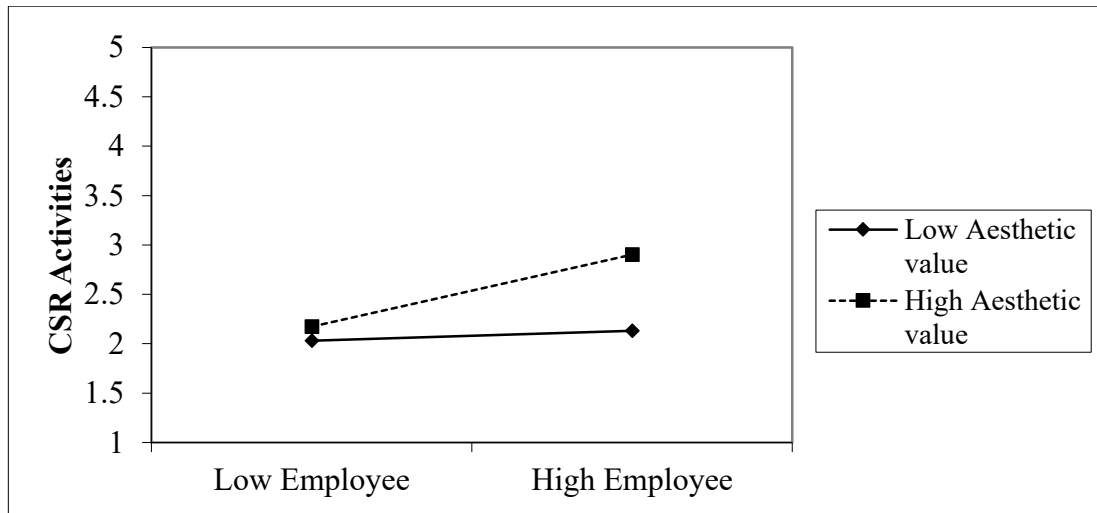


Figure 4.13
Interaction Effect of Aesthetic Value on Employee Factor and CSR Activities

Figure 4.13 shows that, if the aesthetic value of SME owner-managers is high, the employee is positively associated with CSR activities and the effect is strong. If the aesthetic value is low, the employee is positively related to CSR activities, but the effect is weak. Hence, it can be argued that the aesthetic value of SME owner-managers can strengthen the relationship between employee and CSR activities. The summary of hypothesis testing is given below.

	Hypothesis	Results
H6a	The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Supported
H6b	The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Not supported
H6c	The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Not supported
H6d	The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Not supported
H6e	The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Supported
H6f	The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Not supported

H6g	The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' aesthetic value.	Not supported
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4.9.2.5 Moderating Effects of Personal Values (Political value)

Political persons show their concern over personal powers but not necessarily in politics. Most leaders have high power orientation (Allport *et al.*, 1960). In this study, the political value is hypothesised to moderate all predictor-criterion relationships in the model, and the results are shown in Table 4.32.

Table 4.32

Statistical Results of the Model with Moderator (Political value)

Moderating Effect:	β	t-value	f^2	Decision
5. Political value (PO)				
PO -> CSR	0.2	2.682***	0.044	
(PO x EM) -> CSR	0.001	0.02 ^{NS}	0	H7a: not supported
(PO x CM) -> CSR	-0.039	0.8 ^{NS}	0.002	H7b: not Supported
(PO x GV) -> CSR	0.076	1.31 ^{NS}	0.007	H7c: not supported
(PO x CT) -> CSR	0.14	1.249 ^{NS}	0.006	H7d: not supported
(PO x SP) -> CSR	-0.149	1.512 ^{NS}	0.01	H7e: not supported
(PO x CP) -> CSR	-0.079	0.998 ^{NS}	0.004	H7f: not supported
(PO x PF0) -> CSR	0.022	0.29 ^{NS}	0	H7g: not supported

Note: NS = not significant. *p < 0.10; **p < 0.05; ***p < 0.01

EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Table 4.32 shows that, as a single construct, the political value is significantly and positively correlated with implementing CSR activities ($\beta = 0.2$, t-value = 2.682, $f^2 = 0.044$). However, the relationship between all predictors and SME participation of CSR are not moderated by political values. The summary of hypothesis testing is given below.

	Hypothesis	Results
H7a	The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' political value.	Not supported
H7b	The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' political value.	Not supported
H7c	The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' political value.	Not supported
H7d	The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' political value.	Not supported
H7e	The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' political value.	Not supported
H7f	The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' political values.	Not supported
H7g	The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' political value.	Not supported

4.9.2.6 Moderating Effects of Personal Values (Theoretical value)

The theoretical person is primarily interested in the discovery of truth. Their interests are empirical, critical, and rational and they aim to acquire systematised knowledge (Allport *et al.*, 1960). In this study, theoretical value is hypothesised to moderate all predictor-criterion relationships in the model, and the results are shown below (Table 4.33).

Table 4.33

Statistical Results of the Model with Moderator (Theoretical Value)

Moderating Effect:	β	t-value	f^2	Decision
6. Theoretical value (TE)				
TE -> CSR	0.163	2.305**	0.031	
(TE x EM) -> CSR	0.075	0.917 ^{NS}	0.003	H8a: not supported
(TE x CM) -> CSR	-0.018	0.344 ^{NS}	0	H8b: not Supported
(TE x GV) -> CSR	0.066	0.983 ^{NS}	0.003	H8c: not supported
(TE x CT) -> CSR	-0.086	0.86 ^{NS}	0.003	H8d: not supported
(TE x SP) -> CSR	-0.104	1.018 ^{NS}	0.005	H8e: not supported
(TE x CP) -> CSR	-0.116	1.499 ^{NS}	0.009	H8f: not supported
(TE x PF) -> CSR	0.135	1.239 ^{NS}	0.01	H8g: not supported

Note: NS = not significant. * $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

EM = Employee, CM = Local community, GV = Government, CT = Customer, SP = Supplier, CP = Competitor, PF = Performance.

Table 4.33 reveals that when theoretical value is analysed as a single construct, there is a positive relationship between theoretical values and CSR activities ($\beta = 0.163$, t-value = 2.305, $f^2 = 0.031$). However, all predictors and SME participation in CSR are not moderated by theoretical value. The summary of hypothesis testing is given below.

	Hypothesis	Results
H8a	The relationship between employee and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported
H8b	The relationship between local community and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported
H8c	The relationship between government and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported
H8d	The relationship between customer and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported
H8e	The relationship between supplier and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported
H8f	The relationship between competitor and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported
H8g	The relationship between performance and SMEs' participation in CSR is moderated by SME owner-managers' theoretical value.	Not supported

4.10 Summary of Results and Chapter

This chapter presents the empirical results of this study. Firstly, preliminary data screening such as analysing missing data, identifying outliers, testing for normality, the test of Multicollinearity and non-response errors were performed before conducting the multivariate analysis. The proposed hypothesised model of factors and moderator influencing CSR practices among SMEs was empirically tested by means of the PLS-SEM technique.

In this study, CSR drivers (stakeholders and performance) and moderator (personal values, e.g. religious, economic, social, aesthetic, theoretical and political) are treated as reflective constructs (first-order reflective indicators). CSR activities construct is measured as the multidimensional second-order construct, which encompasses four dimensions (workforce-oriented activities, community-oriented activities, market-oriented activities and environment-oriented activities). CSR activities construct operationalised as a Type II: Reflective First-Order, Formative Second-Order (Jarvis *et al.*, 2003). The validity and reliability of the measuring reflective constructs were assessed, and the results denoted that all the items have good reliability and validity. The issue of the collinearity had addressed to assess the formative second-order construct. The result showed that VIF for all four indicators of the construct of CSR activities are less than the value of 5, and the tolerance values are more than 0.2. Hence, there is no issue of multicollinearity problem across the indicators for the formative second-order construct (CSR activities).

The direct relationship between employee, local community, supplier and CSR activities are supported in this study. Among the six categories of personal values

(religious, economic, social, aesthetic, political and theoretical values), three categories of personal values (economic, social and aesthetic) are found to moderate the relationship between employee and CSR practices. In addition, performance and supplier are found to be moderated by religious values.

A more detail discussion of the empirical results will be presented in chapter 5. Chapter 5 also will highlight the implications, contributions and limitations of this study, as well as recommendations for future research.



CHAPTER FIVE

DISCUSSION, IMPLICATIONS AND CONCLUSION

5.1 Introduction

This chapter begins with the discussion of the results obtained from the statistical analysis in Chapter 4. It is then followed by an elaboration of the theoretical and practical implications of the study. The limitation and directions for future research are also provided in this chapter.

5.2 Discussions

The general objective of this study is to examine the effects of different CSR drivers, which encompass the variables that constitute stakeholder and performance drivers, on CSR practices in Malaysian manufacturing SMEs. Besides, this study also tests the moderating effects of personal values between CSR drivers and CSR activities. Detailed discussions of the major findings in this study would be provided in the following section.

5.2.1 Research Question 1

What are the CSR areas undertaken by Malaysian manufacturing SMEs?

This study reveals that in general, the most frequently implemented CSR among small and medium-sized enterprises (SMEs) in Malaysia are market-oriented activities, followed by environment-oriented activities, workforce-oriented activities and community-oriented activities.

Market-oriented activities are found to be the most highly implemented CSR among SMEs because market orientation activities enable the organisation to build up customer loyalty and increase the market share, firm performance, and the profitability of the organisation (Kumar, Jones, Venkatesan, & Leone, 2011). It is argued that SMEs adopts the market orientation activities due to the competitive business environment (Suliyanto & Rahab, 2012). Market-oriented activities are considered as effective tools for managing the ongoing changes in the marketplace (Blankson, Motwani, & Levenburg, 2006).

The results of this study show that SMEs are also implementing environment-oriented activities in their operations after market-oriented activities. This is because Malaysian government has introduced tax incentives to encourage firms to engage in environment-oriented activities such as waste recycling, renewable energy, and conservation of energy and propel the use of oil palm biomass. The result is consistent with Rasi, Abdekhodae, and Nagaraja (2012) who on examining the relationship between stakeholders' involvement and proactive environmental practices found that SMEs have moved to increasingly environmental oriented activities.

It is also found that SMEs are less frequent in implementing workforce-oriented activities. These findings concur with the SMEs' survey results as reported by The Associated Chinese Chambers of Commerce & Industry of Malaysia (ACCCIM, 2012). Almost a quarter of the SMEs (24%) do not provide any form of training to their staff. Only 26% of SMEs were providing periodically training. The shortage of workers was cited as the biggest obstacle to providing staff training as one-third (33%) of the respondents viewed training would disrupt workflow and operation of the

company. This is even more critical especially SMEs from manufacturing and construction sectors that are facing the shortage of skilled workers (ACCCIM, 2012).

Community-oriented activities are also found to be lacking among small and medium-sized enterprises (SMEs) in Malaysia. Teoh and Chong (2008) found that the major obstacles faced by SMEs are a limitation to credit and the lack of access to social networks that curtail their involvement in community-oriented activities.

In addition, the involvements of SMEs in workforce-oriented and environment-oriented activities are statistically differentiated by firm size. The results indicate medium-sized enterprises have embarked in both workforce and environment-oriented activities as compared to the small sizes enterprise. In the case of Malaysia, it is found that firm sizes influence the adoption of CSR initiative since medium-size enterprises have more resources to engage in CSR activities while small-size enterprises lack knowledge, resources, technical expertise and experience to implement CSR practices (Inyang, 2013).

However, there is no statistically significant difference in terms of firm sizes in implementing community-oriented activities and market-oriented activities. The results are consistent with Udayasankar (2008), who illustrated that the size of a firm is not important in explaining the variations in the level of firms' participation in CSR. However, factors such as visibility, access to resources and the scale of the firms' operations influence the decisions in carrying out CSR practices among SMEs.

5.2.2 Research Question 2

What are the key drivers for Malaysian manufacturing SMEs to participate in CSR activities?

Despite the fact that different types of stakeholder drivers are often viewed as having a significant impact on SMEs to engage in CSR practices (Russo & Perrini, 2010; Vives, 2006; Yang & River, 2009), the results of this study reveal that not all components of stakeholder drivers act as a motivator to embark on CSR practices.

Employee and CSR Practices

The results of this study show a positive relationship between employee and CSR participation. This is consistent with the findings by Jenkins (2004), Madden *et al.* (2006), Murillo and Lozano (2006), Preuss and Perschke (2010), Santos (2011), Spence and Lozano (2000). The results of this study provide empirical support that employees are the significant internal stakeholder of business, and CSR focuses on employees can be due to several reasons. Firstly, SME owner-managers often have close contact with their employees as the owners may also take on the role of the co-worker. Secondly, firms displaying social responsibility toward their employees has put their firms in a favourable business position and able to attract skilled labour (Jenkins, 2004). Thirdly, acknowledging the importance of staff satisfaction among SME owner-managers also influence their decision on CSR implementation (Preuss & Perschke, 2010). Fourthly, employees prefer to work for firms that are ethical in their operations. Lastly, pressure from employees in other firms may also influence the firm to implement CSR (Aguilera *et al.*, 2007; Matten & Crane, 2005; Srinivasan *et al.*, 2002).

Local Community and CSR Practices

This study found local community as being positively related to SMEs participation in CSR practices. The result is consistent with Fraj-Andrés *et al.* (2012), Habisch (2004), Madden *et al.* (2006), Miller and Besser (2000), Russo and Perrini (2010), and Worthington *et al.* (2006). The results provide support that SMEs' engagement in CSR practices is largely motivated by the local community. Many SMEs have the direct connection with the local communities, and pressure from local communities may influence the SME' decision to engage in CSR practices (Henriques & Sadorsky, 1999; Srinivasan *et al.*, 2002). With regard to motivations, this study also shows that SMEs that engaged in the local community are largely driven by discretionary or philanthropic wishes of owner-managers. The main reason for local community-based CSR engagement tends to be seen as given back to the local community (Worthington *et al.*, 2006).

Government and CSR Practices

The government does not exert any significant relationship with CSR practices. The result contradicts with the previous findings by Stone *et al.* (2004), Amran and Susela (2008), Lu and Castka (2009), Santos (2011) and Zulkifi and Amran (2006) who found that SMEs were more likely to adopt CSR practices with government intervention and regulations.

According to Katos and Nathan (2004), there is a lack of rules and legislations in developing nations that compel SMEs to implement CSR practices. The lack of rules and regulations and non-compulsory approaches has resulted in only a few firms

embarking on CSR practices. For example, firms might only focus on profit maximisation without concerning the welfare of society and environment.

Doane (2005), Pimenova and Vorst (2004), Burke and Gaughran (2006) also suggest that obedience with regulation is the key driver to achieving positive social outcomes and non-financial incentives. Similarly, without adequate support programmes and policies from the government (i.e. financial benefits), CSR initiatives would be difficult to sustain especially SMEs that lack financial resources.

In the case of Malaysia, there is a lack of rules and regulations that compel SMEs to adopt CSR practices. Most of the government initiatives promoting CSR applied only to the large companies. For example, GLCs in Malaysia are required to comply with CSR programmes in The Silver Book, The Green Book and CSR Framework developed by the authorities. The government does not pressure SMEs to implement CSR practices. Therefore, the assumption of the role and pressure of government (Campbell, 2007) does not hold true in this study. The result of this study confirms the notion that strong government regulations are necessary for the context of small firms (Friedman, 1962).

Customer and CSR Practices

There is no significant relationship between SMEs' CSR initiatives and the influence of customers. The findings contradict with Fuller and Tian (2006), Jenkins (2006), Hammann *et al.* (2009), Russo and Perrini (2010) and Santos (2010). This may be due to the fact that manufacturing firms do not serve customers directly and are less likely to be influenced by the customers to undertake CSR initiatives (Drumwright, 1994).

Also, many SMEs being the original equipment manufacturer (OEM) for MNCs, the SME owner-managers are rarely concerned about product brand images. The fact that SMEs are less visible by final customers compare with larger firms has been justified by Jenkins (2004).

SMEs will likely to implement CSR practices if they are being coerced by large business customers and partners (Jenkins, 2004). Yu and Bell (2007) also found SMEs have weak market demand for customer engagement. In fact, researchers have found that the purchasing decisions by customers are mainly based on other traditional criteria such as price, quality and delivery times (Boulstridge & Carrigan, 2000; Jørgensen & Knudsen, 2006). This has resulted in SMEs to focus on product and product delivery.

Other studies found that customers are not concerned about CSR (Bucic, Harris, & Arli, 2012; Page & Fearn, 2005). It is found that customers are more concerned about the features and function of the goods and services, and less likely focus on other CSR effort embarked by SMEs (Auger, Burke, Devinney, & Louviere, 2003; Becker-Olsen, Cudmore, & Hill, 2006). Numerous studies tend to focus on customers' support for CSR in developed countries (Fuller & Tian, 2006; Hammann *et al.*, 2009; Jenkins, 2006; Russo & Perrini; 2010; Santos, 2010). However, in the context of developing countries, customers are restricted by the financial capability to pay more for products that also incorporates costs of CSR initiatives. This is supported by Beckmann, Christensen and Christensen, (2001) who state that customers buying decisions are more to personal reasons rather than societal ones.

Supplier and CSR Practices

Despite the significant relationship between supplier and CSR practices found in this study, the direction of the relationship appears to be negative rather than positive. The result contradicts with the empirical findings by Jenkins (2006), Russo and Perrini (2010), and Vives (2006). The results suggest that the relationship between supplier and CSR practices among SMEs is indeed complex.

In the case of buying firms (SMEs), only a low percentage of supplier's overall total output is purchased, the suppliers might be hesitated to participate in development activities (Krause & Ellram, 1997). This is especially true to SMEs as their purchasing volume from the suppliers might be relatively low and on an irregular basis.

In addition, SMEs consider CSR as an obstacle when they compete with other firms (Roberts *et al.*, 2006). This study was supported by Lim and Joe (2008) who described the market model in which suppliers compete with each other on price and delivery to get business out of the lead business. In their study, Lim and Joe found that CSR is not suppliers' priority. Also, due to their unawareness of social responsibility and lack of financial and time resources, suppliers are not interested in integrating CSR into their operations (Lee & Kim, 2009).

Besides, it is argued that the behaviour of SMEs in CSR is influenced by large firms in their supply chain (Jenkins, 2006; Russo & Perrini, 2010). The positive relationship between suppliers and CSR practices among SMEs comes true when the supply chains demand CSR participations by the larger firms. Large firms often seek to identify negative social and environmental impacts by introducing CSR requirements for its

suppliers. However, SMEs that face such supply chain pressures also face challenges, such as affordability and applicability of the CSR agenda, especially when large firms pass the responsibility to SMEs who can barely afford it (van Tulder, van Wijk, & Kolk, 2009). Hence, the relationship between supplier pressure and CSR practices is not clear.

Competitor and CSR Practices

The relationship between competition and CSR practices is not as anticipated. The result of this study contradicts that of Christmann (2004). Competition affecting CSR remains largely understudied (Campbell, 2007; Flammer, 2013). Neglecting the effects of competition on CSR, results in limitations for the growing applications of strategic competitions on CSR literature (Barnett & Salomon, 2012; Brammer & Millington, 2008; Hillman & Keim, 2001; McWilliams & Siegel, 2001).

Little attention has focused on the relationship between specific competitive conditions and the possibilities of a firm to undertake CSR strategy. These specific competitive conditions, namely the effect of marketplace competition, industry structure and firm resources influence a firm's decision in adopting a specific CSR strategy (Sethi & Sama, 1998).

According to Ven and Jeurissen (2005), a firm in a competitive marketplace would possibly not engage in CSR because under perfect competitive market, firms do not have the financial means to bear costs that cannot be recovered by selling price. In addition, a firm under perfect competition could not afford to engage in socially

responsible activities because the costs are greater than benefits as compared to the costs and benefits of the competitors (Friedman, 1962).

Performance and CSR Practices

Performance related factor does not have a significant relationship with CSR practices as anticipated. The result is inconsistent with Hsu and Cheng (2011) and Inyang (2013). Previous studies have found that large firms are mainly motivated by profitability while SMEs are motivated by ethical reasons when undertaking CSR initiatives (Jenkins, 2004, 2006; Vives, 2006). The result is further supported by Fitjar (2011), who argued that SMEs are not always motivated by profit to undertake CSR. Besides, SMEs have found difficulty in measuring the monetary benefits from participating in CSR (Preuss & Perschke, 2010).

All firms must consider the extra costs if they plan to incorporate CSR into their business activities. For a large firm, these costs are of little concern especially if some benefits are associated with them. However, for SMEs, this could be a burden. Some of these are an adoption of new environmental friendly equipment, providing a workplace childcare and purchasing special raw material from special suppliers (Barnett & Salomon, 2006). Moreover, some of these costs require a substantial immediate investment. Hence, it is less likely for these SMEs to engage in CSR because CSR benefits may appear in the long term (Mohr & Webb, 2005).

5.2.3 Research Question 3

Do personal values of SME owner-managers moderate the relationship between CSR drivers and CSR practices?

The value structure formulated by Allport, Vernon and Lindzey (AVL) is used to examine owner-managers' personal values. It consists of six classifications, namely religious, economic, social, aesthetic, political and theoretical values. Among these six, four personal values; religious, economic, social and aesthetic values are found to moderate the relationship between CSR drivers and CSR practices, while political and theoretical values were found to have no moderating effects on CSR drivers and CSR practices.

Religious Value

This study provides evidence of interaction for two out of the seven CSR drivers. Religious value is found to moderate the relationship between the supplier factor and CSR practices, and between performance factor and CSR practices.

Religious value is found to moderate the relationship between the supplier factor and CSR practices. When a SME owner-manager has high religious value, the supplier factor is positively associated with CSR activities. On the contrary, when the religious value of owner-manager is low, the supplier factor is inversely associated with CSR activities.

The cost, quality, technology, delivery, adaptability, and profits of SMEs could be influenced by suppliers. It is argued that SMEs can improve their business position from suppliers if SMEs' owner-managers have high religious value (Krause,

Handfield, & Scannel, 1998). The result obtained is consistent with a previous study which states that strong owner-manager relationship with suppliers may motivate the SMEs to engage in CSR (Jenkins, 2006; Marrewijk, 2003; Perrini *et al.*, 2007; Vives, 2006). There is an empirical support that religion influences the personal values of entrepreneurs and shapes their decision-making process (Dana, 2009). On the contrary, the relationship between supplier pressure and CSR practices could be negative if the religious value of SME owner-managers is low.

Religious value is found to moderate the relationship between performance factor and CSR practices. Performance factor is inversely related to CSR practices when the religious value of SMEs owner-manager is high, but positively related to CSR practices when the religious value of SMEs' owner-manager is low. The result implies that, when the religious values of SMEs' owner-managers are high, they will participate in CSR activities even the perceived benefits from performance factor are low. However, when the religious values of SMEs' owner-managers are low, they will only engage in CSR activities when perceived benefits from performance factor are high. These findings are consistent with Angelidis and Ibrahim (2004). They found that managers with high religiousness behaviour are more concerned for an ethical matter of CSR. Contrary, managers with low religiousness behaviour show greater concern about economic benefits of CSR and a stronger orientation toward achieving good financial performance.

In addition, Allport and Ross (1967) postulated that a religious person could be classified as being extrinsically orientated or intrinsically orientated. An extrinsic person is a person who perceives religious as a useful tool for enhancing his or her

social networking and increasing social connectedness. In other words, an extrinsic person aims to obtain the advantages related with religion.

In comparison, an intrinsic person will probably follow the yardstick of morality and would not try to attain the benefits associated with religion. Longenecker, McKinney and Moore (2004) discovered that managers and professionals with high or moderately intrinsic religiosity demonstrated a higher level of ethical judgement than those with a lower level of intrinsic religiosity.

Hence, the results of this study show that intrinsic religiousness can play a significant role among SMEs owner-managers in Malaysia, which in turn can influence on both their behaviours and attitudes in CSR practices. This result is consistent with Nejati and Amran (2009) who reported that Malaysian SMEs' owner-managers adopted CSR activities just for their religious beliefs and values and did not expect any returns when implementing CSR activities.

There has been a surge in research about the influence of religion on managerial CSR views and orientations. For example, Clark and Dawson (1996) found that a religious person is more tolerant towards ethical situations as compared with a person who exhibits lower religious values. Brammer, Williams, and Zinkin (2007) found that religious orientation and CSR practices are significantly related. Weaver and Agle (2002) stated that the role of expectations in religious can be moderated by religious identity salience and religious motivational orientation. They discovered that individuals who viewed their religious as being enormously substantial had a tendency

to experience psychological distress when they depart from the teachings of their religion, and also liable to stick entirely to moral guidelines.

Economic Value

Economic value moderates the relationship between employee factor and CSR practices. Employee factor shows a strong positive relationship with CSR practices when the economic value of SME owner-managers is high, and weak positive relationship with CSR practices when the economic value of SME owner-manager is weak. Hence, the economic value of SME owner-managers is perceived to strengthen the relationship between employee factor and CSR practices.

Employees have been regarded as the most important internal stakeholder of SMEs (Hammann *et al.*, 2009). SME owner-managers have a close relationship with their employees due to the working environment and organisational culture that depend on labour, different from large firms that are typically capital intensive (Galabova & Mckie, 2013). In addition, firm's strategy is closely related to employees since the individuals themselves often execute organisational routines and CSR.

SMEs by nature have limited material, human and financial resources (McAdam, 2002). Hence, SMEs' owner-managers with strong economic values tend to have more concern and focus on the use of economic resources. They would maximise profits and minimise expenses when dealing with their stakeholders (Blau, 1964; Homans, 1958). Hence, SMEs' owner-managers with substantial economic values tend to increase their capability in hiring and keeping skilled employees (Backhaus, Stone, & Heiner, 2002; Greening & Turban, 2000; Turban & Greening, 1997).

Besides, the issue of employee motivation is also crucial to SMEs because employees are more dedicated if the company can promote the spirit of inspiration within them (Galabova & Mckie, 2013). According to Fisher, Geenen, Jurcevic, McClintock and Davis (2009), investment in CSR can provide mutual obligations, which in turn can benefit both SMEs and employees. Cultivating close relationships with employees for the sake of CSR practices can create satisfaction among employees and improve the firms' images (Longo *et al.*, 2005). It is recognised that SMEs could act as caring entities, by offering training and development opportunities to employees (European Commission, 2003). The personal integrity of the owner-managers is part of the leadership credibility in gaining the loyalty and trust from the employee (Spence, 2004).

Social Value

This study provides evidence that social value moderates the relationship between employee factor and CSR practices. Results show that a positive association between employee factor and CSR practices will be stronger if the social value of SMEs' owner-managers' is high. If the social values of SMEs' owner-managers' is low, the positive association between employee factor and CSR practices will be weak.

The results are consistent with Spence and Schmidpeter (2003). The employees expect their SME owner-managers being generous and benevolent, and also to get involved with an altruistic CSR, particularly when the owner-managers are requested to contribute to good causes supported by the employee. Also, employees have played an important role in fostering SME owner-managers for the charitable undertaking, such as donations for religious activities.

In addition, SMEs' owner-managers involved themselves in CSR initiatives because of their interests in the caring of their employees and recognising the importance of their health, safety and well-beings (European Commission, 2003). The relationship between SMEs and employees is far closer and more direct than large firms (Longo *et al.*, 2005).

The relationship between local community and CSR practices is surprisingly not affected by the social value of SMEs owner-managers. This may be explained by the location of SMEs that are often located at industrial estates on the fringes of towns and villages (Jenkins & Hines, 2002).

Aesthetic Value

Aesthetic value is also found to moderate the relationship between employee factor and CSR practices. The results show that a person with high aesthetic value finds a positive relationship between employee factor and CSR practices. A person with low aesthetic value finds a weak relationship between employee factor and CSR practices. Hence, this implies that aesthetic values of SME owner-managers can strengthen the relationship between employee factor and their participation in CSR activities.

These results are consistent with Uhlaner, van Goor-Balk and Masurel (2004) who suggested that SMEs' owner-managers rely closely on their employees and their family members. The SMEs' owner-managers may exhibit affection towards their employees and create a harmonious industrial relation. Therefore, being an aesthetic person, the owner-managers will take employees' concern seriously in order not to

tarnish this harmonious relation. In this instance, if the employees' concern is CSR-related, the tendency for them to implement CSR would be high.

Political Value

The moderating effects of political value between CSR drivers (stakeholders and performance drivers) and CSR practices are not supported. A person with strong political value is the concern for personal power in whatever area, he functions (Guth & Tagiuri, 1965). The results suggest SMEs' owner-managers are not concerned with personal powers as compared with large firms that embrace more on the official and organised structure of corporate social responsibility (Jenkins, 2006).

This result is consistent with previous studies where large firms are associated with high degrees of formalism and prevailing formal strategies. In contrary, small firms are associated with informal, less structured and agile management styles (Perrini *et al.*, 2007; Russo & Tencati, 2009). High degree of formalism in large firms implies the power to be desired when giving instructions from the superior to the subordinates. The acceptance of SMEs to CSR largely relies on the belief of the owner-managers (Perez-Sanchez, 2003). In addition, SMEs lack resources and so do not adhere to formal management systems and standards (Jenkins 2004). This is because the role of ownership and management of SMEs are often not separated and allow some degree of autonomy (Jenkins 2006; Spence *et al.*, 2000).

Besides, with less formal CSR strategies, SMEs' are less likely to report their involvements in CSR activities (Graafland, van de Ven, & Stofelle, 2003; Perrini *et al.*, 2007; Spence *et al.*, 2000). SMEs engage in CSR based on informal factors such

as culture and values of the owner, manager personal characteristics and influence of stakeholders (Vyakarnam *et al.*, 1997).

Theoretical Value

The moderating effects of theoretical value between CSR drivers (stakeholders and performance drivers) and CSR practices are also not supported. A person with strong theoretical value is concerned with truths and systematised knowledge that are rational, systematic, empirical and critical. The results show that theoretical values have no influence on SMEs' owner-managers.

This might be due to the lack of codification of CSR in SMEs (Moore & Spence, 2006; Murillo & Lozano, 2006; Spence & Lozano, 2000) and personal motivations in CSR decision makings (Jenkins, 2004; Spence & Lozano, 2000). According to Sweeney (2007), SMEs' owner-managers have to also make personal choices about the allocation of resources (Spence, 1999). Thus, CSR implementations are largely based on the subjective personal attitudes of the owner-managers. Thus, their decisions, being empirical and based on critical thinking are objective and as such may not simply root from SMEs' owner-managers' personal motivation.

5.3 Overview of Discussions

To summarise, the influence between CSR drivers (particularly employees, local communities and suppliers) and CSR practices cannot be denied. This study supports the stakeholder-based and institutional-based theory (Srinivasan *et al.*, 2002) that stakeholder relationship and pressure (employees, local communities and suppliers) are predictors of SMEs engagement in CSR practices.

This study reveals that the most frequently implemented CSR among small and medium-sized enterprises (SMEs) in Malaysia are market-oriented activities. This is followed by environment-oriented activities, workforce-oriented activities and community-oriented activities. Among the six categories of personal values (religious, economic, social, aesthetic, political and theoretical values), four personal values (religious, economic, social and aesthetic) are found to moderate the relationship between CSR drivers and CSR practices. Hence, this study maintains that personal values moderate the relationship between CSR drivers and CSR practices (Vives, 2006). The present study indicates too that religious value can moderate the relationship between the suppliers and CSR practices, and between performance and CSR practices. Meanwhile, economic, social and aesthetic values moderate the relationship between employees and CSR practices. This is consistent with Morsing and Perrini (2009) who stated that decisions on CSR Strategies are based on personal beliefs and values of the owner-managers and employees.

Employees and local community are found to be good indicators of CSR participations, consistent with Spence and Lozano (2000), Jenkins (2004), Madden *et al.* (2006), Preuss and Perschke (2010), Murillo and Lozano (2006) and Santos (2011). The study shows that good relationship and the pressures from employees and local communities encourage SMEs' owner-managers to adopt CSR practices.

The greater the concern over their employees, the higher the tendency for the SMEs' owner-managers to engage in CSR activities. Personal values like economic, social and aesthetic values are catalysts in promoting this tendency. While SMEs' owner-managers are more constrained by scarce resources and the need to allocate them

efficiently, they are still attentive to the employees' needs by practising CSR. They can attract better qualified and skilled workers and create harmonious working environments by embarking on CSR activities. However, in deciding on CSR practices, SME owner-managers are attentive to the expectations from the local communities, regardless of their personalities, since the beneficiary of their CSR activities is mainly the local communities around their firms. CSR help spread the good name of their firms, which in turn enhances their market shares.

Our results show that SME owner-managers' CSR practices are inversely related to their concern for suppliers. Despite knowing that suppliers have implemented CSR and following their suppliers' footsteps may enhance their business relationship with their suppliers, SME owner-managers are not tempted to practising CSR though. This could be due to the fact that owner-managers have lower religious values. Had their religious value been higher, they would have been tempted to practice CSR.

Customers, governments and competitors are not significant CSR drivers in our study. It could be due to the fact that Malaysian SMEs' owner-managers do not face the pressure of adhering to the government regulations on CSR implementation, and their customers are not focused on CSR issues. In addition, SMEs' owner-managers may assume that their competitors are just as budget constrained as them, being all SMEs in nature. As such, these stakeholders may not be relevant in influencing SMEs' owner-managers CSR activities.

In our study, the performance driver is insignificant. However, this driver becomes crucial when moderated by religious values. This implies that a religious SME owner-

manager would indeed implement CSR activities but would not be too concerned with the effects of the CSR practices on the firm's performance. Owner-managers with high religious values would still implement CSR even at the expense of receiving lower profits, incurring higher operating costs, reducing the efficiency with little positive impact on the firm's image. On the other hand, an owner-manager with low religious values would only implement CSR when the CSR would increase the firm's profit, reduce operating costs, improve efficiency and uplift the firm's image.

Political and theoretical values do not moderate the link between CSR drivers and CSR practices. This suggests that SMEs' owner-managers' concern over power and their critical thinking ability may not have any bearing on CSR implementation. Such complicating considerations do not motivate Malaysian SMEs' owner-managers' CSR practices.

5.4 Theoretical and Practical Implications

This study contributes additional knowledge to the CSR literature through the integration of stakeholders and performance drivers in predicting the participation of CSR activities among manufacturing SMEs in Malaysia. In addition, the findings show evidence of significant influence of employees and local communities on CSR practices. This study is also the first to evaluate the role of personal values as interacting variables in examining SMEs' participation in CSR activities.

5.4.1 Theoretical Implications

The first implication of the theory is the assumptions made in past studies, which examined factors that affect CSR implementations among SMEs based on

stakeholders' relationships. This study combines both stakeholders' and institutional theories and provides evidence that on the stakeholders' relationship, institutional pressure from stakeholders drives SMEs to practice CSR. The findings indicate that stakeholders such as employees and local communities are significantly linked to SMEs' CSR participation. Another implication is that pressure from the employees and local communities also play a significant role in influencing SMEs' owner-managers' implementations of CSR practices. Moreover, the analysis of factors associated with CSR practices shows such causal models can be built and tested.

Besides, the findings of this study extend further the CSR literature whereby CSR has become more salient when economic, social and aesthetic values of SMEs' owner-managers are high. The analyses of the interaction effects are in response to the call by Murillo and Lozano (2006) to investigate the interaction effects between personal values and CSR practices. Previous studies have examined the direct effects of personal values and CSR practices (Hammann *et al.*, 2009; Jenkins, 2004; Murillo & Lozano, 2006; Russo & Perrini, 2010; Spence, 2007; Spence *et al.*, 2000; Vives, 2006). However, examining these interaction effects is important to understanding the possible impacts on CSR practices. This study provides new theoretical and practical insights and understandings of personal values and their relationship to CSR practices in the context of AVL's values theory.

5.4.2 Practical Implications

This study has several practical implications. Firstly, the findings have implications for policy makers, SMEs owner-managers and their stakeholders who are involved in CSR implementation. Our results indicate that 68.90% of Malaysian manufacturing

SMEs is aware of CSR practices. However, less than 50% of SMEs conduct CSR activities on a regular basis. Therefore, policy makers in agencies such as SME Corporation Malaysia can apply the finding to develop programmes to support CSR practices among SMEs. The authority may promote CSR activities by putting in place rules and regulations to monitor CSR implementation among SMEs. Williamson *et al.* (2006) reported that the rules and regulations on the ecological control will motivate SMEs to involve in CSR practices. In addition, the government and businesses are also able to encourage SMEs to be engaged in CSR activities by providing training and sharing of best practices and rewards for socially responsible companies.

Secondly, the results from this study reveal that the CSR areas that are mostly implemented among Malaysian SMEs are market-oriented activities, followed by environment-oriented activities, workforce-oriented activities and community-oriented activities. It is found that community-oriented activities and workforce-oriented activities are the CSR areas that receive less attention in SME. Hence, the government could impose regulations and introduce incentives in encouraging SMEs to engage in community-oriented activities and workforce-oriented activities. Tax incentives such as exemption or reduction of certain taxes or duties can be designed to encourage charitable activities and employment of disabled workers among SMEs.

Thirdly, our results show that the local community significantly influences the adoption of CSR practices among Malaysian SMEs. Hence, the authority may come out with the guidelines for SME owner-managers to fulfil their responsibilities towards the local community by creating awareness of the needs of the local

community. By learning their roles in the local community, SMEs' owner-managers can be more inclined to practise CSR.

Fourthly, the findings have in particular shown that the employee significantly influences the implementation of CSR practices within Malaysian SMEs. Employee factor is also moderated by SME owner-managers personal values (economics, social and aesthetic values) in participating in CSR activities. Hence, information from this study could be used by SME Corporation Malaysia to encourage SMEs to develop CSR programmes that satisfy the needs and be in accordance with owner-managers' beliefs. As such, to encourage SME owner-managers to practices CSR, the authority may launch campaigns to increase the awareness among owner-managers towards the importance of investing in human capital and creating healthy working environment for enhancing industrial relation with the employees. Therefore, the SME owner-managers should be reminded that a short-term investment in human capital in terms of on-the-job training and health among the employees is a reasonable decision that has a bearing on the firm performance in future. Besides that, the authority should create awareness among the owner-managers that industrial relation harmony is crucial for enhancing firm's competency in terms of attracting customers, increasing sales and profits. The authority should inform the owner-managers of the negative impacts facing them should be there industrial dispute taking place within the company. By so doing, an owner-manager who embraces the high level of aesthetic and social values would feel the urge to prioritise their employees' concern, hence implementing workforce-oriented CSR activities.

It is also found that a good supplier relationship and suppliers' pressures do not encourage SME owner-managers to adopt CSR practices. However, this study reveals that if SMEs owner-manager has high religious value, supplier factor is positively associated with CSR activities. As such, SME association may work with religious associations to deliver public awareness talks targeting to the SME owner-managers on the aspects of good business relationships from the religious point of view. By doing so, SME owner-managers would be motivated to practice CSR to enhance business relationship with their trading partners in the name of their religion.

Next, it is found that if SMEs' owner-managers have high religious values, the decision making in adopting CSR is not caused by perceived economic benefits (long run profits, lower cost, improved public image). Conversely, SMEs' owner-managers who have low religious values will be concerned with the possible economic benefits if they are involved in CSR practices. These religious values may have positive or negative impacts on CSR practices. As such, SME associations can work with the religious associations to deliver public talks to SME owner-managers on the importance of being altruistic and philanthropic, and that these characteristics should not be measured or motivated by their financial affordability.

Lastly, with respect to values theory, the study confirms the structure of personal values proposed by Allport, Vernon and Lindzey (1960) (religious, economic, aesthetic, social, theoretical and political) in the context of the Malaysian manufacturing SMEs. The study shows that the religious, economic, aesthetic and social values have moderating effects on CSR practices. However, it is found that theoretical and political values have no impacts on CSR engagements. This

information is important because it could help SMEs' owner-managers to understand their psychological factors in adopting CSR practices. Most importantly, it could help government agencies such as SME Corporation Malaysia to understand the psychological reasons among SMEs owner-managers and hence develop CSR sustainability strategy to match their personal values. For example, knowing that the economic, social and aesthetic values among the SME owner-managers could moderate the effect of employees on CSR practices, the authority may launch a campaign to create awareness among SME owner-managers on the importance of being altruistic and caring in generating harmonious industrial relation within their company. Nevertheless, the authority may alert the SME owner-managers of the importance of doing the benefit-cost analysis when striking the balance between production and CSR practices since they are a small-scale business with scarce monetary resources – unlike the resource abundance large-scale corporations. Besides that, the authority may get religious associations involved in delivering a business-related public talk that is in line with the religious teaching to nurture the philanthropic temperament among the SME owner-managers.

5.5 Limitations and Directions for Future Research

The findings of this study are subjected to limitations. First, the scope of this study mainly focused on SMEs from the manufacturing sector. This sector has played a vital role in the economic development in Malaysia. However, to have a complete picture of CSR practices, future research should also be conducted in other sectors such as agriculture and services for comparison purposes, since different sectors have different resource availabilities that would influence their CSR practices.

Second, the aim of this study is to examine the direct and the moderating effects of personal values in explaining the relationship between CSR drivers and CSR practices among Malaysian manufacturing SMEs at one particular point in time (Miller, 1998). Hence, cross-sectional study is used to analyse the SMEs' owner-managers inter-individual differences (Miller, 1998) in terms of their personal values in CSR practices. The present study intends to examine the perceptions held by SME owner-managers towards CSR implementation at a particular point of time without measuring how and when their perception may change over a period. On the contrary, longitudinal studies, in contrast to cross-sectional studies might enable future researchers to establish hypothetical interpretations for the possible changes that may exist (McCall, 1977) and create causality and to make inferences (Cohen, Manion, & Morrison, 2007). Longitudinal designs facilitate the analysis of the changes or stability of a person and examine the early- and later- relationship. Hence, if future researchers wish to examine any change of perception among SME owner-managers over time, they could consider longitudinal studies. The current study has laid the groundwork for future follow-up studies on owner-managers' intra-individual changes in implementing CSR practices.

Third, the research setting used in this study relies on a self-administered survey and the targeted respondents (i.e. Malaysian manufacturing SMEs) from the wide geographic regions in Malaysia can be reached by using this method. While being able to ensure a better and representative coverage of the Malaysian manufacturing SMEs, this method is not able to clarify doubts and ensure that the respondents really understood the questions properly. Future research should employ a mixed method that explores the study from both qualitative and quantitative perspectives. For example, face-to-face personal interviews with SMEs' owner-managers should be

conducted to get more in-depth information about their motives in implementing CSR, besides providing further elaboration on those questions that require clearer explanations from the researchers.

Fourth, the present study finds that the performance factor is positively related to CSR practices for owner-managers with a low level of religious value, and inversely related CSR practices with a high level of religious value. This study suggests that religious values indeed moderate the practices of CSR among Malaysian manufacturing SMEs. However, this study did not analyse the impact of different types of religions in practising CSR. According to the 2010 census data, there are approximately 61.3% of the populace rehearses Islam; Buddhism practised by 19.8% of the population; Christianity 9.2%; 6.3% Hinduism; and 1.3% are Confucianism, Taoism, and other traditional Chinese folk religions. Hence, future research could be conducted to compare and contrast the different religions on CSR practices.

Fifth, this study is the first attempt to develop a measurement of AVL personal values for manufacturing industries. The AVL personal values measurement is used in this study because it fulfils the characteristics of SME owner-managers. However, the adoption of the same AVL personal value measurement may not apply to establishments other than the SMEs, such as large companies, given the size and operating nature of these establishments that are different from those of the SMEs. CSR implementation in large companies may be influenced by their corporate values (Jenkins, 2006) which are different from the personal values in terms of definition. As such, future researchers intending to study the CSR implementation from a non-SME

perspective could refer to other theories of values that may determine a CSR ethical decision-making in Malaysia.

Finally, this study examines reasons SMEs are engaged in CSR to add to the current literature on CSR motivations and practices in Malaysia. However, the scope of the present study could not examine whether CSR practices in Malaysia are contributing to the development of the economy. The more empirical research will be needed to assess the contribution of CSR to the development in Malaysia.

5.6 Conclusion

This study has shown that stakeholders, especially employees, suppliers and local communities' involvement in the business have a direct effect on the implementation of CSR practices. In particular, empirical evidence has demonstrated that the effects of employees and local communities are positively affecting CSR practices while supplier involvement and CSR practices show inverse relationships. Among all the stakeholders, the employees and suppliers are the only stakeholders who are moderated by SMEs' owner-managers personal values. The relationship between employees and CSR practices are strengthened when SMEs' owner managers possess economic, social and aesthetic values. Religious values moderate the supplier, performance and CSR practices. The relationship between supplier and CSR practices is strengthened when an SME owner-manager has high religious value while the relationship between performance and CSR practices is strengthened when SMEs' owner-managers have a low level of religious values. However, with SME owner-managers who have a high level of religious values, the low expectation of performance factors will not discourage them from being involved in CSR practices.

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Appendix 1 – Sample of Questionnaire



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Dear Sir/Madam,

I am a PhD candidate at Universiti Utara Malaysia (UUM) currently lecturing in Universiti Tunku Abdul Rahman (UTAR). I wish to seek your kind assistance to participate in a survey which examines *Malaysian SMEs' Participation in Corporate Social Responsibility (CSR)*. The purpose of the study is to gain a better understanding on the motivation and practices of Corporate Social Responsibility (CSR) by Small and Medium Enterprises (SMEs) in Malaysia.

To accomplish this study, your company is being invited to participate in the survey. You will be assured of strictest confidentiality of all information disclosed in the questionnaire. The questionnaire attached will take you approximately 15 minutes to complete.

Your assistance in completing this questionnaire is greatly appreciated. If you require any clarification, or have any comment or suggestion with regards to this study, please do not hesitate to contact me by email (teohsy@utar.edu.my) or call me at 012-4670340.

Thank you very much.

Yours sincerely,

Teoh Sok Yee
Doctor of Philosophy (PhD) candidate

SECTION A: BACKGROUND INFORMATION

Part I:

I would like to obtain some information about your company so that I can better understand your decision about **Corporate Social Responsibility (CSR) practices**. Please tick (✓) an appropriate box.

1. Which of the following best describes the sector in which your company operates?

- Basic metal
- Chemical, including Petroleum
- Electrical and Electronic
- Fabricated Metal
- Food, Beverage and Tobacco
- Machinery
- Manufacture of Furniture
- Medical, Precision and Optical Instruments
- Non-Metallic Mineral
- Paper, Printing and Publishing
- Plastic
- Recycling
- Rubber
- Transport
- Textile, Wearing Apparel and Leather
- Wood and Wood Products, including Furniture
- Others, please specify _____

2. Please indicate the State where your factory is located.

- | | | |
|---------------------------------------|--|-------------------------------------|
| <input type="checkbox"/> Perlis | <input type="checkbox"/> Kuala Lumpur | <input type="checkbox"/> Terengganu |
| <input type="checkbox"/> Kedah | <input type="checkbox"/> Negeri Sembilan | <input type="checkbox"/> Pahang |
| <input type="checkbox"/> Pulau Pinang | <input type="checkbox"/> Melaka | <input type="checkbox"/> Sabah |
| <input type="checkbox"/> Perak | <input type="checkbox"/> Johor | <input type="checkbox"/> Sarawak |
| <input type="checkbox"/> Selangor | <input type="checkbox"/> Kelantan | <input type="checkbox"/> Labuan |
| <input type="checkbox"/> Putrajaya | | |

3. How long your company has been in business?

[] years

4. Please specify the form of ownership of your business.

- Citizen-owned
 Foreign-owned
 Joint venture

5. What is your company's approximate annual sales turnover?

- Less than RM 300,000
 RM 300,000 to less than RM 15 million
 RM 15 million to less than RM 50 million

6. How many full time employees does your company employ presently?

- Less than 5 workers
 5 workers to less than 75 workers
 75 workers to less than 200 workers

Part II:

Please **circle** the level of your agreement to the CSR practices in your company.

	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
My firm is a socially responsible firm.	1	2	3	4	5
My firm is aware of CSR activities.	1	2	3	4	5
My firm's CSR activities are conducted on a regular basis.	1	2	3	4	5
My firm has allocation for budget on CSR activities.	1	2	3	4	5

SECTION B: CORPORATE SOCIAL RESPONSIBILITY (CSR) INVOLVEMENT

I would like to learn more about the frequency of your involvement in CSR. Please circle the most appropriate option for each statement.

Frequency – 5 points

- 1 – *Never* - (NV)
- 2 – *Rarely* - (RR)
- 3 – *Sometimes* - (ST)
- 4 – *Often* - (OT)
- 5 – *Always* - (AW)

I. WORKFORCE-ORIENTED ACTIVITIES	NV	RR	ST	OT	AW
1. My company encourages employee participation in decision making process.	1	2	3	4	5
2. My company improves health and safety of employees.	1	2	3	4	5
3. My company provides equal opportunities in workplace, e.g. employing disabled people.	1	2	3	4	5
4. My company promotes women to senior management position.	1	2	3	4	5
5. My company supports good work-life balance practices.	1	2	3	4	5
6. My company creates family friendly working environments.	1	2	3	4	5
7. My company invests in people, e.g. training and employee development.	1	2	3	4	5

II. COMMUNITY-ORIENTED ACTIVITIES	NV	RR	ST	OT	AW
1. My company engages in Philanthropic activities, e.g. Charitable donation.	1	2	3	4	5
2. My company creates job opportunities for local communities.	1	2	3	4	5
3. My company joins voluntary works in local communities.	1	2	3	4	5
4. My company offers sponsorship for community events (e.g. sports, youth activities, etc.).	1	2	3	4	5
5. My company donates to community causes.	1	2	3	4	5

III. MARKET-ORIENTED ACTIVITIES	NV	RR	ST	OT	AW
1. My company offers safety products and services beyond legal obligations.	1	2	3	4	5
2. My company provides high quality products and services.	1	2	3	4	5
3. My company provides content knowledge of products.	1	2	3	4	5
4. My company practices fair pricing	1	2	3	4	5
5. My company handles customers' complaints beyond legal requirement.	1	2	3	4	5

IV. ENVIRONMENT-ORIENTED ACTIVITIES	NV	RR	ST	OT	AW
1. My company uses recycled materials in manufacturing process.	1	2	3	4	5
2. My company reduces waste in manufacturing process.	1	2	3	4	5
3. My company filters and controls on emissions and discharges.	1	2	3	4	5
4. My company reduces/replaces hazardous chemicals or materials, e.g. substitute hazardous chemicals with less hazardous alternatives.	1	2	3	4	5
5. My company designs products and manufacturing process to minimize the <u>*ecological footprint</u> along the entire product life cycle.	1	2	3	4	5
6. My company reduces energy consumption.	1	2	3	4	5

***Ecological footprint:**

The impact of a person or community on the environment, expressed as the amount of land required to sustain their use of natural resources.

SECTION C: CORPORATE SOCIAL RESPONSIBILITY (CSR) DRIVERS

I would like to learn about the factors which influence your company's decision to implement CSR. Please indicate the extent to which you agree or disagree with each of the following statements. Please circle the most appropriate option for each statement.

Level of Agreement

- 1 – *Strongly disagree* - SD
- 2 – *Disagree* - D
- 3 – *Neutral* - N
- 4 – *Agree* - A
- 5 – *Strongly agree* - SA

(I) Employee factors:	SD	D	N	A	SA
1. My company wishes to be able to attract skilled workers.	1	2	3	4	5
2. My company wishes to be able to create the sense of belonging to the company among workers.	1	2	3	4	5
3. My company wishes to be able to increase employee retention.	1	2	3	4	5
4. My company wishes to be able to increase employee morale.	1	2	3	4	5
5. My company wishes to be able to attract new employees.	1	2	3	4	5
6. My employees voluntarily engage in CSR activities of the firm.	1	2	3	4	5
7. My employees expect the firm to implement CSR activities.	1	2	3	4	5
8. My employees monitor whether the promises concerning CSR are fulfilled.	1	2	3	4	5

(II) Local community factors:					
	SD	D	N	A	SA
1. My company wishes to give something back to the community.	1	2	3	4	5
2. My company wishes to gain trust from local community.	1	2	3	4	5
3. My company wishes to develop better connection with local community.	1	2	3	4	5
4. There has been an increasing expectation from local community on CSR practices.	1	2	3	4	5
5. There has been an increasing pressure from local community on CSR practices.	1	2	3	4	5

(III) Customer factors:					
	SD	D	N	A	SA
1. My company aims to increase sales.	1	2	3	4	5
2. My company wishes to attract repeating customers.	1	2	3	4	5
3. My company wishes to increase customer loyalty.	1	2	3	4	5
4. My company wishes to explore new customers and markets.	1	2	3	4	5
5. My company wishes to improve customer satisfaction.	1	2	3	4	5
6. My customers' purchasing habits are changing to support CSR firms (e.g. fair trade)	1	2	3	4	5
7. My customers are ready to boycott products and services which do not comply with CSR standard.	1	2	3	4	5

(IV) Government factors:					
	SD	D	N	A	SA
1. Government starts to increase transparency in businesses.	1	2	3	4	5
2. Government applies penalties if companies do not implement CSR activities.	1	2	3	4	5
3. Government provides incentives to implement CSR activities.	1	2	3	4	5
4. Government pressures through enacted acts and regulations to implement CSR.	1	2	3	4	5

(V) Competitor factors:					
	SD	D	N	A	SA
1. My competitors take a leading role in CSR.	1	2	3	4	5
2. My competitors are known for transparent communication policies on CSR.	1	2	3	4	5
3. My competitors communicate openly about their CSR activities.	1	2	3	4	5
4. My competitors invest in social funds and projects.	1	2	3	4	5

(VI) Supplier factors:					
	SD	D	N	A	SA
1. Improving relationship with suppliers is important to my company.	1	2	3	4	5
2. My suppliers request me to implement CSR.	1	2	3	4	5
3. Suppliers' business practices are the source of motivation for my company.	1	2	3	4	5

(VII) Performance factors:					
	SD	D	N	A	SA
1. Increasing profit is important to my company.	1	2	3	4	5
2. Increasing efficiency is important to my company.	1	2	3	4	5
3. Enhancing company image is important to my company.	1	2	3	4	5
4. Enhancing long term cost savings is important for my company.	1	2	3	4	5

SECTION D: YOUR PERSONAL VALUES

I would like to learn about your personal values on implementing CSR in your company. Please circle the most appropriate option for each statement.

Level of Agreement

- 1 – *Strongly disagree* - SD
- 2 – *Disagree* - D
- 3 – *Neutral* - N
- 4 – *Agree* - A
- 5 – *Strongly agree* - SA

	SD	D	N	A	SA
1) I would read more attentively on the headlines which related to leaders of different religions to consult on reconciliation.	1	2	3	4	5
2) I agree that the aim of religious institutions at the present time should be to encourage spiritual worship and a sense of communion with the highest.	1	2	3	4	5
3) I prefer to listen a series of lectures on the comparative development of the great religious faiths.	1	2	3	4	5
4) I would consider it is important for my child to secure training in religion.	1	2	3	4	5
5) If I had more than enough income for my needs, I prefer to help advance the activities of local religious groups.	1	2	3	4	5

		SD	D	N	A	SA
1)	I am a person with high ideals and reverence.	1	2	3	4	5
2)	If I had some time to spend in a waiting room, I would read magazines which related to arts and decorations.	1	2	3	4	5
3)	In newspaper, I would more likely to read the section on picture galleries and exhibitions.	1	2	3	4	5
4)	If I could influence the educational policies of the nation's public schools, I would undertake to promote the study and participation in music and the fine arts.	1	2	3	4	5
5)	If I had sufficient leisure and money, I prefer to make a collection of fine sculptures or paintings.	1	2	3	4	5

		SD	D	N	A	SA
1)	I would read more attentively on the headlines which related to great improvements in market conditions.	1	2	3	4	5
2)	In newspaper, I would more likely to read the real estate sections and the account of the stock market.	1	2	3	4	5
3)	I think that a good government should aim chiefly at the development of manufacturing and trade.	1	2	3	4	5
4)	If I had more than enough income for my needs, I prefer to apply it productively to assist commercial and industrial development.	1	2	3	4	5
5)	I would consider the more important function of education is the preparation for practical achievement and financial reward.	1	2	3	4	5
6)	If I could influence the educational policies of the nation's public schools, I would undertake to increase the practical value of courses.	1	2	3	4	5

		SD	D	N	A	SA
1)	I am a person with unselfishness and sympathy	1	2	3	4	5
2)	If I have sufficient leisure time, I prefer to use it to perform volunteer social or public service work.	1	2	3	4	5
3)	I would consider the more important function of education is its preparation for participation in community activities and aiding less fortunate persons.	1	2	3	4	5
4)	I think that a good government should aim chiefly at more aid for the poor, sick and old.	1	2	3	4	5
5)	If I had sufficient leisure and money, I prefer to establish a center for the care and training of the disabled.	1	2	3	4	5
6)	At an evening discussion with friends, I am more interested when the conversation concerns poverty and social improvement.	1	2	3	4	5

		SD	D	N	A	SA
1)	I believe the main objective of scientific research should be the discovery of truth.	1	2	3	4	5
2)	I believe the main objective of scientific research should not be its practical applications.	1	2	3	4	5
3)	I would read more attentively on the headlines which related to new scientific theory announced.	1	2	3	4	5
4)	If I have sufficient leisure time, I prefer to use it to develop my mastery of a favourite skill.	1	2	3	4	5
5)	If I had some time to spend in a waiting room, I would read magazines which related to scientific age.	1	2	3	4	5
6)	At an evening discussion with friends, I am more interested when the conversation concerns development in science.	1	2	3	4	5
7)	At an evening discussion with friends, I am more interested when the conversation concerns the meaning of life.	1	2	3	4	5

		SD	D	N	A	SA
1)	Assuming that I have sufficient capability, I prefer to be a politician.	1	2	3	4	5
2)	I would consider the more important function of modern leaders is to bring accomplishment of practical goals.	1	2	3	4	5
3)	I would consider the more important function of modern leaders is to encourage followers to take a greater interest in the rights of others.	1	2	3	4	5
4)	I would read more attentively on the headlines which related to Federal Court renders decision.	1	2	3	4	5
5)	Modern society benefits more from greater knowledge of the fundamental laws of human behaviour.	1	2	3	4	5
6)	If I had sufficient leisure and money, I prefer to aim at a senatorship or a seat in the Parliament.	1	2	3	4	5

SECTION E: DEMOGRAPHIC PROFILE

I would like to have a better understanding of your personal background. Please *tick (✓)* in an appropriate box.

1. Are you the owner of the company?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. What is your current position in your company?	<input type="checkbox"/> Managing Director	<input type="checkbox"/> Chief Executive Officer
	<input type="checkbox"/> Manager	<input type="checkbox"/> Others, please specify _____
3. Gender.	<input type="checkbox"/> Male	<input type="checkbox"/> Female
4. Age group.	<input type="checkbox"/> Below 20	<input type="checkbox"/> 20 - 29
	<input type="checkbox"/> 30 – 39	<input type="checkbox"/> 40 – 49
	<input type="checkbox"/> 50 and above	
5. Highest level of education.	<input type="checkbox"/> Primary	<input type="checkbox"/> SRP / PMR
	<input type="checkbox"/> SPM	<input type="checkbox"/> STPM
	<input type="checkbox"/> Certificate	<input type="checkbox"/> Diploma
	<input type="checkbox"/> Higher Diploma	<input type="checkbox"/> Bachelor Degree
	<input type="checkbox"/> Master Degree	<input type="checkbox"/> Doctor of Philosophy

Please use this space if you wish to share your insight about your company implementation of CSR practices.

Thank you for your cooperation. Your contribution to this study is greatly appreciated.

Appendix 2 - Respondents' Profile

Sector

Basic metal

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	191	94.1	94.1	94.1
	Yes	12	5.9	5.9	100.0
Total		203	100.0	100.0	

Chemical, including petroleum

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	187	92.1	92.1	92.1
	Yes	16	7.9	7.9	100.0
Total		203	100.0	100.0	

Electrical and electronic

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	192	94.6	94.6	94.6
	Yes	11	5.4	5.4	100.0
Total		203	100.0	100.0	

Fabricated Metal

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	185	91.1	91.1	91.1
	Yes	18	8.9	8.9	100.0
Total		203	100.0	100.0	

Food, Beverage and Tobacco

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	178	87.7	87.7	87.7
	Yes	25	12.3	12.3	100.0
Total		203	100.0	100.0	

Machinery

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	187	92.1	92.1	92.1
	Yes	16	7.9	7.9	100.0
	Total	203	100.0	100.0	

Manufacture of Furniture

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	195	96.1	96.1	96.1
	Yes	8	3.9	3.9	100.0
	Total	203	100.0	100.0	

Medical, Precision and Optical Instruments

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	197	97.0	97.0	97.0
	Yes	6	3.0	3.0	100.0
	Total	203	100.0	100.0	

Non-Metallic Mineral

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	199	98.0	98.0	98.0
	Yes	4	2.0	2.0	100.0
	Total	203	100.0	100.0	

paper, Printing and Publishing

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	192	94.6	94.6	94.6
	Yes	11	5.4	5.4	100.0
	Total	203	100.0	100.0	

Plastic

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	184	90.6	90.6	90.6
	Yes	19	9.4	9.4	100.0
	Total	203	100.0	100.0	

Recycling

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	195	96.1	96.1	96.1
	Yes	8	3.9	3.9	100.0
	Total	203	100.0	100.0	

Rubber

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	191	94.1	94.1	94.1
	Yes	12	5.9	5.9	100.0
	Total	203	100.0	100.0	

Transport

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	195	96.1	96.1	96.1
	Yes	8	3.9	3.9	100.0
	Total	203	100.0	100.0	

textile, Wearing Apparel and Leather

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	188	92.6	92.6	92.6
	Yes	15	7.4	7.4	100.0
	Total	203	100.0	100.0	

Wood and Wood products, including furniture

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	192	94.6	94.6	94.6
	Yes	11	5.4	5.4	100.0
	Total	203	100.0	100.0	

Others

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	198	97.5	97.5	97.5
	Yes	5	2.5	2.5	100.0
	Total	203	100.0	100.0	

Geographical Distribution

Perlis

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	203	100.0	100.0	100.0

Kedah

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	184	90.6	90.6	90.6
Yes	19	9.4	9.4	100.0
Total	203	100.0	100.0	

Pulau Pinang

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	167	82.3	82.3	82.3
Yes	36	17.7	17.7	100.0
Total	203	100.0	100.0	

Perak

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	173	85.2	85.2	85.2
Yes	30	14.8	14.8	100.0
Total	203	100.0	100.0	

Selangor

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	131	64.5	64.5	64.5
Yes	72	35.5	35.5	100.0
Total	203	100.0	100.0	

Putrajaya

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	203	100.0	100.0	100.0

Kuala Lumpur

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	199	98.0	98.0	98.0
	Yes	4	2.0	2.0	100.0
	Total	203	100.0	100.0	

Negeri Sembilan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	197	97.0	97.0	97.0
	Yes	6	3.0	3.0	100.0
	Total	203	100.0	100.0	

Melaka

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	195	96.1	96.1	96.1
	Yes	8	3.9	3.9	100.0
	Total	203	100.0	100.0	

Johor

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	176	86.7	86.7	86.7
	Yes	27	13.3	13.3	100.0
	Total	203	100.0	100.0	

Kelantan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	203	100.0	100.0	100.0

Terengganu

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	203	100.0	100.0	100.0

Pahang

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No	202	99.5	99.5	99.5
	Yes	1	.5	.5	100.0
	Total	203	100.0	100.0	

Sabah

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	202	99.5	99.5	99.5
Yes	1	.5	.5	100.0
Total	203	100.0	100.0	

Sarawak

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	202	99.5	99.5	99.5
Yes	1	.5	.5	100.0
Total	203	100.0	100.0	

Labuan

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid No	203	100.0	100.0	100.0



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The form of ownership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Citizen-owned	152	74.9	74.9	74.9
	Foreign-owned	30	14.8	14.8	89.7
	Joint Venture	21	10.3	10.3	100.0
	Total	203	100.0	100.0	

Annual sales of turnover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 300,000	18	8.9	8.9	8.9
	300k to less than 15m	110	54.2	54.2	63.1
	15m to less than 50m	75	36.9	36.9	100.0
	Total	203	100.0	100.0	

Full-time employees

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	< 5	15	7.4	7.4	7.4
	5 to less than 75	117	57.6	57.6	65.0
	75 to less than 200	71	35.0	35.0	100.0
	Total	203	100.0	100.0	

Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Managing Director	68	33.5	33.5	33.5
	Chief Executive officer	26	12.8	12.8	46.3
	Senior Manager	70	34.5	34.5	80.8
	Manager	39	19.2	19.2	100.0
	Total	203	100.0	100.0	

Gender.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	129	63.5	63.5	63.5
	Female	74	36.5	36.5	100.0
	Total	203	100.0	100.0	

Age range.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 - 29	23	11.3	11.3	11.3
	30 - 39	43	21.2	21.2	32.5
	40 - 49	60	29.6	29.6	62.1
	50 and above	77	37.9	37.9	100.0
	Total	203	100.0	100.0	

Highest level of education.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Secondary	26	12.8	12.8	12.8
	College	43	21.2	21.2	34.0
	University	134	66.0	66.0	100.0
	Total	203	100.0	100.0	



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**Appendix 3 – Statistical Results of the Model without Moderator
(CSR Drivers and CSR Practices)**

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Aesthetic value -> CSR Activities	0.227	0.23	0.081	2.801	0.005
Community -> CSR Activities	0.267	0.263	0.098	2.73	0.006
Competitor -> CSR Activities	0.015	0.064	0.051	0.299	0.765
Customer -> CSR Activities	-0.087	-0.127	0.092	0.946	0.344
Economic value -> CSR Activities	0.096	0.104	0.064	1.506	0.132
Employee -> CSR Activities	0.18	0.188	0.081	2.216	0.027
Government -> CSR Activities	0.021	0.071	0.054	0.381	0.704
Performance -> CSR Activities	0.092	0.112	0.081	1.128	0.259
Politic value -> CSR Activities	0.094	0.102	0.066	1.424	0.154
Religious value -> CSR Activities	-0.028	-0.073	0.054	0.516	0.606
Social value -> CSR Activities	0	0.068	0.051	0.006	0.995
Supplier -> CSR Activities	-0.156	-0.161	0.093	1.684	0.092
Theoretical value -> CSR Activities	0.054	0.071	0.051	1.059	0.29



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Appendix 4 – Statistical Results of the Model with Moderator (Religious Value)

Moderator - Religious value	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Community -> CSR Activities	0.383	0.382	0.082	4.662	0
Community*Religious value -> CSR Activities	0.007	0.056	0.05	0.137	0.891
Competitor -> CSR Activities	0.046	0.081	0.062	0.752	0.452
Competitor*Religious value -> CSR Activities	-0.119	-0.143	0.083	1.422	0.155
Customer -> CSR Activities	-0.12	-0.144	0.096	1.245	0.213
Customer*Religious value -> CSR Activities	0.149	0.182	0.11	1.359	0.174
Employee -> CSR Activities	0.194	0.201	0.089	2.185	0.029
Employee*Religious value -> CSR Activities	0.113	0.116	0.085	1.33	0.184
Government -> CSR Activities	0.045	0.075	0.058	0.775	0.438
Government*Religious value -> CSR Activities	0.075	0.094	0.064	1.18	0.238
Performance -> CSR Activities	0.041	0.097	0.072	0.57	0.569
Performance*Religious value -> CSR Activities	-0.345	-0.333	0.126	2.737	0.006
Religious value -> CSR Activities	0.12	0.123	0.072	1.656	0.098
Supplier -> CSR Activities	-0.183	-0.184	0.097	1.89	0.059
Supplier*Religious value -> CSR Activities	0.187	0.186	0.102	1.838	0.066

Moderator – Religious value					
f2					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Community -> CSR Activities	0.124	0.131	0.058	2.144	0.032
Community*Religious value -> CSR Activities	0	0.005	0.008	0.009	0.993
Competitor -> CSR Activities	0.002	0.007	0.011	0.139	0.89
Competitor*Religious value -> CSR Activities	0.01	0.018	0.018	0.542	0.588
Customer -> CSR Activities	0.006	0.013	0.016	0.388	0.698
Customer*Religious value -> CSR Activities	0.008	0.015	0.016	0.482	0.63
Employee -> CSR Activities	0.023	0.03	0.024	0.974	0.33
Employee*Religious value -> CSR Activities	0.006	0.009	0.012	0.512	0.609
Government -> CSR Activities	0.002	0.008	0.011	0.159	0.874
Government*Religious value -> CSR Activities	0.005	0.01	0.012	0.372	0.71
Performance -> CSR Activities	0.001	0.007	0.01	0.083	0.934
Performance*Religious value -> CSR Activities	0.058	0.057	0.041	1.413	0.158
Religious value -> CSR Activities	0.015	0.021	0.022	0.674	0.501
Supplier -> CSR Activities	0.017	0.022	0.021	0.812	0.417
Supplier*Religious value -> CSR Activities	0.014	0.017	0.017	0.802	0.423

Appendix 5 - Statistical Results of the Model with Moderator (Economic Value)

Moderator - Economic value	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Community -> CSR Activities	0.28	0.289	0.087	3.209	0.001
Community*Economic value -> CSR Activities	-0.102	-0.113	0.072	1.414	0.158
Competitor -> CSR Activities	0.021	0.078	0.061	0.346	0.73
Competitor*Economic value -> CSR Activities	-0.017	-0.08	0.062	0.278	0.781
Customer -> CSR Activities	-0.034	-0.098	0.073	0.462	0.644
Customer*Economic value -> CSR Activities	0.184	0.213	0.116	1.584	0.113
Economic value -> CSR Activities	0.206	0.211	0.07	2.944	0.003
Employee -> CSR Activities	0.242	0.254	0.086	2.806	0.005
Employee*Economic value -> CSR Activities	0.137	0.131	0.078	1.749	0.08
Government -> CSR Activities	0.025	0.076	0.058	0.435	0.664
Government*Economic value -> CSR Activities	-0.035	-0.084	0.063	0.56	0.576
Performance -> CSR Activities	0.053	0.092	0.07	0.761	0.447
Performance*Economic value -> CSR Activities	-0.09	-0.119	0.088	1.03	0.303
Supplier -> CSR Activities	-0.155	-0.166	0.098	1.59	0.112
Supplier*Economic value -> CSR Activities	-0.099	-0.127	0.09	1.105	0.269

Moderator - Economic value					
f2					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Community -> CSR Activities	0.064	0.076	0.044	1.452	0.147
Community*Economic value -> CSR Activities	0.011	0.017	0.019	0.562	0.574
Competitor -> CSR Activities	0	0.007	0.01	0.031	0.976
Competitor*Economic value -> CSR Activities	0	0.007	0.01	0.022	0.983
Customer -> CSR Activities	0	0.006	0.009	0.053	0.958
Customer*Economic value -> CSR Activities	0.018	0.027	0.026	0.696	0.487
Economic value -> CSR Activities	0.046	0.055	0.035	1.313	0.189
Employee -> CSR Activities	0.035	0.043	0.027	1.283	0.199
Employee*Economic value -> CSR Activities	0.014	0.015	0.016	0.868	0.385
Government -> CSR Activities	0.001	0.008	0.011	0.049	0.961
Government*Economic value -> CSR Activities	0.001	0.01	0.014	0.088	0.93
Performance -> CSR Activities	0.001	0.007	0.01	0.146	0.884
Performance*Economic value -> CSR Activities	0.004	0.011	0.015	0.288	0.774
Supplier -> CSR Activities	0.011	0.017	0.018	0.599	0.549
Supplier*Economic value -> CSR Activities	0.005	0.012	0.015	0.327	0.744

Appendix 6 - Statistical Results of the Model with Moderator (Social Value)

Moderator - Social value	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Community -> CSR Activities	0.304	0.307	0.093	3.278	0.001
Community*social value -> CSR Activities	-0.061	-0.081	0.057	1.062	0.288
Competitor -> CSR Activities	0.059	0.084	0.063	0.929	0.353
Competitor*social value -> CSR Activities	-0.127	-0.139	0.089	1.422	0.155
Customer -> CSR Activities	-0.102	-0.123	0.09	1.138	0.255
Customer*social value -> CSR Activities	0.096	0.141	0.1	0.96	0.337
Employee -> CSR Activities	0.201	0.211	0.088	2.296	0.022
Employee*social value -> CSR Activities	0.152	0.156	0.091	1.671	0.095
Government -> CSR Activities	0.025	0.082	0.062	0.402	0.688
Government*social value -> CSR Activities	0.048	0.076	0.058	0.829	0.407
Performance -> CSR Activities	0.101	0.112	0.083	1.223	0.221
Performance*social value -> CSR Activities	-0.147	-0.162	0.102	1.434	0.152
Social value -> CSR Activities	0.134	0.147	0.078	1.713	0.087
Supplier -> CSR Activities	-0.171	-0.188	0.102	1.667	0.096
Supplier*social value -> CSR Activities	0.058	0.092	0.074	0.79	0.43

Moderator - Social value					
f2					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Community -> CSR Activities	0.076	0.085	0.05	1.523	0.128
Community*social value -> CSR Activities	0.003	0.008	0.011	0.302	0.763
Competitor -> CSR Activities	0.002	0.008	0.011	0.227	0.821
Competitor*social value -> CSR Activities	0.011	0.018	0.021	0.532	0.595
Customer -> CSR Activities	0.004	0.009	0.012	0.331	0.74
Customer*social value -> CSR Activities	0.004	0.012	0.015	0.27	0.788
Employee -> CSR Activities	0.025	0.032	0.024	1.029	0.303
Employee*social value -> CSR Activities	0.015	0.019	0.019	0.784	0.433
Government -> CSR Activities	0.001	0.009	0.012	0.042	0.966
Government*social value -> CSR Activities	0.003	0.009	0.013	0.202	0.84
Performance -> CSR Activities	0.005	0.01	0.014	0.391	0.696
Performance*social value -> CSR Activities	0.013	0.02	0.022	0.607	0.544
Social value -> CSR Activities	0.018	0.027	0.026	0.707	0.48
Supplier -> CSR Activities	0.014	0.022	0.022	0.636	0.525
Supplier*social value -> CSR Activities	0.002	0.006	0.009	0.196	0.845

Appendix 7 - Statistical Results of the Model with Moderator (Aesthetic value)

Moderator - Aesthetic value	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Aesthetic value -> CSR Activities	0.235	0.23	0.08	2.936	0.003
Community -> CSR Activities	0.315	0.316	0.086	3.676	0
Community*Aesthetic value -> CSR Activities	-0.043	-0.064	0.047	0.912	0.362
Competitor -> CSR Activities	-0.001	-0.073	0.057	0.011	0.991
Competitor*Aesthetic value -> CSR Activities	-0.039	-0.081	0.06	0.655	0.512
Customer -> CSR Activities	-0.144	-0.163	0.101	1.419	0.156
Customer*Aesthetic value -> CSR Activities	-0.07	-0.138	0.111	0.628	0.53
Employee -> CSR Activities	0.208	0.212	0.083	2.498	0.013
Employee*Aesthetic value -> CSR Activities	0.157	0.156	0.089	1.758	0.079
Government -> CSR Activities	0.045	0.083	0.062	0.73	0.465
Government*Aesthetic value -> CSR Activities	-0.032	-0.091	0.071	0.459	0.647
Performance -> CSR Activities	0.144	0.149	0.096	1.504	0.133
Performance*Aesthetic value -> CSR Activities	-0.054	-0.107	0.081	0.673	0.501
Supplier -> CSR Activities	-0.204	-0.206	0.107	1.9	0.057
Supplier*Aesthetic value -> CSR Activities	0.063	0.099	0.074	0.842	0.4

Moderator - Aesthetic value					
f2					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Aesthetic value -> CSR Activities	0.06	0.065	0.044	1.364	0.173
Community -> CSR Activities	0.085	0.091	0.048	1.78	0.075
Community*Aesthetic value -> CSR Activities	0.002	0.007	0.009	0.241	0.81
Competitor -> CSR Activities	0	0.006	0.009	0	1
Competitor*Aesthetic value -> CSR Activities	0.001	0.007	0.01	0.116	0.908
Customer -> CSR Activities	0.009	0.016	0.018	0.474	0.635
Customer*Aesthetic value -> CSR Activities	0.001	0.008	0.012	0.12	0.904
Employee -> CSR Activities	0.028	0.034	0.025	1.138	0.255
Employee*Aesthetic value -> CSR Activities	0.013	0.017	0.017	0.798	0.425
Government -> CSR Activities	0.002	0.01	0.013	0.137	0.891
Government*Aesthetic value -> CSR Activities	0.001	0.007	0.011	0.062	0.951
Performance -> CSR Activities	0.011	0.017	0.02	0.555	0.579
Performance*Aesthetic value -> CSR Activities	0.001	0.007	0.009	0.128	0.898
Supplier -> CSR Activities	0.02	0.026	0.025	0.79	0.429
Supplier*Aesthetic value -> CSR Activities	0.002	0.007	0.009	0.198	0.843

Appendix 8 - Statistical Results of the Model with Moderator (Political value)

Moderator – Political value	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Community -> CSR Activities	0.318	0.321	0.1	3.177	0.001
Community*Political value -> CSR Activities	-0.039	-0.065	0.049	0.8	0.424
Competitor -> CSR Activities	0.035	0.073	0.056	0.627	0.53
Competitor*Political value -> CSR Activities	-0.079	-0.105	0.079	0.998	0.318
Customer -> CSR Activities	-0.1	-0.128	0.09	1.114	0.265
Customer*Political value -> CSR Activities	0.14	0.164	0.112	1.249	0.212
Employee -> CSR Activities	0.227	0.232	0.086	2.649	0.008
Employee*Political value -> CSR Activities	-0.001	-0.082	0.063	0.02	0.984
Government -> CSR Activities	0.03	0.078	0.061	0.494	0.621
Government*Political value -> CSR Activities	0.076	0.083	0.058	1.31	0.19
Performance -> CSR Activities	0.101	0.12	0.088	1.141	0.254
Performance*Political value -> CSR Activities	0.022	0.101	0.077	0.29	0.772
Political value -> CSR Activities	0.2	0.198	0.075	2.682	0.007
Supplier -> CSR Activities	-0.153	-0.161	0.093	1.64	0.101
Supplier*Political value -> CSR Activities	-0.149	-0.155	0.098	1.512	0.131

Moderator – Political value					
f2					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values
Community -> CSR Activities	0.076	0.084	0.051	1.492	0.136
Community*Political value -> CSR Activities	0.002	0.008	0.011	0.199	0.843
Competitor -> CSR Activities	0.001	0.006	0.009	0.101	0.92
Competitor*Political value -> CSR Activities	0.004	0.009	0.012	0.294	0.769
Customer -> CSR Activities	0.004	0.01	0.013	0.316	0.752
Customer*Political value -> CSR Activities	0.006	0.011	0.014	0.44	0.66
Employee -> CSR Activities	0.031	0.037	0.025	1.241	0.215
Employee*Political value -> CSR Activities	0	0.005	0.007	0	1
Government -> CSR Activities	0.001	0.008	0.011	0.065	0.948
Government*Political value -> CSR Activities	0.007	0.011	0.013	0.516	0.606
Performance -> CSR Activities	0.005	0.011	0.015	0.333	0.739
Performance*Political value -> CSR Activities	0	0.007	0.01	0.023	0.981
Political value -> CSR Activities	0.044	0.047	0.033	1.311	0.19
Supplier -> CSR Activities	0.011	0.017	0.017	0.653	0.514
Supplier*Political value -> CSR Activities	0.01	0.014	0.016	0.633	0.527

Appendix 9 - Statistical Results of the Model with Moderator (Theoretical value)

Moderator - Theoretical value					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Community -> CSR Activities	0.341	0.345	0.088	3.891	0
Community*Theoretical value -> CSR Activities	-0.018	-0.063	0.052	0.344	0.731
Competitor -> CSR Activities	0.038	0.071	0.054	0.702	0.483
Competitor*Theoretical value -> CSR Activities	-0.116	-0.119	0.078	1.499	0.134
Customer -> CSR Activities	-0.116	-0.14	0.096	1.216	0.224
Customer*Theoretical value -> CSR Activities	-0.086	-0.133	0.1	0.86	0.39
Employee -> CSR Activities	0.22	0.224	0.085	2.57	0.01
Employee*Theoretical value -> CSR Activities	0.075	0.106	0.078	0.971	0.332
Government -> CSR Activities	0.037	0.084	0.064	0.571	0.568
Government*Theoretical value -> CSR Activities	0.066	0.092	0.068	0.983	0.326
Performance -> CSR Activities	0.113	0.122	0.084	1.34	0.18
Performance*Theoretical value -> CSR Activities	0.135	0.162	0.109	1.239	0.215
Supplier -> CSR Activities	-0.162	-0.165	0.1	1.611	0.107
Supplier*Theoretical value -> CSR Activities	-0.104	-0.147	0.102	1.018	0.309
Theoretical value -> CSR Activities	0.163	0.163	0.071	2.305	0.021

Moderator - Theoretical value					
f2					
	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
Community -> CSR Activities	0.102	0.112	0.058	1.771	0.077
Community*Theoretical value -> CSR Activities	0	0.006	0.009	0.046	0.963
Competitor -> CSR Activities	0.001	0.006	0.009	0.127	0.899
Competitor*Theoretical value -> CSR Activities	0.009	0.014	0.016	0.562	0.574
Customer -> CSR Activities	0.006	0.012	0.015	0.362	0.717
Customer*Theoretical value -> CSR Activities	0.003	0.009	0.012	0.218	0.828
Employee -> CSR Activities	0.031	0.037	0.026	1.163	0.245
Employee*Theoretical value -> CSR Activities	0.003	0.009	0.011	0.311	0.756
Government -> CSR Activities	0.001	0.009	0.013	0.084	0.933
Government*Theoretical value -> CSR Activities	0.003	0.009	0.013	0.264	0.792
Performance -> CSR Activities	0.007	0.012	0.015	0.45	0.653
Performance*Theoretical value -> CSR Activities	0.01	0.019	0.024	0.408	0.683
Supplier -> CSR Activities	0.012	0.018	0.019	0.643	0.521
Supplier*Theoretical value -> CSR Activities	0.005	0.013	0.016	0.282	0.778
Theoretical value -> CSR Activities	0.031	0.037	0.029	1.055	0.292



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