



***EVALUATING CORPORATE SOCIAL RESPONSIBILITY ENGAGEMENT
AMONG SMALL AND MEDIUM ENTERPRISES USING THE THEORY OF
PLANNED BEHAVIOUR***

ATHIRAH BINTI MOHD TAN

FEP 2019 30



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By

ATHIRAH BINTI MOHD TAN

**Thesis Submitted to the School of Graduate Studies, Universiti Putra
Malaysia, in Fulfilment of the Requirements for the Degree
of Doctor of Philosophy**

June 2019

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Abstract of thesis presented to the Senate of Universiti Putra Malaysia in fulfilment of the requirement for the degree of Doctor of Philosophy

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June 2019

Chairman : Associate Professor Ho Jo Ann, PhD
Faculty : Economics and Management

This study examined the relationship between a firm's intention, the firm's CSR activities as well as the outcomes from the CSR activities among Small and Medium Enterprises (SMEs) in Malaysia. By referring to the Theory of Planned Behaviour, this study not only examined the antecedents, such as participative leadership, risk orientation, stakeholders' pressure and the firm's facilitating conditions, of TPB factors (attitude toward behaviour, subjective norms and perceived behavioural control), it also analysed how attitude toward behaviour, subjective norms and perceived behavioural control affected the SME's intention to engage in CSR causes. Besides that, this study examined the influence of an SME's CSR intention on its CSR behaviour followed by the influence of the SME's CSR behaviour on the firm's performance. Lastly, this study also highlighted the moderating effect of the firm's size on the relationship between the firm's CSR behaviour and the firm's performance.

The research involved 1,545 listed SMEs and from which 362 questionnaires were solicited at the end of the data collection period. Partial Least Squares Structural Equation Modelling (PLS-SEM) approach was used to analyse the final data which were 301 questionnaires. The results of the analysis not only confirmed that all antecedents had a significant influence on the attitude toward behaviour, subjective norms, and the owner's or manager's perceived behavioural control, the three factors were also found to have a significant effect on the owner's or manager's intention to engage in CSR activities. The intention to engage in CSR activities was also found to be correlated with the owner's or manager's behaviour in performing the CSR activities, which was consequently reflected in the firm's performance.

By demonstrating a positive relationship between a firm's CSR activities and its performance, this study adds to our understanding of the importance of CSR in SMEs.

SMEs are therefore encouraged to focus more on marketplace CSR causes such as responsible marketing, responsible advertising, ethical and environmental standards of suppliers, treating suppliers as partners, as well as respecting and protecting customers to enhance performance. SMEs should also strengthen CSR policies for stakeholders as stakeholder pressure was shown to be important in this study. Other than that, suggestions can be made to policy makers in the Malaysian government to increase SMEs' engagement in CSR activities by encouraging formalization of their CSR practices or introducing a flexible standard of resources for SMEs participation in CSR activities based on their size.



Abstrak tesis yang dikemukakan kepada Senat Universiti Putra Malaysia sebagai memenuhi keperluan untuk ijazah Doktor Falsafah

**MENILAI TANGGUNGJAWAB SOSIAL KORPORAT DIKALANGAN
PERUSAHAAN KECIL DAN SEDERHANA MENGGUNAKAN TEORI
TINGKAH LAKU**

Oleh

ATHIRAH BINTI MOHD TAN

Jun 2019

Pengerusi : Profesor Madya Ho Jo Ann, PhD
Fakulti : Ekonomi dan Pengurusan

Kajian ini mengkaji hubungan antara niat firma, aktiviti Tanggungjawab Sosial Korporat (CSR) firma dan hasil dari penglibatan CSR di kalangan Perusahaan Kecil dan Sederhana (PKS) di Malaysia. Berdasarkan *Theory of Planned Behaviour (TPB)*, kajian ini bukan sahaja memeriksa faktor-faktor terdahulu seperti kepimpinan penyertaan, orientasi risiko, tekanan pemegang yang berkepentingan dan keadaan yang memudahkan firma yang mempengaruhi faktor-faktor asal di dalam *TPB* (sikap, norma subjektif dan kawalan tingkahlaku yang dilihat), kajian ini juga menganalisis bagaimana sikap, norma subjektif dan kawalan tingkahlaku yang dilihat mempengaruhi niat PKS untuk terlibat dalam CSR. Selain itu, kajian ini mengkaji pengaruh niat PKS dan tingkah laku PKS terhadap CSR diikuti dengan pengaruh tingkah laku PKS terhadap CSR kepada prestasi firma. Akhir sekali, kajian ini juga menekankan kesan *moderator* iaitu saiz firma terhadap hubungan antara aktiviti CSR firma dan prestasi firma.

Kajian ini telah melibatkan 1,545 PKS dan 362 soal selidik telah diterima pada akhir tempoh pengumpulan data. *Partial Least Squares Structural Equation Modelling (PLS-SEM)* digunakan untuk menganalisis data sebanyak 301 soal selidik. Hasilnya bukan hanya mengesahkan bahawa kesemua faktor-faktor terdahulu mempengaruhi sikap, norma subjektif dan kawalan tingkahlaku, yang dilihat pada pemilik/pengurus firma, ketiga-tiga faktor ini juga mempengaruhi niat pemilik/pengurus di dalam CSR. Kajian ini juga mendapati bahawa niat memainkan peranan penting dalam mempengaruhi tingkah laku pemilik/pengurus dalam aktiviti CSR, di mana niat mempengaruhi prestasi firma.

Kajian ini meningkatkan kefahaman di dalam menunjukkan hubungan positif antara aktiviti CSR firma dan prestasi firma melaluimeningkatkan pemahaman kepentingan

CSR di dalam PKS. Oleh itu, PKS digalakkan untuk memberi tumpuan lebih kepada aktiviti pemasaran *CSR* seperti pemasaran yang bertanggungjawab, pengiklanan yang bertanggungjawab, pembekal yang beretika dan menepati piawaian alam sekitar, memperlakukan pembekal sebagai rakan kongsi serta menghormati dan melindungi pelanggan kerana aktiviti ini didapati dapat meningkatkan prestasi firma. PKS juga perlu membangun atau mengukuhkan polisi *CSR* untuk pemegang yang berkepentingan bagi meningkatkan prestasi firma kerana tekanan dari pihak berkepentingan telah didapati penting di dalam kajian ini. Selain itu, beberapa implikasi polisi boleh dicadangkan kepada pembuat polisi kerajaan Malaysia untuk meningkatkan penglibatan PKS di dalam *CSR* aktiviti dengan menggalakkan PKS menjalankan aktiviti *CSR* secara formal atau kerajaan harus memperkenalkan sumber yang setara bagi PKS berdasarkan saiz PKS dalam penyertaan aktiviti *CSR*.

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Declaration by graduate student

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Signature: _____
Name of Chairman
of Supervisory
Committee: Associate Professor Dr Ho Jo Ann

Signature: _____
Name of Member
of Supervisory
Committee: Associate Professor Dr Yuhanis Abdul Aziz

Signature: _____
Name of Member
of Supervisory
Committee: Associate Professor Dr Serene Ng Siew Imm

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LIST OF ABBREVIATIONS

| | |
|---------|--|
| ACCA | The Association of Chartered Certified Accountants |
| ACCIM | The Associated Chinese Chambers of Commerce and Industry of Malaysia |
| ATB | Attitude toward Behaviour |
| CB- SEM | Covariance-based Structural Equation Modelling |
| CSR | Corporate Social Responsibility |
| DOSM | Department of Statistic Malaysia |
| FMM | Federation of Malaysian Manufactures |
| GDP | Gross Domestic Product |
| GRI | Global Reporting Initiative |
| MIDA | Malaysian Investment Development Authority |
| MNCs | Multinational corporations |
| PBC | Perceived behaviour control |
| PLS-SEM | Partial Least Square-Structural Equation Modelling |
| SEM | Structural Equation Modelling |
| SMEs | Small and medium sized enterprises |
| SMIDEC | Small and Medium Industries Development Corporation |
| SN | Subjective norms |
| SSM | Companies Commission of Malaysia |
| TPB | Theory Planned Behaviour |
| UNICEF | United Nations Children's Fund |

CHAPTER 1

INTRODUCTION

1.1 Introduction

The first chapter of this thesis explains the overview of the research that has been organised into ten sections. While Section 1.1 introduces this chapter, the research background of Corporate Social Responsibility (CSR) is mentioned in Section 1.2, which is then followed by a discussion on the scope of study, problem statement, research questions, research objectives and the significance of the study in Sections 1.3, 1.4, 1.5, 1.6 and 1.7 respectively. The definitions of the key terms, as well as the organisation of the thesis, are further discussed in Sections 1.8 and 1.9 before ending with the conclusion of the chapter in Section 1.10.

1.2 Research Background

Many organisations now consider Corporate Social Responsibility (CSR) as a strategic tool for improving their competitiveness in the market environment. A survey conducted by Accenture and United Nations Global Compact (UNGC, 2010) showed that 93 percent of the 766 participating CEOs declared CSR as being essential to their organisations' future success, since CSR was found to have led to reduced employee turnover, the retention of skilled and motivated employees, the increase of customer satisfaction, an improved reputation, tax advantages, cost reduction through eco-efficiency, enhanced learning and innovative resources, improved quality and effectiveness, added attraction for investors as well as improved relationships with stakeholders (Galbreath, 2010; Arevalo and Aravind, 2011; Vilke, 2011; Kamyabi, Barzegar and Kohestani, 2013; Guzman, Castro and Torres, 2016; Ratnawati et al., 2018). In short, although the research on CSR has now gained immense popularity with abundant literature reporting on large companies' willingness to be involved in CSR activities, Small and Medium-sized Enterprises (SMEs) have been found to be constrained by budgetary limitations and in turn, have compromised their interests in the participation of CSR causes. As such, more research should be conducted in understanding the intention of SMEs' involvement in CSR engagement.

Table 1.1 shows a summary of the various types of CSR activities that are conducted for the benefit of the community, environment, workplace and marketplace (Jones, Comfort, and Hillier, 2006).

Table 1.1: Types of CSR Activities

| Community | Environment | Workplace | Marketplace |
|--|--|--|--|
| <ul style="list-style-type: none"> *Creating job *Community regeneration *Strategic community engagement *Employee volunteering *Company donation | <ul style="list-style-type: none"> *Energy efficiency *Waste management *Supply chain efficiency *Carbon foot print reduction *Biodiversity and environmental management system | <ul style="list-style-type: none"> *Equality, diversity and inclusion *Fair pay and benefits employee *Learning and development employee *Reward and recognition employee *Employee health and wellbeing *Employee engagement in management decision | <ul style="list-style-type: none"> *Responsible marketing *Responsible advertising *Ethical and environmental standards of supplier *Treat suppliers as partners *Respect and protect vulnerable customers. |

Source: Jones, Comfort and Hillier, (2006).

As shown in the table, Jones, Comfort, and Hillier (2006) grouped the popular CSR activities according to the list of events conducted by the firms. For example, the events listed under the CSR community activity include job creation, community regeneration, strategic community engagement, employee volunteering and donations from the company, while for the environment, the frequent CSR activities that the firms engage in are those that contribute to energy efficiency, waste management, supply chain efficiency, reduction of carbon foot prints as well as biodiversity and environmental management systems. As for workplace, the frequent CSR activities that firms engage in are those concerning employee equality, diversity and inclusion, fair pay and benefits, development and recognition, health and wellbeing as well as employee participation in managerial decisions. Finally for the marketplace, apart from responsible marketing and responsible advertising, CSR activities include ethical and environmental standards of suppliers, treating the suppliers as partners as well as respecting and protecting vulnerable customers.

1.2.1 Small and Medium Enterprises (SMEs) in the Manufacturing Sector

Similar to many other developing countries, most of the industries in Malaysia have experienced a steady rise with more prominence observed in the manufacturing sector. According to the Department of Statistics Malaysia, the manufacturing sector is expected to remain a significant contributor to the country's economic growth (DOSM, October 2018) since the sector was shown to have experienced a 10.2 percent sales growth, a 2.2 percent increase in the total employees, a 10.2 percent rise in salaries and wage, as well as a 7.8 percent growth in sales value per employee in October 2018.

For this reason, this study focused on the Small and Medium Enterprise (SMEs) firms of the manufacturing sector, since SMEs were found to be important contributors to the

Malaysian economy (Hoq and Said, 2009; Ahmad, Amran and Halim, 2012. As shown by Tahir, Razak and Rentah (2018), SMEs are the catalyst for industrial development, fostering growth, increasing employment and income as well as in boosting the transformation process of the Malaysian economy. Therefore, by supporting SMEs, a country will not only be able to overcome its financial crisis, it will also simultaneously safeguard SMEs' success since they are seen to be crucial for the Malaysian economy because of their major contribution to the Gross Domestic Product (32 percent), business institutions (99.2 percent), employment opportunities (59 percent) and the country's total exports (19 percent) (Department of Statistics Malaysia, 2016).

An SME in the manufacturing sector can be defined as a firm with a sales turnover not exceeding RM50 million or not having more than 200 full-time employees (SME Corp Malaysia, 2013). These SMEs can be divided into micro, small and medium enterprises, where micro firms are those with a sales turnover of less than RM 300,000 or have less than 5 full-time employees. As for small firms, these are enterprises that have a sales turnover between RM 300,000 to RM15 million or between 5 to 75 full-time employees, while medium-sized firms are those with sales turnover between RM15 million and RM50 million or between 75 to 200 full-time employees (SMEs Corp Malaysia, 2013).

1.2.2 Corporate Social Responsibility in Malaysia

There has been an increasing interest in CSR activities among Malaysian firms in recent years due to increased awareness among the firms on the importance of social responsibility for business success (Amran and Devi, 2008; Said et al., 2009; Saleh et al., 2010; Abdullah et al., 2011; Esa and Ghazali, 2012). While conducting a study on the progression of CSR in Malaysia, Teoh and Thong (1984) found most companies involved in CSR causes that were related to human resources, product services, community studies and the physical environment. These activities were observed to experience a steady rise among Malaysian companies over the years (Haniffa and Cooke, 2005; Esa and Ghazali, 2012) since the participation in such activities is perceived to be of importance to the Malaysian stakeholders (Dusuki and Yusof, 2008). The benefits of engaging in social responsibility were also emphasized by Siwar and Harizan (2009) in one of the Starbiz-ICR exchange forums, where they highlighted its four levels of impact on the businesses concerned.

The evolution of CSR in Malaysia from the 1970s until the 21st century, from one of Philanthropy to the Strategic stage, is shown in Figure 1.1.

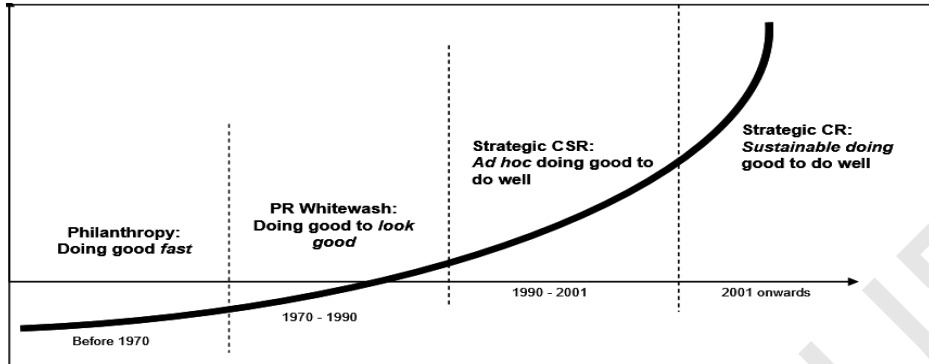


Figure 1.1: The evolution of CSR in Malaysia

(Source: Siwar and Harizan, 2009)

The first stage, which is the Philanthropy phase, started before 1970, where firms had shared their profits with the community through philanthropic activities. In other words, firms had only engaged in CSR activities with the availability of additional profits and were not pressured into being charitable during unprofitable times. At this point, disputes and loss of interest in CSR activities were found to have occurred between the shareholders as some parties had perceived donations to social initiatives to be a waste of the shareholders' invested capital (Siwar and Harizan, 2009). The second stage, which was the PR Whitewash, began making its mark from the years 1970 to 1990, where firms were seen sharing their profits as a way of improving their image and performance. According to Siwar and Harizan (2009), this second stage of performing CSR was mostly on creating an impact on the environment and society that would consequently help in the promotion of a positive corporate image.

The period of 1990 to 2001 was the era of Strategic CSR, where the performance of CSR activities was regarded as being linked to the improvement of a company's profit. During this phase, most of the firms had begun embedding socially responsible principles into their corporate management, such as those related to corporate mission as well as the strategic operations and actions of organisations. The last and current stage, which is Strategic CSR, is a standard practice that has been adopted by most large firms from 2001 onwards as a result of the increasing awareness on CSR benefits. Consequently, the adoption of CSR activities by these large firms has set the pace for other firms in carrying out their businesses. Hence, it can be concluded from Figure 1.1 that despite the slow start, most firms in Malaysia have shown a keen interest in the engagement of CSR activities as shown by the exponential increase of such activities throughout the years.

Overall, the four levels highlight that firms first regarded CSR activities as donations only when their firms had additional profit, then considered engaging in CSR to improve their firm's image and performance. A few years later, CSR was considered as a strategy

to improve company profit while now, CSR is known as an important activity for firms due to the increasing awareness on CSR's benefits to the firms (Siwar and Harizan, 2009).

The Vision 2020 that was presented by then Prime Minister Dr. Mahathir Bin Mohamad in 1991 outlined nine strategic challenges in addressing the country's state of development. Out of the nine strategies, four of these were found to be related to CSR:

- a) to establish a fully moral and ethical society;
- b) to establish a fully caring society and a caring culture;
- c) to ensure an economically just society; and
- d) to establish a prosperous society, with an economy that is fully competitive, dynamic, robust and resilient.

The Companies Commission of Malaysia (SSM - *Suruhanjaya Syarikat Malaysia*) is a statutory body formed under the Ministry of Domestic Trade, Co-operatives and Consumerism that not only regulates the corporate and business affairs in Malaysia, but also has a facilitating role in driving CSR culture among Malaysian businesses. While the SSM was first established in the year 2002, Corporate Responsibility on the other hand, was launched on 30th of June 2009 as a way of inculcating and promoting a culture of corporate responsibility amongst the Malaysian corporate community.

In one of his studies, Prathaban (2005) revealed a massive RM82.1 million to be contributed by the various community programs that were organized by 65 public-listed companies in Bursa Malaysia. However, the percentage of CSR contributions from Malaysian companies only made up a meagre 0.31 per cent of their total income, which is considered low when compared to certain European Union countries, where they had contributed at least 1 per cent of their profits to the community. One of the reasons for the low percentage of CSR activities in Malaysia is seasonality, since donations to old folks' homes, the poor and orphanages are only conducted during Hari Raya Aidilfitri, Chinese New Year and Deepavali festivities (Saleh et al., 2010).

As shown in Table 1.2, Tewari (2011) suggested different modes of CSR communication Malaysian firms use in reporting their involvement in CSR activities, where the most traditional and popular mode was Annual Reports. Apart from the more prominent modern methods, such as the usage of corporate websites, other literature sources, the internet, newsletters, ethical codes and thematic reports, there are also those companies that use external mediums like conferences, meetings, reports and advertisements as part of their CSR communication mode. It is important to note that there are also some firms which creatively combine the different modes as part of their communication strategies.

Table 1.2: The Various CSR Communication Modes

| | |
|--------------------|---|
| Traditional method | Annual Reports |
| Modern method | Corporate Websites, Other Literature Source |
| Internal medium | Internet, Newsletter, Ethical Codes, Thematic Reports |
| External medium | Conferences, Meeting, Reports, Advertisement, Website |

Source: Tewari (2011)

Bursa Malaysia (2013) also advocated CSR as a sustainability policy, where Ahmed (2013) stated that from 31st December 2007 onwards, all firms that are publicly listed under Bursa Malaysia are required to state their CSR activities in their respective Annual Reports. This was also supported by the Global Reporting Initiative (GRI) Framework, which provides guidelines for firms in their report writing (Samuel, Agamuthu, and Hashim, 2013) as those shown in Table 1.3. This GRI Framework was developed by a Non-Governmental Organisation (NGO) and consists of four parts (principles and guidance, protocols, standard disclosure and sectors supplements), with the aim of creating transparent sustainability and environmental reporting.

Table 1.3: GRI Framework

| | |
|-------------------------|---|
| Principles and Guidance | This part is recognized as a “Guideline” for firms and is a mix of Principles, Guidance and Standard Disclosure that firms can adopt willingly and incrementally. |
| Protocols | This part is recognized as a “formula” for every point in the guideline. It includes explanations of the important terms, gathering of methods, intended scope for each point and other technical allusions. |
| Standard Disclosure | This part is important for firms as it is in the interest of a majority of stakeholders. It includes the contents for sustainability information must-haves such as management method, strategies, profile, and performance. |
| Sectors Supplements | This part is the exclusive compilation of sustainability disputes encountered by the various segments such as automotive, public organisation, banking and others. The purpose of this part is to improve the user friendliness of the guidance principle and quality of the reports made by sectors. |

Source: Global Reporting Initiative (2013)

1.2.3 Corporate Social Responsibility in SMEs

Although it is undeniable that SMEs' contribution play an important role in Malaysia's economic growth (Nejati and Amran, 2009), there are however, no reports conducted on the CSR engagement of the Small and Medium Enterprises (SSM, 2013) since most of the studies only described the lower likelihood of SMEs being involved in CSR activities compared to MNC firms (Nejati and Amran, 2009; Siwar, and Harizan, 2009).

Of the 500 SMEs that were surveyed, the Association of Chartered Certified Accountants (ACCA, 2004) found only 16 published reports on environmental CSR activities, of which seven were related to social CSR activities. The data on Malaysian SMEs too were found to be limited since most firms were not formally registered and had only reported their CSR activities through their corporate websites. In another study conducted by The Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM, 2012), SMEs were found to have a lower likelihood of implementing CSR activities in the workplace, which were not only shown by the lack of staff training provided (24 percent) as a result of the shortage of workers experienced by the companies, but also by those that had only offered some form of periodic training (26 percent) to their employees.

For this reason, the Malaysian government has offered tax incentives for the setting up of libraries and child-care facilities and furnished various aids to the community in accordance with the United Nations Children's Fund (UNICEF Malaysia, 2012), as a way of encouraging the engagement of CSR activities among the firms. The participation in CSR activities was also encouraged by Malaysia's former Prime Minister, Tun Abdullah Ahmad Badawi through the launching of the Prime Minister's CSR Awards Sponsorship, which was to be awarded as recognition of the private sector's contributions to the community during his 2007 Budgetary Speech. In one of the interviews conducted to identify the lukewarm response given by SMEs to these government programs, one firm stated the unsuitability of the recommended training programs as the trainings were too general to be applied in SMEs of diverse backgrounds. An excerpt of the interviewee's reply is shown below:

"The training programs for our employees are mostly based on SME Corp, MATRADE as well as those from other governmental programmes, while most of the training programmes that were designed by the government had been restrictive and unrelated to our job scopes".

(Wong Lai Siong, Senior Executive, Avialite Sdn Bhd)

In October 2012, the former Chief Executive Officer of Malaysia's SME Corp., Datuk Dr. Hafsa Hashim, stated two major industrial issues faced by companies in the implementation of CSR activities, with the first being the lack of understanding on the meaning and benefits of CSR among the SMEs (News Strait Times, October 2012). In her statement, Dr. Hafsa noted most of the large Malaysian firms to be fully engaged in

CSR activities, while smaller and micro companies with unhealthy balance sheets had perceived their contributions to the betterment of society as non-obligatory. As such, she had hoped to see that perception being changed and the meaning and understanding of CSR being permeated to the entire SME community.

Datuk Dr. Hafsa Hashim also highlighted the increasing workplace accidents that have occurred within SMEs (News Strait Times, May 2012). Over the past seventeen years (1995), two million lives have been lost as a result of workplace accidents, while 1.2 million workers have suffered injuries and 160 million workers have been exposed to workplace hazards. The SMEs in Malaysia too were not spared from the high rate of workplace accidents' making up 80 to 90 percent of the reported accidents. These results obviously depict the SMEs as neglecting the emphasis on workplace activities, although workplace safety is known to be part of CSR activities. For this reason, the owners or managers of SMEs are encouraged to engage in CSR decision-making as a way of addressing the above issue, and consider it a necessity to seek more knowledge on CSR as a means of increasing their firm's performance.

1.3 Problem Statement

This section explains the problem statement of the study, which include the literature gaps that exist between the study's theoretical aspect and those of previous literatures. The four issues are discussed in the following paragraphs.

First, there are limited studies conducted on CSR engagement among SMEs in Malaysia (Salleh, Harun and Adzmi, 2016; Wong, 2016), where according to Lu and Castka (2009) as well as Nejati and Amran (2013), such studies have garnered very little attention since they have been outweighed by those of larger firms. According to Jenkins (2004), the way SMEs applied CSR activities are different from those of the larger firms as the latter were not only found to have an established strategic planning of CSR and had engaged the services of CSR professionals, but had also undertook risk mitigation, linked publicity to CSR activities as well as bore responsibility for a wide range of stakeholders. On the contrary, SMEs were discovered to have informally planned CSR strategies, a lack of dedicated personnel in CSR programs, risk-avoidance tendency, activities that were non-CSR related as well as only being responsible for a fewer number of stakeholders, with a low perceived responsibility towards the local community. Therefore, the informal exercise of reports and third-party audits resulted in a lack of CSR information on the SMEs. For this reason, Nejati and Amran (2009), Vo (2011), and Santos (2011) have stressed the importance of conducting more studies on CSR activities of SMEs.

The second issue refers to the application of the Theory of Planned Behaviour (TPB) in CSR studies (Salleh, Harun and Adzmi, 2016). Although the TPB was reported to have consistently explained behaviours, such as those of physical activities, quitting cigarette

smoking, blood donation, the act of complaining as well as internet usage (East, 1997), this method has not been used holistically in studying the CSR engagement of the firms. Under this circumstance, the TPB can be used to explain the formation of a firm's considerations, which will then affect the intention and motivation of performing the said behaviour, where in this case, is performing the firm's CSR activities. Behavioural intention on the other hand, indicates how willing that person is in performing the behaviour, or in other words, the greater the intention, the greater that particular behaviour will be performed (Ajzen, 1991). Although previous research has maintained that intention will have an impact on firm's behaviour, there are still certain studies that have argued that intention alone will not be adequate for performing a said behaviour (Sheeran, 2002; Powers, Koestner, and Topciu, 2005) since firms may have good intentions but fail to act on them (Orbell and Sheeran, 1998). This can be seen from the existence of barriers that halt the implementation of CSR although there is a noble intention to contribute to the cause. For SMEs, obstacles such as cost, external control, the use of terms and jargons, lack of time and appropriate support services, fear of making mistakes as well as the lack of appropriate information, deter them from being fully engaged in CSR activities (Roberts, Lawson and Nicholls, 2006; Vives, 2006; Laudal, 2011). For this reason, the present study proposed the use of a TPB model in gauging the relationship between firms' CSR intentions and behavioural patterns.

The third issue is the influence of the factors of attitude toward behaviour (ATB), subjective norms (SN) and perceived behavioural control (PBC) on the owner's or manager's intention in CSR studies. Although attitude has been popularly reported as the most represented factor in predicting the intention of performing a certain action (Williamson, Lynch-wood and Ramsay, 2006; Kraxberger, 2007; Tan, 2008), there are still very limited studies on subjective norms and perceived behavioural control in CSR research (Salleh, Harun and Adzmi, 2016). For this reason, this study addresses this gap by identifying the most influential factor in explaining CSR intention among SMEs.

The antecedents that influence attitudes toward behaviour, subjective norms and perceived behavioural control are also discussed, where one such example is the owner's or manager's leadership style as a predictor of the attitude towards engaging in CSR activities. Although various studies have examined the influence of leadership on the attitude of being involved in CSR activities, most of these studies, however, focused on transformational and transactional leadership styles (Waldman et al., 2004; McWilliams, Siegel and Wright, 2006; Waldman et al., 2006; Shahin and Zairi, 2007; Angus-Leppan et al., 2010; Groves and Larocca, 2011; Strand, 2011; Papagiannakis and Lioukas, 2012; Pless et al., 2012; Voegtlin Patzer, and Scherer, 2012; Lindgreen et al., 2013; Raub and Blunsch, 2013; Christensen et al., 2014) and have ignored those of the participative, ethical and servant leadership styles (Maak and Pless, 2006; Walumbwa et al., 2008; Angus-Leppan, Metcalf, and Benn, 2010; Strand, 2011). In this study, the researcher thus focused on the participative leadership style as an antecedent that influences attitude toward behaviour on a firm's intention to engage in CSR activities.

Previous studies on the engagement of CSR activities were also found to have neglected the impact of firms' risk orientation and stakeholders' pressure on the attitude toward behaviour and subjective norms of the owners or managers (Corral, 2003; Yoon, 2011; Zhang, Yang, and Bi, 2013) in SMEs, since most studies had only focused on the antecedents within the MNC context (Kytte and Ruggie, 2005; Jo and Na, 2012; Surroca and Tribo, 2013; Helmig, Spraul, and Ingenhoff, 2013; Wolf, 2014; Hsu and Chen, 2015). Although these studies found the variables as having a significant influence on the engagement of CSR activities, the results however, may not hold true for SMEs. As mentioned earlier by Jenkins (2004), most of the business cases on CSR, such as those of risk management, were developed almost exclusively on large companies. Similarly, stakeholders' pressure on SMEs were found to be less intense than those faced by larger firms (Dincer and Dincer, 2013; Sandve, Marnburg, Ogaard, 2014). There were also a large number of studies (Taylor and Todd, 1995; Shih and Fang, 2004; Fisher and Chu, 2009; Zhang, Yang, and Bi, 2013) which only considered a single perspective of the facilitating conditions to be the influencing factor of perceived behavioural control. Facilitating conditions are conceptually similar to PBC (in the TPB model), where the resources constraints are seen as inhibitors to the formation of intentions (Taylor and Todd, 1995). In other words, although the presence of facilitating conditions can provide an insight for SMEs to gauge if they have sufficient resources to be involved in CSR activities, this relationship has yet to be tested. The use of a single perspective in the facilitating conditions, such as those conducted by Zhang, Yang, and Bi (2013) and Shih and Fang (2004), was addressed in this study through the consideration of multiple conditions (technology, financial, human resources capabilities, network, time and convenient access) on CSR activities.

The fourth and final issue is the inconsistency in the relationship between CSR activities and firm performance. Studies have argued that the inconsistency resulted from the differences in social performance measures and indicators (Moore, 2001; De Bakker, Groenewegen, and Den Hond 2005; Srichatsuwan, 2014). Although several studies have discovered a positive correlation between performing CSR activities and companies' performances (Orlitzky, Schmidt, and Rynes, 2003; Allouche and Laroche, 2005; Margolis, Elfenbein, and Walsh 2007; Hossain et al., 2013), a study conducted by Pava and Krausz (1996) in Srichatsuwan (2014) found that only 12 of 21 previous studies on CSR and firm performances showed a positive relationship, while eight indicated no association and only one bore a negative correlation. Similarly, Griffin and Mahon (1997) also identified 19 out of 51 studies to show a negative relationship, with 33 and nine studies showing a negative relationship and no association respectively.

Apart from the above, studies have suggested moderators of the relationship between CSR activities and firm performance, including firm size, lower debt levels, firm establishment, visibility of the firm and the SME's relationships with the public (Waddock and Graves, 1997; Aguinis and Glavas, 2012; Youn, Hua and Lee, 2015). For this study, firm size was chosen as a moderator as the function of firm size in affecting firms' CSR engagement behaviour and their respective performance has been disputed, although most arguments on the topic were mere comparison studies conducted between

SMEs and MNCs (Waddock and Graves, 1997; Johnson and Greening, 1999; Sharma, 2000; Rehbein, Waddock, and Graves, 2004; Waddock, 2004; Strike et al., 2006; Waldman, Siegel, and Javidan, 2006; Youn, Hua and Lee; 2015). SMEs can be divided into micro-sized, small-sized and medium sized firms (SME Corp Malaysia, 2014). As stated by Adapa (2014), there were differences between SMEs in terms of firm management structure, CSR meaning, CSR-based activities and stakeholders management in CSR engagement. For example, for CSR-based activities, micro-sized firms focused on employee retention and employee satisfaction, small sized firms related their CSR activities to local communities through donations and sponsorships, and medium-sized firms linked their CSR activities to wealth creation and profit maximisation by attributing high importance to high net worth clients. For this reason, this study analysed the effect of SMEs' firm size as a moderator where each size type (micro, small, and medium) is expected to provide a different set of results regarding the inconsistent relationship between CSR activities and firm performance.

1.4 Research Questions

The main question of this study was "What are the antecedents that would encourage CSR participation among the SMEs in Malaysia?". Specifically, the research questions are:

1. What are the antecedents of attitude toward behaviour, subjective norms and perceived behavioural control for performing CSR activities?
2. What are the factors influencing the SME's intention in engaging in CSR activities?
3. Does the SME's intention lead to the SME's behaviour for being involved in the CSR activities?
4. Do the SMEs' CSR activities lead to improved SMEs' performance?
5. Does firm size moderate the relationship between the SME's behaviour for engaging in CSR activities and the SME's performance?

1.5 Research Objectives

The general research objective of this study was to understand the antecedents and outcomes of being involved in CSR activities from an SME perspective. Specifically this study aimed to:

- 1) Examine the antecedents of the attitude toward behaviour, subjective norms and perceived behavioural control for performing CSR activities;
- 2) Examine the factors that influence an SME's intention for engaging in CSR activities;
- 3) Explore if the SME's intention leads to the SME's behaviour for being involved in the CSR activities;
- 4) Investigate if the SME's CSR activities lead to improved performance; and
- 5) Determine if SME's size moderates the relationship between the behaviour for engaging in CSR activities and the SME's performance.

1.6 Scope of the Study

This study seeks to understand the antecedents that influence the attitude toward behaviour, subjective norms and the perceived behaviour of owners or managers (representing firms) in SMEs, including participative leadership style and firm risk orientation as antecedents to the attitude toward behaviour of the owners or managers of the firms. Since subjective norms refer to the owner's or manager's beliefs that are based on other people's expectation from a given situation (Ajzen, 1985), this study thus took the influence of stakeholders' pressure on the owner's or manager's subjective norms into consideration. In measuring the firm's performance as the output, the facilitating conditions in this study referred to the firm's available resources for engaging in certain behaviours (Shih and Fang, 2004), while the CSR activities are those that are related to the SMEs' CSR behaviour. Theory of Planned Behaviour (TPB) was used in this study to analyse the behaviour of SME owners or managers. Although previous research shows that TPB was mostly used at the individual level, such as for customers and employees (Xu, 2010; Dodd and Supa, 2015; Jacobs, 2015), this study applies TPB to the organisational level as the views of the owners or managers were considered to represent the SMEs, since the decisions made by SMEs come directly from these owners or managers.

Ideally, the population of this study should include all of the SMEs that are situated in the 13 states of Malaysia. However, due to various budgetary and logistical constraints, only five states, which comprise Selangor, Kuala Lumpur, Johor, Penang and Perak, were chosen as the scope of this study since these were the locations of the top five SME manufacturing companies in Malaysia (DOSM, 2016). This study involved a total of 1,661 firms, where 731 were from Selangor, 322 firms from Kuala Lumpur, 215 firms from Johor, 202 from Penang and the rest from Perak. The unit of analysis was the SME firm, while the respondents in this research were the SMEs' owners or managers who were in charge of the CSR activities. The respondents that were not owners or managers, but made CSR decisions for the SMEs, were regarded as proxies for the SME firms. A thorough explanation on the population is discussed in Chapter 4 under "Research Population", while the suggested selection of variables that were used in this study was based on the much-touted Theory of Planned Behaviour (TPB) to successfully explain the various types of behaviour (East, 1997).

1.7 Significance of Study

The significance of study in terms of its theoretical and managerial contributions are explained in the subsequent paragraphs of this section.

1.7.1 Theoretical Significance

Firstly, this study not only extends the study of CSR within the context of SMEs in Malaysia but also contributes the perspective of SMEs to the existing literature and body of knowledge on CSR studies. The conceptual model that was developed and provided by this study (antecedents, factors, intention, behaviour and firm's performance) offers guidelines for future CSR studies in developing countries as well as for the expansion of more research, studies and observations in this category.

Secondly, by extending the TPB theory within the CSR context, this study provides a more holistic understanding of how the popular Theory of Planned Behaviour's (TPB) components influence CSR behaviour (Ajzen, 1985 and 1991; Ajzen and Madden, 1986), since the TPB model has been successfully applied on a wide variety of areas with robust estimates (Kalafatis et al., 1999). Although there has been extensive research carried out on the TPB model, there are very limited studies conducted with regards to a mechanism that explains the relationship between the firm's intention and the engagement of CSR activities. Since most of the previous TPB studies have been those of environmental analyses (Trumbo, Garrett and Keefe, 2001; Staats, Jansen and Thøgersen, 2011; Rivera-Camino, 2012; Albayrak, Aksoy and Caber, 2013), they were deemed to be similar to CSR and thus, TPB is expected to create an important contribution to the CSR field.

Thirdly, this study identifies the influence of various factors on the attitude toward behaviour (ATB), subjective norms (SN) and perceived behavioural control (PBC). As stated by Ajzen (1991), the inclination of an individual's intention to perform certain behaviours will be stronger if there existed a more favourable attitude toward behaviour, subjective norms and perceived behavioural control. As such, this study provides an understanding on the formation of the SME owner's or manager's attitudes toward behaviour, subjective norms and perceived behavioural control in affecting their intention to be involved in CSR activities.

As for the theoretical contribution from the antecedents (leadership styles, risk orientation, stakeholders' pressure and facilitating conditions) of attitudes toward behaviour, subjective norms and perceived behavioural control, this study sheds new light on the influence of participative leadership on the engagement of CSR activities. This research extends our knowledge of leadership styles and their influence on CSR engagement beyond those of transformational and transactional leadership, as recent developments in leadership theories have brought about other leadership styles, such as authentic leadership, ethical leadership, emergent leadership, autocratic leadership, visionary leadership and participative leadership. As suggested by Maak and Pless (2006), Walumbwa et al., (2008), Angus-Leppan, Metcalf, and Benn (2010) and Strand (2011), there is a need to incorporate these other leadership styles in future studies as a way of providing new insight to the leadership literature on CSR engagement. The next factor that is discussed concerns the firm's risk orientation. Although a firm's risk orientation is regarded as an important aspect in influencing the CSR engagement of

large firms, its effects on SMEs has been neglected. As such, this study not only proves its worth by contributing literature on SMEs' firm risk to the CSR field, it also provides insight in assessing the uncertainties and risks faced by the industry under different contexts and perspectives (Rohrmann, 2008). Similarly, although the influence of the stakeholders' pressure on SMEs was found to be limited in CSR studies, the daily operations of SMEs are still expected to subject to stakeholders' demands, such as those of employees, customers, investors, government, NGOs and the media (Fineman and Clarke, 1996; Miao, Cai, and Xu, 2012). Meanwhile, the facilitating conditions variable can also aid in the understanding of SME firms' resources by offering important insight on its influence on firms' financial performance (Branco and Rodrigues, 2006). Since these facilitating conditions consist of a few resource perspectives (technology, financial, human resources, network, time and convenient access) to CSR activities, analysing all of these items provides information on the possible barriers a firm may face in engaging in CSR activities.

Lastly, this research attempts to comprehend the conditions of CSR activities that lead to SME firms' performances. Since most firms were found to be involved in charitable causes (Branco and Rodrigues, 2006) because of tax reduction and cost savings purposes, these firms' performances were then analysed in terms of their profits, returns on assets, customer service, relation with customers, customers loyalty, staff absenteeism, working environment as well as employee morale (Martinez-Conesa, Soto-Acosta, and Palacios-Manzano, 2017). Analysing the firm's size as a moderator between the CSR activities and firms' performance also contributes to the literature by relating a moderating factor to CSR literature. Since SMEs can be of micro, small and medium sizes, different performance results of these SMEs are therefore anticipated.

1.7.2 Managerial Significance

In the first managerial significance, the antecedents (participative leadership style, firms' risk orientation, stakeholders' pressure and facilitating conditions) would aid the government in regulating the actions of businesses by transforming them to be environmentally- instead of socially-driven, while also creating specific business and environmental CSR policies for the SMEs, (Fox, Ward, and Howard, 2002), since these SMEs cannot just simply adapt ideas that were designed for large companies.

Second, the diverse SME firm sizes should also be considered in the development of CSR policies. With different SME sizes placing different priorities on CSR activities, this research suggests suitable factors to policymakers in the designing stage of CSR policies. The new policies are expected to increase SME firms' interest for engaging in CSR activities that are in accordance with their ability and availability of resources.

Third, the antecedents (participative leadership styles, risk orientation, stakeholders' pressure and facilitating conditions) are expected to bring benefits to SME firms in terms

of strategies and future decisions. For example, since leadership types may shape organisational strategies and practices, it is important to know if the participative leadership style would be an influential factor to SMEs' engagement in CSR activities (Lindgreen, et al., 2013), while in terms of the stakeholders' pressure, this study would help firms be aware of their relationship with stakeholders in addition to enhancing the understanding of the stakeholders' role in SMEs' operations. These results would help Malaysian SME companies overcome CSR barriers, in addition to gaining a competitive edge over their competitors (Yu and Choi, 2016).

Finally, this research provides a guideline for SME firms to allocate resources for their CSR activities according to their budgets as well as the size of their firms, which would consequently help increase their performance.

1.8 Definition of Key Terms

This section provides the definition of key terms used in this thesis, which consists of antecedents (participative leadership, risk orientation, stakeholders' pressure, facilitating conditions), factors (attitude toward behaviour, subjective norms, perceived behaviour control), intention, behaviour (CSR activities), moderator (firm size) and the output (firm performance). The key terms as provided in Table 1.4.

Table 1.4: Definition of the Key Terms

| Key Terms | Definition |
|---|---|
| Participative Leadership (Russ, 2011, p. 827) | Refers to “the process of involving employees in decisions typically made by managers and usually involves the cascading of control and decision-making responsibility from managers to subordinates”. |
| Risk Orientation (Ehrlich and Maestas, 2010, 2010:658) | Refers to “one's general degree of comfort with facing uncertain gains or losses ” . |
| Stakeholders' Pressure (Fassin, 2009) | The ability and capacity of the stakeholders to affect an organisation by influencing its organisational decisions. The stakeholders' that were included in this study consisted of employees, investors, customers, government, media and the NGO. |
| Facilitating Conditions Shih and Fang, (2004); Fisher and Chu, (2009); Zhang, Yang, and Bi (2013), | A firm's availability of resources that are required to perform a behaviour but may also increase the formation of intentions of usage. Facilitating conditions had denoted the firm's resources, such as those of technology, finance, human resources, |

| | |
|--|---|
| | network, time and convenient access to the CSR activities. |
| Attitude toward Behaviour (Ajzen, 1991) | Determined by the sum of the expected outcome, and it beliefs on the likely consequences of the behaviour. |
| Subjective Norms (Ajzen, 1991) | Subjective norms based on the belief about the normative expectations of others. |
| Perceived Behaviour Control (Ajzen, 1991) | The control beliefs about the presence of factors that may facilitate or impede performance of the behaviour to involve in certain situation. |
| Intention (Ajzen, 2011, p.1122) | Refers to “an indication of an individual's readiness to perform a given behaviour.” |
| Behaviour (Jones, Comfort and Hillier, 2006) | Behaviour is defined as CSR activities in this study, which was divided into four types of CSR activities. There were community, environment, workplace and marketplace . |
| Firm Size (SME Corp Malaysia, 2014) | Firm size had been divided into three categories which were micro, small and medium enterprises. |
| Firm Performance (Bititci, Carrie and McDevitt, 1997) | A process wherein the organisation manages its performance to match its corporate and functional strategies and objectives. In this research, the condition of the firm's performance was analysed in terms of profits, return on assets, customer service, relation with customers, customers loyalty, staff absenteeism, working environment as well as employee morale. |

1.9 Organisation of the Thesis

This research is divided into six chapters, where its thesis layout of the introduction, literature review, research framework, methodology, data analysis as well as the discussion and conclusion is depicted in Figure 1.2. To begin, Chapter 1 not only introduces the research background, scope of the study and the problems faced in conducting CSR activities, it also outlines the research questions and objectives, significance of study, definition of the key terms as well as the organisation of the research.

This is then followed by the literature review in Chapter 2, where the theories of CSR, antecedents that influence the firms' engagement in the CSR activities, the Theory of Planned Behaviour (TPB), the leadership styles, risk orientation, stakeholders' pressure and the facilitating conditions variables are discussed. A further discourse is also made on firms' intention for engaging in the CSR activities, the relationship between the

engagement of CSR activities and firms' performance, the firms' size as being a moderating factor and lastly, the research gaps.

The subsequent chapter, Chapter 3, touches on the conceptual framework as well as the development of hypotheses in explaining the principal theory, where its main highlight is describing the concept of the variables used in the Theory of Planned Behaviour (TPB). The research methodology, including the research paradigm, research design, primary data, population, sampling frame, data collection procedure, research instrument, measurement items, validity and reliability, pre- and the pilot testing as well as data analysis is then examined in Chapter 4.

This is followed by Chapter 5 on data analysis, which comprises data screening, respondent profile, assessment of measurement, structural model assessment, assessment of moderator and overall hypotheses results before ending with Chapter 6, which discusses and concludes the study with a summary of results and discussions, the implications and limitations of the study as well as the suggestions for future studies.

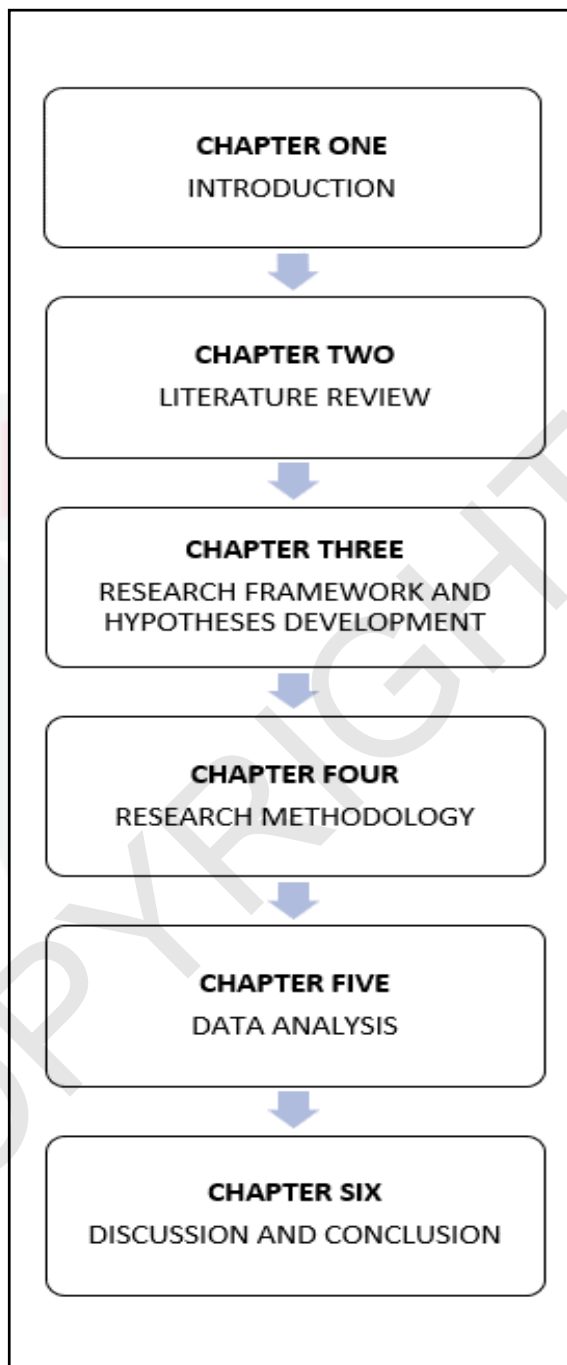


Figure 1.2: Thesis Layout

1.10 Summary

This chapter provided an overview of the overall research as a blueprint for the next few chapters by explaining the introduction of the study, research background, scope of the study, problem statement, research objective, research questions, and significance of the study. It also provided the definitions of the variables to better understand the terminologies used for participative leadership, risk orientation, stakeholders' pressure, facilitating conditions, firm size and firm performance. Lastly, it presented the organisation of the thesis. The next chapter will focus on the literature review relating to the variables of the CSR framework in this study.

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