REASONS FOR CSR ENGAGEMENT IN SMES AND MNCS: A QUALITATIVE PERSPECTIVE

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Abstract

The purpose of this paper was to explore the reasons for Corporate Social Responsibility (CSR) engagement among Small Medium Enterprise (SMEs) and Multinational Corporations (MNCs) in Malaysia. The research is situated within an interpretive approach. The interview technique was employed to explore the issue. Interviews were conducted with 8 firms including 4 SMEs and 4 MNCs. The firms were selected based on the firms that active engaging in CSR and the detail of CSR activities have been identified via their companies’ websites. Five themes emerged as the reasons for CSR engagement in SMEs and MNCs: leadership styles, competitiveness, alignment with company mission, vision and objectives and resource availability.

Keywords - CSR, Leadership Styles, Competitiveness, Organizational Context, Resource Availability

1 Introduction

Corporate social responsibility (CSR) refers to a company's endeavour to go above and beyond what is needed by law in order to examine the company's impact on the environment and social well-being (Chian, Aziati and Yusof, 2017). CSR activities are divided into four parts, which are community, environmental, workplace and marketplace (Yusoff and Adamu, 2016; Stoian and Gilman, 2017). CSR has been predominantly considered a western phenomenon due to the strong standards and institution systems which are generally weaker in developing countries, including Asia (Chaudary et.al, 2016). The weak standards found in most developing countries of Asia pose a considerable challenge to firms practicing CSR in these countries; hence Asian firms often lag behind their Western counterparts in many aspects of CSR. While CSR disclosures in Malaysia have increased significantly over the years, the level is still considered low (Arena, Liong, and Vourvachis, 2018).

While multinational corporations (MNCs) have been predominant in the active engagement of CSR activities, small and medium enterprises (SMEs) have recently started to understand the importance of CSR activities to their firms. However, in Malaysia, the practices of CSR activities among SMEs are still not as effective as MNCs. This is because many SME owners had been found to have only a vague understanding of the concept of CSR and defined CSR based on their own belief and values (Atan, et al., 2015; Lucky, 2018). Unlike SMEs, large firms seem to understand the need for CSR practices as a way of giving back to the society from what they have taken from the society (Migdad, 2017). Their firm’s access to resources such as funds, skills, networks, technology and others are the reasons why MNCs and large firms have the capacity to practice and would continue to practice CSR as compared to SMEs. However, SMEs should not be overlooked because, while they have played important roles in economic development, such as job creation and wealth generation (Abdullah, 2015; Tahir, Razak, and Rentah, 2018), they have failed to actively give back to society through CSR activities. Therefore, there were also differences on the types of CSR activities engaged by SMEs and MNCs (O’Connor, Parcha and Tulibaski, 2017; Aras-Beger and Taşkınlı, 2020). Compared to MNCs, many SMEs may not be aware that they have engaged in CSR activities because some SMEs may not have a clear understanding of what constitutes CSR activities.
Majeed, Aziz and Saleem, 2015; Zou et al, 2021; Ahmad et al, 2021). Other than that, Aras-Beger and Taşkin (2020) stated that there was a need to better understand the predictors that influence both MNCs and SMEs to carry out CSR activities. As both MNCs and SMEs had different characteristics, hence the reasons that influence the firms to engage in CSR might be different too. Till date, most investigations of CSR comparing SMEs and MNCs have mostly relied on quantitative methods (O’Connor, Parcha and Tulibaski, 2017). These studies had adopted questionnaires as their main data collection technique, thus imposing a pre-defined conceptualization on participants. This is a recognized limitation of these prior studies and is the origin of a call for qualitative inquiries examining how individuals define corporate social responsibilities in general.

The objectives of this study are threefold. First, to explore the understanding of CSR definition between SMEs and MNCs. Second, this study discovers the types and differences of CSR activities engaged by SMEs and MNCs. Lastly, this study also aims to uncovers the reasons both SMEs and MNCs engage in CSR activities. Generally, MNCs are defined as firms that are present, have division and production facilities in many countries (Moy et al, 2002) while SMEs are defined as firms which have a turnover not exceeding RM50 million or full-time employees not exceeding 200 workers (SME Corp Malaysia, 2017). Overall, this study contributes to the literature by identifying which of the reasons that would most encourage engagement in CSR and to increase the understanding of CSR from the perspective of both types of firms. This study is organized as follows. This paper begins by introducing the need and objectives of this study. The talk will then go on to previous discoveries in this area, followed by a review of the methodology used. The outcomes of this study are presented in the third section, with an emphasis on the important themes that address the two research objectives. The discussion, research implications, limits, and ideas for future investigations are included in the paper’s concluding part.

2 Literature Review

2.1 Differences Between CSR Engagement in SMEs and MNCs

The corporate social responsibility (CSR) debate has to date been very much focused on multinational corporations (MNCs). However, there is increasing emphasis and concern on small and medium enterprises (SMEs) and their engagement in CSR because of the rapid growth of this type of firms. According to the latest data in the Malaysia Statistical Business Register (MSBR) issued by the Department of Statistics, Malaysia (DOSM), there were 1,226,494 MSMEs (Micro, Small and Medium Enterprises Development) in Malaysia in 2021, accounting for 97.4% of all establishments. In comparison to a total of 1,086,157 MSMEs in 2016, there has been an increase of more than 140,000 enterprises, resulting in an average annual growth rate of 5.2 percent throughout the six-year period.

As both MNCs and SMEs have a different culture, these differences would have an influence on how both these types of organizations engage in CSR activities. A study by Jenkins (2004) which compared between large corporations and small businesses along fourteen dimensions are shown in Table 1.
TABLE 1: Dimensions of CSR engagement between MNCs and SMEs (Jenkins, 2004)

<table>
<thead>
<tr>
<th>No</th>
<th>MNCs</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Order</td>
<td>Untidy</td>
</tr>
<tr>
<td>2</td>
<td>Formal</td>
<td>Informal</td>
</tr>
<tr>
<td>3</td>
<td>Accountability</td>
<td>Trusting</td>
</tr>
<tr>
<td>4</td>
<td>Information</td>
<td>Personal observation</td>
</tr>
<tr>
<td>5</td>
<td>Clear Demarcation</td>
<td>Overlapping</td>
</tr>
<tr>
<td>6</td>
<td>Planning</td>
<td>Intuitive</td>
</tr>
<tr>
<td>7</td>
<td>Corporate Strategy</td>
<td>“Tactically strategic”</td>
</tr>
<tr>
<td>8</td>
<td>Control Measures</td>
<td>“I do it on my way”</td>
</tr>
<tr>
<td>9</td>
<td>Formal Standards</td>
<td>Personally monitoring</td>
</tr>
<tr>
<td>10</td>
<td>Transparency</td>
<td>Ambiguous</td>
</tr>
<tr>
<td>11</td>
<td>Functional Expertise</td>
<td>Holistic</td>
</tr>
<tr>
<td>12</td>
<td>Systems</td>
<td>“Freely”</td>
</tr>
<tr>
<td>13</td>
<td>Positional Authority</td>
<td>Owner-managed</td>
</tr>
<tr>
<td>14</td>
<td>Formal Performances</td>
<td>Customer/network exposed</td>
</tr>
</tbody>
</table>

Broadly, CSR activities in MNCs have a more systematic CSR communication and reporting and the programs are formally structured (Mousiolis, et.al., 2015; Kavipriya and Pakutharivu, 2018). This is based on two factors, which are, MNCs have wider stakeholder bases and its headquarters and managerial decision makers are centralized (O’Connor, Parcha, and Tulibaski, 2017). In contrast, CSR activities in SMEs are non-systematic, informal, and independent (Mousiolis, et.al, 2015; Kavipriya and Pakutharivu, 2018). This is because CSR engagement in these small firms is more difficult due to a lack of financial resources or employee depth to engage in particularly broad and entrenched CSR issues (Parcha, and Tulibaski, 2017). Other researches such as Windsor (2006) and Baumann-Pauly et al., (2013) in Carroll (2017) also highlighted that SMEs approach CSR as a broader form of general welfare, whereas MNCs view CSR as a strategic endeavour. According to Vives (2006), this could be due to the fact that the foundation of SMEs’ CSR is ethics and religious values while for MNCs CSR is more to economic orientation.

2.2 Reasons that Influence Engagement in CSR

Several recent studies have investigated the reasons for firm’s intention to engage in CSR activities and these factors include owner/manager leadership (Mishra and Schmidt, 2018; Demir and Budur, 2019 and Fox, Davis, and Baucus, 2020); risk orientation (Oikonomou et al., 2012; Hsu and Chen, 2015; Bhattacharya, et al., 2021); peer pressure (Malik, Al Mamun and Amin, 2019; Hrazdil, Kim, and Li, 2021); firm’s financial position (Harjoto, Laksmana, 2018; Hmaittane, M’Zali, Mnasri, and Ghilal, 2020); competitiveness (Joo, Eom, and Shin, 2017; Long, Li, Wu and Song, 2020); organizational culture or context (Vveinhardt and Andriukaitiënë, 2017; González-Rodríguez, Martín-Samper, Köseoglu, and Okumus, 2019); politics (Lyon, et al., 2018); morals/emotions (Xie, Bagozzi and Gronhaug, 2019); integrity (Steward, 2005); self-interest (Raj, Kuznetsov, Arun, and Kuznetsova,2019); religious beliefs (King, 2006; McDevitt et al., 2007); ethics (Hofmann et al., 2008; Weiss et al., 2008); and
mission, objective, policies and vision of the firm (Cordeiro and Tewari, 2015; Galeazzo and Klassen, 2015).

For large firms, one of the main reasons to engage in CSR was the human and financial resources they had available to implement their CSR activities (Mousiolis, Zaridis, and Karamanis, 2015; Dias, Rodrigues, Craig and Neves, 2018). Dias, Rodrigues, Craig and Neves (2018) stated that the human and financial resources can help large firms in environmental CSR activities such as to implement environmental management and reporting systems. Other than that, the pressure from stakeholders such as community and media also one of the reasons large firms engaging in CSR activities (Dias, Rodrigues, Craig and Neves, 2018) This was because large companies, especially listed companies, attracted more attention and extensive media coverage from the society (Artiach et al., 2010; Perez, Garcia De Los Salmones and Lopez-Gutierrez, 2018). Therefore, MNCs should emphasize their firm’s transparency and accountability regarding their activities (Jenkins, 2004). Other factors influencing the commitment of MNCs to CSR included the organizational context (capital, technology, and knowledge) (Pereira, et al., 2021); and the type of leadership of its owner or manager (Choi, Ullah and Kwak, 2015; Maak, Pless and Voegtlin, 2016). Skudiene and Auruskeviciene (2012) also found in their study that large firms engaged in CSR because to improve their company's image and reputation; as a moral obligation to society; to gain a competitive advantage; to keep employees satisfied, loyal and motivated and to keep their customers loyal.

While, for SMEs, many companies agreed that CSR was beneficial to them in many ways in order to achieve the effectiveness of the organization since SME’s play an important role in the economic environment (De Sousa Jabbour, Ndubisi and Seles, 2020). According to Christensen et al., (2014) and Nejati et al., (2017) and Lythreatis, Mostafa and Wang (2019) stated that the contribution of the leader was one of the reasons firms engaged in CSR. The leader who has a better understanding of the benefits of CSR would engage more in CSR activities as compared to firms whose leaders were without knowledge in CSR. SMEs, especially in Malaysia also were motivated by their own beliefs and values because they believe the importance to be good to the societies as they consume the societies resources for their survival (Nejati and Amran, 2009; Simon and Ettl, 2019; Elhajjar and Ouaida, 2020). In separate studies, Sharfman and Fernando (2008) and Zhang, Yang and Bi (2013) found environmental risk as one of the factors which influenced a manager’s attitude and both these studies found that perceptions of environmental risk had a positive influence on the manager/owner’s willingness to engage in CSR environmental activities. This was because managers are expected to mitigate the environmental effects (pollution) of their firm’s operations on the environment and at the same time reduce the firms’ total cost of capital. Meanwhile, researchers have also found pressure from stakeholders (Arevalo and Aravind, 2011; Van and Nguyen, 2019), competition between firms to be responsible (Arya and Zhang, 2009; Flammer, 2013) and organizational contexts (Cordeiro and Tewari, 2015; Galeazzo and Klassen, 2015) to be the reasons to engage in CSR.

3. Methodology

The population of this study were SMEs and MNCs in the manufacturing industry located in Selangor state. Only firms within the Selangor were chosen because from based on data obtained from the Department of Statistics, Malaysia (DOSM) (2016). Selangor had the highest number of manufacturing firms in Malaysia. While the list of companies was obtained from the Federation of Malaysian Manufactures (FMM) Directory Book, 2019. Based on the FMM
Directory Book listing, there were 313 registered MNCs and 731 SMEs. We distributed 150 and 200 emails respectively to chosen MNCs and SMEs. However, after intensive follow-ups, only four respondents from SME’s and four respondents from MNCs agreed to be interviewed. Due to the time constraints and the difficulty to obtain the respondents, the authors proceeded with the interviews on the eight firms. The sample size was supported by Creswell (2013) who recommended five to 25 companies as well as Morse (1994) who suggested at least six cases for phenomenological studies. Phenomenological designs allow for the examination of questions related to human experiences (Boyd and Munhall, 1993; Munhall, 2007) and for this study, we were interested to identify the owners/managers experiences regarding CSR engagement. All the respondents from the companies were the managers/owners of the companies and were responsible for the development and implementation of the CSR strategy within their organizations. The interview schedule contained three parts: i) questions on the background of the owner or managers; ii) questions on the CSR programs implemented and iii) questions on the reasons for the managers/companies to carry out the CSR activities. Refer to Table 2 for the interview schedule.

**TABLE 2: Interview schedule**

<table>
<thead>
<tr>
<th>Parts</th>
<th>Interview schedule</th>
</tr>
</thead>
</table>
| Part 1: Background of the owner or managers | Ask the respondents the following:  
- Age  
- Position  
- Qualification  
- Length of tenure in the present company  
- Years of experience |
| Part 2: CSR programs implemented | Corporate Social Responsibility (CSR) in firms.  
i) How would you define corporate social responsibility?  
ii) What are these CSR activities that your company carries out?  
- Community  
- Environment  
- Workplace  
- Marketplace |
| Part 3: Reasons for the managers/companies to carry out such CSR activities | As a manager/owner of this firm can you explain the reason or factors which have encouraged/motivated you to involve your organization in CSR activities? (ex: stakeholder pressure, sources of company, benefits to company). |

Eight interviews were used to compile the data. Creswell's guidelines were followed during the data processing procedure (2013). To begin, the researcher examined the data in order to make sense of it. The text was then segmented and labelled in order to construct descriptions and broad themes in the data, which was then coded. Before compressing the codes into general themes, this method included looking for any overlaps or repetitions. Finally, to convey the phenomenon's intricacy, these motifs were integrated into numerous key themes. After that, the procedure was repeated for all of the volunteers.
4. Results and Findings

This part explains the findings of background of the owner/managers, the CSR activities and the reasons engaging in CSR activities.

4.1 Background of the Owners/Managers

Eight firms were involved in the interviews: four firms from MNCs and four from SMEs. All the firms had been renamed as MNC1, MNC2, MNC3 and MNC4 for MNCs. While for SMEs, the companies would be known as SME1, SME2, SME3 and SME4. MNC1 has been operating since 1973 and this firm produce is the electronic components. This company has 1,800 employees and a turnover RM 280 million. While, MNC2 was founded in 1929 and the firm produces teas. This company has 850 employees and a turnover of RM 79 million. MNC3 is a young company founded in 2010 and the products manufactured are automotive parts. This company has 530 employees and a turnover RM 60 million. Finally, MNC4 has been in operation since 1973 and specialises in furniture products. This company has 1600 employees and a turnover RM 382 million.

For the SME companies, SME1 has been in operation since 1997 and this firm produces eco-products, has 110 employees and a turnover of RM 48 million. SME2 was founded in 2000 and produces printing products. This company has 75 employees and a turnover RM 30 million. Next, SME3 has been operating since 2004 and produces aviation warning lights. This company has 30 employees and a turnover RM 21 million. SME4 is a young company founded in 2012 and manufactures bakery products. This company has 15 employees and a turnover of RM 16 million.

Table 3 shows the profile summary of the owner/managers for each firm. Ages of the owners/managers ranged from 30 to 61 years old. For MNCs, all the respondents were managers while for SMEs, two of the interviewees were managers and while two were owners of the firms. Six of the respondents had a bachelor’s degree, one respondent each with a Master and PhD qualification. The ranges of length of tenure in the present company are from 2 to 22 years. While for overall years of experience range are from 5 to 30 years.

Table 3: Background summary of the owner/managers

<table>
<thead>
<tr>
<th>Company</th>
<th>Name of the owner/managers</th>
<th>Age (years)</th>
<th>Position</th>
<th>Qualification</th>
<th>Length of tenure in the present company (years)</th>
<th>Years of experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>MNC1</td>
<td>Azmi</td>
<td>45</td>
<td>Manager</td>
<td>Degree</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>MNC2</td>
<td>Jackie</td>
<td>46</td>
<td>Manager</td>
<td>Degree</td>
<td>10</td>
<td>20</td>
</tr>
<tr>
<td>MNC3</td>
<td>Imran</td>
<td>30</td>
<td>Manager</td>
<td>Degree</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>MNC4</td>
<td>Ng</td>
<td>57</td>
<td>Manager</td>
<td>Degree</td>
<td>10</td>
<td>30</td>
</tr>
<tr>
<td>SME1</td>
<td>Joy</td>
<td>37</td>
<td>Manager</td>
<td>Master</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>SME2</td>
<td>Devi</td>
<td>61</td>
<td>Director</td>
<td>PHD</td>
<td>22</td>
<td>19</td>
</tr>
<tr>
<td>SME3</td>
<td>Hong</td>
<td>35</td>
<td>Director</td>
<td>Degree</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>SME4</td>
<td>Maria</td>
<td>49</td>
<td>Manager</td>
<td>Degree</td>
<td>2</td>
<td>20</td>
</tr>
</tbody>
</table>
4.2 Corporate Social Responsibility (CSR) in Firms

This part explains the CSR definition from firm’s perspective and the type of CSR activities engaged by both the SMEs and MNCs.

4.2.1. CSR defined

The purpose of the question in defining CSR was to gain an understanding of how respondents implicitly understood the concept of CSR. This study showed that all the interviewees from the MNCs defined their CSR activities in terms of how well these activities addressed four areas which were the community, workplace, marketplace and the environment as highlighted in the following comment:

“As shown in our annual reports we define CSR into four categories: community, workplace, marketplace and environment. All these activities have been recorded in our annual reports and this company is very committed to engage in CSR.”

(Jackie, MNC2)

The managers from the MNCs agreed that engaging in CSR was a way for the company to give back to the community and society. Some participants also expressed the belief that being socially responsible for their firm also meant being responsible to their employees as reported below:

“What I understand from CSR activities is that our companies gives back to the community. We do charity and our employees also do volunteering such as cleaning the beach and painting and cleaning old folks’ homes.”

(Azmi, MNC1)

From the SMEs’ point of view, CSR is defined as “responsible business practices” and the respondents used a few common CSR terminologies such as “being responsible to the community”, “doing the right thing to their workers”, “fulfilling expectations of the local community” and “giving back to the community”. SMEs mostly related CSR to the responsible activities to the community. These findings seem to indicate that their understanding of CSR was as a community contribution as one interviewee said,

“I think CSR means we need to contribute something to the community. Although this company is not big and doesn’t have too much money but we have good employees. We do recycling and volunteering activities to improve the environment.”

(Devi, SME2)

4.2.2 CSR activities

The results of this study summarized the CSR activities for SMEs and MNCs into four parts: community, workplace, environmental and marketplace. Table 4 shows an overview of the CSR activities identified from this study.
<table>
<thead>
<tr>
<th>MNCs</th>
<th>SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Community</strong></td>
<td><strong>Community</strong></td>
</tr>
<tr>
<td>Donating money to local charities</td>
<td>Company donations</td>
</tr>
<tr>
<td>Creating jobs</td>
<td>Supporting local community activities and projects</td>
</tr>
<tr>
<td>Employee volunteering</td>
<td>Employee volunteering</td>
</tr>
<tr>
<td>Supporting local community activities and projects</td>
<td></td>
</tr>
<tr>
<td>Investing in the community’s development</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Workplace</th>
<th>Workplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair pay and benefits</td>
<td>Employee engagement in management decision</td>
</tr>
<tr>
<td>Learning and development</td>
<td>Work-life balance</td>
</tr>
<tr>
<td>Reward and recognition</td>
<td>Employee safety and wellbeing</td>
</tr>
<tr>
<td>Equality, diversity and inclusion employee</td>
<td>Learning and development</td>
</tr>
<tr>
<td>Employee safety and wellbeing</td>
<td>Equality, diversity and inclusion employee</td>
</tr>
<tr>
<td>Work-life balance</td>
<td>Reward and recognition</td>
</tr>
<tr>
<td>Employee engagement in management decision</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Environmental</th>
<th>Environmental</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficiency</td>
<td>Environmental design products</td>
</tr>
<tr>
<td>Biodiversity and environmental management system</td>
<td>Waste management</td>
</tr>
<tr>
<td>Waste management</td>
<td>Environmental policy</td>
</tr>
<tr>
<td>Environmental policies</td>
<td>Recycling</td>
</tr>
<tr>
<td>Environmental design products</td>
<td>Biodiversity and environmental management system</td>
</tr>
<tr>
<td>Recycling</td>
<td>Energy efficiency</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Marketplace</th>
<th>Marketplace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responsible marketing</td>
<td>Respect customers and protect vulnerable customers</td>
</tr>
<tr>
<td>Responsible advertising</td>
<td>Responsible marketing</td>
</tr>
<tr>
<td>Ethical and environmental standards of supplier</td>
<td></td>
</tr>
<tr>
<td>Respect customers and protect vulnerable customers</td>
<td></td>
</tr>
<tr>
<td>Supply chain efficiency</td>
<td></td>
</tr>
</tbody>
</table>

Based on Table 4, all the SMEs CSR activities were similar to those of MNCs. The difference between SMEs and MNCs activities were based on the complexity of the activities and the amount the firms spend in those activities. For example, both SMEs and MNCs engaged in the same activities in environment CSR, but CSR activities in MNCs were more complex and costlier. As stated by MNC3, for energy efficiency, the firm invested in power-saving technologies for processing their products. But for the SMEs, firms saved energy with small scaled activities such as reducing the air conditioning and lighting in the office (SME2, SME4). Both interviewees from the SMEs and MNCs stated that their firms did donations. For MNCs, the firms had allocated a specific budget for CSR activities every year (MNC1, MNC2, MNC3, MNC4), however, donations in the SMEs were based on the company’s financial conditions (SME3). Such results supported a few dimensions identified by Jenkins (2004) (Refer Table 1) who found that CSR activities in MNCs were formal, planned and aligned with the company’s
corporate strategy. On the other hand, CSR activities in SMEs were informal, intuitive and “tactically strategic”.

4.3 Reasons for Engaging in CSR

This part analyses the reasons that influenced firms to engage in CSR. From the results, five reasons were highlighted by the respondents. These reasons were the leaders, to enhance competitiveness, alignment with company’s mission, vision and objectives and resource availability.

4.3.1 Leadership

Based upon the analysis of the data, the respondents perceived that the owners/managers leadership styles were important drivers for firms to engage in CSR activities. They highlighted that leadership should be made a priority in CSR engagement, as evident from the following comments:

“Leadership is important in social responsibility activities. I agree that the leader who is interested in CSR activities will encourage their employees to apply it. Most of my employees do not show an interest in CSR. However, I’m a responsible person, so I always explain to my employees the importance of CSR…”

(Jackie, MNC2)

“I’m not sure about other companies but in this company, the leader should play their role to show their responsibilities to their employees. So, in terms of CSR activities, I will do it first and at the same time, I would ask my employees to follow me. To answer your question, yes, leadership styles is one of the reason this company does social responsibility activities…”

(Ng, MNC4)

“Yes, I agree leadership is important for firms to engage CSR. We are a small firm, although we not too actively engage in CSR; but when we have time I ask my employees to apply CSR activities such as volunteerism or engage in recycling activities. As a leader, I need to show a good example first.”

(Devi , SME2)

The views of the respondents also seemed to suggest that four leadership styles were applied in their firms which encouraged CSR engagement: transformational leadership (applied by all the MNCs and two of SME firms interviewed), transactional leadership (applied by two MNCs and three SMEs), ethical leadership (applied by one MNC), and participative leadership (applied by one MNC and one SME). Transformational leadership “involves an exceptional form of influence that moves followers to accomplish more than what is usually expected of them” (Strand, 2011, pp.85) where such leaders will explain the benefits and importance of CSR to motivate their employees to engage in such activities as reported by both these respondents:

“I know the benefits of CSR to the company, so I always motivate and support my employees to engage in CSR. We actually have monthly environmental activities in each department such as recycling. At the end of every month, each department would collect and separate stuff that can be recycled like paper and ink cartridges.”

(Azmi, MNC1)
“I think most of my subordinates know about CSR activities, but they need encouragement for engaging in CSR. They think it is not important to apply it, so my duty is to make them totally understand the benefits of CSR. I always encourage them to join the volunteering activities that my company recommends every year such as tree planting and orphanage visits.”

(Jackie, MNC2)

While transactional leadership is “associated with pragmatic managerial styles that focus on reward and follower self-interest” (Benn, Todd and Pendleton, 2010, pp.404). From the interviews, some leaders applied transactional leadership in CSR activities by offering rewards to employees who participated in CSR as illustrated in the comment below:

“We do have performance incentives rate by the customers on the employees. Besides financial incentives, we reward our employees of the year with overseas trainings. For example, last year we sent them to Japan. We also have energy saving campaigns and every month, we give rewards to the department that used the least electricity.”

(Azmi, MNC1)

“Since last three years ago, this company introduced yearly rewards. We have customer choice awards that are held in conjunction with our company annual dinner. I think this is a good way to encourage my employees to respect the customers.”

(Devi, SME2)

Another leadership style which emerged was ethical leadership. This leadership is defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making” (Brown et al., 2005: pp. 120). This type of leaders not only guide their employees to be successful but also encourages their employees to apply ethical values. Based on this definition, only one firm applied this type of leadership style as shown in the following comment:

“I empower my employees so that they will make decision themselves and learn from their mistakes. This will help in their learning and development. But I will guide them and train them personally.”

(Azmi, MNC1)

Finally, we also identified participative leadership style from our interviews. Northouse (2010, pp. 128) defined this type of leadership as a leader who “consults with subordinates, obtains their ideas and opinions, and integrates their suggestions into the decisions about how the group or organization will proceed”. This type of leaders have good relationships with their employees and encourages their employees to engage in CSR activities. As stated by respondents MNC4 and SME4:

“This company has employee volunteering activities every year. The employees are encouraged to suggest and vote in the staff website on the activities that they want to perform for that particular year. The upper management will also join in the activities. I joined last year’s activities which was cleaning the beach in this area. I like such activities as this brings me closer to my employees.”

(Ng, MNC4)

“I am happy to join (the social responsibility) activities such as tree planting and recycling with my employees because this is the only time I can be close to them. As
their manager, I first need to show a good example, then my employees will follow. Most of them truly enjoy doing such activities.” (Maria, SME4)

4.3.2 To enhance competitiveness

Competitiveness between firms toward CSR activities as one of the reason firms engaged in CSR. From the interviews conducted, three of the four managers from MNCs agreed with the statement that competitiveness influenced their firm to engage in CSR. As one interviewee said:

“I feel competitiveness was one of the reasons for my firm to engage in CSR activities because when I saw my competitors in the newspapers and on TV, for donation and volunteering activities, I felt it was a very great thing that improved their image. As a big company, image is very important. Sometimes we need community to remember our brand in a positive light.” (Azmi, MNC1)

In all cases of SMEs, the informants reported that competitiveness was not the reasons for their firms’ engagement in CSR activities. Two of the managers from the SMEs (SME1 and SME3) mentioned that most of their competitors did not yet have formal CSR activities since these smaller firms tended to choose their CSR activities based on their situation and capability. While SME2 and SME4 stated that while CSR activities supported their products, it did not give high financial returns and so did not provide any competitive advantage to them. Their comments below illustrate this point:

“We do CSR activities because we choose the activity depending on our situation and our capability. Our intention is to give back to the community, not to compete. Besides, most of our competitors do not engage in CSR in formal way.” (Joy, SME1)

“We are not doing CSR 100% because of our competitors, and I do not agree that competitiveness increases a firm’s CSR activities.” (Maria, SME4)

4.3.3 Alignment with company’s mission, vision and objectives

Organizational context is an important precursor to employee engagement in CSR activities and a significant factor in the managerial decision-making process (Russo and Fonts, 1997). Both MNCs and SMEs agreed that alignment with their company’s mission, vision and objectives were reasons for them to engage in CSR. A common view amongst the MNCs interviewees in terms of the organizational context used to implement CSR were the company’s mission, policies, objective and vision. Based on the companies included in this study, we found that mission and vision of the MNCs were mostly related to CSR activities such as improving the well-being of the community, being ethical at work and being fair. One of the MNC’s objective also ensuring satisfied customers. To achieve the objective, the firms followed their customers’ requirement for the products such as usage chemical, the material use, and wood from legal part. For policies part, all firms are bounded by the laws of the country. So, the firms do not have choice and have thousand policies to keep the standard. Talking about this issue an interviewee said:

“Yes, I agree that the organizational context and CSR activities are related. For example, my company’s objective is to ensure customers are satisfied with our
products. We must follow our customer’s requirements in chemical usage, the materials used etc.”

(Imran, MNC4)

While for SMEs, two of the interviewees (SME1 and SME3) stated their CSR activities started even before their companies had these activities as part of their mission or vision. While SME2 mentioned that the firm was still at the planning and development stage in terms of the company’s CSR activities. The interviewee said this:

“We still don’t have specific targets with regards to CSR activities. We only engaged in donation and volunteerism during the past few years; these activities were based on the availability of our financial resources and time availability. Still, we did not have any formal objective for this.”

(Devi, SME2)

While SME4 was the only SME in this study that had a specific vision and mission related to CSR activities. This was what the interviewee said:

“One of our company’s visions is to help other Malay entrepreneurs to increase their product sales. We do train and give knowledge to start their business. We also guide them to success”.

(Maria, SME4)

4.3.4 Resource availability

This study also found resource availability as a main reason that would encourage CSR engagement among the SMEs and MNCs. The examples of resource availability that had been identified in study were financial resources, good networks, technology, a supportive management and time availability. All the MNCs agreed that the most important resource was financial resources. All the firms had an annual budget for CSR activities and the activities were carried out in stages and on a case-by-case basis. As one interviewee said,

“We have the budget for our company. The direct budget for one CSR activity is less than RM10,000. For 6 months, we will do one project for CSR; mostly we plan around RM6,000, but if the activity such as giving talks in schools, we spend less than RM3,000. So, the budget depends on the CSR activity we carry out.”

(Azmi, MNC1)

MNC1 and MNC3 identified networks were not so important as a reason to engage in CSR but MNC2 thought otherwise as stated in the following comment:

“To have network is good but is not that important in some CSR activities. We believe that networks can easily be formed when we want to do CSR. As our previous experience, when we want to sponsor a charity activity, we get many requests to join our project.”

(Azmi, MNC1)

“I think support network is important when this company wants to engage in CSR activities. For example, previously this company produced environmental products and it was important to have a good network with suppliers, governments, NGOs and other people ensure acceptance of our products.”

(Jackie, MNC2)

For SMEs, the resource availabilities were network, skills or knowledge and technology. All SMEs agreed that network was the most important resource to engage in CSR. Some firms had
good networks with NGOs that encouraged them to engage in CSR activities. As reported by two of our informants:

“I would say that networking with NGOs will be the resource for our CSR activities. Previously we chose to do the tree planting activities and we worked with different NGO because they had various activities that we could choose from to support.”

(Joy, SME1)

“We are now working with SIRIM to revamp our production facility to be eco-friendly and eco innovation. We plan to have the Green label. So, to get ourselves to that level, we must understand the criteria to get it done.”

(Devi, SME2)

4.4 Discussion

This study concludes that MNCs have a higher involvement in their CSR activities as compared to SMEs and this supports the findings of Lucky (2018). In terms of CSR definition, the owners/managers in both MNCs and SMEs have a good basic understanding of CSR. This was especially so for the large firms that segregated their CSR activities into community, marketplace, environment and workplace CSR. These findings were in line with the findings by Esa and Ghazali (2012), Jie and Hasan (2016), Lim and Loosemore (2017) and Zahari, et al., (2020). While, for the SMEs, their understanding of CSR was more focused on the community, in line with the findings of Jenkins (2004) and Nejati and Amran (2009). For SMEs, social responsibility meant that the company was involved in solving the problems and expectations of the local community such as supporting local events, promoting economic growth and company donations (Badulescu et al., 2018).

With reference to the second objective which was to identify the types of CSR programs engaged by both SME and MNCS; the findings indicated that both MNCs and SMEs were actively involved in CSR activities. But MNCs were more formal in their CSR activities. This was supported by Jenkins (2006), Nejati, Quazi, Amran and Ahmad (2017) and Awan, Khattak and Kraslawski, (2019) study stated that MNCs have their own annual report book for CSR activities as MNCs engage in CSR in formal way compared to the small firms that doing CSR informally. The finding also found that most SMEs engaged in CSR activities that had low financial risks and involved less costs. From the interviews, we found that a few activities were not engaged by SMEs. For example, in community CSR, SMEs did not engage in ‘creating jobs’ and ‘investing in the community’s development activities”. This could be due to the reason that as small firms, SMEs had specific job requirements, needed fewer employees and had limited financial resources to create jobs. Similarly, for workplace activities, SMEs could not give many benefits to their employees due to their financial (Badulescu et al., 2018).

While for the environmental part, both SMEs and MNCs engaged in similar activities albeit on a different scale.

With reference to last objective, the reasons that influenced SMEs and MNCs to engage in CSR activities were the leaders, alignment with company’s mission, vision and objectives, to enhance competitiveness and resource and availability. The leadership style was found to influence CSR engagement in both MNCs and SMEs. The study identified four main leadership styles: transactional, transformational, ethical and participative. Transformational and transactional leadership styles were most frequently used by firms in this study. This finding is supported by Verissimo and Lacerda, (2015); Ming, Tee, and Hua (2018); Budur and
Demir, (2019) and Demir and Budur, (2019) who also found that transformational leadership was the most influential factor affecting CSR engagement.

Next was competitiveness which previous literatures had identified as one of the reasons for firms to engage in CSR activities. Surprisingly, three MNCs and all the SMEs stated that competitiveness was not important and did not give impact to their CSR activities. This indicated that SMEs especially, did not think of CSR as a strategy to enhance their competitive advantage. Turyakira, Venter, and Smith (2014) found that SMEs still lacked adequate knowledge of modern competitiveness approaches such as CSR, despite the fact that CSR has been acknowledged as a viable instrument for improving corporate competitiveness. Small businesses, according to Choi, Kim, and Yang (2018), treat CSR as a form of philanthropy and compassion toward the community and other people.

The results also found that the firm’s alignment with its missions, policies, objective and vision influenced their CSR engagement. Firms have specific organizational/institutional context to make sure their firms achieved it every year. This was supported by Rivera-Camino (2012); Coluccia, Fontana and Solimene, (2018); Miller and Akdere, (2019); Ibrahem and Ahmed (2020); and Forgione, Laguir, and Stagliano (2020) who said that adequate organizational/ institutional context support increased the level of CSR implementation. Finally, the resource availability of firms was also found to be influential in their intention to engage in CSR. We could conclude that for MNCs, financial resource was most important, this was followed by the networks that the firm had access to.

4.5 Research implications

This study provides a few theoretical implications for management research. In terms of CSR definition, this research showed that the term “responsible business practice” was the most common definition of CSR among Malaysian firms (Cohen, 2017; Weller, 2017; Kornilova, and Karashchuk, 2017; Barkemeyer, and Miklian, 2019). Other than that, this study supports the viewpoint that larger firms have more resources, formal organizational structures, and procedures than smaller firms, thus they tend to develop and implement CSR initiatives better than smaller firms (Youn, Hua and Lee, 2015; McWilliams and Siegel, 2001 in Lee, 2018 and Dias, Rodrigues, Craig, and Neves, 2019). Hence, this study found that the efficiency of using resources in implementing CSR initiatives and the consequent impact of such initiatives were influenced by firm size. The current study also extends the previous studies by providing the reasons that SMEs and MNCs in Malaysia engage in CSR activities. It elevates a better understanding that leadership, the company’s mission, vision and objectives as well as resource availability were the factors that pushed the firms to engage in CSR. Lastly, this study provides a more holistic understanding of the factors in which encouraged CSR engagement among SMEs and MNCs through the qualitative interviews conducted. It helps researchers to understand in depth the CSR terminologies, the differences of CSR activities between MNCs and SMEs and the factors that would influence firms to engage in CSR activities.

While for practical implications, this study provides business authorities and firms with some insights about CSR definition that would enable them to use the appropriate term in their future communications regarding to CSR. Next, we hope that the results of this study will help in initiating programs workshops, seminars and trainings to educate managers and SME owners on the benefits of CSR. The information from this study can support policy makers to create more specific regulation or policies in term of social responsibility. Since transformational leadership is the most influential factor affecting CSR, leaders at all levels should be encouraged to adjust their roles to be conducive to corporate operations in relation to CSR.
4.6 Limitations and directions for future research

There were a few weaknesses identified in this study. First, this study had a small respondent size which were eight respondents. The respondents were also limited to four respondents from SMEs firms and another four respondents from MNCs firms. The reason is the difficulty to get cooperation from the companies and limited time to collect the data. Future studies might want to look into increasing the number of respondents for both SMEs and MNCs firms. Next was the geographical area where the companies were located in one country only. Hence, for future research can encourage other companies from other countries since there could be differences in the factors and CSR activities carried out.

5 Conclusion

This paper enhances the understanding of the reasons that influence SMEs and MNCs to engage in CSR. The findings of this study have shown that the reasons that influence SMEs and MNCs to engage in CSR were leadership styles (transformational leadership, transactional leadership, ethical leadership and participative leadership), alignment with company mission, vision and objectives as well as resource availability. The study also found that only the MNCs agreed that CSR provided a competitive advantage while none of the SMEs saw this as an influential factor.

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