Faculty of Business & Law
Newcastle Business School

DBA Dissertation

Research Topic: Exploring the Roles of Corporation Social Responsibility of Small and Medium-sized Enterprises in Hong Kong

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Date: 20th November 2014
Statement of Originality

I hereby declare that this dissertation contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to this copy of my dissertation, when deposited in the University Library, being made available for loan and photocopying subject to the provisions of the Copyright Act 1968.

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Synopsis

Corporate social responsibility (CSR) has historically been associated with large corporations (Jenkins 2004). SMEs are generally believed to place heavier emphasis upon economic imperatives than social goals mainly because of the concern for survival and relatively limited financial resources (Jenkins 2004). However, CSR participation of SMEs is reflected in their willingness and financial capability to play a significant role in discharging their social responsibility (Jenkins 2004).

To this extent, small and medium-sized enterprises (SMEs) struggle to survive with limited knowledge, resources and finance to work on CSR and consider fewer stakeholders compared with MNEs. SMEs may have less formal culture and structure, different from MNEs (Jenkins 2004). In fact, firms rely on stakeholders to obtain the necessary resources for survival and development (Fontaine, Haarman et al. 2006).

As of December 2012, there were about 300,000 SMEs registered in Hong Kong, accounting for over 98% of all business establishments. According to the CSR Guidelines for SMEs in Hong Kong, SMEs are faced with a dilemma of being socially responsible while enhancing corporate financial performance because of limited financial resources, bargaining power and time to work on environmental and social issues concerning the well-being of employees, customers, suppliers and the communities. But the CSR Guidelines have not illustrated the whole picture of CSR in Hong Kong SMEs.

In this dissertation, the aim was to explore the relationship between CSR and competitiveness, factors affecting SMEs motivations for CSR in Hong Kong, and how to formulate effective CSR strategies for SMEs.

The three research questions are answered by developing a model based on multiple case studies, focus groups, interviews and the relevant literature. This model was then used to formulate an effective CSR strategy. The study has used qualitative research method for achieving the research objectives.

Qualitative data was collected through content analysis of CSR activities related documents provided by SMEs, as well as eight individual interviews and eight focus groups of the selected SMEs. The owners or managers of the SMEs were requested to sign organisational consent forms to state that participation was entirely voluntary and
the participants had the right to express any opinion during the interviews without censorship or restraint by their superiors or the company. Five participants of each focus group form a very homogeneous group of a SME. The contents of these two kinds of interviews were transcribed verbatim and categorized together with the contents of documents, including annual reports, company documents, marketing materials and employee handbooks.

Finally, the economic benefits such as risk reduction, cost saving, reputation and sales growth are the key factors encouraging Hong Kong SMEs to engage in CSR activities. The relationships between CSR and competitiveness are also identified. CSR is positively associated with enterprise competitiveness in the SME sector. The process for formulating an effective CSR strategy is also outlined.
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Chapter 1 Introduction

1.1 Introduction

The notion of Corporate Social Responsibility (CSR) emerged in early 20th century in the United States and it has become a topic of academic study from the mid-1970s onwards, mainly in the Western society (Carroll 1979; Bondy, Moon et al. 2012). It is referred to as the commitment demonstrated by a company to operate in an economically, socially and environmentally sustainable manner, upholding ethics in business conduct (UNGC 2010). Companies actively manage the impacts of their activities and communicate with stakeholders to be social responsible companies and this is especially true of widely held globally operating large companies and multinational enterprises (MNEs) (Perrini, Russo et al. 2007).

According to Asongu (2007), the history of CSR can be divided into two broad periods; before 1900 and from 1900 to the present (Asongu 2007). The concept was not formally formulated before 1900 even though it was seen within the view of the meaning of CSR. The history of social and environmental concerns on part of business is a topic as old as trade and business. For example, organisational behaviours during commercial operations and laws to protect forests can be traced back approximately 5,000 years (BRASS Centre 2007). The journey of CSR as it is understood today started from the early parts of the 1900s and evolution of CSR into a necessity for business survival was over six stages (Steiner and Steiner 2006; Fleming and Jones 2012). In the early beginning, CSR was introduced by court orders and ignited by societal forces behind legal proclamation. America faced certain difficulties during the economic recession
post-World War II (Bondy, Moon et al. 2012). Companies strived for business survival and looked for profitability. The 1973 oil crisis led to the downturn of global economy that called for wake-up of the progressive, asking for social responsiveness. The dissolution of the Soviet Union drove the society and the people to ask for care about their rights under the imbalanced global economic environment. Stakeholder responsibility became the important topic that affected the deployment of CSR (Bryane 2003). The open-door policy of China and the crisis of Communism resulted in globalisation that allowed MNEs to introduce their local CSR policies and regulations in developing countries (Jenkins 2009). On 2 February 2011, Andrew Monahan of The Wall Street Journal said that Japan's nominal GDP for 2010 was 479.223 trillion yen, or US$5.474 trillion, below the US$5.879 trillion of China for the same year. China has overtaken Japan, becoming the second largest economy in the World in 2010 (Monahan 2011). This indicates that the global trade and wealth have shifted from the Western to the Eastern world. Business is not limited to operate within a single or small economy. The Enron scandal and the bankruptcy of Lehman Brothers were the signals to unify regulatory compliance and legislative system. The G20 and the World Trade Organisation resulted in global expectations being superimposed on all companies operating anywhere in the world (Christie 2009). Money laundering is one of the examples. Thus, internationalization influences the benchmark and implementation of CSR strategies today (Bondy, Moon et al. 2012).

Besides understanding the phases of evolution of CSR, the current environment that affects the practice of CSR also needs to be examined. There are six areas with local characteristics that can possibly reshape the definition and practice of CSR. Effect of global economic crisis and international policymakers can be the external factors that
impact the development of CSR. The stakeholder theory and government intervention can be the external factors within the local territory. Wealth creation and CSR strategy are the internal factors of individual companies.

In addition, one of the famous researchers called Carroll has used four categories to define CSR through a three-dimensional conceptual model of corporate performance, in which the ethical and discretionary responsibility are beyond the traditional responsibility that rely upon manager’s judgment and choice (Carroll 1979). In order to work on the ethical and discretionary responsibilities under the contemporary business practices, Freeman (1984) built the conceptual framework of the stakeholder theory which concerns people and responds to the challenge of environmental turbulence and change (Freeman 1984). Freeman (2004) further explained that managers deploy CSR as strategy to respond to stakeholders, for long term success (Freeman 2004). The formulation and implementation of strategic plans that incorporate manager’s personal values can uplift organisational values fitting the expectations of stakeholders and social issues, which eventually helps advance the sales of the product. Thus, enterprise strategies are able to cover management of business environment, relationships and the promotion of shared interests. Furthermore, the previous literatures gave vague suggestion to the implication on CSR practices without managerial insights.
1.2 Statements of Problem

As of December 2012, there were about 300,000 SMEs registered in Hong Kong, accounting for over 98% of all business establishments. These SMEs created over 1.2 million jobs, or 47% of total employment in Hong Kong, excluding the civil service. In Hong Kong, SMEs are defined as enterprises with less than 100 employees in manufacturing sector and less than 50 in non-manufacturing industries. According to the CSR Guides for SMEs in Hong Kong, SMEs are faced with the dilemma of choosing between being socially responsible and enhancing financial performance. SMEs have limited financial resources, bargaining power and time to work on environmental and social issues concerning the well-being of employees, customers, suppliers and the communities. On the other hand, SMEs are the backbone of the Hong Kong economy while CSR is viewed as a driving force for economic development (CSD 2011). The guidelines list the general role of SMEs in CSR, including responsible entrepreneurship contributing positively to society and target groups; voluntary initiatives beyond legislative and contractual obligations; and regular and strategic activities to benefit the employees, community, environment and related stakeholders. SMEs intensively strive, with limited financial, time and human resources, for business survival (CSD 2011).

A non-government organisation (NGO) called “Community Business” is working on community investment for the study of CSR involvement of companies in Hong Kong. Its research has shown that local organisations have self-consciousness and initiative to perform CSR activities (Bernier 2010). It found 74% of Hong Kong companies had undertaken CSR initiatives, related to society, environment, corporate governance and stakeholder engagement. Employees of another 10% of companies organize
volunteering activities (Bernier 2010). In addition, 2,510 companies and organisations in Hong Kong have gained the “Caring Company Award” nominated by “The Hong Kong Council of Social Services” (HKCSS), which consisted of 1,166 SMEs as on 3 May 2012 (Caring Company 2012). SMEs accounted for 46.5% of total companies and organisations with 18.26% of yearly growth in 2011/2012. The percentages were 10.3% and 20.3% in 2010/2011 and 2009/2010, respectively. They are required to meet three criteria in three areas of “Caring for the Community”, “Caring for the Employee” and “Caring for the Environment”.

On the other hand, a review of overall corporate performance about the ESG (Environmental, Social and Governance) performance of 616 Hong Kong based companies reveals that some companies have a moderate rating in achieving CSR satisfaction in the report of Hang Seng Sustainability Index Series, as on 4 September 2013 (RepuTex 2013). The assessment of corporate ESG performance is provided by RepuTex-ESG working as the benchmark of RepuTex sustainability index of the Hang Seng Index listed companies to reflect the overall corporate performance over peers on environmental, social and governance (ESG) factors (SynTao 2013). RepuTex-ESG is a Hong Kong based sustainability analytics firm that publishes the annual ESG findings for closely watching of Hang Seng Corporate Sustainability Index Series (RepuTex 2013).

Similarly, Hong Kong Productivity Council (HKPC) launched the “Hong Kong Corporate Citizenship Program” and published the first Hong Kong CSR index for SMEs on 8 April 2010. This announcement raised the awareness of CSR among local enterprises and helped incorporate the concept in operations and business strategies
The Hong Kong SME CSR index was launched jointly with Hong Kong Polytechnic University for assessing the CSR performance in terms of six factors, employees, customers, investors, suppliers, community and the environment. Assessment of CSR performance is carried out by a HKPC volunteer program with sponsorship from the industry. Also, local enterprises are encouraged to implement ISO 26000 standard. HKPC and HKPU jointly launched the SME Business Sustainability Index (BSI) on 21 February 2012 (HKPC 2012). The BSI represents the business sustainability or competitiveness of SMEs, measured in terms of six dimensions in the areas of resource allocation, good relations with stakeholders, value added to product or service, reputation, confidence of banks and investors. The index is derived from data of 40 SMEs in six perspectives.

The Legislative Council of HKSAR passed “The Trade Description Ordinance Cap 362” in 2012 that restricts unfair trade practices among local firms in Hong Kong and business compliance requirements legally force SMEs to embed CSR into their business practices. The role of the HKSAR Custom and Excise Department is to enforce this Ordinance as of 19 July 2013. The current position is that SMEs have no excuse to escape from involvement in CSR activities.

SMEs are increasingly playing a significant role in the economic and social development of nations. The contributions that SMEs are making include the generation of employment opportunities and income for Hong Kong citizens (Trade and Industry Department 2013). Furthermore, SMEs are also active in fulfilling their obligations on the social fronts (Marom 2006).
Corporate social responsibility (CSR) has historically been associated with large corporations (Jenkins 2004). SMEs are generally believed to emphasize economic imperatives rather than social goals mainly because of the need for survival strategies and their relatively limited financial resources (Jenkins 2004). However, CSR participation of SMEs is reflected in their willingness to play a significant role in discharging their social responsibilities (Jenkins 2004).

SMEs struggle to survive with limited knowledge, resources and finance to work on CSR and take fewer stakeholders into consideration when compared with MNEs. SMEs may have less formal culture and structure, different from MNEs (Jenkins 2004). In fact, firms rely on stakeholders to obtain the necessary resources for survival and development (Fontaine, Haarman et al. 2006). SMEs use more strategies to implement CSR in an informal manner without the help of dedicated CSR experts (Loucks, Martens et al. 2010). They look for new opportunities to associate with CSR concerns to meet the needs, wants and tastes of new markets (Loucks, Martens et al. 2010).

**Research gaps identified**

The role of CSR in SMEs may not be explained and generalised by findings from MNEs and the study of CSR Guide for SMEs in Hong Kong because no sufficient case studies are available to the SME entrepreneurs in Hong Kong. This research can be viewed as an extension of the study of the CSR Guide for SMEs in Hong Kong because its findings are limited to retail and service sectors. There will be room to study the same topic as CSR for SMEs in Hong Kong with the use of unbiased and random sampling method in retail, services, trading and manufacturing sectors during data
collection. At the micro level, the application of strategic approach toward CSR is a fundamental instrument to overcome the barriers from international policy makers (European Commission 2002; European Commission 2004; Luetkenhorst 2004), local government legislation and NGOs’ regulatory (RCDD 2011; HKEX 2012). Lack of recent academic studies hinders development of systematic CSR initiatives to respond to the difficult and uncertain environment in the future. Managers of SMEs need to use different perspectives and interpretations to describe their CSR activities (Russo and Tencati 2009) and allocate additional human and financial resources for the complexity of operations (Campi 2008). Furthermore, SMEs in different territories have their own strategies to deploy and allocate resources for CSR development associated with the divergence of local culture, law and regulations (Cruz and Boehe 2010). Therefore, it is worthy to investigate the issue further.
1.3 Aims

The aim of this study is to explore the relationship between CSR and competitiveness, factors affecting SMEs motivations for CSR in Hong Kong, and how to formulate effective CSR strategy for SMEs via CSR activities.
1.4 Research Questions

The aim of this project is to explore the relationship between CSR and competitiveness, identify the factors affecting SMEs motivations for corporate social responsibility in Hong Kong, and how to formulate effective CSR strategy for SMEs. Based on the aim of research, the specific research questions are formulated as follows:

RQ1: What are the factors that motivate small and medium enterprises (SMEs) to engage in corporate social responsibility (CSR) practices?

RQ2: How does CSR help improve the competitiveness of SMEs in Hong Kong?

RQ3: How can SMEs in Hong Kong formulate effective CSR strategies?
1.5 Significance

This study is expected to fill in some of the gaps in research on CSR in SMEs in Hong Kong (CSD 2009). Given the significance of SMEs to the Hong Kong economy, and the lack of knowledge about CSR contributions among SMEs, there is a need to examine the CSR activities of SMEs in Hong Kong. Local government and NGOs have recently started to develop various initiatives to enhance SMEs’ participation in CSR (Bernier 2010). Based on extensive interviews with representatives of eight SMEs, this research explores the effectiveness of drivers that lead to engagement of SMEs in CSR by analyzing how CSR is understood and implemented, order to develop systematic CSR initiatives for the difficult and uncertain environment in SMEs in Hong Kong. The research will contribute:

- To explore the drivers those motivate engagement of SMEs in CSR in Hong Kong.
- To improve companies’ CSR strategies, performance and communications and simultaneously enhance business competitiveness.
- To encourage to develop or foster a corporate culture of being social responsible in Hong Kong SMEs.

That would help the owners or managers of SMEs to tailor-make the CSR strategies, which can be embedded into their business operations, and uplift the sustainability of their companies in the economy of Hong Kong.
1.6 Approach and methodology

The three research questions outlined in Section 1.5 were answered by developing a model based on multiple case studies, focus groups, interviews and the relevant literature. This model in Section 2.5 was then used to formulate an effective CSR strategy for Hong Kong SMEs. The study used qualitative research methods for achieving the research objectives.

Collection of qualitative data was done through content analysis of SMEs’ CSR related documents, and eight individual interviews and eight focus groups of the selected SMEs. The owners or managers of the SMEs signed organisational consent forms confirming all participants were joining the exercise entirely voluntarily and had the right to express any opinion during the interviews without censorship or restraint by their superiors or the company. The employees were also asked to sign the consent form for their voluntary participation. This helped minimize the control from the company or managers and enhanced the reliability and validity of analysis of the collected data. Five participants of each focus group form a very homogeneous group of a SME. The contents of two kinds of interviews were transcribed verbatim and categorized together with the contents of documents like annual reports, other company documents, marketing materials, employee handbooks and the contents of company website.
Figure 1.1 illustrates the workflow for this research
The research workflow:

Research Problems

Literature Review

Multiple-Cases Studies

Focus Group  Content Analysis for Documents  Recording Semi-Structured Interview

Data Analysis

Answer to Research Questions

Conclusion and Recommendation

Figure 1.1 - The research workflow
1.7 Outline of the dissertation

This dissertation comprises six chapters. The present chapter introduces the topic and provides background of the study. It includes an outline of the research problems, the aim and objectives of this research, and approach and methodology used in the study.

Chapter 2 provides a review of the literature on CSR practices in Hong Kong. This chapter covers reviews of literature on the history, evolution, theoretical perspectives, and benefits of CSR. In addition, the definitions and theories of CSR as well as the evolution of CSR in Hong Kong are discussed. The theoretical framework of the study is also described at the end of this chapter. The development of the theoretical framework used to understand the variables and the identification of the hypotheses regarding this research are covered.

Chapter 3 demonstrates the evolution of CSR in Hong Kong. This chapter covers the reviews of CSR in Hong Kong and the effect of CSR from global financial crisis. The nature of SMEs in Hong Kong, motivation and factors to SMEs engaging in CSR are listed. Further, it highlights the benefits for Hong Kong SME to engage CSR in future. Eventually, it helps to develop the framework for analysis and conclusion.

Chapter 4 discusses the research methodology. To achieve the answers to the research questions, an appropriate study had to be undertaken. This chapter discusses the methods used in the pilot study, which was conducted to identify data availability in Hong Kong, and the methodologies used in developing the final model. Further, it explains the research model used in the study.
Chapter 5 discusses collected data, analysis and results of the study. This study used three methods to achieve the research outcomes. First, the content analysis and descriptive statistics analysis are used for analyzing the data collected by observation, focus group and interview questions. Secondly, the chapter describes the analysis and results used for establishing a model to formulate effective CSR strategies for SMEs in Hong Kong. A summary of the implications of the statistical analysis is also presented.

Chapter 6 summarizes the study and draws conclusions. In particular, this chapter provides the answers to the research questions. It includes factors for motivating Hong Kong SMEs to engage in CSR activities, the relationship between CSR and competitiveness, and the model for effective CSR strategy formulation. Finally, it also discusses the findings, implications and limitations of the study and suggests directions for future research.
1.8 Delimitations, limitations and key assumptions

This study aims to equip the owners or managers of SMEs in Hong Kong to have effective CSR strategies. With the use of the findings of this dissertation, SMEs can unlock their abilities to carry out CSR activity. With practical tips or guidelines, they can make use of their available resources to integrate the principle of CSR into their business operations through strategies. Indeed, effective CSR strategies help to transform the socially responsible investment (SRI) and it can be a tool to win the competition in the competitive market (Galbreath 2006).

The study is limited to eight SMEs and suffers from a small sample bias, but it can be generalized to other SMEs in Hong Kong. Due to small sampling size, the operating practices of some SMEs in a particular industry may be neglected. The data of SMEs in Hong Kong, who have implemented CSR for two years, demonstrate some event or entity other than one single individual, and illustrate their business operations in the context of their decisions, programs, the implementation process, and organisational change (Yin 2009). It contains some samples of SMEs’ behaviours in sociology and political science (Feagin, Orum et al. 1991) and represent the 100% distribution of SMEs in Hong Kong.

Since the participating SMEs are local companies, they are assumed to have CSR experience and the related knowledge to answer the opened-ended questions during data collection. It takes strong leadership to champion CSR; that is highly motivated individuals who may be owner-managers or entrepreneurs.
Future research could be conducted through increasing the number of SME companies to strengthen the generalizability of the study. Extension to other regions of the Mainland China or other countries in Asia such as Japan, India, Malaysia and Indonesia may provide new definition of CSR. These studies on other countries can also contribute to the development of CSR concept in their culture and academic fields. It is important to understand the most important factor in other countries in Asia.

Other measures may also provide different insights to interpret new implementations of CSR.
Chapter 2 Literature Review

2.1 Nature of Corporate Social Responsibility

A survey regarding executive perceptions of CSR in 1976 indicated that many executives had started considering social involvement even though there was no return on investment (Holmes 1976). Managers intensely argued for social responsibility rather than against it (Ostlund 1977), and had positive approach to social responsibility in the area of environmental concern (Bowman 1977). Considering the positively correlated CFP, CSR has two identifiable sides in a debate (Bainbridge 1997; Kuttner 1997). One side is to maintain the corporate contract for self-interest with minimum cost of operating the business. The primary duty of managers is to maximize the returns on investment but there is no corporate good over or above the responsibility of contractual exchanges. The other side is the social good. Managers maintain large social good over and above the expectations of individuals beyond the returns for stockholders. Nicholas (2005) pointed out that the political version of this debate has two dimensions. One is domestic dimension that has two systems, libertarian and communitarian. The other is the international dimension. For the international dimension, managers have an obligation to satisfy shareholders’ and stakeholders’ expectations as well as to comply with the corresponding legal system (Nicholas 2005).

According to Asongu (2007), the history of CSR can be divided into two broad periods. One was before 1900 and the other was from 1900 to present (Asongu 2007). The concept was not formally formulated before 1900 even though it was seen from the viewpoint of the meaning of CSR. The history of social and environmental concerns on part of business is a topic as old as trade and business. Organisational behaviour is inherently affected by commercial operation and law in particular industry. It can be traced back approximate 5,000 years ago if the nature of business is deforestation (BRASS Centre 2007). Since 1900s, CSR has evolved six stages. At the beginning, CSR was introduced by court orders and ignited by societal forces behind the legal proclamation. America faced a certain difficulty and economic recession in the post-World War II period. Companies strived for business survival and looked for profitability. In 1973 oil crisis led to the downturn of global economy that called for the
wake-up of social responsiveness progressively. The dissolution of the Soviet Union drove the society and people to demand their rights under the imbalanced global environment. Stakeholder responsibility became the important topic on the development and deployment of CSR. The open-door policy of China and the crisis of communism resulted in globalization that allowed MNEs to introduce their local CSR policies and regulations to the developing countries. On the 2 February 2011, Andrew Monahan of The Wall Street Journal revealed that the nominal GDP of Japan in 2010 was 479.223 trillion yen, or $5.474 trillion. This was lower than the $5.879 trillion of China in the same year. China had overtaken Japan to become the second largest economy in the World in 2010 (Monahan 2011). This indicated that the global trade and wealth had started shifting from the West to the East. Businesses were no more limited to operate within a single or small economy. The Enron scandal and the distrust created by bankruptcy of Lehman Brothers signalled the need to unify the regulatory compliance and legislative systems. The G20 and the World Trade Organisation have contributed to the raising of demand for global expectations being superimposed on all companies operating anywhere in the World. Money laundering is one of the examples. Thus, internationalization influences the benchmark and implementation of CSR strategies today.

Once the trends of CSR development along different decades of the last century are defined, the next thing is to look into the current environment that may affect the practice of CSR. Although all stakeholders are equally important in an organisation, they do not have the same power to influence the practicing of CSR (European Commission 2002; Fontaine, Haarman et al. 2006). The influence and power are inherent in six areas with local characteristics. They are summarized as factors that are likely to reshape the definition and practice of CSR. For example, the effect of global economic crisis and international policymakers can be the external factors outside the local territory, which intervene in the development of CSR. Stakeholder theory and government intervention can be other external factors for local territory. Wealth creation and CSR strategy are the internal factors of particular companies.

The seven measuring criteria for CSR performance includes community, diversity,
employee relations, environment, international operations, product and business practices, and corporate governance (Mahoney and Linda 2005). This assessment might be confined to the particular companies and countries. Three aspects of CSR for auditing purpose are ethical business behaviour, stakeholder and environmental commitment (Kim and Kim 2008). Stockholders, shareholders, lawmakers, and governors have significantly increased their interest in emphasizing CSR. Global warming, collapse of ecology and environmental disasters continue to draw the attention of stakeholders. Global ethical concerns from auditing firms and numerous large corporations are the causes of emergence of CSR (Epstein, Buhovac et al.; Lee, Faff et al. 2009). Consumers, employees and shareholders all seem to value a company that is more transparency on its business transactions. Labour practices, equitable pricing, strong charitable contributions and ethical investments are also important and encouraged (Christie 2009).

European Commission’s publications in 2001, 2006 and 2011 revealed the evolution of CSR through the transformation of stakeholders’ expectations. The European Union (EU) increased the CSR components from two to five in 2011. Back to 2001, only social and environment concerns were embraced in the definition of CSR, and integrated into scope business operations. Now the definition of CSR involves social, environmental, ethical, human rights and consumer concerns. According to European Commission (2011), the development of CSR should be led by companies themselves. Public authorities only play a supporting role through the measurement of voluntary policies (European Commission 2011). Hence, organisations remain the flexibility to innovate and design their own approaches of CSR to best suit for their unique business environments. Since then, CSR strategy becomes a process to integrate five CSR concerns into business operations.

The European Union emphasises that CSR is a process for companies to integrate social and environmental concerns in their business operations and interacts with their stakeholders on a voluntary basis (European Commission 2002). Obviously, CSR plays a dominant role associated with strategies and operations in the market and non-market business environment, and eventually affects business performance (Baron and Hall 2003). Specifically, CSR becomes embedded in organisational behaviour that goes
beyond best business practices to reduce negative impacts in value chain and to have
greater opportunity to leverage organisational resources and benefit the society for
creating economic and social values (Porter and Kramer 2006). There are evidences that
SMEs manage their business processes to produce positive impacts on society for
uplifting their competitive advantage via innovation in products and services, serving
un-served markets while building new business models (Jenkins 2009).
2.2 Evolution of CSR Theories

The evolution of the CSR constructs began in the 1950s, which marked the modern era of CSR. Definitions expanded during the 1960s and proliferated in the 1970s. In the 1980s, there were fewer new definitions, more empirical research, and alternative themes began to evolve. These alternative themes included corporate social performance (CSP), stakeholder theory, and business ethics theory. In the 1990s, CSR continued to serve as a core construct but yielded to or is transformed into alternative thematic frameworks.

The modern era of CSR begins 1950s, Bowen (1953) set forth an initial definition of the social responsibilities of businessmen: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. The decade of the 1960s marked a significant growth in attempts to formalize or, more accurately, state what CSR means. Davis (1960) argued that social responsibility was a nebulous idea but should be seen in a managerial context. Furthermore, He asserted that some socially responsible business decisions can be justified by a long, complicated process of reasoning as having a good chance of bringing long-run economic gain to the firm, thus paying it back for its socially responsible outlook. The decade of the 1970s, Johnson (1971) presented a view that CSR can be defined as businesses which carry out social programs to add profits to their organisation. In this view, social responsibility is perceived as long-run profit maximization. In 1980s, CSR composed four parts: economic, legal, ethical and voluntary or philanthropic (Carroll, 1979). In 1990s, CSR further yielded to alternative themes, many of which embraced CSR-thinking and were quite compatible with it. CSP, stakeholder theory, business ethics theory, and corporate citizenship were the major themes that took center stage in the 1990s.

Therefore, Corporate social responsibility (CSR) was also called as corporate social performance (Wood 1991), corporate conscience, corporate citizenship (Valor 2005) or sustainable responsible business and responsible business (Campbell 2007). CSR was an integration of corporate self-regulation and social expectations as a business model to survive and gain competitive advantage. The term “corporate social responsibility”
became popular in 1960s to cover legal and moral responsibilities (De George 2005). CSR was more narrowly construed and presented by the CSR pyramid (Carroll 1979). Wood (1991) revisited Corporate Social Performance (CSP) and published a CSP model for academic study and the configuration of CSR using in America. Then, CSP model was elaborated and integrated with stakeholder approach to formulate CSR into theory and practice (Jamali 2008).

Carroll (1979) defined four CSR components to build the first relevant framework. Besides the key factor of economic responsibility for business survival, firms also needed to respond to legal and ethical issues comprised in the minimum requirement of government and society in order to maintain the corporate-state and corporate-society relationships. Beyond the legal and ethical responsibilities, managers need to determine the purely voluntary addressing of the societal expectations through their individual judgments and choices as the discretionary responsibility (Carroll 1979). Carroll (1991) restated the hierarchy of CSR, which consisted of economic, legal, ethical and philanthropic components as the four part definition of CSR in the shape of a pyramid. Earning and organisational capabilities became the economic responsibility to propose the foundational criteria for the success of business. Legal compliance with various requirements allows businesses to operate in the marketplace. Activities and practices embedded with ethical unofficial laws and rules underpinned by the social obligations and responsibility of ethical norms. Both managers and employees voluntarily participate to achieve charitable expectations of society and enhance the quality of life in the community differentiate between philanthropic responsibilities and the four components. This approach built a conceptual framework of CSR that was a natural fit between an ideal of CSR and stakeholders of an organisation (Carroll 1991). The study also reshaped the orientations of CSR that were delineated by the interactions between specific groups or persons and business. To this extent, the orientation of CSR embraced immoral, amoral and moral managements to develop the orientation of CSR toward stakeholders in the process of them becoming good corporate citizens.

For the germination of the corporate citizen, Wood (1991) proposed the Corporate Social Performance Model as the second relevant framework. He examined the principles of legitimacy as organisational obligation and then transformed into social
institution (Wood 1991). This kind of public responsibility enhances social well-being and builds corporate social responsiveness. The performance of corporate social responsiveness was correlated to firms’ financial performance but it would be costly to upgrade old facilities compared to building facilities addressing new social demands later. Aging facilities become the constraints resulting in poor CSR ratings (Cochran and Wood 1984).

Carroll (1991) restated the hierarchy of CSR, which consisted of economic, legal, ethical and philanthropic components as the four part definition of CSR in the shape of a pyramid (Carroll 1991). It was the first relevant theoretical investigation of CSR. The pyramid of CSR embraced economic, legal, ethical and philanthropic responsibilities. It emphasized on the performance of immoral, amoral and moral management in the organisational context. Under the three ‘Moral’ types, the societal members of the specific groups or persons who interacted with the operating business were needed to be targeted for responding. To this extent, the orientations of CSR in social responsiveness are needed to be handled by strategic management toward the approach of stakeholders. Similarly, Wood (1991) proposed the model of Corporate Social Performance (CSP). Managers needed to examine the principles of legitimacy and transform them into organisational obligations for building the social institutions. The social responsibility enhances social well-being in the community working as the corporate social responsiveness (Wood 1991). There are some studies on performances of social responsiveness and economic capability (Cochran and Wood 1984). There is evidence presented by some studies of the positive correlation between CSP and corporate financial performance (CFP) (Griffin and Mahon 1997; Orlitzky, Schmidt et al. 2003; Marom 2006; Okamoto 2009; Bnouni 2011).

According to studies of CSR going across two centuries (Steiner and Steiner 2006), the evolution of Corporate Social Responsibility can generally be divided into six stages (Steiner and Steiner 2006).

Stage 1: Societal forces behind legal proclamation
Corporate Social Responsibility (CSR) in SMEs is fundamentally different from larger companies in terms of delivering strategies (MacGregor and Fontrodona 2011). SMEs
have increasingly adopted CSR globally between countries, industries and companies in a market economy under internationalization.

The Sherman Antitrust Act of 1890 was the first regulation imposed for stopping intrastate business of America. The judge of the Supreme Court ordered Standard oil, which was the founder company of ExxonMobil, to be dissolved in 1909. The incident was the skirmish between the interests of the company and the society. Societal dissatisfaction drove the government intervention to meltdown the monopoly enterprise (George 2011). In this regard, an immaterial pressure from society urging the court order was the outset of Social Responsibility in early parts of the last century.

Businessmen began to realize social responsibility in 1930s, as reflected in the studies of ‘The Functions of the Executive’, ‘Social Control of Business’ and ‘Measurement of the Social Performance of Business’ (Barnard 1938; Clark 1939; Kreps and Murphy 1940). All of them gave opinions on how businessmen should respond to the society. Kreps (1940) emphasized a businessman was a contestant playing games and must follow the rules of the games, business survival strategies, and ultimately be a profitable business. It was compulsory to create harmonious conditions for handling the impacts of revolutionary movements in most countries, especially to avoid the violent conflicts and warfare. A civilization became an impetus to evolve the outline of CSR at the early stage, in which the human society interacted with its own social organisation and culture. The first publication to provide guidance on social responsibility to business and the ground for the academic study was (Bowen 1953). He stated businessmen had the obligations to make decisions for polices and follow through to achieve objectives and values of their society. He essentially expressed CSR was the morality of a company in terms of its organisational behaviour toward society. It triggered and highlighted the discussion on the ethical and social responsibility of businessmen. Companies should behave ethically follow the legal and regulatory environment, strategically working on social responsibility. In this regard, business executives have to consider both ethical and social responsibility as part of strategic planning involved in managerial decision making (Carroll 1979). The aggregate momentum of creative voluntarism built the prologue to the development of CSR in the coming decades of 1950s and 1960s.
The definition of CSR was broadly reviewed and discussed among academic researchers and business practitioners to formulate the foundation of CSR in 1950s and 1960s. Davis (1960) argued that social responsibility should be part of the managerial context. He asserted social responsibility was a complicated approach to play with socially responsible performance (Davis 1960). Fredrick (1960) stated that the organisational economic performance could enhance total socio-economic welfare via production and distribution (Frederick 1960). Most authors significantly used their contributions to define CSR in 1970s and 1980s (Mintzberg 1978; Pfeffer 1978; Post and Mellis 1978; Smith and Carroll 1978; Carroll 1979).

**Stage 2: Profitability**

Friedman (1962) argued that the principle of social responsibility was to “generate profit” (Friedman 1962). But McGuire (1963) stated the ideal of social responsibilities that go beyond economic and legal requirements (McGuire 1963). He also further elaborated that an organisation should consider the whole society focusing on the interest in the politics, the welfare of community, education and the well-being of its employees. Davis (1968) revisited the concept of CSR and had partial similarity with McGuire (1963). He sought to understand the social responsibility puzzle when addressing the question of businessmen’s responsibilities towards the society. He believed the social responsibility of one’s concern might affect others. Therefore, he suggested that social responsibility needed to be institutional actions that affect the whole social system instead of limiting to person-to-person contacts. The social responsibility to the whole social system were widely adopted in USA in mid-1970s (Wood 1991).

The managerial staff of a socially responsible company needs to balance a large number of interests including the concerns of employees, suppliers, dealers, local communities and the nation while striving for maximum profitability (Johnson 1971). He implied that organisations had multiple goals to achieve. Goals often involve the concerns of shareholders for profit maximization and the stakeholders or interest groups within its business and social network. Steiner (1971) and Manne (1972) stressed that social responsibility should be voluntary activities among economic and legal requirements (Steiner and Richman 1971; Manne and Wallich 1972). Manne (1972) said social
responsibilities are voluntary activities of organisations with abilities for goals setting and decision making for achieving goals and economic objectives to protect stockholders’ interests (Manne and Wallich 1972).

In the new era of CSR, Sethi (1974) highlighted organisational social behaviour might embrace social obligation, social responsibility and social responsiveness (Sethi 1974). Social obligation and social responsibility are the social behaviours that respond to market forces or legal requirements, and to satisfy the social norms, values and expectations of corporate performance. The market forces are composed of product and price advantages targeting customers’ needs. Both responses are imposed by the legal and social systems specified by the studies of researchers (Business Week 1972; Opinion Research Corporation 1972; Yankelovich 1972). Sethi (1974) also introduced ‘social responsiveness’ to distinguish his argument and stated that it was one kind of non-market force. That was the societal expectation resulting from the consequent outcome of market forces. In practice, it was the process of corporate behaviour proactively targeting social needs beyond societal expectations. The adaption of social responsiveness was a broad definition of social responsibility migrating from individualism to socialism and shifting from passive to proactive targeting the needs or expectations of the society (Barnett and Salomon 2006). Both the organisation and society are the beneficiaries rather than individual organisations merely emphasizing the economic and legal performance. But the definition of social responsiveness and CSR are still in theoretical stage and supremely vague to apply in daily operations.

**Stage 3: Social responsiveness**

In the extension of social responsiveness, Frederick (1978) outlined the differences between social responsibility (CSR₁) and social responsiveness (CSR₂) (Frederick 1978). The traditional framework of CSR could not help organisations to find the method to achieve social responsiveness. He highlighted that the effects of power and social responsiveness eventually involve firm-stakeholder relationships. That would lead to the approach of the stakeholder theory to define the principle identifying who and what should be counted to enhance corporate social performance.

Carroll (1979) used four categories to define CSR through a three-dimensional
conceptual model of corporate performance, in which the ethical and discretionary responsibilities are beyond the traditional social responsibilities that rely on manager’s judgment and choice (Carroll 1979). The total social responsibilities embrace four responsibilities that consist of economic, legal, ethical and discretionary responsibilities. The response of the discretionary component is the necessity to complete the conceptual model and similar to the social responsiveness of Frederick in 1978. Carroll (1979) intensively distinguished how to deliver social responsiveness and gave a guideline to managerial staff working on discretionary responsibilities and required to reach their own judgments for voluntary actions. Philosophy, mode, or strategy of social responsiveness beyond the business response to social aspects and issues are the kernel of discretionary components. It is a voluntary and proactive response to the broader society, beyond managerial acceptance or legal obligation and ethical performance. But the own judgments of voluntary actions might vary, depending on the nature of industries, organisational constraints, financial capabilities and cultures. For this situation, the managerial staffs need to have an intention to handle social concerns systematically. Carroll considered marketing response from society and gave broader perspectives of CSR definition. But it is too abstract to present or implement in the daily operations. One month later, it was consolidated in that organisation needed to respond on two kinds of social forces. One was market force, which was sticking to product and price advantages targeting customers’ needs. The second was social force, the non-market force that was the societal expectation resulting from the consequent outcome of market force (Sethi 1979).

### Stage 4: Stakeholder responsibility

The next question is who should respond for contemporary business practices. Freeman (1984) built a conceptual framework of stakeholder approach as strategic management to manage the concerned people and responding to the challenge of environmental turbulence and change (Freeman 1984). It was the extension of and developed from the studies of Ian Mitroff, Rich Mason, and James Emshoff (Emshoff 1980; Mason and Mitroff 1981). The stakeholder approach provides insights of a broad concept of strategic management to manage rather than focusing upon the earning ability. Indeed, individuals or groups can affect the achievement of organisational objectives and economic performance under the cause-and-effect relationship. Academic research on
CSR has broadly approached different groups of people as stakeholders, while they are involved in business activities embedded in organisational activities (Freeman 1984; Andrew and Samantha 2004; Fontaine, Haarman et al. 2006). The main groups of stakeholders are customers, employees, local communities, suppliers and distributors, and shareholders. In addition, other groups of people are also considered as stakeholders (Friedman and Miles 2006): media, the public in general, business partners, future generations, past generations (founders of organisations), academics, competitors, NGOs or activists (considered individually, stakeholder representatives), stakeholder representatives (such as trade unions or trade associations of suppliers or distributors), financiers other than stockholders (debt holders, bondholders, creditors), competitors, government, regulators and policymakers.

All stakeholders are equally important to organisations but they do not have the same influence or power. Beside legal, ethical and economic responsibilities, managers centrally manage and integrate the relationships of all stakeholders. Internal stakeholders can be shareholders and employees, whereas external stakeholders can be customers, suppliers, communities, government, media and other groups having business contacts with the organisation (European Commission 2002; Fontaine, Haarman et al. 2006). All of them have influence and power to impact the long-term success of business that eventually affects the survival of the organisation. Stakeholder management encourages managers to incorporate their personal values to formulate and implement organisational strategies. To this extent, the success of stakeholder management is affected by the managerial performance and individual ability to interpret and respond to the real situation. This was nothing new compared with the discretionary responsibilities (Carroll 1979), except the approach was wider and covered a large number of people of different groups as stakeholders. But this approach introduced a new concept of long-term success. That was very important for the organisation creating sustainability in 21st century but it is critical to understand the link between the use of different strategies and the consequent outcomes (Heugens, van den Bosch et al. 2002). Freeman (2004) further explained why organisations have long-term success and strategic management is enterprise strategies allowing managers to respond to stakeholders in the context of CSR for long term success (Freeman 2004). The formulation and implementation of strategic plan via the incorporation of manager’s
personal values can uplift organizational values fitting for the expectation of stakeholders and social issues. Appropriate strategies help advance the sales of the product. In this regard, enterprise strategies cover active management of business environment, relationships and the promotion of shared interests. In reality, organisations rely on stakeholders to obtain the necessary resources for survival and development (Fontaine, Haarman et al. 2006). But the stakeholder theory pays less attention to ethical responsibilities because it assumes that the duty of managements is of fiduciary nature in a traditional view. The overlooking of ethical responsibilities might lead to evolution of CSR and might result in ethical irresponsibility such as in the case of Enron in 2000s (Sridharan, Dickes et al. 2002; Vinten 2002; Direction 2003; Rockness and Rockness 2005; Chih, Shen et al. 2008; Kim 2008).

Stage 5: Globalization
Apart from the bankruptcy of the largest corporation in USA, failure of the Enron Corporation in late 2001 led to a lot of questions regarding the effectiveness of contemporary accounting, auditing and corporate governance practices. Congressional committees, the Securities and Exchange Commission (SEC), the US Justice Department and an investigative panel assessed the organisational responsibility. They found that the questionable practices were encouraged by the top management and audit committees, the outside law firms, external auditors, investment advisors and the environment (Vinten 2002). Investigators of Enron scandal believed that America Institute of Certified Public Accountant (AICPA) and Stated Certified Public Accountant Societies lacked systematic mechanism to supervise or monitor business operating in America, and urge them to make guidelines and regulations in order to prevent corporate social irresponsibility in future.

They needed to fulfill the commitments of professional bodies as well as to protect public interests and recover public confidence. The global impact drove Organisation for Economic Co-operation and Development (OECD) to revise the global principles of Corporate Governance 1999 (Ad Hoc Task Force on Corporate Governance 1999) which was completed in 2004 (Governance 2004). The latest revision endorsed a model as an international benchmark for policymakers, investors, corporations and other stakeholders worldwide. Corporate governance was advanced to specify a guidance for
legislative and regulatory initiatives in both OECD and non-OECD countries. This also
provided a foundation to international policymakers and NGOs intending to revise the
regulatory provisions. Similarly, the collapse of Lehman Brothers and the 2008 Global
Economic meltdown triggered the awareness of the public, resulting in tremendous
pressure on international policymakers, NGOs and local governments. According to the
Commission Green Paper (2001), the concept of CSR was restated in that companies
responded to social and environmental concerns and embedded these issues in their
business operations interactions with their stakeholders on a voluntary basis (European
Commission 2001). The paper also stated that stakeholder management in CSR was not
and should not be separated from business strategy and operations. Firms need to
change or tailor their CSR strategies adapting the new regulatory system or legislative
mechanism of international policymakers and local governments when globalization of
business takes place.

**Stage 6: Internationalization**

Organisations intensively expanded their business territories in the process of
globalization in the 2000s. They found the traditional market-focused models of
multinational companies’ strategies were inadequate for the enlarged business territories
in the global arena. They needed to increase the organisational values through internal
knowledge resources or organisational capabilities rather than staying focused upon
international trade (Tallman, Fladmoe-Lindquist et al. 2002) as globalization integrated
the local or national economics of business into one global economic entity (Daly
1999). The uniqueness of their resources and capabilities were held and combined with
transnational strategies (Porter 1990; Porter and Kramer 2006). Organisations
approaching international markets face new external conditions for both exports and
sourcing (Chetty and Campbell-Hunt 2004). The difference of languages, cultures and
political systems have created more gaps between the companies and the markets
(Johanson and Wiedersheim-Paul 1999).

About 50 experts in the Asia Pacific region representing business, NGOs, governments
and scholars attended a conference to determine the role of CSR in Asia Pacific Region
from 2009 to 2010 (Hyder 2009). They found there were seven CSR concerns that
should be adapted by companies within the region in the next decade. The seven
concerns are environmental and climate issues, human rights, corporate governance, legal and regulatory compliance, stakeholder engagement, human management and community investment. Businesses or companies will face the greatest challenge to work on the environmental and climate concerns towards CSR. The 50 respondents concluded that climate change is the hottest topic among seven concerns in ISO 14000 and ISO26000:2010 from 2009 to 2019 (Hyder 2009). They need to develop strategies to reduce carbon emissions. The concept of “Greenhouse gas” (GHG) is introduced to CSR strategies for the awareness. Companies need to reshape their businesses and production in order to reduce and mitigate climate change impacts, especially the unavoidable impacts generated during production or delivery services. They need to work on environmental degradation caused by the sources of raw materials, waste management and management of toxic substances, considering the potential health impacts. The second most important concerns are labour and human rights that need to be reconsidered along with the supply chain and employment practices in order to eliminate the unfair treatment of workers, especially to women and child workers. The third important concern is corporate governance that goes with high transparency and accountability. Companies need to disclose their activities for obtaining the trust of all stakeholders. The fourth concern is institutionalization of CSR in the society. Companies need to be responsible and comply with legislations of governments and regulatory covenants of institutions or NGOs. The publishing of CSR guidelines from United Nations, European Commission, United Nations Environmental Programme, United Nations Global Compact (UNGC), Organization for Economic Co-operation and Development (OECD), International Organisation of Standardization (ISO) and the benchmark of Global Reporting Initiatives (GRI), Dow Jones Sustainability Index (DJSI) and FTSE4Good, and take initiatives to encourage companies to employ CSR approaches. The foundations of guidelines and requirements help companies to expand their markets for internationalization. The fifth concern is the stakeholder engagement. Companies are encouraged to take account of specific issues of stakeholders in decision making when formulating organisational policies and strategies. Sophisticated and intensive communications with stakeholders of community have become critical issues. The sixth concern is focused on the internal matters that strengthen organisational knowledge and eventually create competitiveness for sustainability. Recruiting and retaining employees is one kind of talent management to heighten intellectual capital in
the knowledge-based economy of the 21st century. It is because the next generations of employees are interested to be stimulated in their life experience for innovation, especially in the technology industry. For example, Apple Computer Inc., Google Inc. and Facebook Inc. have tailor-made HR strategies to attract and keep the best talent with new ways of thinking about employment. The last is community investment. It is very important to communicate with public for adopting the societal requirements and social expectations. The satisfaction of stakeholders benefits both the community and the business itself. The seven concerns that together constitute the foundation of CSR are in Asia Pacific region for the next decade and have become ISO14000 updates for social responsibility. It also provides a premier concept to international policymakers, NGOs and governments designing their policies and regulations applicable within their respective territories.

Hong Kong has experienced the impact of CSR at all the six stages of its evolution. Do International policymakers, NGOs and governments design their policies and regulations to affect SMEs in Hong Kong? What are the factors that drive SMEs to engage in CSR practices in response to this impact in Hong Kong? What are the insights of managers of SMEs in Hong Kong? How do managers of SMEs interpret CSR? How does CSR help and affect the competitiveness of SMEs in Hong Kong? How do managers or SMEs formulate effective CSR strategies?
2.3 The Corporate Social Responsibility and Competitive Advantages

The World Business Council for Sustainable Development has issued a representative definition for CSR (Holmes and Watt 2000). It defines CSR as the “continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life generations beyond maximizing the economic return to stockholders” (Holmes and Watt 2000).

CSR approaches are seen as strategic tools to create wealth through economic success, according to the well-known scholar Friedman (Friedman 1970). Organisations have to make profit and fulfill social responsibilities (Carroll 1979; Henderson and Glen 2006). Friedman stated that one responsibility of CSR is to maximize the corporate profits and achieve economic objectives of shareholders within the legal requirements and ethical context of the country (Garriga and Melé 2004). The positive relationship found between social responsiveness and economic performance is the driving forces behind healthy development of CSR. Many executives are increasingly getting involved in CSR as necessary even though they believe there are no short and long term profits in CSR for multinational enterprises (MNEs) (Holmes 1977). There is evidence showing that managers conscious of CSR produce greater outcomes, similar to the study of Holmes (1977) (Ostlund 1977). Organisations have attempted to modify their activities to adapt to the importance of social responsiveness (Peter and Martin 1982).

O’Riordan (2008) found that the CSR measures can help enterprises to improve the cost structure (O’Riordan and Fairbrass 2008), Welford (2005) said some of CSR strategies may reduce costs, and then the relationship of CSR and competitiveness should be significantly positive (Richard 2005).

According to Lee (2008), CSR initiatives lead to a positive impact on human resources performance. In addition, CSR can maintain good employee relations and then improve employee motivation and lower turnover rate of employees (Lee 2008). Furthermore, better employee relations can attract new staff members. This theory has generally been confirmed by various empirical studies (Branco and Rodrigues 2006). Turban and Greening (1997) also showed the evidence that a firm’s CSR performance may give it a
competitive advantage in attracting competent senior managers (Turban and Greening 1997).

Furthermore, Husted and Allen (2001) have reported that the competitive advantage can be created if CSR strategies are implemented properly, competitive advantage is significantly positively associated with strategic social responsibility (Husted and Allen 2001).

Zadek (2005) has described three generations of firms in relation to their CSR activities. First-generation firms had a short-term, pain alleviation CSR strategy. Second-generation firms had strategic planning and policies for risk management. Third-generation firms can integrate the concept of social responsibility into their strategies (Zadek 2004; Ligteringen and Zadek 2005; Zadek 2006).

In contrast to Zadek’s (2005) model, some of the researchers have considered that reputation is an internal resource to create competitive advantages (Ashley and Govatto 2002). Mahon (2002) stated that corporate reputation is a crucial component in increasing the sales of products or services. Logsdon and Wood (2002) identified that reputation is a powerful concept for government, non-profit organisations and business (Logsdon and Wood 2002). Senior management or managerial staff, internal or external stakeholders can use reputation as a tool to evaluate and communicate their perception of corporation and business. However, a good reputation can produce better results for the firm. CSR can improve the reputation of the firm, and consequently create competitive advantage.

In addition, Ashley (2002) also states that one of the sources of competitive advantage is CSR (Ashley and Govatto 2002). According to Barney (1991), the creation of competitive advantage occurs through the implementation of strategies that add value and create benefits for a corporation when another corporation fails to do so (Barney 1991).

Competitive advantage can be achieved through internal resources of the firm. However, to obtain competitive advantage, the resources must be (1) valuable to explore the
opportunities and neutralise the threats to the environment of the company; (2) rare, not being present in any rival or potential rival corporation; (3) inimitable, so that other corporations cannot imitate them; and (4) non-substitutable, meaning other corporations do not have any strategic equivalents (Barney 1991).

Castelo Branco & Rodrigues (2006); McWilliams & Siegel (2001); McWilliams et al. (2006) and Russo & Fouts (1997) considered that CSR is an internal resource of the corporation (Russo and Fouts 1997; McWilliams and Siegel 2001; Branco and Rodrigues 2006; McWilliams, Siegel et al. 2006). Applying these definitions, CSR activities should be valuable, rare, inimitable and non-substitutable in order to create competitive advantage. Barney (1991) states that CSR can be considered as a group of resources, with different dimensions, such as business ethics, corporate values, corporate reputation, the relationship with stakeholders, etc. (Freeman 1984; Donaldson and Preston 1995).

Senior managements face two other dimensions related to strategic CSR: centrality and specificity (Burke and Logsdon 1996; Husted 2003).

Centrality means CSR activities need to be aligned with corporate mission. Low centrality may imply that the CSR activities are far away from the corporate mission and core values. Low specificity leads CSR activities which are easily replicated by other corporations. High specificity means that CSR activities are difficult to be replicated by other corporations but CSR activities inevitably face barriers that are difficult to overcome. A corporation can create CSR projects connected to firm’s core business; however, the CSR projects should also be valuable, rare and inimitable so that competitive advantage can be created easily (Burke and Logsdon 1996; Husted 2003).

However, efficient execution of innovative social projects, good corporate governance and ethical management in business can be considered as a group of intangible resources. These factors also help differentiate a company and help competitive advantage materialises through CSR only if the benefits to the society really exist, i.e. such
benefits should be implicit to the philosophy of social strategies (Husted and Allen 2001).

CSR activities offer competitive advantage only if consistent and real results are delivered to the society. According to Zadek (2005), corporations effectively engaging in CSR activities do not find it difficult to meet new market expectations.

As Pearce & Doh (2005) suggested, CSR has become a strong and irreversible component of corporations since effective CSR projects can create significant benefits in terms of reputation and returns in terms of motivation and loyalty of employees. CSR can also contribute toward strengthening valuable partnerships (Pearce and Doh 2005).
2.4 Strategic Management and Corporate Social Responsibility

Following a global trend, companies now are more concerned about social responsibility (Halme, Roome et al. 2009). According to Freeman (1984), strategic management involves the goals, policies and plans to achieve decision criteria. The strategy identifies the actions of business firm including those of economic and non-economic nature, which benefit shareholders, employees, customers and the community (Freeman 1984). Business strategy can also be used to differentiate the firm from its competitors. According to Andrews (1987), corporate strategy is not only an economic option and is much more complex because administrative decisions ultimately affect, and are affected by a large number of stakeholders who are directly or indirectly associated with the company. Social responsibility has become indispensable (Mintzberg 1983). Social and economic actions are consequences of strategic decisions of the company. Porter and Kramer (2006) explored the interdependence between enterprise and society because a company’s community activities have a direct impact (Porter and Kramer 2006). This may result in both positive and negative consequences. Strategists and managers take decisions taking into account the aspirations of the community because community goodwill or services are considered to be attractive alternatives. Decisions should take into account the strategy development process not only for the company itself, but also the stakeholders and the community. Ethos Institute (2007:78) has defined that CSR is a transparency management to handle all interests of stakeholders. Transparency management of CSR can be a tool to enhance sustainable development, save environment and reduce social problems. Harvard Business School strategy mode always includes socially responsible strategy development (Holmes and Watt 2000). Holmes Watt (2000) also pointed out that in the management literature, ethics and social responsibility are frequently connected to business goals, and are incorporated into the business presentation. Pierce and Doh (2005) states that CSR is an universal concept in the company. It was developed by the motivation of personal values and altruism to strategic advantage. Andrews (1987) also spoke about the importance of the objectives of executives in guiding and choosing strategies. The change of executives will leads to changes of the strategy, because different managers have different assumptions.
2.4.1 Essential Components of CSR Strategy

The essential components of corporate social strategy can be considered as a necessary element for characterising CSR strategies. Andrews (1987) had pointed out four components for CSR strategy formulation and decisions:
(a) Market opportunities;
(b) Corporate resources and skills;
(c) Values and aspirations;
(d) Knowledge of obligations to society and shareholders.

Husted and Allen (2001) used business strategy concepts and tools to formulate new models of CSR strategy, which is linked to the following four elements:
(a) Structure of industry (Porter 1986);
(b) Internal resources of the firm (Barney 1991);
(c) Corporation ideologies and values;
(d) The relationship with stakeholders.

Andrews (1987) and Husted and Allen (2001) had similar viewpoints on the formulation of CSR strategy.

Zadek (2006) said the corporation can have competitive advantage by continuous innovation, flexibility and CSR which leads to direct and specific business benefits to corporation. Husted and Salazar (2005) suggested that corporations should put their CSR strategies into practice with the intention of improving both social and economic performance.

However, a corporation can use social initiatives for improvement of competitiveness and enhancement of quality of the business environment in the places it operates. Focusing on context, it lets the corporation increase its potential for CSR activities and contribute toward local community and society in a structured fashion. However, the CSR activities should be directly connected to core business of the corporation in order to maximise the potential benefits of the CSR activities (Porter and Kramer 2002;
Ligteringen and Zadek 2005; Zadek 2006). The alignment of CSR activities, core business activities and business strategy is necessary to archive effective CSR social strategies. Zadek (2005:5) suggested the improvement of this alignment should be based on analysis of the relationships among leadership, excellence and strategy through engaged learning. To represent the concept, the author proposes a triangle with the following parts:

The top of the triangle is business strategy of corporation. In the middle, it should be learning included engaging with society and engaged learning. At the bottom left of triangle, it is leadership, and the leadership drives innovation along the axis of CSR and the core strategy of corporation. The bottom right of the triangle is operational excellence. Excellence should be another type of leadership. Excellence implies the management knows what to do and how to do it efficiently.

![Figure 2.1: The Formulation of Effective Strategy](image)

Figure 2.1: The Formulation of Effective Strategy
2.5 The Current Hong Kong SME’s CSR strategy

Companies recognize and assume that they hold responsibilities not only to their employees but also to the community and the environment. However, carrying out this social responsibility takes place informally and is not necessarily reflected in formal company commitments. The understanding of CSR is critically influenced by the personal values of the owner or manager/director with corporate responsibility taking on an implicit character resulting in SME implementation of responsible practices “without actually knowing it” (European Commission 2002; Perrini, Russo et al. 2007).

It should also be noted that CSR at SMEs is closely associated with increasing economic performance or it being financially viable (Princic 2003). Practices linked to the reduction of costs through more eco-efficient management, improvements in service standards, raising quality levels, boosting employee satisfaction and better environmental management recur constantly at SMEs (Raynard and Forstater 2002). Therefore, the adoption of socially responsible practices at SMEs is also directly linked to the demand for greater effectiveness in the daily management of company affairs and the creation of value (Raynard and Forstater 2002).

Indeed, CSR polices can be formal but may not reflect in business behaviour. Unwritten policies can informally be adopted in the organisational activities to promote CSR (Wartick and Cochran 1985). The adoption of formal and informal CSR strategies depends on firms to manage and the responses or feedbacks of different stakeholders (Russo and Tencati 2009). In this regard, formal strategies seem to be widely adopted by large firms, whereas informal CSR strategies appear to characterize micro, small and medium enterprises. With sufficient knowledge and resources, large firms use formal plans or strategies to explicit management systems throughout the deployment cycle (Graafland, Van de Ven et al. 2003). The owner-managers of small firms seldom exploits CSR tools or instruments and informally implements CSR strategies with limited resources even though they commit to be responsible (Spence and Lozano 2000). This is because SMEs have significant impact on the eco-efficiency when they initially deploy CSR strategies with the stakeholder approach. Even though it is a formal approach to CSR strategies, both large firms and SMEs did not integrate the specific
tools or formal management systems that were available from international policymakers (Russo and Tencati 2009).
2.6 Research Gap

The different definitions of SMEs in Europe, United States and Hong Kong lead to the divergence of conclusions in Western countries, away from the reality of Hong Kong. Seven dynamics in CSR were literally applied in 2010s (Mainwaring 2011). They were “The globalization of business and geopolitics”, “The virtual and real interconnectedness of citizens”, “The complexity of problems”, “The population explosion and its impact on consumption”, “The power shift to consumers and citizens”, “The reality of environment threats” and “The demographics of change”. Companies have their CSRs to contribute towards socio-economic benefits to the society for survival (Dhaka 2010). Many SMEs in United States also lack financial resources and expertise to engage in CSR. They resist CSR initiatives, unless the implementation of CSR approaches could positively benefit the growth of the company. The founder-owners played instrumental parts in applying their personal visions and passions to the CSR agenda (Freisleben 2011). Thus, SMEs in different territories have their own strategies to deploy and allocate resources for CSR development associated with the specific local culture, laws and regulations (Cruz and Boehe 2010). The roles of CSR in SMEs may not be explained and generalized by the findings in MNEs because there are not enough empirical case studies available to entrepreneurs of SMEs in Hong Kong showing the connection to CSR strategies. Therefore, the research gap is that recent academic studies are not available and there have been no specific research or studies regarding to the role of Hong Kong SMEs in CSR, especially the factors that encourage SMEs to engage in CSR activities.

Furthermore, managers of SMEs need to use different perspectives and interpretations to formulate their CSR strategies and organize key CSR activities (Campi 2008; Russo and Tencati 2009). Therefore, research for filling these gaps is necessary.
2.7 The Primary Framework

According to (Roberts and Dowling 2002), Dow Jones Sustainability Index (DJSI) companies have significantly increased the stock price, by 101% on average. The results of the study indicated that different strategic approaches to CSR management related to advance business decisions (Porter and Kramer 2006). To that extent, the best strategic approaches associate with value creation, brand equity and supply chain efficiency. This reflected that CSR initiatives were growing through business practices and operations. Value creation could be realised by business innovation via the best CSR management. Thus, good CSR strategy management and more innovations can be beneficial to both the community and the business. The effects of CSR potentially produce better financial results and sustainability performance eventually.

SMEs in Hong Kong inevitably have to respond to the requirements of CSR, considering the barriers created by recent legislations and regulatory compliances concerning social and environmental issues. Companies need to have their CSR plans to contribute towards socio-economic benefits for the society for survival (Dhaka 2010). Therefore, this project aims to explore corporate social responsibility (CSR) in small and medium-sized enterprises (SMEs) in Hong Kong and the different ethical, social and environmental concerns. Specifically, this study intends to examine and investigate their approaches towards CSR under either voluntary participation or business compliance requirements. In addition, further research will need to investigate how SMEs in Hong Kong define CSR, conducting responsible business to create sustainability in their local community in face of competition from the SMEs of Mainland China in the next decade.

A thoroughly qualitative approach is adopted to examine collective case studies working with multiple data sources. This research involved multiple case studies based on semi-structured face-to-face and focus group interviews with the entrepreneur and five employees of each unit of analysis. A total of 16 interviews were conducted with managers/owners of eight SMEs operating in Hong Kong. Collecting individual experience through the multiple case studies methodology should complement the research objectives to gain a common ground of eight units of analysis in strengthening
CSR and find out the understandings of entrepreneurs and employees that had assisted SMEs in planning and communicating their CSR activities in 2012 and 2013. The interviews were recorded and transcribed to comply with the form of case studies. The representative sample consists of eight SMEs to develop a cross-experiment that interprets the most significant aspect, and demonstrates the awareness of their current thinking to discover the theoretical implication (Yin 2009). Understanding their intentions helps shed light on the context of CSR in SMEs and to draw empirical cross-case conclusions explicitly and accurately, noting that this information is not readily available in the context of Hong Kong.

Corporations have to satisfy and comply with the norms of social contract and accept a measure toward society for balancing the sustainable growth of business and profitability. That increases the involvement of consumers participating in the organizational CSR activities (Sankar and Bhattacharya 2001; Vanhamme and Grobben 2009). Organizations become proactive to adopt CSR striving for maximum protection of their returns of investment. Firms are required to respond to stakeholders and social environment in the competitive market, as this is the basic requirement for survival and sustainable growth (Porter and Kramer 2006). In this regard, organisations build CSR into strategies, significantly meeting the expectations or interests of stakeholders and the societal environment. That fulfills the need of development and sustainability of society (Rodriguez, Siegel et al. 2006). Consequently, organisational strategy affects the quality of life, economic growth and prosperity, meaning and fulfillment, competitiveness, reputation and sustainability (Jeremy 2009).

Roberts (1992) pointed out that the prevention of potential disadvantage is one of the factors to motivate a company to engage in CSR. The potential disadvantages include significant intervention or interferences from regulatory bodies caused by the company not undertaking CSR engagements. The intervention or interferences from government include economic disincentives. Corporates consider influence or intervention from government a higher level of stakeholders (Roberts and Milgrom 1992).

Adams (1998) pointed out that the CSR engagement can be considered as expression of corporate ethical values. The community involvement, customer relations, equal
opportunities, charitable, product safety and political activities, investment policies and charitable activities have contributed to corporate ethical values (Adams 2002).

The author has integrated the captioned factors to form a model for factors that can or do motivate Hong Kong SMEs to undertake CSR (Figure 2.2)

**Figure 2.2 - A model for motivation factor to Hong Kong SMEs in CSR engagement**

**FACTORS:**
- Reputation
- Shareholder Value
- Risk Management
- Governmental relationship improvement
- Corporate Ethical Value

**SME Participating CSR Activities**

**Figure 2.3: A model for the relationship between CSR activities and competitive advantage**

**Market Opportunities**
- Resources and Competences
- Organizational Value
- Structure of Industry
- Stakeholders

**CSR Strategy**

**CSR Activities**

**Competitive Advantage**
Since corporate strategy is formulated to respond to economic threats (Jarzabkowski 2005), the author proposes a theoretical framework that allows comprehension of social responsibility as a strategic creator of competitive advantage (Figure 2.3). This strategy formulation is the result of values, understanding of the importance of stakeholders, analysis of resources and internal competencies and opportunities in the external environment and industry structure. These variables are essential elements for the formulation of social corporate strategy. These variables were essential elements for effective CSR strategy formulation. Market opportunities that decrease unemployment should be considered in CSR strategy formulation.

Market opportunities, corporate resources and skill, values and aspirations, knowledge of obligation to society and shareholders, structure of industry, internal resources of the firm, corporation ideologies and values and the relationship with stakeholders should be connected with the core business of the firm (Burke and Logsdon 1996; Husted 2003; Ligteringen and Zadek 2005). After the CSR strategy formulation, the competitive advantage created by this strategy, the model is shown in Figure 2.4.
Figure 2.4: A model for Hong Kong SMEs to formulate effective CSR strategy

Figure 2.5: An integrated model for the CSR in SME
3.1 CSR in Hong Kong

Hong Kong has been a WTO member since 1 January 1995 and it must follow the trade policy. That means Hong Kong needs to ensure transparency and understand the trade policies and practices under regular monitoring by WTO (WTO 2013). Sustainable Development for the 21st Century (SUSDEV 21) commenced on 1 September 1997 in Hong Kong (EPD 1998). Firstly, it aimed to define the meaning of ‘Sustainability’, and develop values and indicators for social and environmental responsibilities of Hong Kong. Secondly, it created a ‘Sustainable Development System’ and principles integrating into government decision making to facilitate the implementation, identification of policy and institutional areas, and obtain a wider acceptance of public participation. Planning, Environment and Lands Bureau/Planning Department of Hong Kong Government conducted a consultancy study on Sustainable Development for the 21st century (SUDEV 21) on 21 May 1998. SUDEV 21 was concluded in 2000 and it defined a balance of social, economic, environmental and resources needs (CSD 2003).

The sustainable assessment system (SAS) of projects was promulgated and used within the government in December 2001 with effective from April 2002. The Sustainable Development Division (SDD) provided technical assistance and support to assess projects at the early planning stage of a proposal. With effect from December 2003, the Computer Aided Sustainability Evaluation Tools (CASET) were operationalises. These consisted of ‘Guiding Principles’, Sustainability Indicators and Social Checklist that focused on the economy, society and environment (SDD 2008). According to the paper 11/05 of Council for Sustainable Development (CSD), the Sustainable Development Unit (SDU) proposed to revise the SAS in CASET in November 2005 (CSD 2005). The SAS was revised to adopt more open-ended and flexible guidelines for minimizing the possibility of narrative assessment approach with the use of European Community’s SAS (CSD 2006).

The Chief Executive established the Sustainable Development Fund (SDF) with a sum of $100 million for ten rounds of applications to provide financial support for
development of sustainable initiatives in 1999. The application of SDF commenced on 1st December 2003 and the deadline of the tenth round applications was on 25 February 2013 (Legislative Council 2003). The approach of SDF encouraged local companies to employ the concepts of CSR concerning the areas of economic, social and environmental dimensions for sustainability of Hong Kong.

CSR Asia recognised the SDF in seventh round of call for applications. CSR Asia found there were 900 SMEs in 2012. Caring companies and organizations were about 43% in 2009. It aimed to produce a CSR Guide as a practical resource for SMEs in Hong Kong to help SMEs to understand the business care and the approaches of CSR in order to build up a corporate culture for improving companies’ CSR strategy, performance and communications (CSD 2009). The CSR Guide was achieved by the qualitative methodology of case study to interview six companies and two homogenous focus groups in retail and service sectors. The results are close to the reality of HK SMEs in comparison with the SAS of Hong Kong Government conducted by CASET in SUSDEV 21. SAS intended to adopt the interpretations of European Community’s SAS as the reference for users to rate the sustainability.

The CSR Guide for SMEs in Hong Kong was adopted by “The Hong Kong Council of Social Services” in 2011 (CSD 2011). The CSR assessment checklist for SMEs in Hong Kong covers the CSR strategy and performance concerning seven core areas. The seven CSR areas included ‘Good Governance’, ‘Environmental Protection’, ‘Human Resources Management’, ‘Responsible Procurement’, ‘Consumer Issue’, ‘Community Involvement and Development’ and ‘Communicating CSR’. It is a component of CSR Guide for SMEs in Hong Kong and emphasize on the CSR awareness, which provide information and practical tips serving SMEs to handle the deficiency of limited financial resources and expertise.

Hong Kong Polytechnic University (HKPU) has also won an award of SDF in the ninth round of applications. The University worked on a similar topic as of CSR Asia but it aimed to bridge the gap between the business sector and various stakeholders, society and the environment for the sustainable development of Hong Kong. This project was to promote sustainability and encourage voluntary reporting of CSR (CSD 2012).
Hong Kong Productivity Council (HKPC) launched “Hong Kong Corporate Citizenship Program” and published the first Hong Kong CSR index for SMEs on 8 April 2010. This announcement raised the awareness of CSR among local enterprises and how it can be incorporated with operations and business strategies (HKPC 2010). It enlightened local enterprises and their employees, customers and the public. The Hong Kong SME CSR index is computed jointly with Hong Kong Polytechnic University for assessing the CSR performance on six factors, employees, customers, investors, suppliers, community and the environment. CSR performance is assessed by the HKPC Volunteer program sponsored by the industry and local enterprises which are encouraged to implement ISO 26000 international standards. HKPC and HKPU jointly launched the 1st SME Business Sustainability Index (BSI) on 21 February 2012 (HKPC 2012). The BSI represents the business sustainability or competitiveness of SMEs and is measured in term of six dimensions in the areas of resource allocation, good relations with stakeholders, value added to product or service, reputation, confidence of banks and investors. The index is derived from 40 SMEs in six perspectives. The collected data may be biased toward the best performers of large companies under the voluntary CSR reporting system. On the contrary, it is a question whether the poor CSR performers would disclosed their CSR performance for building the CSR index.

In 2002 a “Caring Company Scheme” was started the Hong Kong Council of Social Service, with support the initiatives of HKSAR government. Thereafter, CSR Asia carried it forward to develop CSR in Hong Kong and Mainland China, and offered a range of services to promote CSR activities within the territories since opening an office in Hong Kong in 2004.

Hong Kong government has not intervened much in development of CSR. Steps to address issues like climate change have lacked transparency, and broad consultation has not been done in decision making of CSR regulatory compliances. The government consulted with private sector to establish a Comprehensive Environmental Performance Assessment Scheme (CEPAS) rating system for adopting voluntary climate change initiatives (Chu and Schroeder 2010). Lack of incentives in government policy and senior management endorsement of organizations can result in barriers in the
development of CSR in Hong Kong. Exclusion of CSR in organizational visions, objectives and business standards has become the disadvantage of competitiveness in Hong Kong. There is no legislation or clear standard of accounting in the voluntary guidelines of the Hong Kong Government for Greenhouse Gas Emissions and Removal for buildings issued in July 2008. Neither the Hong Kong government nor professional bodies have the intention to address the environmental policy in SMEs (Studer, Tsang et al. 2008). The concepts of CSR and sustainable development are still poorly understood and there is lack of intention to implement CSR related policies and programmes in Hong Kong. The deficiencies of incentives have resulted in no encouragement for SMEs to engage in CSR concerning environmental change (McWilliams and Siegel 2001). 74% of SME representatives quoted that lack of resources and costs were the main barriers to their participation in environmental initiatives, while only 27% complained of lack of in-house knowledge and skills (Christie 2009). The study also disclosed that SMEs cannot obtain reward and recognition for their voluntary initiatives. They play an essential role to make Hong Kong a sustainable city. SMEs change only if society and legislative system mandate change. They expected the participation of environmental improvement in CSR can be used to create competitiveness advantage as well as to obtain economic benefits. In order to fulfill its environmental responsibility, the Hong Kong Government is likely to further expand the legislation, regulatory compliance and incentives to foster the development of CSR in Hong Kong. Meanwhile, the business community also has to take on an important role.

The Council of Sustainable Development of HKSAR sponsored “The Hong Kong Council of Social Service” to deliver CSR guidelines for SMEs in Hong Kong in 2010 (CSD 2011). According to the CSR Guide, SMEs are the backbone of the Hong Kong economy and CSR has become a driving force for economic development (CSD 2011). The CSR Guide lists the general roles for SMEs in Hong Kong. It highlights that responsible entrepreneurship contributes to society and target groups, voluntary initiatives are beyond legislative and contractual obligations, and strategic activities benefit employees, community, environment and stakeholders. It also states that SMEs have limited financial resources, bargaining power and time to work on environmental and social issues (Surroca, Tribó et al. 2010) concerning the well-being of employees, customers, suppliers and the communities. They face the dilemma of being responsible
companies and enhancing corporate financial performance simultaneously.

On the other hand, a form of non-government organization called “Community Business” is working on the study of CSR involvement of companies in Hong Kong. It had found that organizations have self-consciousness to perform CSR activities reflected by the research from Community Business (CB), and 74% of CB members initially took CSR activities to respond business impacts on corporate governance and stakeholder engagement. Employees from another 10% of companies organize support and volunteering activities (Bernier 2010). The Legislative Council of HKSAR successfully passed “The Trade Description Ordinance Cap 362” in 2012 that prohibits the unfair trade practices in Hong Kong including manufacturers, importers, suppliers and service providers…etc. The Custom and Excise Department of HKSAR is responsible for enforcing this Ordinance that came into operation since 19 July 2013. The business compliance requirements legally and significantly force SMEs to embed CSR into their business practices (Luetkenhorst 2004). Hong Kong has successfully introduced international standards of CSR, enforced through various legislative amendments and regulatory measures from 2012 to early 2013. The Hong Kong Stock Exchange asks listed companies explain CSR initiatives rather than voluntary participation in their annual reports (RCDD 2011; HKEX 2012). Obviously, promoting CSR initiatives through legislative system and the participation of NGOs has become an inevitable trend spreading locally to affect the business practices of SMEs in Hong Kong.
3.1.1 Effect of Global Financial Crisis

Indeed, nobody has escaped from the effects of the Global Financial Crisis. According to a study of European SMEs under pressure (European Commission 2010), the global financial and economic crisis triggered the sudden loss of business confidence and started a rapid decline of world trade. The EU SMEs in 2012 revealed a decline of 12.0% in exports of goods and services in 2009, whereas the decline in US and Japan was 9.4% and 24.2%, respectively. The GDP was -4.3% in the same region and year, when US and Japan experience decline of -3.5% and -5.5%, respectively. Likewise, the unemployment rate in European Union was -1.9% in 2009 compared with US and Japan -5.0 and -1.5%, respectively (European Commission 2012).

The distrust of US financial investment market triggered by the most spectacular financial crash of Lehman Brothers resulted in outbreak of the financial crisis in America (Clark 2009). The ripple effect spread out rapidly and induced the collapse of the US mortgage market. It triggered a financial tsunami in 2008 (EBNP 2009).

3.1.2 International Policy Makers and NGOs

SMEs are directly and indirectly embedded in the international trading system. As such, they are affected by changes in trade policy. In a practical sense, the effects take concrete form as issues that can impact cost, access and strategic planning. Lacking the resources, most SMEs are not equipped to deal with these issues alone. Frequently, SMEs are not aware of the changes in trade policy and practices in export markets.

In some instances, the relevance of trade policy to SMEs has been recognized in trade negotiations. The US-EU Transatlantic Business Dialogue has a permanent SME working group. The Free Trade Area of America (FTAA) negotiations include a forum for addressing SME interests. Clearly, there is a range of policy-induced impediments to SMEs export growth, and the entry of new SMEs into the international market. If these can be addressed within the WTO, the possibility of increasing the number of active
players internationally is much greater. Accordingly, the WTO reform agenda should be sufficiently inclusive to allow for a full consideration of how to give greater weight to the interests of SMEs both in the trade negotiations process, as well as under the existing and future rules of multilateral trading systems (TLM 1999).

SMEs are critical economic factors in poorer countries as well as the more developed economies in the world today. They make up a majority of the domestic business transactions but play a limited role in international trade. Given their size and diversity of sectors in which they function, SMEs are highly adaptable between the developed and developing economies, provided trade barriers are negated. Accordingly, SMEs are global economy’s greatest marginal opportunity for growth if they are actively engaged in the new WTO Round of negotiations and their trade issues are effectively addressed (Meenan 1999).

SMEs are the mainstream and dominate a large portion of market share in according to the annual reports of European Commissions worldwide (European Commission 2002). The European Commission (2002) provided a common approach to companies in member countries of the European Union (European Commission 2002), though CSR is a fluid concept and it is impossible to fit the same approach for all businesses in all areas. The Commission encourages practice of CSR principles in its own management and with stakeholders on the social and environmental matters as well as concerning corporate governance. Owing to the creations of unique resources and capabilities, organizations interact with international policy makers and NGOs to integrate their businesses into one global economic entity. CSR strategies have become a tool to respond to the difficult and uncertain environment (Russo and Tencati 2009). Similarly, the “Ten Principles” of the United Nations Global Compact ask companies to maintain the core values in the areas of human rights, labour standards, the environment and anti-corruption including to support, perform and influence (UNGC 2010).

According to the European Commission 2012, 20.7 million SMEs provide more than 87 million jobs and represent 98 percent of business majority. In EU SMEs annual revenue in 2012 was estimated at Euro 87 billion (European Commission 2012). Thus, international policymakers focus on CSR performance of SMEs in their local and
FTSE4Good promotes the “Principle for Responsible Investment” (PRI) for company investors and boards of directors to communicate a new framework for the values of “Environmental, “Social” and “Governance” (ESG). The Hong Kong Stock Exchange asked listed companies to follow regulatory compliance and ESG reporting in 2013 (HKEX 2012). The key performance indicators (KPIs) consist of environmental, social and governance concerns. An individual company needs to interpret three core concerns into several responsibilities adapting to the decision making of strategic management towards CSR in business practices of daily activities.

While the European Commission focuses on legislation for countries within its territory, the International Organization for Standardization (ISO) works on regulatory compliance and industrial standards for the entire world. ISO 26000 provides guidance for all types of organizations, regardless of their size or location, on seven topics. The seven topics cover the concept, background, principles and practices, core subjects and issues, integration, implementation and promotion of social responsibility, identifying and engaging with stakeholders. The last one is communication commitment, performance and other related information (ISO 26000 2010). The core of the seven topics is to promote common understanding for the deployment of CSR as well as consistent engagement for international norms and behaviour. It emphasizes stakeholder engagement and awareness of socially responsible behaviour to companies for achieving sustainable development.

3.1.3 Government Intervention in CSR

The Enron scandal also nudged the public to revisit the impact of CSR and development of general business-ethics (Direction 2003). It reflected the poor performance of managers and was viewed as an example of social irresponsibility. The consequence led to governments forcing firms to comply with some rules. The poor CSR performance drove the attention from society and government to performance in CSR. The CSP was interrelated to societal environments and stakeholders, but it was not fully responsible
for the economic performance of stockholders. In this regard, stakeholders’ interests were higher than stockholders’ benefits; the stockholder theory was primarily to allocate scarce resources in a free enterprise economy and subsequently making profit. Stakeholder theory provides a more suitable approach to understand and address the complex challenges of the dynamic environments (Orlitzky, Schmidt et al. 2003).

Collapse of the US mortgage market and bursting of the housing boom tumbled into one another like failing dominoes around the world. The outbreak of the 2008 financial meltdown turned into a global economic crisis. It was imperative that it went beyond the symptoms we faced. Frozen credit, failing banks, rising home foreclosures, business bankruptcies, millions of lost jobs and falling commodity prices were potentially driving the world economy to the subsequent effects, bubbles in the housing, commodity and stock markets. Some financial products and instruments of the infirm global financial system triggered the starting of failure of the whole system. Consumer banking totally collapsed because of loss of confidence and generated a negative ripple effect to induce the collapse of the US mortgage market. As many as 37 firms were removed from the Standard & Poor 500 (S&P) index during 2008 (Cheffins 2009). The current corporate governance with the combination of regulation and market forces was responsive to the financial crisis. It was found that the public was less critical of corporate governance and the stock price melting down. Many companies would have ended-up bankrupt if they had not be rescued by government bailouts. This reflected the deficiency of corporate governance and the effects of systemic risk, intertwined with the financial crisis of large financial firms. Therefore, government and international policymakers introduced more regulations applicable to the boards of directors, executive pay, and private equity and shareholder rights in financial industry.

Government intervention makes CSR compulsory for responding to the needs of the society. Organization for Economic Cooperation and Development (OECD) represents the governments of 30 countries to provide guidelines for Multinational Enterprises (MNEs) (OECD 2008). OECD guidelines envisage a worldwide monitoring scheme that includes the legislation to force the minimum CSR through ISO certification. It administers environmental protection, in which CSR outlined the balance between public judgment and environmental responsibility during the 'Leader of G20' meeting.
(Doyle and Bendell 2009). Afterwards, the report of ISO26000 CSR guidelines cited the institutionalization of CSR to formulate CSR settings for companies (ISO 26000 2010). Companies face the requirements of CSR on climate change from 2009 to 2019 (Hyder 2009). Organisations are compelled to adopt the minimum of CSR and strive for improving financial performance after the 2008 economic downturn (Oxfam 2009). Governments have the power to pass legislations and regulations for enforcing minimum CSR although government intervention has a limited effect on the sustainability of economic performance (Scholtens 2006). Indeed, CSR can increase customer satisfaction that significantly results in positive corporate financial performance (Vanhamme and Grobben 2009; Kapoor and Sandhu 2010).
3.2 Nature of SMEs in Hong Kong

In December 2012, there were about 300,000 SMEs registered in Hong Kong and they account for over 98% of all business establishments. These SMEs have created over 1.2 million jobs, accounting for 47% of total employment in Hong Kong, excluding the civil service. In Hong Kong, SMEs are defined as enterprises with less than 100 employees in manufacturing sector and less than 50 in non-manufacturing industries. Import/export trade, wholesale and retail industries account for over 50% of total SMEs. Manufacturing industry contributed 1.8% of Gross Domestic Product (GDP) and 3.4% of the total employment of 11683 manufacturing business units (2010). The total value of trading in goods rose 23.9% to HK$6,395.0 million in 2010. Services industry dominates the major portion of GDP, up to 87.2% in 2000 and 92.9% in 2010. 287,824 service business units account for 88.4% of total employment, 98.3% of which is by SMEs (Trade and Industry Department 2011).

SMEs are the backbone of the Hong Kong economy because there are about 300,000 SMEs registered in Hong Kong and they account for over 98% of all business establishments as of December 2012, and CSR has become a driving force for economic development (Trade and Industry Department 2011). Compliance ordinances and industrial regulations were issued to Hong Kong companies in 2012 and early of 2013 (HKEX 2012). They also face limited financial resources, bargaining power and time to work on environmental and social issues concerning the well-being of employees, customers, suppliers and the communities (CSD 2011). Hong Kong SMEs face the dilemma of being socially responsible while enhancing corporate financial performance at the same time.
3.3 Motivation to SMEs in Engaging CSR Activities

Organisation has conjunctions with its integrant groups which interact with each other. The stakeholders of integrant groups can influence and be influenced by the organisational activities (Freeman 1984). Freeman (2004) further explained that managers devise and implement enterprise strategies that respond to stakeholders in the context of CSR for long term success. The satisfaction of stakeholders is the social performance indicator of a particular company (Kim 2000). Organisations grow into integrated corporations responding to the global community and undertaking corporate philanthropy. Managers become more responsible to all stakeholders, which include shareholders, employees, consumers, governments and the global community in the new century (Benioff 2002).

Firms are under pressure to incorporate CSR in marketing, production process and services delivery such that policies and actions satisfy the norms and values of individual stakeholders. Stakeholders’ satisfaction creates firm reputation and loyalty to encourage consumers to buy products or services. Products or services with CSR attributes create differentiation and uniqueness among competitors in the marketplace. The values and norms of stakeholders contain formal and informal considerations of stakeholders in marketing issues, and link to sales practices, consumer rights, environmental protection and proper informal disclosure (Maignan, Ferrell et al. 2005). The tangible or intangible support of stakeholders is important to the long-term success of organisation (Freeman 1984). Through the application of stakeholder theory, strategic management embedded with CSR activities can help for business survival. The application of strategic management with CSR is called CSR strategy.

3.3.1 Factors to motivate SMEs engage in CSR

Because of inadequate academic research on CSR for SMEs in Hong Kong, similar studies in other countries are used to understand CSR practices followed by SMEs in Hong Kong. In order to promote CSR practices the business community, academia has attempted to understand what factors drive corporations to engage in CSR. The investigation focuses on the determinants (Hackston and Milne 1996), motivations
Idowu and Papasolomou (2007) and incentives (Solomon and Lewis 2002) for companies for promoting their CSR engagement. According to the research from Kolk (2003), aspects such as reputation and credibility have been identified as more important than corporation internal factors as reasons to motivate corporations for CSR engagement. Idowu & Papasolomou (2007) reported that corporations tend to enhance CSR practices because they believe that it is necessary to meet stakeholders' expectations or requirements.

The researcher has focused upon ethical and economic considerations. The economic considerations can be divided into four independent categories. They are governmental relationship improvement, risk management, brand and reputation management, and shareholder’s value.

Ethical considerations are the workplace safety, occupational health and environmental protection, and relationship with community. From the perspective of economic considerations, many researchers have claimed that business activity or behaviour is motivated only by corporate self-interest (Friedman 1962) and CSR engagement should therefore generate certain economic benefits. These economic benefits can be considered as company’s self-interest (Deegan 2002). The stakeholders always affect the corporation’s activities through various factors such as risk to reputation, investor relations or media pressure (Deegan 2002). The four core components of economic considerations are listed as below.

Governmental relationship improvement:
Roberts (1992) suggested that the prevention of potential disadvantage is one of the factors that motivate a company to engage in CSR. The potential disadvantages include significant intervention or interference from regulatory bodies which could be caused by corporation’s neglect of CSR. The intervention or interference from government includes economic disincentives. Corporates consider influence or intervention from government is a higher level of stakeholders concerns (Roberts and Milgrom 1992).

Risk Management:
In accordance with the current trends in research, social risk has become relatively more
important in recent years. Compared to economic, political and technological risks, enterprises are focusing more on social risk today (Kytle and Ruggie 2005). Kytle et al. (2005) claimed that social risk covers the aspects of labour standards, human rights, sustainability and environmental standards. Social risk can more significantly influence operations, cost, supply, public perception, reputation and marketability at the global level. Good CSR strategy can reduce the social risk and function as a risk management tool for a company (Kytle and Ruggie 2005).

Reputation and Brand Management:
Researchers have claimed that the financial benefits of CSR are one of the motivating factors for corporations to undertake CSR engagement (Graafland and van de Ven 2006). Brand and reputation management is considered as the direct link to financial benefits. Especially in food industry, a better CSR reputation affects the consumer's buying decision (Brown and Dacin 1997). Bebbington et al. (2008) found a high correlation between reputation and CSR, since reputation and brand name of corporation are highly associated with the firm's effort on environmental protection and sustainable development (Bebbington, Larrinaga-González et al. 2008).

Shareholder Value:
The shareholder value can be increased by satisfying stakeholders' expectations (Roberts and Milgrom 1992). In general, stakeholders are sensitive to corporate financial performance (Kolk 2003). In addition to financial performance, the CSR performance is also concerned by investor. Some researchers have found a positive correlation between corporate CSR performance and stock price (McGuire, Alison et al. 1988; Mittal, Neena et al. 2008).

Ethical Considerations:
Adams (1998) argued that CSR engagement can be considered as expression of corporate ethical values. The community involvement, customer relations, equal opportunities, product safety, political activities, investment policies and charitable activities can contribute to corporates’ ethical values (Adams, Hill et al. 1998; Grayson and Nelson 2013).
3.3.2 Factors to shape the CSR in SMEs

CSR in SMEs is revealed in “Corporate Social Responsibility Coalitions.” It highlights five key actors driving the CSR movement and the major actors are “Foundations”, “Academic institutions”, “Governments”, “Financial Investors” and “NGOs” (Grayson and Nelson 2013). Foundations mean the philanthropic foundations and donors who support CSR initiatives. Academic institutions represent the scholars and universities to support and analyze CSR. Global inter-governmental agencies and national governments are classified as “Governments” who can facilitate and endorse CSR. Financial investors search and audit socially responsible companies through the assessment of social, environmental and governance risks to determine the opportunity for financial investment. International and local non-government organizations propose CSR policies and regulatory compliances to policymakers, and cooperate with companies to promote CSR (Wheeler and Elkington 2001).

It is argued that “foundations” and “academic institutions” in Asia Pacific, particularly in Hong Kong are not supporting CSR in local companies as much as their counterparts in Western countries do. The Sustainable Development Fund (SDF) was reserved by the first Chief Executive in 1998 and it has not been revised for over ten years (CSD 2003). Foundations and academic institutions attach less significance to the definitions and practices of CSR in Hong Kong. Even though the famous scholar called Adam Smith argued that “an invisible hand” leads self-interest to be good to the community in free markets, Enron scandal and the distrust created by Lehman Brothers is evidence that governments must play an important role in the modern economy (Donaldson 1982). Relatively, the global economic crisis has been a key factor that has influenced the definition and practices of CSR. Indeed, national government of Mainland China works as the key actor to maintain the harmony of the society (See 2009).

Other actors in Hong Kong include international policymakers or NGOs, government intervention, stakeholder theory, financial investors (wealth creation) and CSR strategy.
Governments need to work with the market to maintain balance (Stiglitz 2008). Government intervention is inevitable to keep an eye on the misconducts of individuals and those responsible for corporate governances.

Since different countries/territories have different expectations and interpretations of CSR, local factors are the ticks to shape the definition and practices of CSR locally (Burke and Logsdon 1996). For example, Western firms appear to align their CSR initiatives with organisational competencies that fit CSR into their business practices, especially in the case of sizable companies. CSR embraces firm’s efforts of social objectives consistent with relevant social norms and laws (Dunfee 2008). Specifically, development of CSR is strongly influenced by the related cultural, social, political and economic factors, subject to specific country and cultural adaption (Robertson 2009).

3.3.3 Benefits for Hong Kong SMEs to implement CSR

Compared to large enterprises, SMEs have a greater advantage when it considers to implementing CSR. They have fewer employees, and it is easier to develop a corporate culture within a company. In addition, SMEs have more flexible operations. Without a formal organizational structure, SMEs can respond to new ideas more easily and quickly.

Most importantly, many SME owners and staff are based in Hong Kong. They have strong affiliation with an affection for Hong Kong, and are thus more willing to contribute to the community such as taking care of employees’ families, reducing paper consumption in workplace, listening to customer needs, engaging staff to involve in volunteering work in their spare time, and so on (Bernier 2010).

According to the CSR Guide for SMEs in Hong Kong from the Council of Sustainable Development, SMEs are the backbone of the Hong Kong economy and CSR is a driving force for economic development (CSD 2011). The CSR Guide lists the general rules of CSR for the SMEs in Hong Kong, including responsible entrepreneurship contributing positively to society and target groups, voluntary initiatives beyond legislative and
contractual obligations (Jarzabkowski 2005); regular and strategic activities for the benefit of employees, community, environment and related stakeholders.

The Guidebook of CSD (2011) also provides advice and examples of how to implement CSR in a small business with limited resources. SMEs may not have the resources available to large companies, such as entire CSR departments and big budgets, but they have some advantages:

1. SMEs are innovative (since the early 1900s, 95% of significant innovations in products and services have come from firms with less than 20 employees).

2. Owners or managers of SMEs can change their business practices faster than larger companies.

3. It is easier to get all employees on board when everyone knows each other (as is the case in SMEs).

4. Entrepreneurs are creative doers, motivated by challenges and with a thirst for practical knowledge that provides a competitive advantage.

Responsible entrepreneurship is about good business practices and management. It is about embracing change and embedding responsible practices in business decisions, combining passion and purpose. The main business benefits from being responsible. Demonstrating CSR is not always about the financial benefits for the business. Sometimes acting responsibly brings intangible benefits (Branco and Rodrigues 2006). Responsible entrepreneurs act responsibly because they believe they have an ethical responsibility to do so. Nine intangible benefits are listed as below:

Retain talented staff - people like to work for companies they can trust. They expect that their companies are responsible for environmental protection and occupational health and safety. Once the company begins CSR activities, the sense of belonging is enhanced often leading to lower turnover rate.
Public relationship - Good relationships with the community in which one does business. Responsible operating practices enhance a positive relationship with the local community, regulators and investors. Good community relations can lead to a good reputation.

Risk management - Acting responsibly can reduce non-financial risks (such as damage to reputation). Companies may need to be aware of the potential for future regulations on corporate practices as well as the growing expectations and demands from civil society, NGOs, consumers and regulators.

Identify new opportunities - By reducing environmental or social impact, companies can innovate and supply new products and services (e.g. products with lower energy consumption and healthier food options), which lead to new market opportunities.

Productivity and operational efficiency - Good human resources management is essential. Employees need access to a safe and healthy workplace to ensure good productivity. Taking good care of employees enhances employee motivation, and productivity and leads to lower absenteeism.

Brand and reputation - Reputation has an impact on a business’s ability to attract people, finance, customers and business partners. Actions that improve a company’s social and environmental performance (Roberts and Dowling 2002), especially in product and service offerings, can have a strong impact on building loyal customers.

Easier access to capital - Responsible entrepreneurship can effectively reduce risk, which then can translate into easier access to capital, reduced insurance premiums and better relationships with an increasingly aware and active financial sector.

Competitive advantage - CSR can be a tool for creating a competitive advantage through differentiation of products and brand. In many cases it can help reduce operational costs as well (Eberl and Schwaiger 2005).
The greatest barrier for SMEs when implementing CSR is often perceived to be the limited financial, time and human resources available. For most SMEs, cost control and availability of finance are crucial factors that impact survival. Yet many good CSR practices do not cost a lot of money and many can actually save money (e.g. a focus on the environment through enhancing energy efficiency can reduce fuel bills and a focus on responsible human resources management can build employee trust and increase productivity) (Freisleben 2011).

Key elements of successful CSR implementation:

1. Simplicity
   The best CSR management programme for an SME is simple and not excessively time-consuming to operate.

2. Degree of integration into existing systems
   Ideally a CSR programme for SMEs should be linked to or integrated into existing management systems (e.g. ISO 9000 Quality Management System and ISO 14001 Environmental Management System). Responsible entrepreneurship should be integrated into day-to-day business operations.

For CSR strategy formulation in SMEs, the guide points out the importance of stakeholder engagement. A stakeholder is an individual or a party who is impacted by, or has an interest in or impact on, the business operations. These include government, regulators, customers, shareholders, investors, suppliers, industry associations, non-governmental organisations (NGOs), opinion leaders and communities. It is especially important to involve employees to ensure responsible entrepreneurship.

There is no set formula for responsible entrepreneurship. The most important thing is to develop a strategy that is in line with the company’s own unique core values, vision and mission. It is usually suggested that responsible entrepreneurship differs from traditional philanthropic or charity activities by the level of integration of CSR into a broader business strategy. To explain this further, community involvement of many SMEs is still mostly ad hoc and unrelated to business strategy, whereas responsible entrepreneurship
includes things like product safety, information disclosure on labelling, after-sales service, timely payment of bills, equal opportunities for staff, health and safety, training and staff development, and minimising impact on the environment. However, philanthropic or sponsoring activities can be the starting point for a deeper and more long-term engagement in the future and it is perfectly fine to start there.

Responsible entrepreneurship requires two core foundations:

1. Leadership commitment

2. Understanding the communities in which your business operates

SMEs’ owners are passionate individuals. They are persistent, energetic and enthusiastic, and they often bounce back and learn from failure. There is probably no better group in Hong Kong to solve some of the basic issues that confront our society and environment. If enough SME owners or managers can act in responsible ways, then collectively they can make a significant and positive difference. A commitment to responsible entrepreneurship can range from making a donation to managing every aspect of the business according to responsible business principles. Whatever the level of engagement, the first step is to make a commitment to ensuring some level of responsibility.

SMEs are part of the community and they may be more closely integrated locally. On the one hand, this can be an advantage since developing good relations with key stakeholders (as defined below) can have clear business benefits. SMEs are particularly sensitive to community issues because in most cases they are operating in local markets. A problem with the community can have a significant impact on the reputation of an SME.

Stakeholders in the community are those who are impacted by or who have interest in or impact on the business and could include:

- Employees
• Shareholders and investors
• Consumers
• Business partners (e.g. suppliers and contractors)
• Government and regulatory bodies
• Industry associations
• Opinion leaders
• Non-governmental organisations (NGOs)
• Local community organisations
• Media
• Family

It adapts seven concerns in the areas of Corporate Governance, Environmental Protection, Human Resource Management, Responsible Procurement, Consumer issues, Community Involvement and Development, and Communicating CSR. The seven concerns are similar to the updates of ISO14000 for social responsibility to build the assessment checklist for SMEs in Hong Kong in seven areas revealing the CSR performance of SMEs in Hong Kong (CSD 2011).
Chapter 4 Research Methodology

4.1 Research Design

The case study approach is chosen as the research methodology of this study. Case studies allow data to be collected in their rawest form and yield deep but narrow results (Yin 1989). However, in-depth data collection may limit the number of studies due to resource constraints (Fellows and Liu 1997). Yin (1989) proposed that a case study design should be drawn up explicitly at the commencement of the research. The research design can be tailored during the research to consider any changes in conditions that the fieldwork throws up. Interviews and questionnaires are often used in studies for better results. Case study should maintain a balance between flexibility and selectivity. Flexibility allows issues to be explored as they develop in the data collection phase. Selectivity is concerned with deciding which features would be covered at the research design stage itself (Fellows and Liu 1997). Case study research can be divided into single and multiple case studies. The multiple case studies can obtain an array of evidence (Yin 2011) to support the results of analysis. Multiple case studies are suitable for this research as the single case study bias can be avoided. In multiple case studies, the number of cases should be between two to fifteen (Yin 1993; Carson, Gilmore et al. 2001).

The design of this research is based on multiple case studies, recording semi-structured face-to-face interviews and focus groups with entrepreneurs or managers and five employees of each SME, who represents a unit of analysis. A total of 16 interviews with owners or managers or employees of eight SMEs are in Hong Kong. Collecting individual experiences through the multiple case studies methodology should complement the research objectives to gain a common ground of eight units of analysis in strengthening CSR and find out the factors promoting SMEs in CSR engagement, relationship between CSR and competitiveness, and the formulation of effective CSR strategy.
The number of cases is always an issue. However, as one does not follow a sampling logic, in a statistical sense, sampling size as understood by statisticians is irrelevant (Yin 1994; Creswell 1998). Instead, one must focus on the contribution of each case in solving the research question, bringing different perspectives on the issues (Yin 1994; Creswell 1998). The choice of a case is based on conceptual grounds, rather than solely representativeness (Miles and Huberman 1994). Creswell warned about the issue of depth of analysis. As the number of cases increases, each single case lacks depth. This is the trade-off between depth and generalizability of case studies (Miles and Huberman 1994).

As a result, it is difficult to arrive at an ideal number of cases. However, a maximum number of 15 cases have been mentioned, above which a study becomes too complex (Miles and Huberman 1994). Perry and Coote (1994), in reviewing number of cases provided by different authors came up with a number ranging from as low as 4, to a maximum of 15, but again information richness is the guiding principle. For this research, 8 cases are selected as multiple-cases for further analysis (Perry and Coote 1994).

Several methods of data collection are available to researchers undertaking a case study. Common methods include focus group, observation, personal interview, document search and audio-visual materials (Creswell 1998). The research strategy, sample characteristic and field work constraints influence the data collection method. This research’s data collection is the interview, where data can be collected directly from respondents.

Both the focus group and interview were classified following broadly each component of the research’s conceptual model in the interview questions and the questioning sequence during the interview. Hence, both instruments were used concurrently.
4.2 Validity and Reliability of the Research

Reliability and validity both are criteria to evaluate the quality of research. In case study, validity plays a key role in ensuring the quality of research (Yin 1994; Maxwell 1996; Creswell 1998). Validity means “correctness or credibility of a description, conclusion, explanation or interpretation of the phenomenon under study” (Maxwell 1996).

Reliability of the research has been considered as repeatability. Research procedure must be designed to enhance both validity and reliability (Miles and Huberman 1994).

Positivism has a different view that methodology alone does not ensure validity in case study research; that is why the validity issue must be tackled separately from the method, as a component of research design in its own right (Maxwell 1996). Validity can be broken down into the 3 components: construct, and internal and external validity. In the first principle, researcher has to design a sufficiently operational set of measures or employ an instrument to judge the collected data. The measure is constructed to examine the types of changes and their consequences. Internal validity is the second test to generate greatest attention in experimental research, and explore the causal relationship for casual or explanatory case studies. Researcher should try to discover the possibility of interference of particular events and build to address rival explanations. External validity is used to determine the generalization and to see whether the findings of the immediate case study can be applied to another case (Yin 2003). These 3 components together represent validity for a research design. There are three principles that must be followed to ensure validity (Yin 1994; Maxwell 1996):

*Multiple sources of evidence*

As information is drawn out of a small sample size, it is essential that information is cross-checked using multiple sources of data to ensure validity of results. This type of validity is termed construct validity. Data triangulation is a method used to ensure construct validity of the research (Jick 1979). Data triangulation can be convergent or non-convergent (Yin 1994). Convergent triangulation is the real triangulation of data where the researcher compares data from several sources. Non-convergent triangulation addresses different sub-problems from one issue, through different data sources. This present research uses convergent triangulation of data. The sources of data are the
interview questions, semi-structured interviews and the review of secondary data such as archival records, related studies, industry journals, as well as annual company reports.

A case study database must be maintained all the time. The data itself must be organized such that another researcher can perform the same research, or a secondary research, using the same raw data. The database may include interview recordings, case study notes and case study documents including completed questionnaires, tabulated material and narratives. Final case study and interview individual reports are part of this database.

The researcher must maintain a chain of evidence - This increases the research reliability as a whole. The report must clearly show the source of evidence from the research questions through intermediate steps to the final conclusion. Other researchers should be able to trace back through the data to justify any original conclusion from the research. Then, a clear chain of evidence must link conclusions to the original data whether interview, tape recording, survey questions or other instruments (Miles and Huberman 1994; Yin 1994; Maxwell 1996).
4.3 Sampling

In case study research, purposeful sampling, or criterion based selection, is popular (Miles and Huberman 1994; Maxwell 1996). This multiple case study research used a combination of sampling types to derive a sampling frame, and selected the enterprises within this sampling frame.

The multiple cases provide a broader array of evidence than do single cases by definition (Yin 2009); thus multiple cases study is suitable for this study. Two to fifteen case studies is advised within a multiple-case design (Yin 1993; Carson, Gilmore et al. 2001). Eisenhardt (1989:545) suggested that “a number between four and ten cases often works well” (Eisenhardt 1989). The number of multiple cases is highlighted to be 6-10 for effective multiple-case studies. Szanton (2001) stated that eight case studies for an excellent multiple case studies are sufficient “replications” to convince the reader of a general phenomenon (Szanton 2001). Hence, eight case studies for analysis of cross-case studies are selected as effective design.

The size of the focus group should be as small as possible from three to fourteen (Thomas 1999; Bloor, Frankland et al. 2001). If there are too many attendees in the focus group, then they don’t get sufficient time to express and discuss their opinions (Morgan 1995). In general, the focus group should has eight to twelve individuals and run for about 1.5 to 2.5 hours (Stewart, Shamdasani et al. 2006). Morais (2010) believes that five members in a focus group are adequate for deep discussions (Morais 2010). If it is too long, that makes the focus group unproductive, i.e. if the duration is two hours or longer. One hour for focus group is fine in general but it may not be enough to allow all members to express and discuss their opinions. Therefore, the researcher invited five SME employees only to attend the focus group and complete the session within 1 hour.

In January of 2014, DBA course students of University of Newcastle at Hong Kong branch were asked to nominate appropriate SMEs, who should satisfy four requirements stated in the paragraph after the next, to participate in this study because they come from various industrial backgrounds and can be effectively and conveniently accessed via the school facility. Therefore, an invitation letter for nomination of eight voluntary
SMEs was sent to DBA students of cohort 9 by email. Since the entrepreneurs are the decision makers of CSR activities, interviewing them is efficient to reveal the roles of CSR in their SMEs. Employees can be another source to give in-depth understanding of multiple cases and explore their organisational settings and experiences. Eight SMEs were invited to participate in the research, to explore CSR in SMEs in Hong Kong. The entrepreneur and five employees of each SME participated in face-to-face and focus group interviews, respectively. These eight SMEs are considered as eight cases of analysis.

In January of 2014, DBA students of selected SMEs from Hong Kong branch of University of Newcastle who were willing to participate voluntarily, from within their business networks and connected to the researcher by email. Consent from the DBA coordinators of Hong Kong Management Association (HKMA) and course lectures of University of Newcastle are necessary before meeting DBA students of cohort 12 and 13. During their lectures, they are invited to nominate themselves or voluntary SMEs participating in the research. Participant Information Statement (PIS) for the Research Project, consent form and interview protocol included interview questions are directly dispatched to the DBA students with verbal explanation of provided documents. That helps to increase the number of SMEs falling into the voluntary SME database.

In fact, all DBA students worked as liaison officers only, passing the recruitment message to SMEs of their workplace or connections. They did not collect any personal information as they must comply with the privacy laws of Hong Kong. The recruited volunteer SMEs were not identified by DBA students. Once the volunteer SMEs decided to participate in the study, they contacted the researcher directly. All volunteer SMEs were examined to ensure they are qualified and meet the four research conditions. The first two conditions are that it must be a Hong Kong based company and comply with the definition of SME operating in Hong Kong before 2011. SMEs having experience of CSR strategies and more than six full-time employees since 2011 were the third and fourth conditions. Heterogeneous members of SMEs were first identified and then they were classified as eight units of analysis via convenience sampling.
Table 4.1 The overview of eight sample SMEs

<table>
<thead>
<tr>
<th>Case</th>
<th>Year established</th>
<th>Number of Employees</th>
<th>Business Nature</th>
<th>Business Territory</th>
<th>Profile of interviewee (face-to-face)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>2008</td>
<td>23</td>
<td>IT Services</td>
<td>Hong Kong</td>
<td>Director</td>
</tr>
<tr>
<td>Case 2</td>
<td>1997</td>
<td>20</td>
<td>Trading (Battery and lighting) – Family business</td>
<td>UK, Hong Kong and Asia</td>
<td>Director</td>
</tr>
<tr>
<td>Case 3</td>
<td>1979</td>
<td>23</td>
<td>Trading (Construction)</td>
<td>Hong Kong and China</td>
<td>Director</td>
</tr>
<tr>
<td>Case 4</td>
<td>1994</td>
<td>35</td>
<td>Trading (Watch)</td>
<td>Europe and USA</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>Case 5</td>
<td>2000</td>
<td>35</td>
<td>Trading (Medical consuming products)</td>
<td>America, Middle East Asia</td>
<td>Entrepreneur</td>
</tr>
<tr>
<td>Case 6</td>
<td>2011</td>
<td>35</td>
<td>Marketing / Trading (Sports items)</td>
<td>Hong Kong and Asia</td>
<td>Founder</td>
</tr>
<tr>
<td>Case 7</td>
<td>2002</td>
<td>15</td>
<td>Trading (Electric appliance)</td>
<td>Europe</td>
<td>Founder</td>
</tr>
<tr>
<td>Case 8</td>
<td>2006</td>
<td>8</td>
<td>Trading (Lighting)</td>
<td>Hong Kong</td>
<td>Entrepreneur</td>
</tr>
</tbody>
</table>
4.4 Sample Reliability

In this research the sample size is inherently limited, due to the time available, scope of the research, and nature of the SMEs participants. For practical reasons, convenience sampling had to be used. However, it is acknowledged that eventually some bias might exist because of the sampling limitation. Hence, sample selection is crucial. The purpose of this study is to examine at the firm level. Thus, firms are defined as units of analysis. Individuals can establish common characteristics of SMEs in Hong Kong. Therefore, this research is looking at a sample of eight SMEs (firms).

However, as statistical sampling cannot be used due to the limited number of enterprises in the sampling frame, it is impossible to have some statistical sample to average out variations, as in a survey-type study. Therefore, it is important to systematically select the participants to ensure a representative case of the industry.

The main validity threat, particularly for the theoretical replication case study, is the chosen cases possibly may not represent SMEs in Hong Kong as a whole. Therefore, each case must be carefully selected, as one follows replication logic rather than a sampling logic to assure representativeness. Even the sample SMEs were referred by DBA students (cohort 12 and 13 of Hong Kong DBA program organized by University of Newcastle, Australia) in Feb 2014, the accidental sampling method is still accepted by researchers (Yin 1994).
4.5 Data collection method

With the analysis and interpretation of collected data (Marshall and Rossman 1989), this research involved investigation of multiple case studies based on semi-structured face-to-face and focus group interviews with the entrepreneur and five employees of each unit of analysis. A total of 16 interviews of eight SMEs were conducted with firms operating in Hong Kong. Collecting individual experience through the multiple case studies methodology complemented the research objectives to gain a common ground of eight units of analysis in strengthening CSR and better understand entrepreneur and employee that assist SMEs in planning and communicating their CSR activities in 2012 and 2013.

All relevant material for the study was available in both English and Chinese and dispatched to respondents. Translations were verified by HKMA. The documents included:

1. Organization Participant Information Statement
2. Organization Consent Form
3. Participant Information Statement (Interview)
4. Consent form (Interview)
5. Interview Protocol (Interview)
6. Participant Information Statement Sheet (Focus Group)
7. Consent form (Focus Group)
8. Interview Protocol (Focus Group)

The owners or managers of the SMEs were asked to sign organisational consent forms for all participants, and confirming that they were all participating voluntarily and had the right to express their own opinions during the interview or focus group without censorship or restraint by their superiors or owners of SMEs. The employees also signed the consent confirming their voluntary participation. This minimized the control from the senior management and enhanced the reliability and validity of the research. Five participants from a SME formed a focus group. The conversations during interviews or focus groups were transcribed and categorized together with documents
including annual report, company documents, marketing materials, employee handbooks and the contents of company websites. Data from multiple sources were used to investigate the motives, strategy, benefits, and difficulties for Hong Kong SMEs to launch systematic CSR initiatives.

The interviews and focus groups were carried out in use of “recording semi-structure interviewing” in February and March, 2014. Transcripts from tape recordings can help refocus on the collected data towards the interview guide because open-ended questions and discussions may diverge from research objectives (Bernard 1988).

Researcher had completed the transcription process where Cantonese was primarily used to conduct interview and focus group, whereas English was the secondary language upon on the request of interviewees. Each interview or focus group was voice recorded and transcribed verbatim, and the transcripts have been coded according to both codes from the literature and codes emerging from the transcripts.

This study first collected data from the transcripts of interviews and focus groups. With the analysis and interpretation of collected data (Marshall and Rossman 1989), a step of “segmenting” or “coding categories” is used to categorize the collected data with coding procedure (Bogdan and Biklen 1992). The comparisons between the results of theoretical predictions and the categorized data collected from multiple cases are listed in a tabulated form following a “replication logic” for each case (Yin 1994) to reveal the similarities and differences among eight cases of SMEs through the within-case analysis and then cross-case analysis (Creswell 2013) as well as assertions (Stake 1995). That helps disclose a theoretical model and explain their relationships accordingly (Yin 2009).
4.6 Pilot Study and Pre-testing Before Interview and Focus Group

Pilot study and pre-testing are required to refine the conceptual aspect of the interview and focus group design as well as ensuring that questions are easily understood and address the research questions (Yin 1994). Furthermore, pilot study is not pre-testing. Zikmund defined pilot study as ‘a collective term used to describe any small-scale exploratory research technique that uses sampling, but does not apply rigorous standards’ (Zikmund 2000). Pilot study is used at the conceptual model development stage to ensure construct validity, and to develop adequate propositions and methods of enquiry (Yin 1994; Maxwell 1996).

On the other hand, pre-testing could test the understanding of respondents on the interview questions. Usually, a sample of participants with similar characteristics is used. The purpose is to rehearse the interviews through a final test-run (Yin 1994). Both pilot study and pre-testing are used to ‘provide an understanding of the meaning that these phenomena and events have for the actors who are involved in them’ (Maxwell 1996).

Pilot study and pre-testing can be used for single or multiple participants (Maxwell 1996), depending on the perceived needs for information prior to the research. The selection of participants for a pilot case study and pre-testing is mostly based on convenience sampling. In this research, the pilot study on the conceptual model and propositions were based on an in depth interview of one business manager with prior executive experience in CSR engaged SME.

There are 5 methods used in pre-testing a research:

1. Observation and record of respondents' reactions, verbal or non-verbal, during the session.
2. Participants are asked to interpret the conceptual model or survey questions in their own words (Peterson 2005).
3. Direct questioning of the participants (Zikmund 2000):
   - Retrospective questioning performed after the participants have completed the questionnaire.
• Concurrent questioning performed at each element of the conceptual model or survey question, where the participants are asked to “think aloud” about their understanding of the concept or question.

4. Concurrent verbal protocol and response latency measurement are used to evaluate the cognitive difficulty of the survey questions (Zikmund 2000).

5. Pilot studies and pre-testing can use focus groups, projective techniques and in depth interviews (Zikmund 2000).

The pilot study is carried out to refine the research conceptual model and propositions. A first pilot study is carried out followed by some modifications, and then, if necessary, the modified framework is tested through a second pilot study. Once the pilot study stage is completed, the survey and interview questions are tested for clarity. Similarly, a first pre-testing is done, and then corrections made to the questionnaire content and structure. A second pre-testing is then carried out if necessary, and further modifications deemed relevant are included. The number of iterations of the pilot study and pre-testing is not mentioned in the literature when dealing with a case study approach. The process is an iterative one that should be stopped once it does not bring additional value to the research (Yin 1994). One must keep in mind that the pre-test warns the researcher of potential problems caused by the questionnaire, rather than building a perfect questionnaire.

Basically, the interview question in pre-testing phase was designed to answer the following questions:

- ‘Can study participants understand the question?’
- ‘Can the respondents answer the questions easily?’
- ‘Will study participants answer the question?’ (Peterson 2005)
- ‘Does the questionnaire flow naturally and conversationally?’
- ‘Which alternative forms of questions work best?’ (Zikmund 2000)

One SME’s manager had been invited for pre-testing of the interview and focus group protocols, where ‘difficult to understand’ questions and his comments were recorded for later modification (Zikmund 2000).
For pilot study, a randomly selected SME with its employees had been invited to attend the pilot study. As results of the pilot study, it showed no need to revise or modify the interview and focus group protocols.
4.7 Interviews Design

Interviews can be classified into three categories:

1) Structured;
2) Semi-structured; and
3) Unstructured (Fellows and Liu 1997).

A structured interview is based on a questionnaire or carefully designed set of questions. However, there is an issue of personal interaction between the researcher and the interviewee not found in other data-collecting methods. Still, the researcher has to conduct the interview with a decree of dexterity and care, otherwise it may produce worthless data when used inappropriately (Creswell 2013). The questions for an interview should be carefully planned and accurately worded to avoid misunderstanding. In addition, appropriate interviewing techniques should be employed in conducting the interview so that better results can be achieved.

The sample SMEs are registered and headquartered in Hong Kong. Each sample SME is classified as a case study for analysis and must have operated its business for two and half years or before 2011 because international standards of CSR were introduced to Hong Kong companies by various Hong Kong legislative amendments and regulatory measures between 2012 and the early of 2013.

Participant information statements (PIS), consent forms and interview protocols including interview questions were sent to them and their firms by email. Participants and participating companies were requested to sign the consent form if they wished to participate, whereas the signed consent forms were collected on site before the commencement of interviews.

Interview participants were deemed to have been recruited once they had signed the consent form participated in the interview and verified their transcripts.
For the Interview protocol, answers from questions 1 to 13 address the CSR initiatives and the general practices. In order to answer the research question 2 (RQ2), the author tends to identify the relationship between competitiveness improvement and CSR engagement through questions 14 to 17. For research question 1 (RQ1), it can be addressed by the answers for interview questions 18 to 22. Answers that is useful to identify which factors can motivate SMEs to participate CSR activities. For the research question 3 (RQ3), the components of effective CSR strategy and the formulation procedures can be obtained by the answers to interview questions 23, 24 and 25. The interview protocol is in Appendix 1.
4.8 Focus Group Design

The size of focus group should be as small as possible from three to fourteen (Thomas 1999; Bloor, Frankland et al. 2001). If there are too many participants, there may not be enough time for individuals to express their viewpoints (Morgan 1995). In general, the contemporary focus group involves eight to twelve individuals with a skilled moderator and the session runs about 1.5 to 2.5 hours (Stewart, Shamdasani et al. 2006). Morais (2010) believes that a size of above five for a focus group is adequate for depth of discussion and more commentary from each person during the focus group interview or “focused interview” (Morais 2010). Two hours for focus group interview may be too long and make the group become unproductive. One hour for focus group interview is fine in general but it may not be enough to allow more participants going through 14 questions. Therefore, five employees were invited to participate in each focus group taking 60 minutes to complete.

For the focus group protocol, questions 1 to 2 were designed to ask the participants about the demographics and experiences in CSR. Questions 3 to 9 were developed to ask participants about the motives for SME in CSR engagement. These questions have addressed research question 1 (RQ1). Questions 10 to 12 tend to ask the participants, the relationship between competitiveness and CSR in terms of economic benefit, and better human resource management. Therefore, research question 2 (RQ2) has been addressed by questions 10 to 12.

Questions 13 to 14 were designed to ask the participants about the key components of CSR strategy, and the formulation procedures.

Prior to the focus group, the members needed to look the focus group protocol and sign the consent form. Both focus group protocol and consent forms are placed in Appendix 2.
4.9 Data Analysis Method

This study first collected data from face-to-face interviews and focus groups. In order to analyze the collected data, the “segmenting” or “coding categories” techniques (Marshall and Rossman 1989) were used to categorize the collected data into various segments (Bogdan and Biklen 1992). The “replication logic” for each case (Yin 1994) was investigated to reveal the similarities and differences among the eight sample cases. The within-case analysis and cross-case analysis (Creswell 2013) were also used (Stake 1995) to find out the discrepancies between the theoretical model and the findings (Scholz and Tietje 2001; Yin 2009).

For cross case analysis, data were analysed across all cases in order to identify similarities and differences. By identifying similarities and differences, the researcher seek to provide further insights into issues concerning the motives of SMEs in CSR engagement, and then whether CSR activities really enhanced their competitiveness. For formulation of the CSR strategy, the researcher identified similarities and differences in formalization of the CSR strategy, and then finally generalizing the case study results.

In the within-case analyses, the researcher has characterized the motives of SMEs for CSR engagement in two categories, economic benefits and ethical considerations. For each case, the researcher analyse how CSR activities improve competitiveness in terms of customer perception, staff and customer loyalty, finance and market share. For formulation of CSR strategy, it is interesting to see whether complexity influences the degree of formalization.
Chapter 5. Findings and Data Analysis

This chapter provides analysis of the main findings presented in the results section. The analysis is structured according to the research questions presented in introductory chapter to help the reader better understand.

5.1 Brief of the Sample Firms

5.1.1 Case 1

Background:
Case-1 firm is a typical software-consulting firm in Hong Kong, especially in Oracle ERP solutions. The key clients are all multi-national firms or corporations operating nationwide. Case-1 firm provides better business solutions to its clients and then enhances its business process, and creates higher business performance.

The firm has a qualified professional team; they can deliver cost-effective, result-driven service to clients. Together with the outstanding service provision from implementing Oracle ERP, maintaining large production systems to upgrades and patches, from deploying new database systems to tuning Oracle, Case-1 sample firm’s success has been highly recognized and awarded as Oracle Platinum Partner.

Conversation with manager and focus group
Interviewee E (interview) mentioned that the sense of a team spirit has strengthened after participating in CSR activities. He claimed CSR activities mainly focus on environmental protection and sustainable development. The key CSR activities include promotion of use of recycled paper and energy saving. The firm has procedures to formulate CSR strategy. Firstly, the proposal is prepared by a managerial staff and then it is submitted to the board of directors for further discussion and approval. In order to get the approval by the directors, the proposed CSR strategy has to be cost effective and produce tangible or intangible benefits to the firm eventually. The intangible benefits include improvement of team spirit (human resources) and relationship with clients or
suppliers, and positive corporate image. The tangible benefits include revenue growth and cost reduction (use of recycled paper and reduce electricity charges). Therefore, it means that the CSR activities should create intangible or tangible benefits to the firm. In addition, joint CSR activities with clients and suppliers are the key theme of CSR strategy. Furthermore, the scope of CSR strategy is also subject to the limited internal resources. Relationships with suppliers can be enhanced by CSR activities because one of the key suppliers practically emphasizes on CSR.

Participant A (focus group) mentioned that the ethical standard has been improved through employee participated CSR activities. Since the CSR activities have resulted in enhanced employees’ ethical standards, the risk of bribery to client’s staff or illegal rebates has been reduced. Therefore, CSR activities improved the risk management of Case-1 firm.

Participant B (focus group) mentioned that the promotion of energy saving programs such as replacing energy inefficient servers and turning off air-conditioners while employees are working outside. Energy saving program leads to the reduction of electricity charges monthly. There is evidence that firm can reduce the cost by engaging CSR activities.

Participant C (focus group) mentioned that the corporate image has improved through engaging in CSR activities. The Case-1 firm had frequently posted details and photos of CSR activities on the newsletter and promotion materials. This can enhance reputation and eventually improve the trust of customers.

Participant D (focus group) mentioned that there is a positive correlation between firm’s competitiveness and CSR activities. CSR can benefit in term of winning service contracts from MNEs.

Participant K (focus group) mentioned that he enjoyed participating in CSR activities.
Summary
In the context of the six stages of evolution of CSR in business survival, the Case-1 sample firm is at Stage 2: Profitability since the firm tries to use CSR to enhance the trust of customers, and then increase the profitability finally.

Table 5.1.1 Summary of Findings from Focus Group and Interview of Case-1

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reductions (RQ1)</td>
<td>The corporation encourages staff to use recycled paper, it does not mean buy recycled paper. Paper used on only one side is collected and used on the other side for non-important or internal circulation documents. Office equipment purchase needs prior endorsement.</td>
<td>Medium</td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>The company has well adopted CSR and it is believed that CSR is not just a promotion program. It can positively create business opportunity.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>The company allows staff to participate in voluntary CSR activities in office hours; this can improve corporate image and reputation. CSR is an important component for customers to create purchasing intention.</td>
<td>Medium</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>The company frequently donates money to charity and contributes manpower to the society. Company has contributed to the local community for several decades. The company plans to cooperate with Church, government agencies and charities to launch CSR activities.</td>
<td>Medium</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>The company believes that CSR activities can help good relationship with society and reducing the working stress of employees. The firm has globally joined three CSR activities since 2005. One of the directors is a religious believer. He joins a lot of religious activities and encourages staff to be volunteers for CSR activities.</td>
<td>Medium</td>
</tr>
</tbody>
</table>
The Component for Effective CSR Strategy

Human resource department executes a fair performance scheme to review salary annually. Director acts as role model to influence others and deliver throughout the office.

Medium

In Table 5.1.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interviews and focus group.

Referring to the transcripts of interviews and focus groups, the most important motives for SMEs to engage in CSR activities are staff retention, reputation and brand management. In addition, increasing customer loyalty and corporate image have been the most significant determinants of CSR. On the other hand, the firm first aims to increase participation in CSR, and then tries to reduce the cost and operating risk eventually. It reveals cost reduction and risk management are considered as an important motivator for SMEs.

In summary, the company provides technical services to its customers. Staff is an intangible asset of the company. The salary scheme of Case-1 firm is not at the top in the marketplace, but it is not the lowest. It is because the company knows graduate students seldom join a company working in service industry. Since most of its customers are MNEs operating in financial and property industries, the firm is quite concerned about the comments of customers about company image. The firm also believes that there is a positive relationship between company image and CSR. Therefore, CSR is an important component to affect the purchasing intention of customers. For CSR activities, the company expects CSR activities can create a sense of belonging and retain employees working for the company as well as becoming valuable intangible assets.

Table 5.1.2 Summary of Findings from Focus Group and Interview of Case-1 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

100
| Marketing opportunity | Since most of its customers are MNEs operating in financial and property industries, the firm takes comments of customers about company image seriously. Corporate image has been improved through engaging in CSR activities. | Strong |
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In Table 5.1.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

The advantages of CSR include increased credibility, retention of talented staff, improved productivity and then reduced costs and risk.

For the relationship between CSR and competitiveness, SMEs benefit from CSR programs which usually lead to greater staff motivation, enjoyment and happiness. CSR help motivate employees.

However, the firm has significantly reduced energy consumption and reduced carbon emission eventually. Competitiveness has been enhanced through the improvement of corporate image.

The firm has no specific procedures for formulation of CSR strategy. Director’s instructions play an important role that influences mangers’ decisions about participation and funding allocation for CSR activities. However, the top-down approach helps strategic implementation of CSR policies and is close to the findings of researchers (Pettigrew 1987; Husted and Allen 2001).
Background

Case-2 firm is a lighting company headquartered in Hong Kong, with several manufacturing plants in China. It is a leader in the lighting industry, supplying a comprehensive range of induction lamps for both industrial and commercial lighting applications. The high efficiency induction lamps and continuous innovations are its promise and backbone to build a strong and long-term relationship with suppliers and customers.

The company delivers high quality products and services to clients or customers. The company has optimized its induction lamps through cooperation of its engineers and customers. Staff is committed to providing the best service to customers, in terms of product design, planning, production and sales.

The company is not the market leader providing advanced technology lamps in the industry but it intensively focuses on customer satisfaction. The company also provides illumination measurement, site analysis, lighting simulation, customized designs and performance analysis services to its customers.

With the corporate slogan "Green Ideas for Life", the lighting business is marketing worldwide by offering both indoor and outdoor green lighting solutions in order to reduce carbon emission and environmental footprint.

Conversation with manager and focus group

Interviewee M (interview) stated that corporate and product images are improved through the engagement in CSR activities. The firm frequently updates and posts the updates of CSR activity on the company website, and promotion materials. High reputation improves the trust of customers in product specifications. The interviewee cites that there is no significant relationship between organisational competitiveness and CSR activities. But good corporate reputation may enhance customer loyalty. The interviewee also felt suppliers’ relationships cannot be enhanced by CSR activities. But
CSR can improve company reputation. Good reputation would build trust between suppliers and the company, and eventually create a win-win situation. Furthermore, CSR improves company image to customers and creates intention to purchase from the company. He also highlights that team spirit can be enhanced by participating in CSR activities. He claims that the CSR activities are mainly divided into two aspects: the first type is environmental protection and sustainable development related activities; the second type is charity-related activities. For the environmental protection and sustainable development aspect, the mainstream activities include free energy-saving seminars for the public and free environmental protection short course to university students. The energy-saving seminar indirectly gains more potential customers to core product, energy saving lamp. The free short course to university students may attract more students to apply against the posted job when they complete bachelor degree programs in Hong Kong. Compared to big corporations or MNEs, SMEs lack resources to launch CSR activities. However, CSR has benefitted the firm since CSR helps company to recruit and retain talented staff. For charity-related activities, the firm voluntarily joins CSR activities, such as providing free tutorial services to poor students. On the contrary, charitable activities can enrich community relations. The firm does not have procedures to formulate CSR strategy. The entrepreneur holds the power of decision making to allocate resources for CSR strategies, such as the support from human resources department and financial support. Economic benefits over the cost of CSR strategy are a major factor to affect the result. Therefore, CSR activities potentially create either value or economic benefit, and the company capacity is the factor to formulate CSR strategy, whereas financial and human resources are limited.

Participant K (focus group) mentioned that compliance of EU environmental regulation has been improved through employee participated CSR activities. The CSR activities participation enhanced employees’ ethical standards and the concerns for environmental protection, besides the risk management of Case-2 firm. He enjoys participating in CSR activities even though it is voluntary.

Participant P (focus group) mentioned that the promotion of energy saving leads to reduction of electricity expenses. This is evidence to the effect that SMEs can reduce the cost by engaging in CSR activities.
**Summary**

The Case-2 sample firm is at Stage 2: profitability has been the concern since the firm tried to use CSR activities to improve reputation and relationship with suppliers and then the company aims to increase the profitability finally.

The manager said that the most challenging issue for the company in the context of CSR initiative is how to balance staff and society as too much volunteer work leads to staff fatigue, though good for society.

SMEs lack resources compared with MNEs. CSR initiatives help retain talented staff and reduce staff turnover rate.

The firm has a Brand Building Team (BBT), which has undertaken CSR engagements for a new project. But it does not generate profit at all. Responsible CSR will be an advantage to bring additional sales from the market. The firm also finds environment protection is the trend and will eventually benefit CFP and customer satisfaction. CSR engagement is really important. For example, good after-sales service can increase customer loyalty.

Table 5.2.1 Summary of Findings from Focus Group and Interview of Case-2

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reductions</td>
<td>Major customers of the corporation are European companies. It essentially complies with environment regulations of European Commission. Therefore, products must be tested for ‘RoHs’ and ‘WEEE’ compliance. It is the foundation of CSR.</td>
<td>Medium</td>
</tr>
</tbody>
</table>
### Gaining Competitive Advantage

Customers intensively prefer to purchase energy saving and environmental protection products because of the potential for saving money. That would be competitive advantage of the company.

### Corporate image and reputation improvement

Entrepreneur treats Brand Building Team (BBT) as investment and a cost centre. Indeed, it can build good company reputation even though it is costly.

### Win-win situations through creation of synergistic value

CSR engagement creates opportunity to cooperate with partners in supply chain

### Relationship Between CSR and Competitiveness

Certainly, CSR engagement will eventually create sales opportunity.

### The Component for Effective CSR Strategy

Need to comply with government regulations. Company capability and reserved financial ability will directly affect the participation in CSR engagement in environmental protection. Customers’ expectations and employees affect the design of CSR strategy.

<table>
<thead>
<tr>
<th>Table 5.2.1</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak</td>
<td>Medium</td>
</tr>
</tbody>
</table>

In Table 5.2.1 the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

In the industry this sample firm operates in, increasing customer loyalty and corporate image have been the most significant determinants of CSR. However, the entrepreneur says that CSR activities are not as important as the core business. The company has been actively involved in CSR activities. It mainly improves the corporate image, and then facilitates easy access to overseas markets. Thus, corporate reputation, staff and customer loyalty are major motives to engage in CSR activities. Most of customers look at companies taking CSR initiatives as responsible companies. Even though it is true, the firm does not have the highest scores in some measurements. Indeed, there is no perfect company that gets the highest scores for all measurements.
Table 5.2.2 Summary of Findings from Focus Group and Interview of Case-2 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing opportunity</td>
<td>Engaging in CSR would improve company image to customers and create intention to purchase from the company</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate resources and skills</td>
<td>With the corporate slogan &quot;Green Ideas for Life&quot;, the lighting business is marketing worldwide by offering both indoor and outdoor green lighting solutions in order to reduce carbon emission and environmental footprint.</td>
<td>Medium</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>CSR activities enhance employees’ ethical standards and the concern for environmental protection, whereas CSR activities improve the risk management of Case-2 firm. He enjoys participating in CSR activities even though it is voluntary.</td>
<td>Medium</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>For the environmental protection and sustainable development aspect, the mainstream activities include free energy-saving seminars for the public and free environmental protection short course to university students.</td>
<td>Medium</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>The company delivers high quality products and customer service to their clients or customers. The company has optimized its induction lamps through cooperation of its engineers and customers. Staff is committed to providing the best service to their customers whether it is product design, planning, production or sales.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>The promotion of energy saving leads to reduction of electricity consumption. This is evidences to the effect that SMEs can reduce the cost by engaging in CSR activities.</td>
<td>Strong</td>
</tr>
</tbody>
</table>
Corporation ideologies and values
The corporate reputation, staff and customer loyalty are major motives to engage in CSR activities. Most customers look for a responsible company which joins CSR initiatives because of organisational mission.

The relationship with stakeholders
CSR can improve company reputation. Good reputation helps build trust between suppliers and the company, and eventually creates a win-win situation.

<table>
<thead>
<tr>
<th>Corporation ideologies and values</th>
<th>The corporate reputation, staff and customer loyalty are major motives to engage in CSR activities. Most customers look for a responsible company which joins CSR initiatives because of organisational mission.</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>The relationship with stakeholders</td>
<td>CSR can improve company reputation. Good reputation helps build trust between suppliers and the company, and eventually creates a win-win situation.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

In Table 5.2.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.1.3 Case 3

Background

Case-3 firm is a wholly owned subsidiary of a Hong Kong publicly listed company. It is a vertically integrated company that supplies a series of construction materials including cement, ground granulated blast furnace slag (GGBS), and other downstream building materials. It is also focused on how to create corporate value in sustainable and environmental friendly manner.

Conversation with manager and focus group

Interviewee KK (interview) also mentioned that a relationship between the firm’s competitiveness and CSR activities does exist. The clients appreciate that the firm can provide inexpensive products as well as environmental protection. The firm is differentiated by competitors if the company joins CSR activities; products embrace recycling of construction wastes. CSR activities are mainly divided into two aspects. The first aspect is focused on environmental protection and sustainable development. The second aspect is a social care activity. For the environmental protection and sustainable development aspect, the main CSR activities include seminars on recycling of construction waste for the public or university students, and providing free environmental protection short course to university students. The construction waste recycling seminar indirectly gains more potential customers to promote recycling products. The free short course to university students may attract more students to work for the company after graduation. The firm provides volunteer services to help the disadvantaged/disabled people, such as free household appliance maintenance services to the elderly. That can help improve community relations as well as corporate image/reputation. CSR strategies are annually reviewed. According to the company handbook, reserved funds and human resources allocation are needed to get approval and support from the board of directors to start CSR formulation. A proposal is most likely to be accepted if the proposed CSR activities can create organisational values or corporate economic benefit. Effective CSR strategy consists of four key components, which are people, sustainable development, occupational health and safety, and shareholder value. In addition, the CSR activities have to support the core business, which is the guideline
from the board of directors. CSR activities create organisational value as well as corporate image or community relations improvement. The criteria for CSR formulation depends on the annual budgeting reserved, which is controlled by the finance department and the board of directors. CSR activities related to environmental protection, waste recycling and sustainable development get priority approval. CSR strategies also cover suppliers’ relationships, organisational reputation, trust from suppliers and customers for building a win-win situation. It enhances the organization’s sustainable development.

All members of focus group, according to the transcripts, believed that CSR initiatives can benefit corporate economic performance, as well as customers. CSR also improves brand reputation and creates innovative ideas to develop new products. Even though the company agrees risk management can eventually become the form of CSR, it is not the reason to engage in CSR activities, for an effective CSR strategy, is based on four key components, people, sustainable development, occupational health and safety and shareholder value. The firm has designed four “Key Performance Indicators (KPIs)” for measurement of CSR initiatives. They are carbon dioxide emission, waste recycling, benefits to community and energy saving. CSR strategies focus on two major areas. The first area is related to business such as environment protection, whereas the second part is employees care because the deficiency of workers in construction industry is very serious. Simultaneously, the company evaluates CSR strategy and sustainable policy annually.

As participant W (focus group) highlighted core products are construction materials. Environmental protection is the core CSR issue because production of construction materials generates pollution. Encouraging employees to join CSR activities about environmental protection and sustainable development helps compliance of environmental regulations. CSR activities can also be the training course for employees, to imbibe a sense of environmental protection and minimization of pollution. Thus, CSR activities can enhance risk management simultaneously.
Participant U (focus group) found that development of recycling of construction materials can be an opportunity to develop new products, besides protecting environment. This shows that CSR can create revenue or economic benefits to company.

Participant V (focus group) stated that corporate image and reputation can be enhanced through CSR activities. The firm frequently updates and posts CSR activities on its corporate website. Good corporate image can reduce cost of public relations and build customers’ trust.

Participant MM (focus group) mentioned that he enjoys joining social care activities even though it is voluntary. He highlights team spirit can be enhanced via CSR activities.

**Summary**

In term of evolution of CSR in business survival, the Case-3 sample firm is at Stage 4, stakeholder responsibility, since the firm aims to provide community service rather than boost profits, although the CSR engagements improves the corporate image, customer loyalty and community relationship.

Table 5.3.1 Summary of Findings from Focus Group and Interview of Case-3

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reduction</td>
<td>Energy consumption and carbon emissions reduction lead to decrease in cost and eventually create economic benefit.</td>
<td>Medium</td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>SMEs have more opportunities to build reputation and eventually aim at a higher stock price.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>Uplift brand reputation and finally create corporate economic benefit.</td>
<td>Strong</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>Embedded CSR initiatives in tendered joint venture project.</td>
<td>Weak</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>CSR helps develop new products and enhance the operational or production process, and then new business opportunities arise.</td>
<td>Strong</td>
</tr>
</tbody>
</table>
The Component for Effective CSR Strategy

| Carbon dioxide emission reduction, waste water processing, waste recycling and charity | Strong |

In Table 5.3.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

The motives of Case-3 firm can be concluded to be that the CSR is not only providing social services, but is also a tool to reduce the cost and risk. It is an environmentally sensitive company and has been at the forefront of CSR and sustainable development. It has launched a variety of environmental protection and community care programs in 1980.

The company believed that CSR activities are not as important as doing the core business. However, given that the company has been actively involved in CSR activities for enhancement of corporate image, and it has finally advanced to enter the market in China.

Case-3 firm reflected that SMEs are increasing the participation in CSR through a multi-stakeholders approach and tend to indicate growing awareness. SMEs traditionally have to improve financial performance first, and then create financial returns to shareholders. When shareholders have sufficient returns on investment, they formulate CSR strategies involving stakeholders for enhancement of economic performance. However, the concept of shareholder has expanded to include various groups, communications and stakeholder values. All of them have become key factors in the success of an enterprise.

Table 5.3.2 Summary of Findings from Focus Group and Interview of Case-3 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
</table>

112
<table>
<thead>
<tr>
<th>Marketing opportunity</th>
<th>Good corporate image helps the sample firm enter the mainland China market more easily.</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate resources and skills</td>
<td>The firm designs four “Key Performance Indicators (KPIs)” for the measurement of CSR initiatives. They are carbon dioxide emission, waste recycling, benefits to community and energy saving.</td>
<td>Strong</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>Employee enjoys joining social care activities even though it is voluntary. He highlights team spirit can be enhanced via CSR activities.</td>
<td>Medium</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>CSR activities can also be a training course to educate employees for having a sense of environmental protection and minimizing pollution. Thus, CSR activities can enhance risk management simultaneously.</td>
<td>Medium</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>The clients appreciate that the firm can provide an inexpensive product as well as environmental protection.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>The free short course to university students may attract more students to work in the company after graduation.</td>
<td>Medium</td>
</tr>
<tr>
<td>Corporation ideologies and values</td>
<td>Interviewee mentioned that he enjoys joining social care activities even though it is voluntary. He highlights team spirit can be enhanced via CSR activities.</td>
<td>Medium</td>
</tr>
<tr>
<td>The relationship with stakeholders</td>
<td>The firm provides volunteer services to help the disadvantaged/disabled people, such as free household appliance maintenance services to the elderly. That can improve community relations as well as corporate image/reputation.</td>
<td>Strong</td>
</tr>
</tbody>
</table>

In Table 5.3.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.1.4 Case 4

Background
Case-4 firm is a trading company, established in 1990. Hong Kong office is mainly responsible for sales, administration, design and sample or prototype production. Hong Kong office has 30 staff. Selling analogue watches to Europe and USA is the core business.

Conversation with entrepreneur and focus group
The interviewee DD (interview) stated that CSR aspect is embedded in the product, because customers are intensely aware of the environmental protection. The company targets future or potential consumers and educates them about the product advantages in environmental protection. CSR activities are mainly focused on environmental protection and sustainable development. Key CSR activities of the company include tree planting, battery recycling, green life plan, and donations to support watch design short course in technical institutes. The participation in CSR activities indirectly improves corporate image and makes the potential customer aware of the company and its products. Funds donated to support watch design short courses may attract more young people to join the watch design industry. The engagement in CSR activities can enhance the reputation. Business network can be expanded through joining Hong Kong government coordinated CSR activities. The firm knows that analysis of characteristics of customers is the first step to formulation of CSR strategy, even though the firm does not have procedures to formulate the CSR strategy. Launching CSR activity is the first criteria to develop CSR strategy. It must be well accepted by current and potential customers. Secondly, CSR activity must create values to the firm. That would be an advance to get support from the entrepreneur. Formulation of CSR strategy and resources allocation for CSR activities come afterward. The interviewee mentioned that most Chinese entrepreneurs of SMEs believe that making profit is the one and only objective. It is hard coded in their mindset. It is really hard to get consent from the industry unless there are economic incentives. Therefore, the investment in CSR activities or strategies in SMEs must meet the criteria of the financial evaluation of the entrepreneur. The interviewee also believed that good planning and scheduling is the
foundation for effective CSR strategy formulation. Continuous monitoring and review are also important in the execution of the CSR strategy. CSR engagement also sorts out problems in recruitment, reduces the recruitment and training costs. Work force is very important in the firm. For example, if a sales manager resigns, all customer contacts are lost afterwards. Therefore, the turnover rate of sales team is a high risk.

Participant FW (focus group) mentioned that firm’s competitiveness is positively associated with CSR activities. Sales revenues are slowly growing when the European importer knows the company is engaging in CSR activities. Customer relationship is enhanced when customers know the company is engaging in activities related to CSR. Director participating in CSR activities enlarges the business network to expand the business territory effectively. The company believes that working on CSR activities is to have more opportunity to recognize customers through communication with participants. CSR activities can promote corporate image and reputation. Reputation is high and truly attracts customers. The improved reputation helps the business grow and benefits sales revenue. The sales revenue can be improved through higher reputation and trust from customer. Charitable activities participation builds and maintains the reputation. Therefore, CSR still benefits the company.

Participant PP (focus group) found that relationships with suppliers can be enhanced if a company participates in CSR activities. The firm frequently organizes and invites suppliers to participate in CSR activities. CSR activities with suppliers can enhance internal communication and trust between employees and managers as well as suppliers. Finally, CSR activities can create win-win situations to all parties. She and her colleagues are quite happy to join CSR activities since she enjoys serving the community.

Participant KK (focus group) highlighted that CSR activities can help to deliver messages about ethics to employees that effectively prevent bribery and illegal rebates. CSR activities can also enhance risk management. Specially, CSR obviously benefits in terms of intangible assets like human resources although it is uncorrelated to financial
performance. CSR participation educates staff to become mature and build good team spirit, especially in product innovation and promotion.

Participant TC (focus group) mentioned that introducing the concept of recycling materials to produce the watch case in the promotion of environmental protection would be an advance for watch design. This shows that CSR activities can create market niche for innovation as well as new product development.

Participant BC (focus group) found that corporate and product image could be enhanced through participating in CSR activities with suppliers and customers. The company frequently updates promotion materials and CSR activity in marketing materials and company website. He also believes that positive corporate image helps build customer relationship and loyalty.

**Summary**

In terms of the six stages of evolution of CSR, Case-4 sample firm is at Stage 5: Since the firm aims to enter the European market, CSR engagements can improve its reputation, customer loyalty and relationships. Customer relationship is enhanced when customers know the company is engaging in activities related to CSR.

Table 5.4.1 Summary of Findings from Focus Groups and Interview of Case-4

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reductions</td>
<td>Direct and indirect economic benefits inconspicuously affect CSR engagements in HR participation. But it benefits turnover and minimizes problems during recruitment and training.</td>
<td>Medium</td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>CSR engagement enhances communication with customers and builds trust. Eventually, competitive advantage is enhanced for creating business.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>Apparently, CSR activities benefit sales when building goodwill and trust to create more business.</td>
<td>Medium</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>CSR engagement in the issues of emissions and pollution can enhance environment protection and safety in workplace, and minimize the occurrence of risk during production. Eventually, CSR engagement helps the company easily obtain the compliance certificates.</td>
<td>Weak</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>It helps enhance competitive advantage and encourages customer repurchasing the finished products again. Because customers can justify their requirements to achieve the environmental compliance.</td>
<td>Strong</td>
</tr>
<tr>
<td>The Component for Effective CSR Strategy</td>
<td>Human Resources, Environment protection, Enhancement of employee handbook, Human Resource department follow customer’s needs in local and oversea territory.</td>
<td>Strong</td>
</tr>
</tbody>
</table>

In Table 5.4.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

The motive of Case-4 firm for CSR is compulsion to operate the business because its products are mainly marketed to Europe and America. CSR initiative increases the operational cost but it does not generate economic benefit directly. Finally, CSR creates product differentiation among competitors and competitive advantage eventually. Apparently, good CSR engagement results in good reputation. The target markets have a lot of regulations and rules to follow and are also the international policymakers. ISO 26000 has a number of regulations to obey that would encourage SMEs to comply and know through the transaction of communication, trading, manufacturing and design….etc. CSR strategy has become one of the tools to reshape the company capability and evoke innovation to gain competitive advantage. It also can reduce operating risk and create opportunity to reduce risk. For example, employee retention
can be one of the methods to save recruitment cost. CSR participation educates staff and helps them become mature and build good team spirit, especially in product innovation and promotion. Environment protection concept would be the trend to look for new market segments in the 22nd century when local governments enforce a number of regulations and rules in their cities.

Table 5.4.2 Summary of Findings from Focus Groups and Interview of Case-4 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing opportunity</td>
<td>CSR activities indirectly improve corporate image and make the potential customers aware of the company and its products.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate resources and skills</td>
<td>CSR activities can create market niche for innovation as well as new product development.</td>
<td>Strong</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>CSR participation educates staff and helps them become mature and build good team spirit, especially in product innovation and promotion.</td>
<td>Strong</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>CSR engagement also sorts out the problem in recruitment, reduces the recruitment and training costs. Work force is very important in the firm. For example, if a sales manager resigns, all customer contacts are lost. Therefore, the turnover rate of sales team is always a high risk.</td>
<td>Strong</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>CSR aspect is embedded in the product, because customers are intensely aware of the environmental protection.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>It also can reduce operating risk and create opportunity to reduce risk. For example, employee retention can be one of the methods to save recruitment cost.</td>
<td>Medium</td>
</tr>
<tr>
<td>Corporation ideologies and values</td>
<td>The company believes that working on CSR activities is to have more opportunity to recognize customers through communication with participants.</td>
<td>Medium</td>
</tr>
</tbody>
</table>
The relationship with stakeholders can enhance internal communication and trust between employees and managers as well as suppliers.

| The relationship with stakeholders | CSR activities with suppliers can enhance internal communication and trust between employees and managers as well as suppliers. | Medium |

In Table 5.4.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.1.5 Case 5

Background
Case 5 is one of the leading suppliers and exporter of Latex Examination Gloves, Nitrile Examination Gloves and Latex Surgical Gloves. The company was established in Hong Kong in 2000 with supporting production in Mainland China. The company mainly exports products to Europe, North and South America, and Middle East countries.

Conversation with entrepreneur and focus group
Interviewee JM (interview) is a managerial staff with over 10 years’ experience of CSR. He knows that once an employee joins CSR activities, he/she gets energized to work for the company with good performance. He realizes that CSR is costing activities with rare tangible economic returns. Promotion of moral life is corporate culture and mission. He mentioned that the team spirit could be enhanced while joining CSR activities. He found that the firm intensively builds ethical standards for all staff through forcing employee participation in CSR activities. He also believed that risk reduction depends upon high ethical standards of employees. He claimed that there is no concrete relationship between the firm’s competitiveness and CSR activities. But the positive corporate image improves market ranking. Suppliers’ relationships and reputation can be enhanced by CSR activities. Good reputation builds the trust between new suppliers and the company, and then creates a win-win situation. Furthermore, the high reputation and positive corporate image leads suppliers to offer long credit terms to the firm, which results in operating cost reduction. He claimed that CSR activities are mainly focused on environmental protection and community service. For the community service, the firm provides volunteer services to local community, such as free wall painting services to low income families. That improves the community relations. He claimed that the firm has procedures to formulate the CSR strategy. The CSR activities should create organisational value or intangible economic returns to the company and that is the first criterion. Secondly, CSR activity or strategy must need to match organisational vision and mission. If CSR strategy satisfies these two criteria, then the CSR strategy would be easily supported and approved by entrepreneur. It
would be better if Hong Kong government can grant the funds to the firm for launching CSR activity. That would encourage the firm to participate in more activities about CSR. He mentions that his company is in the stage of survival and finds the cost to implement full set of CSR expensive.

Participant JK (focus group) mentioned that the staff of IT department is frequently in-charge of CSR activities. IT staff always discussed how to conduct free seminars on green society, energy saving, and environmental protection. It was really hard to get the approval for CSR activities from senior management even though it was well planned. He claimed his mind set is totally changed after receiving CSR concept. For example, the firm intensively implements cloud technology to store data that can reduce number of servers and storage of personal computers in office. This arrangement can save money for space in the office and electricity charges, as well as environmental protection. He highlighted that he was quite happy to participate in CSR activities because he benefits from participating in CSR activities of community even though it is voluntary. He believed that CSR helps the firm to retain and recruit talented staff.

As participant OJ (focus group) mentioned that the compliance to EU environmental regulations has been improved through employee’s participating in CSR activities. Apparently, the ethical standards in the mind set of employees can be uplifted through participating in CSR activities. Therefore, CSR activities can improve the risk management in the company. He also realized that the balance between CSR and business economics was so important. Ethics is high priority in CSR, it is indispensible, and business ethics is the company culture. The under table transactions and rebates are prohibited in the company. Besides ethical issues, CSR policy encourages employees to pay attention to environment protection and sustainable development. CSR policy is in budding stage because of the organisational capability.

Participant PJ (focus group) mentioned that deploying LED lamp in office can be one way of promoting energy savings as it reduces electricity consumption. This suggests that SMEs can reduce the operating cost by engaging in CSR activities. Another key
component for CSR strategy should include employee participation, company financial resources, corporate mission, and internal resources.

Summary

The case-5 sample firm is at Stage 4: stakeholder responsibility since the managerial staff realizes that CSR is cost activities and lack economic returns. Even the team spirit can be enhanced by joining CSR activities. It is more important as ethical standards for all staff could be improved when employees participating in CSR activities.

Table 5.5.1 Summary of Findings from Focus Group and Interview of Case-5

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reductions</td>
<td>CSR initiatives reduce operational risks, especially to the environmental policy and product compliance for customer satisfaction and legal obligations.</td>
<td>Medium</td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>The environmental policy creates product differentiation and strengthens organizational capability among competitors.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>The sustainable development strategy enhances corporate image and reputation.</td>
<td>Medium</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>CSR creates more business opportunity overseas. It also enhances the renovation and development of new products after execution of sustainable development strategy</td>
<td>Weak</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>The environmental policy enhances the organizational competitiveness through the differentiation among competitors.</td>
<td>Medium</td>
</tr>
<tr>
<td>The Component for Effective CSR Strategy</td>
<td>The key components of the CSR strategy are products focused on the concept of environmental protection and corporate sustainable development.</td>
<td>Medium</td>
</tr>
</tbody>
</table>
In Table 5.5.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

The motives of Case-5 firm are that the CSR is compulsory for operating the business. It is because the company must comply with a series of regulations of Europe, America and Middle East countries for medical consumable products, such as surgical and examination gloves. It is the initiative to encourage CSR activities via CSR strategies. Apparently, CSR initiative increases operational cost and does not generate economic benefit directly. Entrepreneur also supports CSR activities while employing new technology for cost saving as well as considering environment protection, such as use of LED lamps to replace the current lighting system and cloud storage to replace partial existing IT equipment. Employees are encouraged to participate in CSR activities. Even though the company is a SME in Hong Kong, funds for CSR activities are insufficient and not be comparable to large enterprises. SMEs always face financial challenge and organisational survival, market competition. The company also highlights the support from Hong Kong government. It will participate in more activities if Hong Kong government sponsors funds for CSR activities. Organisational survival is the highest priority in Hong Kong. The second priority is sustainable growth and development. The third priority is profit. The hottest challenge is to face unreasonable requests from customers. It is really ridiculous because customers ask for lower selling price with uncontaminated or non-toxic materials in packaging, and higher quality of silicon rubber. Even though it is not a legal issue, the company is still insisted on satisfying customers’ needs with less profit for corporate ethics.

The ethical consideration is a factor to motivate the company to participate in CSR activities. All Chinese entrepreneurs of the company are influenced by traditional culture to pay more attention to ethics and complying with local government policy or regulation for legal obligations. The company finds CSR can be involved in human resource, information technology and customer relationships. The company tries to maintain the friendly relationship between employees and entrepreneur, instead of employment relations. Entrepreneurs and senior managers help employees to solve
personal or family problems. The company frequently cares and supports the poverty stricken in the community, but it may affect the efficiency of operations. Indeed, CSR engagement improves brand name, reputation and corporate image. Shareholder value is not a factor to motivate CSR because the mindset of shareholder prior gets economic benefit returns on their investments. It is totally different for family owned SMEs in Hong Kong. They usually concern the sustainable development of company and survive in market.

Formulation of effective CSR strategy involves precise planning and scheduling. The company has weekly meetings with senior managers of all departments to cover plans and schedules of CSR activities rather than only focusing on routine work. The monitoring and assessment of CSR outcomes is always an essential element in CSR strategy. In addition, the company acts as a learning organisation with limited human resources and expertise on CSR activities. Thus, the company cannot work on all aspects in CSR. It also needs to plan first and then formulate the CSR strategy before working on CSR because of limited resources, organizational capability and employee ability. Indeed, CSR initiative enhances corporate image and brand name.

Table 5.5.2 Summary of Findings from Focus Group and Interview of Case-5 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing opportunity</td>
<td>CSR can be involved in human resources, information technology and customer relationships.</td>
<td>Medium</td>
</tr>
<tr>
<td>Corporate resources and skills</td>
<td>Formulation of effective CSR strategy, involves precise planning and scheduling. The company has weekly meetings with senior managers of all departments to cover plans and schedules of CSR activities rather than only focusing on routine work.</td>
<td>Medium</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>Entrepreneurs and senior managers help employees to solve personal or family problems. The company frequently cares and supports the poverty stricken in the community, but it may affect the efficiency of operations.</td>
<td>Medium</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>The company acts as a learning organization with limited human resources and expertise on CSR activities.</td>
<td>Medium</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>It is because the company must comply with a series of regulations of Europe, America and Middle East countries for medical consumable products, such as surgical and examination gloves.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>Furthermore, the high reputation and positive corporate image leads suppliers to offer long credit terms to the firm, which results in operating cost reduction.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporation ideologies and values</td>
<td>The monitoring and assessment of CSR outcomes is always an essential element in CSR strategy.</td>
<td>Medium</td>
</tr>
<tr>
<td>The relationship with stakeholders</td>
<td>Good reputation builds trust between new suppliers and the company, and then creates the win-win situation.</td>
<td>Strong</td>
</tr>
</tbody>
</table>

In Table 5.5.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.1.6 Case 6

Background
Case-6 firm is an overseas subsidiary of a Japanese business group operating globally. It was founded in Hong Kong in 2001 and planned to deliver the mission of headquarter with positive image to society targeting the growth of youth through sports. The company aims to contribute to the world’s sustainable growth by creating a quality lifestyle over the world with funds to philosophy.

The company believes in CSR principles and they undertakes “Stakeholder engagement”, “Respect for human rights and encourage sound development of individuals”, “ethical behaviour and Compliance”, and “Accountability and Transparency”.

Respecting the CSR principles, the company strives towards implementing the following CSR Objectives:

- To provide valuable products and services through sports to customers.
- To provide technological, innovative and sustainable products and services that meet customers’ needs and create a quality lifestyle.
- To fulfill the social responsibility and help improve conditions for communities around the world and then seek to minimize the environmental impacts of product design, production processes and other business activities.
- To engage in community activities and aim to make contribution to community development through sports culture, health and others.
- To operate with fair business practices and profit sharing.

Conversation with manager and focus group
Interviewee OM (interview) stated that corporate and product image have been improved through engaging in CSR activities. The company frequently updates and posts CSR activities on the company website and promotion materials. This promotes the good corporate image and then enhances reputation and positive corporate image, as well as to attract the awareness of customers about products. The interviewee
highlighted that firm’s competitiveness is significantly associated with CSR activities. The enhancement of company reputation can help it to enter new markets. Supplier’s relationship can be improved by the transparency of procurement procedures. That would foster a win-win situation. Furthermore, the customer relationship improves when the customer knows that our firm engages in related CSR activities. The interviewee claimed that CSR activities are mainly divided into two aspects: the first category is environmental protection; the second category is charitable activities. He highlights that the company has procedures to formulate CSR strategy. Headquarters in Japan endorse the CSR strategy and assign local funds to support the deployment. But CSR activities must comply with headquarters’ CSR policy, and then create the value in Asia market.

Participant PH (focus group) mentioned that human resources department frequently conducts courses to update sales and marketing staff about the competition rules and intellectual property rights. By regularly participating in this kind of education, employees learn the principles of fair competition and then reduce operational risk of firm.

Participant PP (focus group) found that promoting reuse of printed paper is part of environmental protection encouragement that would result in cost reduction. This is evidence to the effect that SMEs can reduce the cost by engaging in CSR activities.

Participant M (focus group) mentioned that he was quite happy to participate in CSR activities. It was because he benefited by voluntarily participating in CSR activities in the community. The interviewee also highlighted that team spirit has been enhanced after the staff started participating in CSR activities.

Participant N (focus group) stated that the firm provides volunteer services to the local community, such as million walk. The charity activity could improve the community relations.

**Summary**
The Case-6 sample firm is at Stage 6: internationalization since the firm is a subsidiary of an international corporation. CSR is a mission of its headquarters. Headquarter in Japan endorses the CSR strategy and assigns local funds to support the deployment. But CSR activities must comply with headquarters’ CSR policy, and then create the values to Asia market finally.

Table 5.6.1 Summary of Findings from Focus Group and Interview of Case-6

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reductions</td>
<td>The CSR engagement reduces the risk of complaints, claims from customers.</td>
<td>Strong</td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>Contribution to community service is effective to promote brand name and enhance customer loyalty.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>The corporate image can be protected or maintained through the deployment of CSR engagement</td>
<td>Medium</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>CSR initiatives enhanced the relationship to retailers</td>
<td>Weak</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>CSR contributes to brand name building and results in improved competitiveness.</td>
<td>Medium</td>
</tr>
<tr>
<td>The Component for Effective CSR Strategy</td>
<td>The key element of CSR strategy is community service.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

In Table 5.6.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

Hong Kong subsidiary was set up in July 2001. The Hong Kong office is the first subsidiary in Asia Pacific. This Japanese international group did not have any branch office in Hong Kong before 2001. The key role of Hong Kong subsidiary is to be responsible for consolidating customer issues and orders in Asia Pacific region. The company has many purchasing orders from overseas, such as America and the brand office in Los Angeles. The group also has another branch office in Amsterdam in Europe. Headquarter of the group is located in Kobe, Japan. Its branches are aimed to improve the logistics and profit margin improvement. Hong Kong subsidiary mainly operates for merchandising. Thus, quality of human resources is key aspect and
important for success in the region. That’s why the group set up in Asia pacific office in Hong Kong to retain talented staff. Hong Kong assigns staff to build a vendor database and perform as sourcing house.

CSR reporting is a key activity regarding CSR initiatives in the manufacturing factory to Hong Kong office. A CSR team is assigned to work on each factory. They may be managed by factory manager and periodically submit CSR reports to Hong Kong for auditing.

The reinforcement of CSR initiatives can enhance brand name, reputation and corporate image, the good reputation. It also benefits bank funding at lower interest rates for expanding the business territory. Thus, CSR is a long-term strategy in Hong Kong office to build the trust from customers and affecting their buying decision or intention.

The company has non-fixed and non-routine process as unstructured strategy to formulate CSR strategy in Hong Kong office. Case-6 also finds human resources, environmental protection and partnering relationship in supply chain, and customer relationship are key components in the CSR strategy. It also emphasizes focus on CSR activities of supplier and business partners. Punishment system is implemented to suppliers for non-compliance of CSR engagement, such as child labour and improper waste disposal.

The CSR initiative also reduces operating risk, especially related the hiring of child labour by the suppliers in their own factories. Brand name and corporate image can get damaged and it may be difficult to recover in a certain period. Customers also lost the interest or intention to buy the products simultaneously. Conclusively, CSR helps in brand name building. For example, UNIQLO recycle activity promotes the recycle of used clothes. UNIQLO sends the collected clothes to developing countries and distributes to someone who needs. This CSR activity provides a positive effect in brand name.

Conclusively, CSR engagement improves the brand name, reputation and corporate image. A good reputation helps the firm raises loans from the banks at low interest rates.
The execution of CSR strategy also reduces the risk of our firm. Once our vendor or supplier employs child labour, it damages corporate brand name and corporate image; the consequence would make the firm lose the market share.

For the formulation of CSR strategy, senior management of the company makes commitment to do CSR. They delegate the mission to operational management and allow them to independently execute or formulate CSR strategy. The company emphasizes that complicated CSR strategy is unnecessary. It is because the company believes simple is best and too complicated may be costly. The company feels that the staff may have been confused and mis-understand at the beginning stage to deploy CSR. Later, it is running smoothly and everyone knows how to allocate resources properly. Furthermore, the operational management makes the final decision and formulates CSR strategy, after considering marketing information, customers’ needs, the trend of CSR and public opinion. For example, the hottest topic recently is the harmful dye used in children’s clothing. CSR strategy must focus on it. CSR strategy must be built on the foundations of customer’s expectation, their suggestions and marketing trends. Competitor action in CSR is a key component to design CSR strategy.

Table 5.6.2 Summary of Findings from Focus Group and Interview of Case-6 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing opportunity</td>
<td>CSR is a long-term strategy in Hong Kong office to build customer trust affecting their buying decision or intention. The enhancement of company reputation could be an advance to enter the new market.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate resources and skills</td>
<td>The CSR initiative also reduces operating risk, especially of supplier recruiting child labour in their factories. Brand name and corporate image can get damaged and it may be difficult to recover in a certain period.</td>
<td>Medium</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>Human resources department frequently conducts courses to update sales and marketing staff about the competition rules and intellectual property rights. By regularly participating in this kind of education, employees learn the principles of fair competition and then reduce operational risk of firm.</td>
<td>Medium</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>Senior management of the company makes commitment to do CSR. They delegate the mission to operational management and allow them independently to execute or formulate CSR strategy.</td>
<td>Medium</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>CSR reporting is a key activity regarding CSR initiatives in the manufacturing factory to Hong Kong office. A CSR team is assigned to work on each factory. They may be managed by factory manager and periodically submit CSR reports to Hong Kong for auditing.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>CSR engagement improves the brand name, reputation and corporate image, the good reputation make the firm easily to have a loan from the banks at low interest rates.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporation ideologies and values</td>
<td>The key role of Hong Kong subsidiary is responsible for consolidate customer issues and orders in Asia Pacific region. The company has many purchasing orders from overseas, such as America and the brand office of Japan international group in Los Angeles.</td>
<td>Medium</td>
</tr>
<tr>
<td>The relationship with stakeholders</td>
<td>Supplier’s relationship can be improved by the transparency of procurement procedures. That would foster a win-win situation.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

In Table 5.6.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.1.7 Case 7

Background
Case-7 sample firm is a sales and buying office for its products in Asia, founded in 2002. The company is conveniently located in Hong Kong as the business hub in Asia adjacent to the southern door of China, which is Shenzhen, and close to the manufacturing city of the world that is Dongguan. The company has provided excellent services working for sourcing, merchandising, and quality control to logistic support about various homes and catering appliances targeting customers' needs.

Conversation with manager and focus group
Interviewee JO (interview) mentioned that the corporate and product image has improved because of CSR activities. The firm has frequently updated and posted CSR activities on the company website, and promotional materials. High reputation improves the customers’ trust in terms of product safety and reliability. The interviewee stated that there is no solid relationship between the firm’s competitiveness and CSR activities. Customers having good perceptions about the company may result in customer loyalty. CSR activities also enhance supplier relationships. In addition, CSR can improve company reputation. Good reputation increases the trust from suppliers, and then creates the win-win situation. Furthermore, customer relationship can be enhanced when customer knows the company is engaging in CSR activities.

Participant WH (focus group) stated that high quality and competitive products can survive only in European markets, high value “defect-less” products with lower price. The reliability of products is the most important factor for customer loyalty. Therefore, transparent procurement is also important to ensure proper operations of supply chain. However, reliable suppliers are important to the firm to maintain or increase the market share.

Participant KH (focus group) claimed that the company participates in charitable activities and posts CSR activities on company website and newsletter. It makes customers have a positive corporate image about the firm. Therefore, CSR helps the company to build a good corporate image and reputation. In long run, good corporate
image and reputation helps the firm to dominate the marketplace, especially in European markets. If the company engages in CSR activities and reports it in its newsletter, the department stores (retailers) would likely display its products on the shelves. Customer purchasing intention is not limited to price and product itself. Company image and reputation take an important role to customer decision.

Participant OO (focus group) highlighted that team spirit has improved because of the staff joining CSR activities. It also uplifts adherence to ethical requirements throughout the office. Furthermore, CSR activities improved the risk management. The interviewee claimed that CSR activities mainly divided into three aspects, environmental protection, energy saving and charity activities. For environmental protection, the main activities include re-design of the existing product. Switching off the air conditioner at lunchtime is one of CSR activities in energy saving. For the charitable activities, the firm provides volunteer services to the local community such as free repair services for household appliances. The charity related activities can improve the community relations.

Participant, OP (focus group) mentioned that promotion of energy saving practices such as changing fluorescent lamps into LED light leads the reduction of monthly electricity. Thus, SMEs can reduce cost via engaging in CSR activities.

Participant OD (focus group) mentioned that he enjoys participating in voluntary CSR activities in the community because he benefits from such activities. He states that team spirit can be enhanced when staff participates in CSR activities.

**Summary**
The Case-7 sample firm is at Stage 2: profitability since the firm aims to enter China market. CSR engagement enhances the reputation and corporate image, and then make entering China market more easy.
Table 5.7.1 Summary of Findings from Focus Group and Interview of Case-7

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reduction</td>
<td>● To reduce the risk from customer claims and complaints.</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td>● To reduce the promotion cost through CSR engagement.</td>
<td></td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>The CSR activities tell more people to know about the product differentiation.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>CSR engagement can build a good brand name quickly.</td>
<td>Strong</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>The CSR engagement enhances the relationships with customers and retailers.</td>
<td>Weak</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>The CSR initiatives help the company to enter China mainland market more easily.</td>
<td>Medium</td>
</tr>
<tr>
<td>The Component for Effective CSR Strategy</td>
<td>The key component is the community service. It would help the company to enter china market easily.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

In Table 5.7.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

According to the results of interview and focus group with company staff, CSR helps the company to create economic benefits. It has an advantage in terms of marketing its product in Europe with little barriers because it is a European SME. CSR engagement is an investment embedded for achieving the compliance in Europe. Failure to comply with the requirements of the European Commission may result in loss of the whole EU market. Its products must satisfy customers’ requirements. Thus, the firm ensures suppliers providing quality products with environmental, non-carcinogenic and non-harmful materials via the achievement of ‘RoHs’ or ‘WEEE’. If suppliers cannot supply quality products or materials, the company will fail in CSR performance. The company would cease the business relationship with suppliers until they improve their performance. The company needs to re-educate suppliers or find substitutes if they fail to supply quality products or materials. This will be time costly. Therefore, CSR leads economic benefits to the company.
The company’s products are reliable. CSR is important with EU clients. If the company plans to obtain more market share, the company needs to increase the quality of products and it is the cause-effect relationship. Therefore, reliable suppliers are important to the company, especially in the market of Europe Economic Community.

Moreover, CSR helps the company in market development and growth. CSR initiatives can reduce operational risk and boost cost savings, as the figures have illustrated in financial report.

Most companies join charity activities and disclose their CSR activities in newsletter addressing their customers. Similarly, the company’s brand name is enhanced as well. Good reputation can change customer preference and intention to purchase products rather than merely considering on price, appearance and functionality, etc... In addition, a good brand name and high reputation help the company easily to acquire good quality suppliers. In customer aspect, reliable and quality products attract more customers to buy its products.

In supply chain aspects, brand name and high-level transparency encourage suppliers to allow the company 120 days payment terms. This improves cash flow and liquidity. Furthermore, low interest rate and easy access to bank loans can create economic benefits to the firm via CSR. Good reputation makes suppliers provide better credit terms than competitors. In sales aspects, retailers or department stores are willing to shorten the payment for the company because of CSR engagements in the products.

For formulation of CSR strategy, firstly, the operational management submits the initial proposal to the board of directors for approval. The content of proposal is focused on client’s ideas and current trend of CSR activities. However, the designed CSR activities need to create an economic benefit to the firm finally. Then the top management supports and commits to deploy CSR strategy. After approval, the board of directors delegates operational management to execute CSR strategy. The operational management also has to submit monthly progress report to board of directors for further monitoring.
<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing opportunity</td>
<td>High reputation improves the customers’ trust in product safety and reliability. Customers having good perceptions about the company may result in customer loyalty. Customer relationship can also be enhanced when customer knows the company is engaging in CSR activities.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate resources and skills</td>
<td>Promotion of energy saving such as changing fluorescent lamps into LED light leads the reduction of monthly electricity charges.</td>
<td>Strong</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>The team spirit has improved since the staff joined CSR activities. It also uplifts ethical behaviour throughout the office.</td>
<td>Medium</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>Thus, the firm ensures suppliers provide quality components with environment-friendly, non-carcinogenic and non-harmful materials via the achievement of ‘RoHs’ or ‘WEEE’. If suppliers cannot supply quality components or materials, the company will fail in CSR performance.</td>
<td>Medium</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>The company has provided excellent services working for sourcing, merchandising, quality control to logistic support about various home and catering appliances targeting to customers' needs.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>In supply chain aspects, brand name and high-level transparency encourage suppliers to allow the company has 120 days payment term. It would improve cash flow at all. The promotion of energy saving such as changing fluorescent lamp into LED light leads the reduction of monthly electricity charges.</td>
<td>Strong</td>
</tr>
</tbody>
</table>
Corporation ideologies and values

CSR engagement is investment embedded for achieving the compliance in Europe. Failure to comply the requirements of European Commission may result in loss of the whole market of the European Economic Community.

The relationship with stakeholders

CSR activities also enhance supplier’s relationship. Good reputation would increase the trust from suppliers, and then create a win-win situation.

In Table 5.7.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.1.8 Case 8

Background
Case-8 firm is a local private SME. The entrepreneur established the company in 2006 and the business nature mainly focused on trading sector for overseas buying. All products are directly shipped out to Europe and USA market by China mainland suppliers. The company always attends approximately 10 major international exhibitions worldwide per annum for the purpose to catch up with the large buyers. The company had over twenty employees in Hong Kong, Shenzhen, Canada and Malaysia at the beginning stage. The company business structurally migrated from global trading sector to local service sector after the financial tsunami in 2008.

The company allocated its resources to serve the local industry in the area of energy savings in lighting (green market) industry in 2010. The service territory is limited to Hong Kong Special Administrative Region (HKSAR) and it has only eight employees. Most deals or projects are completed through partnership with manufacturers and sub-contractors. It works as consultant providing solution based proposals and project management to large companies and Hong Kong government.

Conversation with entrepreneur and focus group
Interviewee LL (interview) is the founder of the firm. The interviewee realized that green business would be a huge industrial sector in Hong Kong. The interviewee believed that human resources are an important asset of the company and sales and marketing staff need to know more about environmental protection. Thus, he encourages and sponsors employees to attend annual exhibitions and free seminars to acquire knowledge about sustainable development and related information. His company mainly focuses on energy saving lamps that is the selling point to penetrate the market in Hong Kong. He believes that CSR creates economic benefits to the firm indirectly. CSR engagement creates good relationship with clients. Most CSR activities are an opportunity to train or educate employees and enrich their knowledge about environmental protection.
Participant PP (focus group) stated that CSR engagement can enhance company image and reputation as well as customer loyalty. Commitments of product quality and delivery time to customer can enhance company image and build trust with them. On the contrary, poor CSR initiatives can easily damage company image. The interviewee enjoys participating in voluntary CSR activities.

Participant KD (focus group) mentioned that risk reduction is an incentive to the firm for CSR engagement. The interviewee stated that team spirit was enhanced after staff joined CSR activities. He finds that corporate and product image can be enhanced through engaging in CSR activities. The firm frequently updates and posts CSR activities on the company website and promotion materials. Good reputation improves the customer’s trust.

Participant GH (focus group) mentioned that the compliance to EU environmental regulations can be improved through employee participation in CSR activities. The interviewee also highlighted that employees can be educated about CSR activities for uplifting organisational capability and competitive advantage as well. He reflects that supplier’s relationship can be enhanced by CSR activities because CSR improves reputation. Good reputation increases the trust from suppliers, and then creates a win-win situation. Furthermore, the customer relationship can be improved when customer knows the company is engaging in CSR activities.

Participant PPK (focus group) stated that promotion of energy saving, such as changing fluorescent lamps into energy saving lamps, leads to reduction of electricity charges monthly. Then the company can be benefited with CSR activities. The interviewee also mentioned that the firm’s competitiveness is positively associated with CSR activities. It is because positive customer’s perception of corporation may have effects on customer loyalty.

**Summary**
The Case-8 sample firm is at Stage 5, globalization, since the firm aims to expand in the European markets. CSR engagement would enhance its reputation and customer perception, and then make it expand in European markets more easily.
Table 5.8.1 Summary of Findings from Focus Group and Interview of Case-8

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk and cost reductions</td>
<td>The risk can be reduced through CSR engagement. Overseas customers are the key buyers of the products.</td>
<td>Strong</td>
</tr>
<tr>
<td>Gaining Competitive Advantage</td>
<td>Employees to attend annual exhibitions and free seminars to acquire knowledge about sustainable development and related information.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate image and reputation improvement</td>
<td>CSR activities have feasible effects to reputation. CSR reporting of the company does not influence reputation or brand management</td>
<td>Medium</td>
</tr>
<tr>
<td>Win-win situations through creation of synergistic value</td>
<td>Enhance the relationship with suppliers and customers through CSR initiatives, especially environmental aspects.</td>
<td>Weak</td>
</tr>
<tr>
<td>Relationship Between CSR and Competitiveness</td>
<td>CSR policy and strategy lead to product differentiation, especially in environmental aspects. Competitive advantage is also gained by our CSR strategy.</td>
<td>Strong</td>
</tr>
<tr>
<td>The Component for Effective CSR Strategy</td>
<td>Most CSR activities are an opportunity to train or educate employees and enrich their knowledge about environmental protection.</td>
<td>Strong</td>
</tr>
</tbody>
</table>

In Table 5.8.1, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.

The founder realized that green business is a huge sector to develop in the coming future globally. Customer satisfaction is a catalyzer that fosters CSR to build substantial connection between customers and the company. The interviewee also believed that this connection can be substantially beneficial to competitiveness and corporate finance performance.
CSR is important to human resources, especially sales and marketing staff. Senior management encourages employees to attend annual exhibitions, seminars knowing about the environmental protection and sustainable development.

According to the nature of company business, it is easy to balance CSR and profit. It is not to realize that the major products of the company are energy saving lamps. Thus, promotion of environmental protection and sustainable development can boost sales revenue in Hong Kong.

CSR engagement creates economic benefit to the company directly, especially in getting certificates to sell the energy saving lamps in Europe. It is because the company has “product advantage” among competitors. It also helps the company to promote the energy saving lamps in new market. “Market share” in Europe can be enhanced via engaging in CSR activities.

Even though Hong Kong is a new market for the company, people buying its products can save electricity as part of environmental protection. It also fits in the CSR engagement of the company focusing on the customer’s expectation and needs. Thus, CSR engagement can benefit the community and society.

CSR engagement has created better relationships with customers. It reflects that CSR strategy is very important to create buying intentions of customers. Simultaneously, internal training in HR for enrichment of knowledge of employees is the foundation to build an effective sales team. The participation in CSR activities creates a team spirit for staff, and then minimizes conflicts occurring among employees during the daily operations.

Company mission is very clear to employees and customer that product differentiation focuses on energy saving lamp. The product design aims at environmental protection in CSR engagement with high quality product and low selling price to customers. Five years warranty is one of the selling points and competitiveness among competitors. That is part of CSR implementation to customers.
Reputation and corporate image improvement are by-products of CSR engagement. They can enhance customer loyalty. The company delivers quality products on time. The corporate image is improved. On the contrary, reputation and corporate image are easily destroyed if the company does not maintain good CSR initiatives.

For the risk management aspect, risk reduction is an incentive to the company for CSR engagement. The company tries to involve CSR engagement into all aspects of operating process. Then the risks can be reduced by embedding CSR in daily operations.

For effective CSR strategy formulation, service and concept are important. Firstly, employees initially suggest CSR activities. If the suggestion is designed for products or customers, groups of employees will act on behalf of customers and analyze the feasibility of the proposal. The second step is to think about the benefit to the company and customers from deploying the CSR strategy. Then, using financial justification to assign sufficient funds for deploying is the next step. Lastly, employees will construct milestones and events to implement and monitor the progress.

Table 5.8.2 Summary of Findings from Focus Group and Interview of Case-8 for Corporate Social Responsibility Strategy

<table>
<thead>
<tr>
<th>Motivating factors</th>
<th>Findings</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing opportunity</td>
<td>CSR engagement creates economic benefit to the company directly, especially in getting certificates to sell the energy saving lamp in Europe.</td>
<td>Strong</td>
</tr>
<tr>
<td>Corporate resources and skills</td>
<td>The owner realizes that sales and marketing staff need to know more about environmental protection in the market. Thus, he encourages and sponsors employees to attend annual exhibitions and free seminars to acquire sustainable development knowledge and information. It is because the company mainly focuses on energy saving lamp that is the selling point to penetrate the market in Hong Kong.</td>
<td>Medium</td>
</tr>
<tr>
<td>Values and aspirations</td>
<td>The participation to CSR activities creates a team spirit for staff, and then minimizes conflicts occurring among employees during daily operations.</td>
<td>Medium</td>
</tr>
<tr>
<td>------------------------------------------------------------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Knowledge of obligations to society and shareholders</td>
<td>Even though Hong Kong is a new market to the company, people buying its products can save electricity as part of environmental protection. It also fits to the CSR engagement of the company focusing on the customer’s expectation and needs. Thus, CSR engagement can benefit the community and society.</td>
<td>Medium</td>
</tr>
<tr>
<td>Structure of the industry</td>
<td>The product design aims at environmental protection in CSR engagement with high quality product and low selling price to customers. Five years warranty is one of the selling points and competitiveness among competitors. That is part of CSR implementation to customers.</td>
<td>Medium</td>
</tr>
<tr>
<td>Internal resources of the firm</td>
<td>The participation in CSR activities creates a team spirit for staff, and then minimizes conflicts occurring among employees during the daily operations.</td>
<td>Medium</td>
</tr>
<tr>
<td>Corporation ideologies and values</td>
<td>Risk reduction is an incentive to the company for CSR engagement. The company tries to involve CSR engagement into all aspects of operating process. Then the risks can be reduced through embedded of CSR in daily operations.</td>
<td>Medium</td>
</tr>
<tr>
<td>The relationship with stakeholders</td>
<td>CSR engagement has created better relationship with its customers. It reflects that CSR strategy is very important to create buying intention from customers.</td>
<td>Medium</td>
</tr>
</tbody>
</table>

In Table 5.8.2, the significance weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interview and focus group.
5.2 The Motivation of SMEs for CSR Engagement

In accordance with data collected from focus groups and interviews, the sampled SMEs have a variety of reasons to engage in CSR. Some of the potential benefits are reducing risk and cost, reputation improvement, gaining competitive advantage, and achieving win-win situations through creation of synergistic value. “Gaining Competitive Advantage” means creating competitiveness to uplift provide products or services to sustainability in the marketplace. It does not mean continually sustainable because of rivalry. “Relationship between CSR and competitiveness” means the company becomes continually sustainable because of embedded CSR. The relationship between CSR and competitiveness illustrates the level and depth of the CSR embedded in competitiveness. Thus, CSR becomes a factor that enhances competitive advantage for ongoing sustainability.

The participated managers of sample SMEs mostly claimed that the motives for CSR engagements could be grouped on value proposition created and defined from CSR initiatives. According to this categorization, CSR is a tool to achieve:

- Risk and cost reduction;
- Competitive advantage;
- Corporate image and reputation improvement;
- Win-win situations through creation of synergistic value (Kurucz, Colbert et al. 2008).

The case studied results involved with motivation of SMEs for CSR engagement are summarized in Table 5.9.

Table 5.9 Motivations for SME to engage CSR

<table>
<thead>
<tr>
<th>Case</th>
<th>Factor 1: Risk and cost reductions</th>
<th>Factor 2: Competitive advantage</th>
<th>Factor 3: Corporate image and reputation improvement</th>
<th>Factor 4: Win-win situations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>Medium</td>
<td>Strong</td>
<td>Medium</td>
<td>Medium</td>
</tr>
</tbody>
</table>
### Table 5.9.1 Data matching for the motivation factors to engage CSR between theoretical predication and actual collected data

<table>
<thead>
<tr>
<th>Source/Matching</th>
<th>Figure 2.2 (Theoretical predication)</th>
<th>Collected data from eight sample SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Components of Figure 2.2</td>
<td>Reputation</td>
<td>● Corporate image and reputation improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Competitive advantage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Win-win situations</td>
</tr>
<tr>
<td>Second Component of Figure 2.2</td>
<td>Shareholder Value</td>
<td>● Corporate image and reputation improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Competitive advantage</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Win-win situations</td>
</tr>
<tr>
<td>Third Components of Figure 2.2</td>
<td>Risk Management</td>
<td>Risk and cost reduction</td>
</tr>
<tr>
<td>Fourth Component of Figure 2.2</td>
<td>Governmental relationship improvement</td>
<td>Win-win situations</td>
</tr>
<tr>
<td>Fifth Component of Figure 2.2</td>
<td>Corporate Ethical Value</td>
<td>Corporate image and reputation improvement</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Win-win situations</td>
</tr>
</tbody>
</table>
Reducing Costs and Risks
For risk and cost reductions, sample firms engaging in CSR activities helps reduce exposure to risks and inefficient expenditures (Kytle and Ruggie 2005).

Equal employment opportunity policies and practices
CSR activities in the form of equal employment opportunity practices and policies enhance short-term or long-term value for shareholders by reducing risks and costs. The equal employment opportunity practices and policies also reduce turnover rate of employees through the improvement of employee morale (Kytle and Ruggie 2005). This result is consistent with S. L. Berman (1999) who observed that the lack of diversity might cause higher absenteeism and turnover rate from disgruntled staff (Berman, Wicks et al. 1999).

Energy-saving and other environmentally sound production practices
In accordance with data collected from focus groups and interviews, risk and cost reduction may also be achieved through engaging in CSR activities directed at environmental protection. Previous empirical research has illustrated that corporations active in environment protection are able to reduce risk and cost. Especially, the previous research shows that corporations active on environmental issues can reduce the costs of complying with both present and future environmental regulations, and then enhance corporate efficiencies and drive down the operational costs.

Community relations management
CSR activities help improve relationship with community and also results in risk and cost reductions (Freisleben 2011). For instance, the construction materials firm building positive community relationships through various CSR activities may eliminate resistance from the society when the firm increases the local investments. Furthermore, positive community relationships reduce the number of complaints from local community since the firm is perceived as a member of the local society or community.
These arguments are consistent with the survey results (Perrini, Russo et al. 2007). The arguments that CSR leads to risk and cost reductions are widely accepted by managers and executives in various industries.

**Gaining Competitive Advantage**

Gaining competitive advantage is also a motive for SMEs to engage in CSR. SMEs can use CSR practices to differentiate with competitors; it is consistent with Porter (1980) theory in generic strategy. In the last section, those arguments focused on how CSR practices reduce firm’s risk and cost, and then gain a competitive advantage finally (Perrini, Russo et al. 2007). In this context, SMEs need to integrate their CSR initiatives with their business strategies to fulfill the demands of stakeholders. SMEs should manage their resources strategically to meet stakeholder demands and expose the opportunities associated with stakeholders for the benefit of the SMEs (Freisleben 2011).

**EEO policies**

Firms that build their competitive advantage through unique CSR strategies may set themselves apart from competitors (Freisleben 2011). For instance, equal employment opportunity practices and policies gain additional benefits in terms of risk and cost reductions, as discussed in previous sections. The equal employment opportunity policies have provided the sample firms with a competitive advantage since the SMEs haven’t equal employment opportunity policies leading to competitive disadvantage in retaining and recruiting talented employees (Hartigan and Bryant-Smith 2005).

**Customer and investor relations programs**

CSR initiatives can also contribute to strengthening consumer patronage, brand loyalty and firm’s competitive advantage. SMEs engaging in CSR activities also have a positive impact on attracting further investment. Many international or domestic institutional investors avoid companies which violate the organizational values, mission, or principles. The institutional investors always invest in companies with sound records on
environmental protection, community involvement, employee relations, and corporate governance (Bruch and Walter 2005).

**Participating in Charitable Activities**

In accordance with data collected from interviews and focus groups, the sample firms may align their charity related activities with their core competencies and capabilities. They always assure unique value creation for the beneficiaries enhance the efficiency of their charitable activities and avoid the distractions from their core business (Porter and Kramer 2002). For instance, a business solutions-consulting firm offers free consulting services to Hong Kong non-profit organisations (Garriga and Melé 2004). The lighting firm provides free knowhow to public in energy saving. The strategic philanthropy helps SMEs to gain competitive advantage (Garriga and Melé 2004).

As inferred from data collected from interviews with managers of sample SMEs, shareholders or owners may prefer SMEs over competitors specifically due to the firm’s engagement in such CSR initiatives.

**Developing Corporate Image and Reputation**

Companies may also justify their CSR initiatives based on creating, defending, and sustaining their legitimacy and strong reputations. A business is perceived as legitimate when its activities are congruent with the goals and values of the society in which the business operates. In other words, a business is perceived as legitimate when it fulfills its social responsibilities (Bryane 2003; Buchholtz and Carroll 2012).

As firms demonstrate their ability to fit in with the communities and cultures in which they operate, they are able to build mutually beneficial relationships with stakeholders. Firms “focus on value creation by leveraging gains in reputation and legitimacy made through aligning stakeholder interests (Carroll 1991; Buchholtz and Carroll 2012). Strong reputation and legitimacy sanction the firm to operate in society.

On motive for SMEs to engage in CSR activities is improvement of corporate image and reputation. In long term, consumers, employees and investors give a distinct preference for companies with good corporate image and reputation. It is always
consistent with previous research done by a Center for Corporate Citizenship (Doyle and Bendell 2009). This study found that 66 percent of executives believed their social responsibility strategies would result in corporate reputation improvement and this leads to further business benefits (Solomon and Lewis 2002).

**Corporate philanthropy**

The managers of sample SMEs claimed that corporate charity activities might be a tool of legitimization. If the firms sometimes have negative social performance in the areas of product safety or environmental issues, the charitable contributions help the firm to re-build their legitimacy (Porter and Kramer 2002; Chen, Patten et al. 2008).

**Obtaining Win-Win Situations through Creation of Synergistic Value**

The arguments of win-win situation frequently appeared in the focus group and interview transcripts. It involved creation of a synergistic value. The arguments focused on exploring opportunities come from different stakeholders’ demands. SMEs can do this by connecting interests of stakeholders and then creating value for multiple stakeholders simultaneously (Dunfee 2008; Kurucz, Colbert et al. 2008).

The win-win situation CSR practices create satisfy stakeholders’ demands while allowing the firm to pursue financial success. By engaging its stakeholders and satisfying their demands, the firm finds opportunities for profit with the consent and support of its stakeholders.

In summary, the incentives of Hong Kong SMEs in CSR engagement are the benefits/business value creation. The benefits include:

- *Reducing risks and costs* by equal employment opportunity practices and policies; energy-saving and other environmentally practices; and community relations improvement;
- *Gaining competitive advantage* by implementing equal employment opportunity policies, customer relations program and charitable activities;
- *Corporate image and reputation improvement* by participated charitable activities;
- *Win-win outcomes* with all stakeholders.
CSR initiatives serve Hong Kong SMEs long-term best interests. When Hong Kong SMEs engage in CSR activities, governmental bodies pay more attention to the SMEs because such companies can deliver environmental and social benefits more cost effectively than government bodies through regulatory approaches. In view of consumer care, they appreciate the company passing on a better world to their children. They incline to purchase goods/services from those companies to reflect their values in society.
5.3 The relationship between CSR and Competitive Advantage

Results of interview and focus group confirm the positive relationship between competitiveness and CSR activities. Table 5.10 shows the intensity of the relationship for each case.

Table 5.10 - The relationship between CSR and Competitiveness

<table>
<thead>
<tr>
<th>Case</th>
<th>The relationship between CSR and Competitiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 1</td>
<td>Medium</td>
</tr>
<tr>
<td>Case 2</td>
<td>Medium</td>
</tr>
<tr>
<td>Case 3</td>
<td>Strong</td>
</tr>
<tr>
<td>Case 4</td>
<td>Strong</td>
</tr>
<tr>
<td>Case 5</td>
<td>Medium</td>
</tr>
<tr>
<td>Case 6</td>
<td>Medium</td>
</tr>
<tr>
<td>Case 7</td>
<td>Medium</td>
</tr>
<tr>
<td>Case 8</td>
<td>Strong</td>
</tr>
</tbody>
</table>

In Table 5.10, the grade weak, medium and strong are subject to the frequency of words related to the CSR and competitiveness during the interviews and focus groups.

In alignment with Figure 2.3 and the following findings with eight sample SMEs, Table 5.11 lists the differences and relationships between theoretical predications and collected data.
Table 5.11 - The matching between theoretical predication in Figure 2.3 and data collected from eight sample SMEs

<table>
<thead>
<tr>
<th>Sources/matching</th>
<th>Figure 2.3 (Theoretical Predications)</th>
<th>Collected data from eight sample SMEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Components of Figure 2.3</td>
<td>Market Opportunity</td>
<td>● Cost structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Customer perspective</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Reputation management</td>
</tr>
<tr>
<td>Second Component of Figure 2.3</td>
<td>Resources and competences</td>
<td>● Cost structure</td>
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<tr>
<td></td>
<td></td>
<td>● Financial Performance</td>
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<td>● Human Resources</td>
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<td></td>
<td></td>
<td>● Risk Management</td>
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<tr>
<td>Third Components of Figure 2.3</td>
<td>Organisational value</td>
<td>● Cost structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Financial Performance</td>
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<td></td>
<td></td>
<td>● Reputation Management</td>
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<td></td>
<td></td>
<td>● Risk Management</td>
</tr>
<tr>
<td>Fourth Component of Figure 2.3</td>
<td>Structure of industry</td>
<td>● Cost structure</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Customer Perspective</td>
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<tr>
<td></td>
<td></td>
<td>● Reputation management</td>
</tr>
<tr>
<td>Fifth Component of Figure 2.3</td>
<td>Stakeholders</td>
<td>● Customer Perspective</td>
</tr>
<tr>
<td></td>
<td></td>
<td>● Human Resources</td>
</tr>
</tbody>
</table>

**Cost structure**

The managers of sample SMEs claimed that CSR links to cost reduction. The cost savings resulting from CSR initiatives have always been argued. The previous research done by European Commission (2002) shows that the benefits of pursuing environmental protection and sustainable development outweigh the costs, even the changes of profits were estimated to be little compared with cost savings.

However, the arguments by the managers of sample firms are consistent with O’Riordan (2008) who found that the CSR measures can help enterprises to improve the cost
structure (O’Riordan and Fairbrass 2008), and further evidence has proved cost-benefit relationship of CSR initiative appears to be negative. Welford (2005) said some of CSR strategies may reduce costs, and then the relationship of CSR and competitiveness should be significantly positively associated (Richard 2005).

Managers of the construction materials firm claimed that reduction of materials recycled and energy consumption are evidence of the positive relationship between CSR and cost saving. CSR initiatives can lead to cost savings. It is also consistent with previous research results. According to Miles and Covin (2000), CSR in environmental measures leads firm’s continuous improvement and lower potential litigation expenditures, energy and insurance costs (Miles and Covin 2000). Matten and Crane (2003) also found cost saving significantly associated with CSR related waste reduction practices (Matten, Crane et al. 2003).

The rising energy costs would strengthen the impact of CSR initiatives in cost saving. CSR can contribute to cost savings by reducing energy consumption and materials recycled in certain circumstances. The construction materials firm shows evidence of negative relationships between cost structure and CSR. In addition to the cost savings issues, CSR has also contributed to cost savings in other areas such as lower human resources costs, or lower finance costs.

**Human resources**

The managers of sample firms claimed that employees participating in CSR activities results in better performance. This is consistent with management theory proposed by Lee (2008) who said CSR initiatives have a positive impact on human resources in terms of performance. In addition, CSR can help maintain good employee relations and then improve employee motivation and lower turnover rate of employees (Lee 2008). Furthermore, better employee relations can attract new staff members. This theory has generally been confirmed by various empirical studies (Branco and Rodrigues 2006).

As results of interviews and focus groups show, managers of sample firms claimed that SMEs engaging in CSR results in retaining, attracting and motivating employees. These findings are consistent with Brine and Brown (2005) (Brine, Brown et al. 2005). Turban
and Greening (1997) showed evidence that a firm’s CSR performance may yield a competitive advantage in attracting senior managers (Turban and Greening 1997).

There is other evidence to the effect that CSR programs such as “employee volunteering project” can improve morale of employees and help participants to develop new skills and acquire new knowledge. According to the results of a survey in Italy, CSR initiatives help SMEs to develop positive relationships with employees (Heugens, van den Bosch et al. 2002). Toyne (2003) and Jenkins (2006) also reported similar findings through interviews with UK SMEs (Toyne 2003; Jenkins 2006). The Denmark’s survey data claimed that CSR initiatives can reduce costs in recruiting, retention and absenteeism (Surroca, Tribó et al. 2010).

The interview data also show that SMEs can use CSR as a tool to compete with larger companies to attract talented staff, for instance, SMEs can offer a good work-life balance to attract talented employees.

The data collected proves a positive relationship between CSR and competitiveness in terms of human resource management although for some sample firms the additional costs might still exceed the benefits in the short term. CSR provides SMEs an attractive feature when retaining and recruiting employees. CSR can also provide SMEs a wider pool of talent for recruiting.

Customer perspective
The sample SMEs claimed that CSR can help improve customer demand and loyalty, especially the manager of the lighting firm said free public seminars for energy saving improve its revenue in LED lamps sales indirectly. Furthermore, consumers are willing to pay a price premium for products with good environmental credentials.

This finding is consistent with Bebbington, J., C. Larrinaga-González, et al. (2008) who examined retail data provided by a telecommunications firm. The retail data showed that CSR initiatives were important drivers of corporate image and reputation; they are major determinants of customer satisfaction (Bebbington, Larrinaga-González et al. 2008).
There is evidence, however, that the success of some firms’ from customer perspective is based at least partly on some aspects of CSR. Retail data from a telecommunications firm show that CSR-related issues are important drivers of corporate image and reputation, which in turn are major determinants of customer satisfaction (Stainer 2006). A major European retailer has a partnership with a non-governmental organization (NGO), which makes use of the NGO logo to endorse certain products that meet high environmental standards. In this case, the credible endorsement of a product’s environmental credentials is used to drive consumer demand.

Mandl and Dorr (2007) showed that CSR initiatives lead to high employee satisfaction and then improve the quality of service and have beneficial outcomes in terms of customer loyalty (Mandl and Dorr 2007). According to the Italian survey results, Longo et al. (2005) reported that consumer loyalty is a positive result of firm’s CSR engagement (Longo, Mura et al. 2005).

From the customer perspective, CSR engagement benefits SMEs in terms of growing consumer demand and loyalty.

Financial Performance
In accordance with data collected from interviews and focus groups, the participants consider the link between CSR and financial performance is positive but small.

The mass of academic literature related to the stock market has mentioned effects of CSR but the conclusions derived are varying. McWilliams and Siegel (2000) examined the effect of CSR on financial performance and found the results positive (McWilliams and Siegel 2000). But Schröder (2007) reported neutral impact (Schröder 2007). Because shares of SMEs are generally not traded much on the stock market, the link between financial markets and CSR should not be applicable to SMEs.

The results of different studies depend to a significant extent on which specific aspects of CSR and financial performance are analyzed. Orlitzky et al. (2003) find that the most powerful CSR measure in terms of effect on financial performance is reputation indices
(Orlitzky, Schmidt et al. 2003). This suggests that firm reputational aspects are amongst the most important drivers of competitiveness effects of CSR.

Margolis et al. (2001) had reported that the corporate performance is positively associated with a firm’s socially responsible behaviour, including environmental performance and charitable contributions (Margolis and Walsh 2001). The link between corporate performance and charitable contributions is related to the effect of corporate image, which was found by Orlitzky et al. (2003). Beckmann (2007) found a link between environmental performance and market value; previous research has proved a certain positive correlation between financial performance and CSR (Beckmann 2007).

The previous research indicated that the correlation between financial performance and CSR is positive but small. This is consistent with our findings.

**Risk Management**

The relationship between risk management and CSR is well established. These findings are consistent with Husted (2005) research results. Husted (2005) showed that CSR engagement can reduce the potential sources of business risk (Husted 2005). Husted (2005) explained that the conflicts among society, companies and environment can be minimized by CSR engagement. Since the major function of risk management is reduction of conflicts, therefore, CSR activities have positive impact on risk management. Husted (2005) suggested that CSR is a key component of corporate risk management. Furthermore, Orlitzky and Benjamin (2001) identified business risks (Orlitzky and Benjamin 2001), which can be reduced by CSR engagement including environmental protection, union unrest and government regulation.

CSR is an essential element of risk management for some of sample firms, especially to the construction materials firm. It also means that the firm uses CSR to eliminate the risks, rather than use CSR as a tool for simple public relations. The CSR attributes such as human rights and transparency lead to additional positive impacts on corporate risk management.
Reputation Management

In accordance with the data collected from interviews and focus groups, there is positive impact of CSR on corporate image and reputation. Two sample firms have claimed the commitment to engage in CSR activity not just in terms of risk management but to enhance their reputation in the sector, potential employees, eyes of customers and Hong Kong government.

In the long term, CSR is useful to improve the firm’s competitiveness through a good corporate image and reputation if the firm is committed to CSR and has deeply embedded it in the company’s operations and values. In knowledge economy, the firm’s competitiveness can be improved through strengthening the corporate image and reputation. These findings are consistent with Toyne (2003) research results (Toyne 2003) who found reputation is a key driver for SMEs to engage in CSR activities. Fuller and Tian (2006) provided further evidence to prove reputation aspects of CSR is important for SMEs (Fuller and Tian 2006).

This section has listed the findings for the relationship between CSR and competitiveness. The effect of CSR on competitiveness appeared in six indicators. They are financial performance, cost structure, customer perspective, human resources, innovation, reputation and risk management.
5.4 Formulating CSR Strategy

Data collected from interviews and focus groups show that the formulation of CSR varies in sample cases. Six sample case firms claimed that they have formal procedures to formulate their CSR strategy systematically.

In summary, their formulation process can be divided into seven steps.

1. Value and aspirations
   Top managements normally focus on business value. The sample firms think carefully about how CSR can create value for business, meet the challenge of a specific market and social needs. The major principle is that a good CSR strategy is about how to create values such as risk and cost reductions, corporate image and reputation improvement, retention and recruiting talented staff.

2. Corporation ideologies and values
   The CSR strategy must link with the core business or customers. Peter Drucker (1999) suggested that the CSR strategy of successful companies must be linked with their core business.

3. The relationship with stakeholders
   SMEs need to know customers, even potential customers, and know how to create value for them. For example, if the customers prefer environment friendly products, the firm should participate more in environmental protection activities (Dunfee 2008).

4. Knowledge of obligations to society and shareholders
   The environmental and energy initiatives are more relevant than those associated with local economic opportunities.

5. Internal resources of the firm
Successful CSR strategy relies on efficient resource allocation. The CSR strategy cannot be carried out effectively without sufficient internal resources. The scope of CSR strategy is also subject to how many internal resources are available. The internal resources include the funds, human resources and any facilities.

6. Corporate resources and skills
Successful execution of CSR strategy is to rely on the commitment from top management. ‘Lack of top management support’ leads to insufficient fund allocation and unexpected interruptions.

7. Marketing opportunity and structure of the industry
A good CSR strategy can bring economic benefits for the company. It can maintain the owner or shareholder interest in CSR engagement.

Regarding industry structure and competition, a SMEs manager (Manager of sample Case-4 firm) commented on how the CSR actions of corporate competitors are monitored as a source of information with the aim of understanding and enhancing its own CSR performance.

Nowadays, it is very important to monitor the competitors and to see what is new in the market. Otherwise, there is no possibility for benchmarking, considering whether there is a chance for improvement or whether what our competitors are doing is going to become a trend; meaning that companies that do not monitor will soon be out of the competitive market game.

One SME manager suggested that monitoring the CSR actions of corporate competitors is important because of the intense competition in the sector. This reinforces the context of CSR within the competitive powers, as argued by Porter (1986) and supported by Husted and Allen (2001), employed with the intention of facing intense competition and getting ahead in such a competitive environment as the supermarket sector (Husted and Allen 2001). It is also relevant to mention that the information gathered from monitoring helps build a stronger CSR section in the company and sustainable development management can implement new projects, thereby not letting competitors
offer such projects alone. When asked about the details of this CSR monitoring, the SME manager answered:

There is no doubt that SMEs involve in social and environmental actions, the creation of corporate institutes, the assigned budget for these projects – also intending to gather more resources within the company.

Besides competitors, SMEs normally choose CSR benchmarking, considering that a new project can be created out of an idea based on a different company that has better CSR practices and that SMEs could adapt new projects, thereby generating an innovation.

The influence of stakeholders on CSR actions in the case of SMEs can be seen in the conception of some CSR actions, which are demanded by the community through the regular surveys that assess their needs and priorities.

CSR can improve the relationship between SMEs and the community, which is to help the community, improving the quality of life and aggregating value to the company. In some situations, store directors take part in local community associations in order to find out more about how the company can contribute.

The relationship with employees can generally be considered rather healthy when a SME is engaged in CSR activities. Although there is no systematic way for employees to propose CSR actions and projects, there is some openness for this to happen. The employees can be free to propose actions, to bring up their needs, but there is no systematic way of seeking this contribution. It very much depends on the initiative of each employee.

It is thus acknowledged that SMEs have cordial relationships with the community and often form partnerships with the local community. According to Donaldson and Preston (1995) and Freeman (2004), consumers, suppliers, employees and the community (Freeman 2004) all have an important influence on CSR (Donaldson and Preston 1995).
Based on the approaches taken by Husted (2003) and Burke and Logsdon (1996), an analysis of SMEs' CSR projects in relation to alignment to the core business reveals that most have low centrality (Burke and Logsdon 1996) and low specificity (Husted 2003). The low specificity means that most of the CSR projects do not relate highly to the core business (retail commerce); there are CSR projects related to education, health, the environment and others. Regarding the low specificity, the case shows that none of the CSR projects are specific to SMEs' characteristics, which lowers its chances of obtaining a competitive advantage.

Focusing on the impact of social issues on competitiveness, SMEs’ CSR actions can be categorized as a generic social approach (Porter and Kramer 2006). These are certainly important social issues for the society and, as such, deserve corporate attention, but they do not play a leading role in corporate competitiveness in relation to its value chain. Even important actions that focus on education and responsible consumerism, which constitute an important contribution from a corporation to the society, do not have a significant influence over business performance, as they do not improve the economic results in a competitive context (Porter and Kramer 2006).

Despite the activities undertaken by volunteers in local communities surrounding the store, there is no evidence of any CSR projects focused on generating jobs and income for community members, for instance, aimed at expanding the consumer market, or even CSR projects focused on professional qualifications, which can lead to new jobs within the corporation. Such actions can improve the quality of life within the local community. No CSR projects focused on enhancing the value chain or social actions that could improve corporate competitiveness were found. Returning to Porter and Kramer (2006), SMEs focus CSR actions on generic social issues, characterized by social actions that do not have a significant influence on value chain or even the business context and therefore do little to enhance competitive advantage. In the analysis of aspects that are part of the formulation of CSR strategy, it is relevant to mention that not every item is necessarily managed. This is a limitation of applications towards the potential of CSR in generating competitive advantage.
Chapter 6 Conclusions and Recommendations

This chapter presents the main conclusions of the study. The five sub-chapters include the conclusions, contributions to theory, management implications, future research and limitations of the study.

6.1 Conclusion on the research questions

6.1.1 Motivation for small and medium enterprises engaged in corporate social responsibility

The analysis of case studies found that the most important motivation for CSR is the ‘staff retention’ and ‘reputation and brand management’. In the context of these drivers interviewees and focus group participants tend to show more than one factor. However, when it comes to the results of the most important determinants of CSR, participants draw definitive conclusions and different motives come from the various sectors. For the environmentally sensitive industries, increasing customer loyalty and corporate image have been the most significant determinants of CSR. For supply chain issues sensitive sectors, the motivation is sustainability, covering issues noticed by interested companies who are stakeholders, and these issues are transparent. Stakeholder engagement can create more tangible and intangible returns than reputation and brand management. It shows different natures of business determine different CSR activities, and then it affect the returns of social responsible investment (SRI). On the other hand, the sample Case-3 aimed to increase CSR participation and then reduce the cost and risk and, therefore, cost, and risk management were considered the most important motivator for these SMEs.

Environmentally sensitive industries

With previous studies (Donaldson and Preston 1995), the sample Case-3, which operates in an environmentally sensitive industry, is also heavily involved in CSR activities. The company has been at the forefront of CSR and sustainable development and has launched a variety of community care programs in 1980. Previous studies have
shown that when the message is environment, increase the company sensitivity to environmental issues, but the results from interviews with Case-3 show that the company's goal is to make CSR activities, rather than to improve the response to environmental issues and social relationship.

Companies tend to develop communication strategies for CSR, such as supply chain responsiveness, tend to engage in CSR activities to address these issues. This tendency has been identified in Cases-6 and 7. The company believes that CSR activities are not as important as doing the core business. However, given that the company has been actively involved in CSR activities - mainly to improve the corporate image, and then easy access to the Hong Kong market, however, CSR seems to be significantly dependent on supply chain issues.

Fair trade and transparency in procurement are the components of CSR in Hong Kong SMEs, as those SMEs tend to target specific groups related to such clients and students (potential employees). Sustainability is one of concerns of the company's CSR performance information. Types of stakeholders who are keen observers of issues, such as labour and human rights or fair trade and procurement, are included in the "non-supportive stakeholders". These segments rarely support but have a high potential to become a threat to the company. Literature shows that defensive management is effective management for the stakeholders and in this context results of the case studies are consistent; motivation for CSR in Hong Kong SMEs is to inform these stakeholders of CSR performance.

What motives led to companies engaging in CSR activities? The most important advantages include increased credibility, attracting and retaining talented staff, improved productivity and costs and reduced risk. When considering the characteristics of the industry, environmentally sensitive sectors (building materials firm and the lighting company) are actively involved in CSR activities in communication with the government and the community. Supply chain issues sensitive industry is actively involved in CSR because of the greater stakeholder values.
Motivations in most industrial sectors have a similar trend. Although environmentally sensitive industries prefer to raise environmental awareness, a previous study in Hong Kong found that shareholder value often gets priority over environment issues. However, when the Hong Kong SMEs have decided to start engaging in CSR activities, companies will develop environmentally responsible attitudes, and then stakeholder value.

SMEs increasing CSR through a multi-stakeholders approach tend to explain the existence of growing awareness. SMEs traditionally have to improve financial performance, and then value to shareholders or owners. However, the shareholder base has expanded to stakeholder groups, communication and stakeholder values have become a key factor in improving enterprise.

As Table 5.9 shows, SMEs cannot ignore the win-win situations of their business. It reflects the SMEs have less planning to protect their partners or stakeholders along with the supply chain. Consequently, they cannot generate the synergy effect to retain the partnership relationship with suppliers and the encouragement of promoter or marketer, as well as to enlarge their business territory worldwide and risk reduction. But they inherently consider risk and cost management as the medium. It can balance the negative effects from the poor win-win situations with stakeholders. The win-win situations are unwittingly uplifted when considering other factors as the whole. Thus, all sample SMEs rank “competitive advantage” as strongly significant and intensively uplift their competitiveness regardless of the support behind customers. It is a warning to managers or entrepreneurs against the long-term sustainability. The result may be affected by the sizes of SMEs in terms of financial ability, turnover of revenue and background of SMEs. For example, Cases-1 and 2 consider “win-win situations” as medium when they are the wholly owned subsidiary of a listed company. Case-3 intensively considers “corporate image and reputation improvement” because its core business focuses on construction, whereas pollution is becoming the key factor for the measurement of its stakeholders and the performance to core business. Thus, core business of SMEs will affect the decisions of entrepreneur or manager to design CSR activities.
For the first research question, the motivation factors are corporate image, risk and cost reduction, gaining competitive advantage, win-win situation. Therefore, the researcher integrates the captioned factors to form a model for motivation factor to Hong Kong SMEs in CSR engagement (Figure 6.1)

**FACTORS:**
- Corporate Image and Reputation
- To gain competitive Advantage
- Risk and Cost Reductions
- Win-Win

**SME Participating CSR Activities**

**Figure 6.1 - A final model for motivation factor to Hong Kong SMEs in CSR engagement**
6.1.2 Relationship between Corporate Social Responsibility and Competitive Advantage

According to the Table 5.10 in Section 5.3, five sample SMEs have medium attention reflecting the relationship between CSR and competitiveness. Only three sample SMEs showed strong attention. The core business of Cases-3, 4 and 8 intensively focus on the market niche, which highly relates to CSR. For example, Case-3 sells non-polluting bricks, Case-4 emphasizes on the production process of watch products and exports to Europe as well as to comply the regulations beyond the requirement of European Commission compliance. This is their competitive advantages. Relatively, Cases-1, 2, 5, 6 and 7 mainly focus on trading business. The purchased materials or products dominate the factors to be considered as medium. Obviously, core business becomes a major factor to affect the decision in conjunction with the relationship between CSR and competitiveness. On the other hand, SMEs are highly concern on the return on investment in CSR activities. They hold one hand to pay for the support of CSR activities; the other hand is prepared to have the return from investment. For example, SMEs try to enhance the working environment and benefit of employees. They also expect employees will work harder as reward to the company under the retention program. Another example is about the environmental product provided by Cases 3 and 6. They also expect to have high profit margin from their current customers because of competitiveness in product design.

Activities to create competitive advantage

Engagement in CSR activities can create intangible benefits on the creation of customer repurchasing intention, retention for talented staff, corporate image, enhancement for production and brand reputation. For example, voluntary programs play an important role in employee motivation. However, the results are not yet recorded, and measurements needed in this program have been implemented for use by SMEs.

Benefits from CSR programs usually lead to greater staff motivation, enjoyment and happiness and feeling part of the contents of SMEs. This is difficult to measure. The researcher believes the results as well. But there is a different environment, where the
volunteer program has been implemented for a short period, but it is difficult to measure. We do not use this type of measurement results.

Despite CSR helping motivate employees, CSR programs are not enough to provide other advantages, such as employee retention which may be an important competitive advantage.

SME managers consider employee retention as difficult to obtain, if one takes into account the contribution of CSR, but along with other variables CSR can make a difference in employee retention.

Staff motivation for joining CSR programs, especially to get employees to participate voluntarily, it may not work since employee retention is much more complex in SMEs. It is indeed something related to employee retention but CSR in general is not, employees normally need real benefits such as wages and bonus.

The main advantages mentioned by the respondents relate to the image and reputation of social and environmental companies. CSR activities imply a little publicity in the surrounding community, keeping it up to date with daily business activities, which is good for corporate image.

The main benefits include the increasing of goodwill and corporate image, which is very positive in the eyes of the local community. This is the best reward to SMEs.

For the second research question, the competitive advantages were created by the various results of CSR activities. There are reputations, talent staff Retention, cost reduction, employee motivation (referred with results of interviews) and then the final model for the relationship between CSR and competitive advantage can be shown as:
Outcomes of CSR Activities
- Reputation
- Talented Staff
- Retention
- Cost Reduction
- Employee
- Motivation

Competitive Advantage

Figure 6.2: Final model for the relationship between CSR activities and competitive advantage
6.1.3 Formulation of effective CSR strategy

**Values and aspirations**

In a competitive environment, it is necessary that the information collected is used to build a strong and sustainable CSR management strategy for formulation of new projects, instead of letting competitors offer such projects. When asked about the details of CSR role monitoring of competition, one SME manager replied: there is no doubt that SMEs involved in social and environmental actions create enterprise value, allocate budget for these projects and intend to collect more resources within the company.

**Corporate ideologies and values**

SMEs have intention to face challenges while engaging in CSR activities in the entire organisation. Specifically, they take the concept of CSR as part of corporate culture. This top-down approach helps strategic implementation of CSR policies (Pettigrew 1987; Husted and Allen 2001). Organisational values are accepted as intangible resources that may lead to competitive advantage (Barney 1986; Barney 1991). Once the CSR becomes part of the corporate culture and values, and it is an internal resource, then it can produce a competitive advantage (Porter and Kramer 2006). In order to spread the concept of CSR throughout the company, it is very important to strengthen and promote sustained implementation of CSR. The lighting company has been promoting seminars, conferences, general introduction to the concept of CSR, corporate intranets, internal communications and the Internet. Sustainable development is to facilitate the reporting of SMEs.

The SMEs’ managers believed that CSR is important because of the fierce competition in the industry. This further strengthens CSR in the context of competitiveness as a proposition supported by Husted and Allen (2001), and Porter (2006) (Husted and Allen 2001; Porter and Kramer 2006).

In addition to competition, SMEs often choose CSR benchmarks, taking into account a new project can be created based on different companies, there is a good CSR practices and SMEs to adapt to new projects, resulting in an innovative idea.
The relationship of stakeholder
Stakeholders’ influence on CSR related actions of SMEs can be seen in a number of initiatives, through periodic surveys that can also assess needs and priorities of the community.

Knowledge of obligations to society and shareholders
CSR can improve the relationship between the communities and enhance the quality of life and aggregate value of the company. In some cases, store director is involved in local community groups to learn more about how to promote the company.

Therefore, it is acknowledged that a good relationship between SMEs and the community often results in partnerships with local communities. According to Donaldson and Preston (1995) and Freeman (1984), consumers, suppliers, employees and the community have an important influence on CSR (Freeman 1984; Donaldson and Preston 1995).

According to Husted (2003) and Burke and Logsdon (1996), CSR is not aligned with the core business of SMEs in most cases, indicating that the majority are with low specificity, which means that core business is not highly correlated with most of the CSR projects. No CSR programs seem to be designed specifically for the characteristics of the relevant SME, which means reducing the opportunity to gain a competitive advantage (Burke and Logsdon 1996).

CSR initiatives for SMEs can be classified as a general social way (Porter and Kramer 2006). These are of course important issues for the society and, therefore, deserve attention of enterprises, though they do not play a leading role in the competitiveness of enterprises in respect of value chain. Even important initiatives, focusing on education and responsible consumption, which constitute an important contribution to society from a company, did not have a significant impact on corporate performance because they do not improve the economic situation in the competitive world (Porter and Kramer 2002; Porter and Kramer 2006).
Although CSR activities are carried out in the local community, there is no evidence of focus on creating jobs and income. Community members, for example, aim to expand the consumer market. Any business or social focus on professional qualifications and even CSR projects can lead to new jobs within the company. Such efforts improve the quality of life of local communities. Focus on enhancing the value chain or social behaviour can improve the competitiveness of enterprises. There are no CSR programs to be found. Porter and Kramer (2006) found that SMEs focused on common social problems have no defined value chains. In terms of development of the CSR strategy, it is relevant to mention that not every project must be a management strategy. Application of CSR in the potential to generate competitive advantage is limited.

**Internal resources of the firm**
Relationships with employees can often be considered healthy when SMEs participate in CSR activities. Although there is no systematic way for employees to take CSR initiatives and projects, there is a certain openness to do this. Staff can recommend actions freely but does not seek to contribute to this systematic approach. It depends on the enthusiasm of each employee in large part.

**Corporate resources and skills**
The SMEs’ managers believe that CSR is important because of the fierce competition in the industry. This further strengthens CSR in the context of competitiveness as a proposition supported by Husted and Allen (2001) and Porter (2006).

**Market opportunities**
SMEs realize that social investment is one of the major opportunities for potential benefits to enhance corporate image via CSR. Engagement of social investment helps to gear on market opportunities when customers have purchasing intention to deal with SMEs which enhance corporate images.

**Structure of the industry**
The establishment of this study is used to understand the behaviour of Hong Kong SMEs in CSR among their competitors. Different industrial structure and competition
lead to different behaviour in CSR, and then they will affect the formulation of CSR strategy.

For the third research question, the formulation process for CSR strategy can be divided into seven steps and then the final model for effective formulation process can be shown as Figure 6.3

1. Value and aspirations

2. Corporation ideologies and values

3. The relationship with stakeholders

4. Knowledge of obligations to society and shareholders

5. Internal resources of the firm

6. Corporate resources and skills

7. Marketing opportunity and structure of the industry

Figure 6.3 The model for formulation process for CSR strategy
6.2 Theoretical contributions

Referred with previous researches, there is no specific for SMEs, especially the motivation factors for SMEs in CSR engagement. The research findings supported the motivation factors for SMEs are similar to multinational firms. Furthermore, the formal CSR strategy formulation process was not available in previous research. The author suggested CSR strategy formulation process could fill this research gap. Even the previous research mentioned the positive relationship between CSR and competitiveness (Johnson, 1970), but those research was based on multinational and international firms, not SME. The research findings illustrated that the positive relationship between CSR and competitiveness existing in Hong Kong SMEs.

One of the factors discussed in the literature review is the lack of consensus on the definition of CSR (Porter and Kramer 2006; Zadek 2006; Doyle and Bendell 2009). The first objective in the Hong Kong context (the motivation of SMEs in CSR engagement) is to determine operational meaning of the term CSR for Hong Kong SMEs. It was found that familiarity with the term is high although this is considered to be exaggerated, said the respondents who agreed to participate in research on CSR. The findings point out that CSR is very important to large companies and small companies (Bondy, Moon et al. 2012). In fact, most of the SME respondents believe that SMEs should pay significant attention to their social and environmental responsibilities.

According to one well documented research work in extant literature, the lack of a consensus data or evidence is an important factor affecting SMEs’ engagement in CSR (Porter and Kramer 2006; Zadek 2006; Doyle and Bendell 2009). The common tendency is to define CSR through the perspective of the stakeholder theory, believed to be the best interpretation of CSR (Dunfee 2008). Society is the most cited stakeholder, followed by the environment, in this study. Customers and employees have also noted that many respondents define their CSR. Therefore, the preliminary findings provide insights into the motivation for Hong Kong SMEs in CSR engagement.

A few respondents said that CSR help improve employee morality and team spirit. Other factors include corporate image, risk management, public relation improvement.
The conscientious SMEs (Case-3) engaged in CSR initiatives including community relations, environmental policy, health and safety policies, ethical responsibility and sustainable development.

However, CSR is recognized as priority (Mittal, Neena et al. 2008), in corporate agenda (Perrini, Russo et al. 2007). However, it is clear from the literature review; it is the lack of research to address the CSR in Hong Kong SMEs, as well as CSR in the discussion of large company or multi-national enterprises. In order to overcome this gap, this research aims to find out CSR issues in Hong Kong SMEs. In CSR engagement, the majority of respondents believe that CSR is carried out on a regular basis within the company, which is closely related to the company's business strategy. This finding is in favour of the argument, CSR is not only work in large enterprises, CSR initiatives in Hong Kong SMEs is also formal and structured (Orlitzky, Schmidt et al. 2003; Jenkins 2009).

Worthington (2006) argued that senior management within the organisation have a significant impact on CSR (Worthington, Ram et al. 2006). The majority of respondents believe that senior management involvement in CSR is very important. These findings indicate there are a significant relationship between a high level of participation of senior management and SME participation in CSR.

More than half of the respondents communicate their CSR efforts to the public, this is a very small percentage in Hong Kong (Studer, Tsang et al. 2008). O’Dwyer argued that the CSR is less common than in Hong Kong SMEs (O'Dwyer 2005), as in other countries, the CSR in larger organisations and multinational subsidiaries in Hong Kong is more common.

The first objective of the study is to reveal the factors that encourage enterprises to participate in CSR. Referred with respondent’s opinions, incentive is not an only one reason for Hong Kong SMEs in CSR engagement. It is interesting to note that “ethics/morality” is not a common reason for SMEs to engage in CSR, but this reason was a common motivating factor in large organisations. This is consistent with Berman (1999)
early investigation (Berman, Wicks et al. 1999), and pointed out that CSR leads to motivation factors differ between SMEs and large companies.

The majority of small businesses believe they should pay attention to their social and environmental responsibilities. The main obstacle experienced by SMEs is time, followed by the lack of financial and human resources. This is consistent with previous literature (Jenkins 2009; Robertson 2009). People think of CSR as not related to business activities, or that it is not of concern for SMEs and that too is a major obstacle.

From the literature (McWilliams, Siegel et al. 2006; Vanhamme and Grobben 2009), CSR activities are classified in environment, customers, employees and communities. First, the environment, the most common activities include waste reduction and recycling. Energy conservation is also quite common. To a lesser extent, reduction of water consumption, air pollution and packaging are by the company. The most common activities on the customer front are commitment to provide customer value. Responding to customer complaints in a timely manner is also very popular, to a lesser extent, to provide customers with clear and accurate information, and take into account accessibility.

The most common activities are the health and safety of employees and to ensure that there is sufficient commitment to take measures against discrimination. Slightly less popular activities include encouraging employees to balance the development of skills and long-term career development and work-life balance. Finally, with respect to the community, the most common activity is donations. Employees volunteer on behalf of the company and local community procurement policies are also popular activities. There are a lot of industry norms on CSR activities (Steiner and Steiner 2006). Therefore, this study provides insights into the extent of the activities carried out by SMEs operating in Hong Kong. It also shows that these CSR activities are carried out by SMEs rather than large enterprises; the number of SMEs is increasingly growth in Hong Kong.

The second objective of this study is to assess the relationship between CSR and competitiveness. Although numerous studies point in favor of a moderate positive
correlation (Orlitzky, Schmidt et al. 2003), which has not yet been fully established (Porter and Kramer 2006; Zadek 2006; Jenkins 2009), how competitiveness is affected by CSR enhancement mechanism is not well understood (McWilliams and Siegel 2001). The study found that few respondents said that CSR has a great impact on the competitiveness. Brammer et al. (2008) felt CSR engagement has a positive impact on competitiveness (Brammer and Millington 2008).

The majority of respondents believed that CSR can be seen as a long-term investment. From the results of focus groups and interviews, SMEs must first be profitable before taking up CSR. This finds support from many authors (Nicholas 2005; Cruz and Boehe 2010); the argument is that the competitiveness of a virtuous cycle of resources in both directions provides a causal link, and runs enterprises to carry out social responsibility activities, thereby enhancing competitiveness.

The market opportunities, internal resources and competencies, organisational values, structure of industry and stakeholders should be connected with the core business of the firm (Burke and Logsdon 1996; Husted 2003; Ligtering and Zadek 2005). The competitive advantages are created by various CSR activities. There are other factors such as reputation, staff retention, cost reduction, employee motivation (referred with results of interviews) and then the final model for the relationship between CSR and competitive advantage can be shown in Figure 6.2.

The third objective of this study is to reveal the formulation process for CSR strategy that consist of seven steps and then the final model for effective formulation process can be shown as Figure 6.3.

Therefore, the main contribution of this study is that it answers the call made by many authors (Harrison and Freeman 1999; McWilliams and Siegel 2001; Freeman 2004), to provide a more fine-grained understanding of the relationship between CSR and competitiveness in the context of Hong Kong SMEs. According to Fombrun et al. (2005) simple correlation between these two variables is not appropriate (Fombrun 2005), because the bottom line impact of CSR is through an intermediary route. The study has accepted this new approach, rather than just test the direct relationship.
between CSR and competitiveness and also a test of CSR presents the relationship between the various stakeholders.

The literature review emphasized that CSR initiatives can attract, motivate and retain (Andriof and Waddock 2002; Logsdon and Wood 2002) employees, reduce risk and enhance customer loyalty (Dawkins and Lewis 2003; McWilliams, Siegel et al. 2006) and reputation (Luetkenhorst 2004; Zadek 2004).

The author believes that the mechanism of enhancement of competitive advantage is not clear, which was earlier studied by Klassen and McLaughlin (1996) (Klassen and McLaughlin 1996). Relationship between competitiveness and CSR in this study, which helps the author explain the relationship between CSR and competitiveness clearly.

The study found that the relationship between the industry and CSR is little. The study found the scale of the impact of CSR, especially in environmental performance. The study also found that CSR initiatives help SMEs to attract, motivate and retain employees.

However, this study met Jones (2013), David (2005) research results (David Tyrrall 2005; Fleming and Jones 2013), they had challenged to expand CSR to build multiple benefits covered by stakeholders.

Everyone acknowledges the impact on society of all organisations, so CSR is an important issue in recent years (Husted and Allen 2001; Mittal, Neena et al. 2008; Hyder 2009). However, SMEs have been sort of neglected in CSR literature (Campi 2008). In determining the meaning of CSR operations, revealing the nature, type and extent of CSR in Hong Kong SMEs, study differences between large companies and SMEs. Therefore, this study contributes to much-needed insights into CSR in SMEs (Kim and Kim 2008; MacGregor and Fontrodona 2011).

Finally, O’Dwyer (2003) believes that the rapid economic growth in Asia intensified pressure on the environment and CSR has become particularly important in Hong Kong (Studer, Tsang et al. 2008), but there is lack of attention on part of SMEs. Therefore,
this study will help in the discussion of CSR in Hong Kong SMEs (Daly 1999; O’Dwyer 2003).
6.3 Management Implications

The implications for practitioners or managers, especially making the Hong Kong’s manager recognized the positive significantly relationship between CSR and competitiveness as Johnson (1971) mentioned in 1970s. Furthermore, Hong Kong’s manager could go through suggestion from the researcher that CSR strategy formulation process to establish their CSR strategies. There was no formal CSR strategy formulation process in previous researches. The author suggested CSR strategy formulation process would fulfil this this research gap, especially in Hong Kong context.

A positive relationship between CSR and employee motivation, recruiting and retaining is found in this study. The previous studies have outlined the CSR can improve employee motivation and commitment (Campi 2008; Mittal, Neena et al. 2008; Dhaka 2010) and retention (Okamoto 2009). While respondents said they strive to convey their CSR to employees, which again indicates the passion to participate in CSR activities. SMEs should communicate their CSR commitment and ongoing efforts to increase staff retention rate.

In addition, the respondents said they communicate their CSR activities through seminars to potential employees. The findings are consistent with previous studies (Holmes and Watt 2000; Kim 2008). CSR activities can significantly improve the attraction to good potential employees. Therefore, SMEs should actively communicate their CSR efforts to the potential employees.

Similarly, only half of respondents communicate their CSR efforts to customers and only one sample case said it uses external advertising to communicate the CSR efforts to customers and potential employees. This study shows that there is a strong relationship between CSR and customer loyalty. The results of this study show that there are more opportunities for them to communicate the CSR efforts to customers which can ultimately lead to increased sales and customer loyalty.

In addition, a significant number of small companies in Hong Kong either do not participate in CSR or participate only in a small way. This is consistent with findings
from previous study (Godfrey, Merrill et al. 2009). The study also found that the relationship between CSR and competitiveness is significant. Therefore, SMEs can obtain economic benefits from participating in CSR (Bryane 2003; Jenkins 2004; Jenkins 2004; Kytle and Ruggie 2005). Therefore, the author recommends SMEs to improve their participation in CSR.

Although the term CSR has been criticized in the literature (Vilanova, Lozano et al. 2009) and alternatives, such as corporate social response (Doyle and Bendell 2009) and corporate social performance (Carroll 1999) have been proposed. However, both the interviews and focus groups indicate that CSR is the most appropriate and commonly understood terminology. Therefore, this study suggests that companies use the term CSR, especially in communications with stakeholders.

In summary, this research started the study on current practices of CSR in Hong Kong SMEs to explore the motivation of SMEs, the relationship between CSR and competitiveness of SMEs and then the formulation of effective CSR strategy. The study has responded to the calls by many authors (Freeman 2004; Kapoor and Sandhu 2010) and provides the relationship between CSR and competitiveness in a more detailed manner.

Previous studies (Princic 2003; Rodriguez, Siegel et al. 2006) have indicated the weak relationship between CSR and competitiveness. The positive relationship between CSR and competitiveness is found with precise analysis. The researcher also found that CSR is highly correlated with social reputation, attraction to potential employees, staff motivation and retention, and customer loyalty, but weaker relationship between CSR and revenue. Therefore, this study provides the more detailed understanding on Hong Kong SMEs in CSR engagement.
6.4 Future research

For future research, the author suggests a longitudinal study. This may provide a better understanding of the relationship between CSR and competitiveness, especially in the context of attracting, motivating and retaining employees, plus customer loyalty and reputation improvement.

Another area for future research may be a cross-sectional study comparing other regions of the Mainland China. That could differentiate CSR within different Chinese cultures. Studies on other countries can contribute to the development of CSR concept in their culture and academic fields. It is important to understand the most important factors in other countries in Asia.

In addition, the impact of CSR for all stakeholders should be one of topics for future studies because of the need for more detailed understanding, rather than relying on the manager's views. For example, future research may collect information about the attractiveness of CSR to motivate and retain employees; information can be directly from the impacted staff.

Moreover, the research of relationship between CSR and customer loyalty can be carried out through the questionnaire survey to SMEs’ customers or other assessments. Such an approach would require a lot of detailed information on the various methods and case studies from organisations that can provide access to such information.

A case study approach may be used to conduct research on other scaled enterprises in Hong Kong to provide information of CSR nature, type and extent for clear understanding. It can also provide insights into the motivation for CSR, and the impact of the activity.

Finally, it was pointed out the limitation of the study is to focus on a single region (Hong Kong). Future research may include other countries, and then author can perform comparison between countries.
6.5 Limitations of the study

The study was limited to competitiveness indicators such as cost reduction and customer loyalty improvement. There are many indicators, such as financial performance indicators that can be used for a study on the relationship between competitiveness and CSR.

Framework for the development of this study is limited to the pilot study used for identifying elements of the stakeholders and related activities. According to the implementation and practice of CSR of these sample SMEs, they participate in CSR activities on a voluntary basis. Therefore, the studied CSR practices are limited to sample SMEs in particular to the limited sample size (eight sample SMEs).

However, interviews with respondents in terms of CSR issues and choosing the organisation as sample cases does not represent the point of view of the whole country or all stakeholders. The organisational behaviour of sample SMEs is the current limitation of the study.

Finally, the study only focused on SMEs operating in Hong Kong. This is a limited research in response to the Hong Kong CSR (O'Dwyer 2005; Studer, Tsang et al. 2008; SynTao 2013). However, since the study only focuses on the results of SMEs operating in Hong Kong, the results of this study may not apply to businesses outside of Hong Kong.

The study relies on respondents from the sample SMEs, since the respondents perceived views and concepts of CSR affect the findings. A better approach might be to survey more respondents from various organisations. However, the study noted that the number of sample cases is usually low (Bogdan and Biklen 1992), in particular, it is difficult to invite the respondents from SMEs in Hong Kong environment. However, increase in sample size would also lead to increased costs, which is also a limiting factor in this study.
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Appendix 1: Interview Protocol - Interview

Interview Protocol - Interview

1. Introductory remarks

The aim of this research is to develop a model over the combination of face-to-face individual interview and focus group interview to explore the roles of Corporate Social responsibilities (CSR) in Small and Medium-sized Enterprises in Hong Kong. This study attempts to understand how and why SMEs engage in CSR and how this is understood and implemented by the entrepreneur.

2. Interview Questions

A. Background
1. Describe the background of your company and your experience about CSR initiatives.

B. CSR Initiatives
2. How does your company undertake a risk assessment exercise with respect to the environmental and social concerns before entering a new market?

3. How does a board committee exist for the function of corporate social responsibility/ sustainable development/corporate citizenship?

4. How does your company have a code of ethics or policy (for example, corporate governance, dishonesty, corruption or unethical behaviour)?

5. How does your company have systems in place to measure the environmental concerns (for example, CO2 emission, Greenhouse gases, energy consumption, water consumption and waste production)?

6. How does your company work on human rights (for example, health, safety and equal opportunity)?

7. How does your company take into account the business behaviour/ practices of partners in supply chain (for example, environmental practices, labour standards, health and safety standards of suppliers)?
8. How does your company consider the opinions of internal and external stakeholders (for example, employee, consumer, supplier, trade association, community/society, local government and overseas government of business territory) while designing corporate strategy?

9. How does your company participate in CSR activity with financial support to engage communities?

10. How does your organization disclose CSR initiatives?

11. How does your company implement new process, procedures, products and services to achieve environmental and social benefits?

12. Identify key CSR issues and challenges that your organization is facing. How to handle?

13. How does your company balance the economic impacts between CSR initiatives and the corporate financial performance?

14. How does your company have economic benefit from new launched products or service embedded with CSR initiatives?

15. Are Improved CSR results in better access to markets, finance and license to operate?

16. Are Improved CSR results in enhanced corporate intangible assets such as human resource?

17. Are improved CSR results in reduced risk, which in terms leads to improved efficiency (including better technology, management) and innovations?

18. Is better reputation and brand management a factor to motivate your firm participated CSR activities?

19. Is better compliance a factor to motivate your firm participated CSR activities?
20. Is better risk management a factor to motivate your firm participated CSR activities?

21. Is ethical consideration a factor to motivate your firm participated CSR activities?

22. Is increased share hold value a factor to motivate your firm participated CSR activities?

23. What are the key components of your CSR strategy?

24. What are the criteria for an effective CSR strategy?

25. How to formulate an effective CSR strategy?

Provide a reminder that they may also review the transcript of the interview and edit their contribution.

Thank you for participating.
Appendix 2: Interview Protocol – Focus Group

Interview Protocol – Focus Group

1. Introductory remarks

The aim of this research is to develop a model over the combination of face-to-face individual interview and focus group interview to explore the roles of Corporate Social responsibilities (CSR) in Small and Medium-sized Enterprises in Hong Kong. This study attempts to understand how and why SMEs engage in CSR and how this is understood and implemented by the employees.

2. Question
1. Introduce yourself (e.g. name, department, role, experience).

2. What are your experiences and concerns regarding CSR?

3. Would you think about how companies obtain economic benefits from existing and future CSR?

4. Would you think about the ethical consideration promoting SME to engage CSR activities?

5. Would you think about the reputation improvement promoting SME to engage CSR activities?

6. Would you think about the risk reduction promoting SME to engage CSR activities?

7. Would you think about the compliance requirements promoting SME to engage CSR activities?

8. Would you think about the shareholder’s value improvement promoting SME to engage CSR activities?

9. Would you think about the brand name improvement promoting SME to engage CSR activities?
10. Are improved CSR results in better access to markets, finance and license to operate?

11. Are improved CSR results in enhanced corporate intangible assets such as human resource?

12. Are improved CSR results in reduced risk, which in terms leads to improved efficiency (including better technology, management) and innovations?

13. How to formulate effective CSR strategy?

14. What components constitute effective CSR strategy?

Thank you for participating.
Appendix 3: Participation Information Statement – Interview

FACULTY OF BUSINESS AND LAW

Participation Information Statement – Interview

For further information:
Project supervisor: Dr Thomas Man
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9412 9255
Wingyan.Man@newcastle.edu.au

Participation Information Statement for the Research Project:
Exploring the roles of Corporate Social Responsibilities of Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

You are invited to participate in the above mentioned research project identified above that is being conducted by Dr Thomas Man and Mr Francis Yu from the Newcastle Schools of Business and Law. The research is a requirement of the Doctor of Business Administration study conducted by Mr Yu. All researchers are based at the University of Newcastle.

Why is the research being done?

The main goal of this project is to understand how and why SMEs engage in CSR and how this is understood to implement by the entrepreneur. Such understandings assist SMEs in planning and communicating their CSR activities to develop systematic CSR initiatives responding the difficult and uncertain environment to which SMEs in Hong Kong face.

Who can participate in the research?

If you are entrepreneur or owned-manager and have been working for CSR as decide-makers of Hong Kong SMEs and have more than six full-time employees since 2011, you can participate
What choice do you have?

Participation in this research is entirely voluntary and your choice. Only those individuals that consent to involvement will be included in this research. Whether or not you decide to participate, your decision will not disadvantage you, or affect your relationship with your employer.

If you do decide to participate, you may withdraw from the project at any time without giving a reason up till completing the interview.

What you are being asked to do?

Once you have read and understood this Participant Information Statement and wish to participate, you need to inform the Human Resources Department. With the assistance of the Human Resources Department, the student researcher, Mr Yu, will contact you to arrange a date, time and place for the interview. Prior to the interview, you will be invited to sign the attached consent form. During the interview, you are asked to give your honest opinions in response to the questions asked. A copy of the broad questions is attached for your information. You are welcome to withdraw at any time during the interview without giving a reason. Once the interview has been transcribed, you will be asked to verify or edit the transcription.

How much time will it take?

The interview will take about 60 minutes to complete.

What are the risks and benefits of participating?

There are neither risks nor direct benefits for any individual participant. However, it is hoped the research will lead to give CSR information and tools that strategically working to SMEs in Hong Kong and contributing to plan and communicate their CSR activities.

How will your privacy be protected?

Identifying data will be removed using pseudonyms for the employee’s name. All soft and hard copies of the data and associated records will be kept in the locked filling cabinet or password-protected PC of the researchers, in secure premises, except as required by law and will be disposed of in accordance with the University of Newcastle’s policy and procedures for the
confidential disposal of confidential material. You are also protected by Hong Kong privacy ordinance.

**How will the information collected be used?**

The data will be used in the dissertation of the student researcher. It may also be used in scholarly journal articles and conference papers.

**What do you need to do to participate?**

Please read this Information Statement and be sure you understand its contents before you consent to participate. If there is anything you do not understand, or you have questions, please feel free contact the student researchers, Mr Yu.

**Further information**

If you would like further information please contact the Dr Thomas Man at the address above. Thank you for considering this invitation.

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Dr Thomas Man  
Chief Investigator  
17 December 2013

Mr Francis Yu  
Student Researcher  
17 December 2013

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**Complaints about this research**

This project has been approved by the University’s Human Research Ethics Committee, Approval No. H-2013-0380. Should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Local DBA Secretariat, The Hong Kong Management Association, 16/F Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, telephone (852) 2774-8513, or email to unc.dba@hkma.org.hk.
組織參與者資料聲明-訪談

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該研究項目組織參與者資料聲明：
探索香港中小企業在企業社會責任的角色
文件版本 4.0 2013 年 12 月 17

你被邀請參加，由澳大利亞紐卡斯爾大學紐卡斯爾商學院的萬穎恩博士和余耀國先生進行的研究項目。這項研究，由余耀國先生進行，而萬穎恩博士是余耀國先生的研究導師。

研究正在做什麼？
本研究探討在香港行政特區的中小企業怎樣和為什麼使用企業社會責任，企業家怎樣理解和執行。研究探討結果有助於在香港行政特區的中小企業進行策劃及溝通企業社會責任，從而發展有系統之企業社會責任，應付在香港行政特區中小企業面對的困難和不明確環境。

誰成為本研究探討的被訪談者？
如果你是企業家或自僱管理人仕，需要決策在香港行政特區中小企業的企業社會責任。從 2011 年起，該在香港行政特區的中小企業擁有多於六名全職僱員。你便成為本研究探討的被訪談者。

你將會被要求做什麼？
一旦閣下已閱讀並理解此參與者資料聲明，並希望參與其中，需要告知人力資源部。項目研究學員余耀國先生，會聯絡閣下，並安排日期，時間和地點等。在訪談中，閣下被邀請簽署附同意書，閣下亦被要求誠實回應，所提出的問題。一份完全的問題將同時付給閣下以作參考。在被訪談中，閣下亦可隨時終止被訪談，而無須要說明理由。一旦訪
談內容被轉錄，閣下將被要求驗證或編輯轉錄。

你有什麼選擇呢？
參與這項研究探討的被訪者是完全自願和個人抉擇。本人同意該研究項目由紐卡斯爾大學的倫理委員會充分認可。參加與否的決定不會影響其與紐卡斯爾大學的關係呢。

需要多少時間？
這次訪談將需要大約 60 分鐘才能完成。

什麼是參與者的風險和收益？
參與這項研究既不危險也不直接有利於公司。但是，我們希望這項研究的结果，促進香港企業社會責任的發展。

參與者隱私如何受到保護？
員工的數據將使用假名，並報告在總的數據被刪除。在員工的意見及談話中，保證他們不需要提供任何身份信息。所有數據的電子副本將被安全地存儲於項目研究學員受密碼保護的電腦，除非法律要求。從余耀國先生的論文獲批准之日起，這些數據將被保存至少五年，然後銷毀。

如何將收集到的信息被使用？
這項研究的結果，將會是余耀國先生工商管理論文的一部分，可能會被刊登在學術和專業期刊。

你有什麼需要做的參與？
一旦這個資料聲明已閱讀並理解，如果閣下願意提供資料和同意如上文所述的研究項目，務請在提供之書面知情同意書上簽署。如閣下有不明之處，請勿猶疑聯絡項目研究學員余耀國先生。

進一步的信息
如果您想了解這項研究的更多信息，請通過上述電子郵件地址或電話號碼聯繫余先生或萬穎恩博士。感謝您考慮這個邀請。

此致
有關這項研究的投訴：
該項目已通過大學的研究倫理委員會，批准文號 H-2013-0380，如果您有投訴，您可以聯繫項目研究學員或項目監察員，或者，聯絡本地的 DBA 秘書處，香港管理專業協會，香港黃竹坑業興街 11 號南匯廣場 B 座 16 樓，電話（852）2774-8564，或電郵至 unc.dba@hkma.org.hk.
Appendix 4: Participant Information Statement – Focus Group

FACULTY OF BUSINESS AND LAW

Participant Information Statement – Focus Group

For further information:
Project Supervisor: Dr Thomas Man
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9412 9255
Wingyan.Man@newcastle.edu.au

Participation Information Statement for the Research Project:
Exploring the roles of Corporate Social Responsibilities of Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

You are invited to participate in the above mentioned research project identified above that is being conducted by Dr Thomas Man and Mr Francis Yu from the Newcastle Schools of Business and Law. The research is a requirement of the Doctor of Business Administration study conducted by Mr Yu. All researchers are based at the University of Newcastle.

Why is the research being done?

The main goal of this project is to understand how and why SMEs engage in CSR and how this is understood and implemented by the employees. Such understandings assist SMEs in planning and communicating their CSR activities to develop systematic CSR initiatives responding to the difficult and uncertain environment to which SMEs in Hong Kong face.

Who can participate in the research?

If you are the employees of SME in Hong Kong and have been working experiences to deploy CSR strategies of Hong Kong SMEs and have more than six full-time employees since 2011, you
What choice do you have?

Participation in this research is entirely your choice. Only those individuals that consent to involvement will be included in this research. Whether or not you decide to participate, your decision will not disadvantage you, or affect your relationship with your employer.

If you do decide to participate, you may withdraw from the project at any time without giving a reason up until you have verified interview transcripts.

What would you being asked to do?

Once you have read and understood this Participant Information Statement and wish to participate, you need to inform the Human Resources Department. With the assistance of the Human Resources Department, the student researcher, Mr Yu, will contact you to arrange a date, time and place for the focus group interview. Prior to the interview, you will be invited to sign the attached consent form. During the interview, you are asked to give your honest opinions in response to the questions asked. A copy of the broad questions is attached for your information. You are welcome to withdraw at any time during the focus group without giving a reason. Once the focus group has been transcribed, you will be asked to verify or edit the transcription.

How much time will it take?

The interview will take about 60 minutes to complete.

What are the risks and benefits of participating?

There are neither risks nor direct benefits for any individual participant. However, it is hoped the research will lead to give CSR information and tools that strategically working to SMEs in Hong Kong and contributing to plan and communicate their CSR activities.

How will your privacy be protected?

Identifying data will be removed using pseudonyms for the employee’s name. All soft and hard copies of the data and associated records will be kept in the locked filling cabinet or password-protected PC of the researchers, in secure premises, except as required by law and will be
disposed of in accordance with the University of Newcastle’s policy and procedures for the confidential disposal of confidential material. You are also protected by Hong Kong privacy ordinance.

**How will the information collected be used?**

The data will be used in the dissertation of the student researcher. It may also be used in scholarly journal articles and conference papers.

**What do you need to do to participate?**

Please read this Information Statement and be sure you understand its contents before you consent to participate. If there is anything you do not understand, or you have questions, please feel free to contact the student researchers, Mr Yu.

**Further information**

If you would like further information please contact Mr Yu at the email or phone below.

Thank you for considering this invitation.

Dr Thomas Man  
Chief Investigator  
17 December 2013

Mr Francis Yu  
Student Researcher  
17 December 2013

**Complaints about this research:**

This project has been approved by the University’s Human Research Ethics Committee, Approval No. H-2013-0380. Should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Local DBA Secretariat, The Hong Kong Management Association, 16/F Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, telephone (852) 2774-8513, or email to unc.dba@hkma.org.hk.
組織參與者資料聲明-焦點小組

欲了解更多信息:
項目監察員：萬穎恩博士
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9412 9255
Wingyan.Man@newcastle.edu.au

該研究項目組織參與者資料聲明：
探索香港中小企業在企業社會責任的角色
文件版本 4.0 2013 年 12 月 17

你被邀請參加，由澳大利亞紐卡斯爾大學紐卡斯爾商學院的萬穎恩博士和余耀國先生進行的研究項目。這項研究，由余耀國先生進行，而萬穎恩博士是余耀國先生的研究導師。

研究正在做什麼？
本研究探討在香港行政特區的中小企業怎樣和為什麼使用企業社會責任，企業家怎樣理解和執行。研究探討結果有助於在香港行政特區中小企業進行策劃及溝通企業社會責任，從而發展有系統之企業社會責任，應付在香港行政特區中小企業面對的困難和不明确環境。

誰成為本研究探討的被訪談者？
如果你是在香港行政特區中小企業之員工，曾經擁有經驗執行在香港行政特區中小企業之企業社會責任策略，從 2011 年起，該在香港行政特區的中小企業擁有多於六名全職僱員。你便成為本研究探討的焦點小組被訪談者。

你將會被要求做什麼？
一旦閣下已閱讀並理解此參與者資料聲明，並希望參與其中，需要告知人力資源部。項目研究學員余耀國先生，會聯絡閣下，並安排日期、時間和地點等。在訪談中，閣下被
邀請簽署附同意書，閣下亦被要求誠實回應，所提出的問題。一份完全的問題將同時付給閣下以作參考。在焦點小組被訪談中，閣下亦可隨時終止被訪談，而無須要說明理由。一旦訪談內容被轉錄，閣下將被要求驗證或編輯轉錄。

你有什麼選擇呢？
參與這項研究探討的被訪者是完全自願和個人抉擇。本人同意該研究項目由紐卡斯爾大學的倫理委員會充分認可。參加與否的決定不會影響其與紐卡斯爾大學的關係呢。

需要多少時間？
這次焦點小組將需要大約 60 分鐘才能完成。

什麼是參與者的風險和收益？
參與這項研究既不危險也不直接有利於公司。但是，我們希望這項研究的結果，促進香港企業社會責任的發展。

參與者隱私如何受到保護？
員工的數據將使用假名，並報告在總的數據被刪除。在員工的意見及談話中，保證他們不需要提供任何身份信息。所有數據的電子副本將被安全地存儲於項目研究學員受密碼保護的電腦，除非法律要求。從余耀國先生的論文獲批准之日起，這些數據將被保存至少五年，然後銷毀。

如何將收集到的信息被使用？
這項研究的結果，將會是余耀國先生工商管理論文的一部分，可能會被刊登在學術和專業期刊。

你有什麼需要做的參與？
一旦這個資料聲明已閱讀並理解，如果閣下願意提供資料和同意如上文所述的研究項目，務請在提供之書面知情同意書上簽署。如閣下有不明之處，請勿猶疑聯絡項目研究學員余耀國先生。

進一步的信息
如果您想了解這項研究的更多信息，請通過上述電子郵件地址或電話號碼聯繫余先生或
萬穎恩博士。感謝您考慮這個邀請。

此致

項目監察員: 萬穎恩博士

項目研究學員: 余耀國先生

二○一三年十二月一十七日

有關這項研究的投訴:
該項目已通過大學的研究倫理委員會，批准文號 H-2013-0380。如果您有投訴，您可以聯繫項目研究學員或項目監察員，或者，聯絡本地的 DBA 秘書處，香港管理專業協會，香港黃竹坑業興街 11 號南匯廣場 B 座 16 樓，電話 (852) 2774-8513，或電郵至 unc.dba@hkma.org.hk.
Appendix 5: Organization Participant Information Statement

FACULTY OF BUSINESS AND LAW

Organization Participant Information Statement

Project Supervisor: Dr Thomas Man  
Newcastle Business School  
Faculty of Business and Law  
University of Newcastle  
+852 9412 9255  
Wingyan.Man@newcastle.edu.au

Student Researcher: Mr Francis Yu  
Newcastle Business School  
Faculty of Business and Law  
University of Newcastle  
+852 9839 5833  
Yiu.Yu@uon.edu.au

Organisation Participant Information Statement for the Research Project:  
Exploring the roles of Corporate Social Responsibilities of  
Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

The ABC Company is invited to participate in the abovementioned research project that is being conducted by Dr Thomas Man and Mr Francis Yu from the Newcastle Business School at the University of Newcastle, Australia. The research is being carried out as a requirement of Mr Yu’s Doctor of Business Administration Degree. Dr Thomas Man is Mr Yu’s research supervisor.

Why is the research being done?
This research investigates the performance of the Corporate Social Responsibility in SMEs in Hong Kong Administrative Special Region. We focus on the roles of CSR, CSR strategies to work in SMEs and how CSR is understood and implemented by the entrepreneur and employees in 2012 and 2013.

What is being asked of the ABC Company?
We request the consent of the company to:
1. Interviewing its full-time employees;

   Permit the Human Resources Management Department to email the Participant Information Statement and Interview Protocol with interview questions to all full-time employees; inviting them to participate in the research by attending a face-to-face and focus group interview about their opinions of corporate social responsibility within the company as well as the CSR strategies to respond stakeholders within the business network and disclose the benefits from result of CSR activities in daily operations. This will entail the Human Resource Management Department sending out the Participant Information Statement and Interview Protocol with interview questions via its group email to all employees. Once employees have read and understood this Participant Information Statement and wish to participate, they will need to inform the Human Resources Department. With the assistance of the Human Resources Department, the student researcher, Mr Yu, will contact them to arrange a date, time and place for the interview. Prior to the interview, you will be invited to sign the attached consent form. During the interview, employees are asked to give their honest opinions in response to the questions asked. Once the interview content has been transcribed, employees will be asked to verify or edit the transcription;

2. Permit the researchers to identify the Company in Mr Yu’s dissertation and in related scholarly publications.

   The consent of the Company would be subject to full approval of the research project by the University of Newcastle Human Ethics Committee.

   **What choice do you have?**

   Participation in this research by the Company is **entirely voluntary**. The decision to participate or not will not affect its relationship with the University of Newcastle in anyway.

   **What are the risks and benefits of participating?**

   Participation in this study entails neither risk nor direct benefit to the Company. However, it is hoped the research will lead to give CSR information and tools that strategically working to SMEs in Hong Kong and contributing to plan and communicate their CSR activities.

   **How will privacy be protected?**

   Although the Company will be identified in the research and its subsequent publications, identifying data of employee response will be removed using pseudonyms and the data reported in aggregate. Employee responses are guaranteed they are not required to provide any identifying information. An electronic copy of the aggregated data will be securely stored on password protected computers accessible only to the researchers, except as required by
law. The data will be kept for a minimum of five years from the date of approval of the Mr Yu’s dissertation and then destroyed.

**How will the information collected be used?**
The findings of this study will form part of Mr Yu’s Doctor of Business Administration dissertation and may be published in scholarly and professional journals.

**What do you need to do to participate?**
Once this Information Statement has been read and understood, should the Company wish to provide its consent to the research project as stated above, you are requested to sign the attached form on behalf of the Company so providing informed written consent from the Company. The Participant Information Statement for employees and copy of the interview questions are also attached for information.

**Further information**
If you would like more information about this study, please contact Mr Yu’s or Dr Thomas Man at the above emails or phone numbers. Thank you for considering this invitation.

Yours sincerely,

Dr. Wing Yan Thomas Man  
Chief Investigator  
17 December, 2013

Mr. Yiu Kwok Francis YU  
Student Researcher  
17 December, 2013

**Complaints about this research:**
This project has been approved by the University’s Human Research Ethics Committee, Approval No. H-2013-0380
Should you have concerns about your rights as a participant in this research, or you have a complaint about the manner in which the research is conducted, it may be given to the researcher, or, if an independent person is preferred, to the Local DBA Secretariat, The Hong Kong Management Association, 16/F Tower B, Southmark, 11 Yip Hing Street, Wong Chuk Hang, Hong Kong, telephone (852) 2774-8513, or email to unc.dba@hkma.org.hk.
組織參與者資料聲明

項目監察員：萬穎恩博士
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9412 9255
Wingyan.Man@newcastle.edu.au

項目研究學員：余耀國先生
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9839 5833
Yiu.Yu@uon.edu.au

該研究項目組織參與者資料聲明：
探索香港中小企業在企業社會責任的角色
文件版本 4.0 2013 年 12 月 17

ABC 公司被邀請參加，由澳大利亞紐卡斯爾大學紐卡斯爾商學院的萬穎恩博士和余耀國先生進行的研究項目。這項研究，由余耀國先生進行，而萬穎恩博士是余耀國先生的研究導師。

研究正在做什麼？
本研究探討在香港行政特區中小企業的企業社會責任的表現。我們專注於中小企業在企業社會責任的角色，及中小企業的企業社會責任戰略，與及在 2012 年和 2013 年間，企業家和員工如何理解和實現企業社會責任。

什麼需要要求 ABC 公司的？
我們要求公司的同意：

1。與全職僱員，進行訪談;
允許人力資源管理部，以電子郵件的模式，發放參與者資料聲明和面試議定書及面試問題予所有全職僱員，邀請他們出席有關企業社會責任的訪談及焦點小組，主要的訪談內容或或，為中小企業參予企業社會責任對企業營運帶來什麼優勢，及在 2012 年和 2013 年間，企業家和員工對企業社會責任的理解和如何實踐企業社會責任，及中小企業的企業社會責任的戰略。這將需要人力資源管理部，發放參與者資料聲明和面試議定書及面試問題予所有全職僱員。一旦員工已閱讀並理解此參與者資料聲明，並希望參與其中，他們將需要告知人力資源部。項目研究學員余耀國先生，會聯絡他們，並安排日
期，時間和地點等。在訪談或焦點小組中，員工被邀請簽署附同意書，員工被要求要誠
實回應，所提出的問題。一旦訪談或焦點小組內容被轉錄，員工將被要求驗證或編輯轉
錄；
2。授予權限予研究人員，就研究結果，進行發表或出版與研究相關的著作。

本公司同意該研究項目由紐卡斯爾大學的倫理委員會充分認可。

你有什麼選擇呢？
參與這項研究由本公司完全是自願的。參加與否的決定不會影響其與紐卡斯爾大學的關
係呢。

什麼是參與者的風險和收益？
參與這項研究既不危險也不直接有利於公司。但是，我們希望這項研究的結果，促進香
港企業社會責任的發展。

參與者隱私如何受到保護？
員工的數據將使用假名，並報告在總的數據被刪除。在員工的意見及談話中，保證他們
不需要提供任何身份信息。所有數據的電子副本將被安全地存儲於項目研究學員受密碼
保護的電腦，除非法律要求。從余耀國先生的論文獲批准之日起，這些數據將被保存至
少五年，然後銷毀。

如何將收集到的信息被使用？
這項研究的結果，將會是余耀國先生工商管理論文的一部分，可能會被刊登在學術和專
業期刊。

你有什麼需要做的參與？
一旦這個資料聲明已閱讀並理解，如果公司願意提供資料和同意如上文所述的研究項目，
務請代表本公司，以便提供本公司書面知情同意書的簽署，在附上的表格。員工的訪談
問題副本和參與者資料聲明，也在附加文件上。

進一步的信息
如果您想了解這項研究的更多信息，請通過上述電子郵件地址或電話號碼聯繫余先生或
萬穎恩博士。感謝您考慮這個邀請。

此致
項目監察員：萬穎恩博士

項目研究學員：余耀國先生

二○一三年十二月一十七日

有關這項研究的投訴：
該項目已通過大學的研究倫理委員會，批准文號 H- 2013- 0380，如果您有投訴，您可以
聯絡項目研究學員或項目監察員，或者，聯絡本地的 DBA 秘書處，香港管理專業協會，
香港黃竹坑樂興街 11 號南匯廣場 B 座 16 樓，電話（ 852）2774-8513，或電郵至 unc.d
ba@hkma.org.hk.
Appendix 6: Organization Consent Form

FACULTY OF BUSINESS AND LAW

Organisation Consent Form

Project Supervisor: Dr Thomas Man
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9412 9255
Wingyan.Man@newcastle.edu.au

Student Researcher: Mr Francis Yu
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9839 5833
Yiu.Yu@uon.edu.au

Organisation Consent Form for the Research Project:
Exploring the roles of Corporate Social Responsibilities of
Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

On behalf of the ABC Company, I, _____________________, have read the Information
Statement on the abovementioned research project to be conducted by Mr Yu under the
supervision of Dr Thomas Man from the University of Newcastle, Australia. I have had the
opportunity to have questions answered to my satisfaction.

As duly authorised by the ABC Company, I consent to the following:
1. the above named researchers inviting all full-time employees of the company to participate
   in either face-to-face or focus group interviews about their opinions of corporate social
   responsibility within the company as well as the CSR strategies to respond stakeholders
   within the business network; disclose the benefits from result of CSR activities in daily
   operations and how CSR is understood and implemented by the entrepreneur and
   employees in 2012 and 2013.
2. the Human Resources Management Department being permitted to email the
   entrepreneur and employees inviting them to participate in the research by attending
   either a face-to-face or focus group interviews. In which all participants are entirely
voluntary and have the right to express any opinion during the interviews without censorship or restraint by their superiors and the company.

3. Granting permission to the researchers to identify the company in their research related publications.

On behalf of the Company, I give my consent freely and I understand that the project will be conducted in accordance with the Information Statement and the full approval granted to the researchers by the University of Newcastle Human Ethics Research Committee, copies of which I have retained.

Print Name: _______________________________________________

Signature: _________________________________________________

Position: __________________________________________________

Date: _____________________________________________________
機構同意書

項目監察員：萬穎恩博士
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9412 9255
Wingyan.Man@newcastle.edu.au

項目研究學員：余耀國先生
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9839 5833
Yiu.Yu@uon.edu.au

機構同意書-研究項目:
探索香港中小企業在企業社會責任的角色

文件版本 4.0 2013 年 12 月 17 日

代表ABC公司，我，___________________，已閱讀在澳大利亞紐卡斯爾大學的萬穎恩博士監督下，由余先生發出的資料聲明。使我有機會，滿意地回答問題。

在ABC公司的正式授權下，我同意了以下內容：

1. 上述研究人員邀請公司的全職員工參加有關企業社會責任的訪談，主要的訪談內容為中小企參予企業社會責任對企業營運帶來什麼優勢，及在2012年和2013年間，企業家和員工對企業社會責任的理解和如何實踐企業社會責任，及中小企業的企業社會責任的戰略。

2. 人力資源管理部被允許發放電子郵件予企業家和員工，邀請他們出席臉對臉訪談或焦點團體。所有的參與者都是完全自願的，他們有表達意見的權利，他們有表達的意見，是沒有被檢查或受制於他們的上司和公司。

3. 授予權限予研究人員，就研究結果，進行發表或出版與研究相關的著作。

代表本公司，我同意和了解，該項目將按照紐卡斯爾大學研究倫理委員會的聲明和批准的大學研究人員進行，我會保留相關文件的副本。
姓名：___________________________________________

簽名：___________________________________________

職位：___________________________________________

日期：___________________________________________
Appendix 7: Nomination Form

FACULTY OF BUSINESS AND LAW

Nomination Form

For further information:
Project Supervisor: Dr Thomas Man
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9412 9255
Wingyan.Man@newcastle.edu.au

Nomination Form for the Research Project:
Exploring the roles of Corporate Social Responsibilities of Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

How to nominate

Anybody may submit a nomination to nominate an organization to participate the above research. Each nomination must be submitted on a separate form. Incomplete forms may be considered ineligible for nomination.

Send your completed form to:

Student Researcher: Mr Francis Yu
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9839 5833
Yiu.Yu@uon.edu.au
## Nominee details

<table>
<thead>
<tr>
<th>Name of organisation:</th>
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<table>
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<tr>
<th>Nominee’s phone number:</th>
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<table>
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<tr>
<th>Nominee’s email address:</th>
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<table>
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<tr>
<th>Name of contact person:</th>
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</tbody>
</table>
提名表格

進一步內容：
項目監察員：萬穎恩博士
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9412 9255
Wingyan.Man@newcastle.edu.au

研究項目：
研究香港中小企業之企業責任

文檔版本 4.0，2013 年 12 月 17 日
如何提名

任何人都可以提交提名，提名那個組織參與上述研究。每項提名必須提交獨立的形式。不完整的表格可以被認為沒有資格獲得提名。

把填妥的表格，送交：

項目研究學員：余耀國先生
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9839 5833
Yiu.Yu@uon.edu.au
被提名組織的詳細資料

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<table>
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<tr>
<th>被提名組織的電子郵件地址：</th>
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</table>

<table>
<thead>
<tr>
<th>被提名組織的聯絡人姓名：</th>
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</tbody>
</table>
Appendix 8: Consent Form - Interview

Consent Form - Interview
For further information:
Projects supervisor: Dr Thomas Man
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9412 9255
Wingyan.Man@newcastle.edu.au

Consent Form for the Research Project:
Exploring the roles of Corporate Social Responsibilities of Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

I agree to participate in the above research project and give my consent freely.

I am entirely voluntary and have the right to express any opinion during the interviews without censorship or restraint by my superiors and the company.

I understand that the project will be conducted as described in the Information Statement, a copy of which I have retained.

I understand that I can withdraw from the project at any time and do not have to give any reason for withdrawing. During the interview I can ask for the tape to be stopped and edited or erased. I may also review the transcript of the interview and edit my contribution. If I decide to withdraw, all data related to me will be withdrawn and destroyed.
I consent to:

1. Participate in a face-to-face interview of approximately 60 minutes
2. The interview being recorded onto a digital recorder.

I understand that my personal information will remain confidential.

I have had the opportunity to have questions answered to my satisfaction.

Print name: ______________________________

Signature: _____________________________ Date: ___/___/_____

Contact telephone number: ______________________________
同意書 – 訪談

進一步內容：
項目監察員：萬穎恩博士
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9412 9255
Wingyan.Man@newcastle.edu.au

研究項目同意書：
研究香港中小企業之企業責任

文檔版本 4.0, 2013 年 12 月 17 日

我同意參與上述研究項目。據我了解，該項目將跟據信息聲明的內容而進行，而我已保留該聲明的副本。

在面談中，我能完全按照個人之意願和權利表達任何主張，其主張不會受制於我工作公司和直屬上級之審計制度約束。

我明白我可以在任何時候退出該研究項目，並無需給予任何理由。然而，收集我的意見是通過進行大量交談，我並明白我參與焦點小組交談後，研究人員我不能刪除我個人之貢獻。我的意見會在研究報告中被匿名引用。

我同意如下：
1. 參與一個訪談大約用時為 60 分鐘。
2. 參與這次面談並接受進行即場錄音。

我承諾我將不會暴露其他參與者之個人身份及他們在訪談中的談話內容。

我明白我的個人資料將被保密。
我有權要求研究人員回答有關問題，様我有充份了解及滿意回覆。

姓名：

簽名：

日期：__/__/____

聯絡電話：


Appendix 9: Consent Form – Focus Group

Consent Form – Focus Group

For further information:
Project Supervisor: Dr Thomas Man
Newcastle Business School
Faculty of Business and Law
University of Newcastle
+852 9412 9255
Wingyan.Man@newcastle.edu.au

Consent Form for the Research Project:
Exploring the roles of Corporate Social Responsibilities of Small and Medium-sized Enterprises in Hong Kong

Document Version 4.0 dated 17 December 2013

I agree to participate in the above research project and give my consent freely. I understand that the project will be conducted as described in the Participant Information Statement, a copy of which I have retained.

I am entirely voluntary and have the right to express any opinion during the interviews without censorship or restraint by my superiors and the company.

I understand that I can withdraw from the project at any time and do not have to give any reason for withdrawing. However, as my comments will form part of a larger conversation, I understand that the researchers will be unable to withdraw my individual contribution to the focus group once I have participated. You are reminded that the data is de-identified to ensure anonymity.

I consent to:
1. Participate in a focus group of approximately 60 minutes
2. The interview being recorded onto a digital recorder.

I undertake not to divulge the identities of the other participants or the content of the discussion in the focus group.

I understand that my personal information will remain confidential.

I have had the opportunity to have questions answered to my satisfaction.

Print name: ________________________________

Signature: ________________________________ Date: _____/____/_______

Contact telephone number: ________________________________
同意書 – 焦點小組

進一步內容:
項目監察員：萬穎恩博士
紐卡斯爾商學院
商業及法律學院
紐卡斯爾大學
+852 9412 9255
Wingyan.Man@newcastle.edu.au

研究項目同意書:
研究香港中小企業之企業責任

文檔版本 4.0, 2013 年 12 月 17 日

我同意參與上述研究項目。據我了解，該項目將跟據信息聲明的內容而進行，而我已保留該聲明的副本。

在面談中，我能完全按照個人之意願和權利表達任何主張，其主張不會受制於我工作公司和直屬上級之審計制度約束。

我明白我可以在任何時候退出該研究項目，並無需給予任何理由。然而，收集我的意見是通過進行大量交談，我並明白我參與焦點小組交談後，研究人員我不能刪除我個人之貢獻。我的意見會在研究報告中被匿名引用。

我同意如下：
3. 參與一個焦點小組大約用時為 60 分鐘。
4. 參與這次面談並接受進行即場錄音。

我承諾我將不會暴露其他參與者之個人身份及他們在訪談中的談話內容。

我明白我的個人資料將被保密。
我有權要求研究人員回答有關問題，樣我有充份了解及滿意回覆。

姓名：

簽名：

日期： ___/____/____

聯絡電話：

244