

CSR, From Perception to Role in Performance: A Case Study of SMEs in Industrial Estate Peshawar, Pakistan

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Abstract

This paper explores the perception and role of corporate social responsibility (CSR) in the performance of small and medium enterprises (SMEs) of Industrial Estate Peshawar, Pakistan. Philosophically the study had a subjective ontology; and therefore, a subjective epistemological stance leading to interpretivism as its core theoretical position. To inquire into the perception and role of CSR in SME's, the study utilized Yin's case study model thus collecting data through qualitative semi-structured interviews and observations. Further, the study used Miles and Huberman (1994) approach of thematic modelling for the analysis of the data. The findings reveal that SMEs are somehow practising CSR in an informal manner. Surprisingly, CSR at strategic Level is missing. CSR practices towards employees are missing except health and safety measures. Most of the firms contribute in an irregular manner to the local community – training the locals, hiring them as internees, giving charity and donations, and purchasing of local supplies when available and feasible. While, except for one firm, the production or manufacturing firms have no environmental implications. The firms are ethical in dealing with customers and suppliers, they offer customers a quality product which is the reason behind their performance in terms of sales or reputation. The only ethical factor of CSR has a role in SMEs performance.

Keywords: CSR, SMEs Performance, Environment, Community, Employees

JEL Classification: L21, L84, M1

INTRODUCTION

Corporate Social Responsibility (CSR) exists over more than 70 years. It is in practice in many countries and studied in academia around the world. It is understood and practised differently in spite of pressure, for its incorporation into business practices (Freeman & Hasnaoui, 2011). It has been defined differently in the past based on the social, economic, political and environmental context of those periods (Rahman, 2011). However, World Business Council for Sustainable Development defines it "a continuous commitment of a business ethical behaviour to contribute to economic development and to improve the quality of life of the workforce,

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their families, local community and society at large" (Watts, Holme, International, & Tinti, 1999). Similarly, The Green paper defines it "a concept through which companies integrate social and environmental concerns in their businesses operations and their interactions with their stakeholders on a voluntary basis due to increasing awareness that responsible behaviour leads to sustainable business success (European Commission 2001).

Sentiments between CSR and SMEs

Traditionally CSR is associated with big businesses. Although, SME sector has worldwide significance in terms of socio-economic and environmental impact, consequently, turning the attention to the discussion and analysis of the principles and practices of CSR in SMEs (Kechiche & Soparnot, 2012). Widely, it is accepted that SMEs share to global environmental pollution is 70%, with the major portion from the manufacturing sector (Hillary, 2004). Surprisingly, SMEs implement socially and environmentally responsible practices without familiarity with the CSR concepts, and its communication (Commission, 2002) But, CSR practices improve their performance (Gelbmann, 2010). It is believed that the customers expect the business firms to engage in CSR practices and when these firms engage in CSR practices, they create a competitive advantage over their competitors (Andersson & Vallin, 2017). They undertake CSR practices to various degrees e.g. market place, workplace, community and ecological environment and these practices go beyond philanthropy (Amaeshi et al., 2016). Similarly, if CSR philosophy is formulated strategically, clearly communicated and widely accepted, then SMEs are more likely to attain desirable business outcomes (Park, Park, Hong, & Yang, 2017). Further, the European Commission report suggests to increase knowledge about the role of CSR in businesses and society in Europe and abroad, particularly in developing countries (European Commission, 2002).

CSR and SMEs Performance: Evidence from Developed Economies

The investigation of Spanish firms shows that CSR is an important mechanism for companies to be more effective, efficient and innovative (Martinez-Conesa, Soto-Acosta, & Palacios-Manzano, 2017). Similarly, the internal dimension of CSR related to the relationship with employees, product quality, and in the process can improve labour performance and efficiency thereby contributing to a better society (Sánchez & Benito-Hernández, 2015). In the context of UK, CSR practices related to community enhance growth, CSR related to the workforce is crucial to avoid sales, and CSR related to environment is not beneficial to the growth of SMEs (Stoian & Gilman, 2017). In the Korean context, CSR has a mediating role with capabilities and performance (Bae & Park, 2016). In the Italian context, CSR is an effective business strategy for SMEs as it not only generates intangible benefits as improved relationship and personal motivation but also generates economic benefits by increasing efficiency and better company image (Testa, Battaglia, & Bianchi, 2012). In Poland, CSR has a little but significant role in the financial performance of SMEs (Zaborek, 2014). While, in Germany also, socially responsible management practices towards customers, employees, and society improve performance. (Hammann, Habisch, & Pechlaner, 2009). In Australia, for the sustainable long-term financial success of SMEs, the economic dimension is focused primarily, while environmental and social dimensions are focused secondarily (Torugsa, O'Donohue, & Hecker, 2012). In Danish SMEs, CSR practices improve performance (Kramer, Pfitzer, & Lee, 2005). In the Madrid region, both human Resource and management-related-CSR

improve the competitiveness of the companies by enabling them to attract and retain customers and talent (Kramer et al., 2005). While Chinese SMEs are also getting benefit from it (Fan, 2013).

CSR and SMEs Performance: Evidence from Developing Economies

SMEs long term strategic approach towards CSR is essential for driving their responsibility towards the environment, customers, community, employees and suppliers which enhance SMEs financial performance and reputation (Nejati, Quazi, Amran, & Ahmad, 2017). The authors further argue that socially responsible behaviour towards employees has a significant impact on SMEs performance, resulting in reputation building and better financial performance. In the Romanian context, sustainable entrepreneurship approaches improve business performance. (Soto-Acosta, Cismaru, Vătămănescu, & Ciochina, 2016). Similarly, economic and social practices have a role in the performance in Romanian SME's as well (Valdez Juarez, 2017). In India, CSR is key to the improvement of performance (Vancheswaran & Gautam, 2011). While, another study in Indian context reveals that most SMEs are engaged in CSR which are located in towns, villages and in the remote areas with considerable adoption to the local settings, access to local problems and local resources. Consequently, they are more suited to pursue CSR (Nair & Sodhi, 2012). In Turkey, 99.8% of businesses are SMEs in nature and firms having CSR practices are performing better (Agan, Acar, & Borodin, 2013).

CSR and SMEs Performance: Evidence from Underdeveloped Economies

Ethical practices in SMEs increase performance (Dim & Edwin, 2016). In Uganda, workforce-oriented, society oriented, and market-oriented CSR practices, significantly influence the competitiveness of SMEs. If a business adopts government regulations about the environment and works above what the law requires and uses those packaging materials which are environment-friendly, then there are more chances that it will help SMEs, in the long run, to be more competitive and well known among their stakeholders (Testa, Battaglia, & Bianachi, 2012). While in Ghana, CSR has a role in the financial performance of SMEs (Agyemang & Ansong, 2017). Similarly, in Zambia, CSR has a role in the firm's financial performance (Choongo, 2017) and Nigerian SMEs think that business ethics have a role in performance (Hilman & Gorondutse, 2015). While, Zimbabwean SMEs have their own way of CSR practices and suggest that it improve their relations with customers (Manuere & Majoni, 2016).

CSR and SMEs: The Context of Pakistan

According to Small and Medium Enterprises Development Authority (SMEDA), 90% enterprises in Pakistan are SMEs with a share of 40% to annual GDP and employ 80% of the non-agricultural labour force (SMEDA, n.d.). SMEs in Pakistan are not much familiar with CSR. Entrepreneurs are not well trained and educated that is why; they do not use CSR practices accordingly. However, some of them spend a portion of their profit for the employees' betterment and society in the form of donation, charity and welfare funds. Proper engagement in CSR practices and its awareness to the public provides many benefits to SMEs as the customer pay more for a product with good social and ethical business reputation. These reputations help build employees' trust and motivate them towards work and devotion. In addition, it is suggested for SMEs to engage in CSR practices for the betterment of themselves as well as

society (Zafar&Farooq, 2014). A recent study of SMEs reveals that lack of regulations, training skills, government support, sustainability infrastructure, stakeholders pressure and sustainability demand result in a lack of awareness of sustainability reporting. In Pakistan, no SME publishes sustainability report according to the Global Reporting Initiative(GRI) guideline. While 190 sustainability reports are published by SMEs around the world (Mahmood, 2017). Some scholars opine that SMEs approach to CSR in Pakistan is unstructured, and they practice it in an informal manner, while others practice formally (Raza&Majid, 2016). Formal CSR means the implementation of CSR strategies (Russo &Tencati, 2009).

Research Gap

Research on “the role of CSR in SMEs performance” as evident from Developed, Developing and under-developed economies is minimal in the context of Pakistan. As mostly the studies in Pakistan are more focused towards the status of CSR in SMEs or towards some other perspectives, see for example (Aziz et al., 2009; Fayyaz, Lund-Thomsen&Lindgreen, 2015; International &Of, 2015; Kureshi, Mann, Khan&Qureshi, 2009;Yunis, Durrani, & Khan, 2017). It, therefore, makes it absolutely necessary to investigate how SME’s and CSR relate in the context of KP industrial estate, which is one of a key industrial zone of KP, Peshawar.

Problem Statement

The significance of SME’s in the economic growth of any country could be realized from the fact that 90% enterprises in Pakistan are SMEs with a share of 40% to annual GDP and employ 80% of the non-agricultural labour force(SMEDA, n.d.). The importance of CSR in SMEs performance around the world is also undeniable. While there is a lack of research as evident from the gap in the literature, therefore, this situation compels to investigate CSR in the context of Pakistan. Specifically SMEs of Industrial Estate Peshawar which is one of the major Industrial Estates of the KP province.

Theoretical, Practical and Managerial Implications of the study

It is expected that theoretically, it will contribute to the rear literature related to CSR in SMEs. Practically, it will assist the SMEDA in policies development or implementation related to CSR in SMEs. It will have implications for SMEs owners and managers as well. Perhaps, with the passage of time, they may be provided with guidelines and support to engage further in CSR and in turn will gain the associated benefit related to CSR.

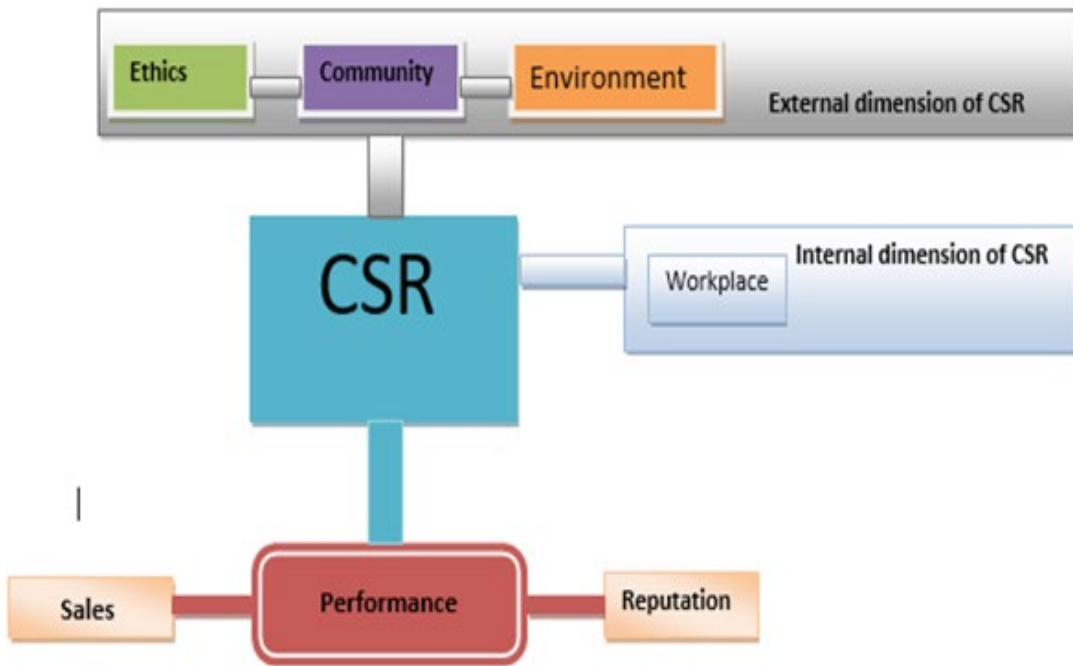


Figure 1: Conceptual Framework

The conceptual framework explains the inter-connectivity of different components or variables. The mentioned framework is influenced by the discussions in the preceding literature and mainly relies on the relationship between two components. The first component is CSR with its external and internal dimensions, while the second component is performance in terms of sales and reputation.

Objectives of the research

The purpose of this study is to investigate the CSR practices adopted by SMEs of KPK region of Pakistan and its role in performance. The following research questions have been developed to accomplish these objectives.

Research Question: What is the role of CSR in Performance?

- Research subquestion 1: How is CSR perceived by the firms?
- Research subquestion 2: How internal dimension of CSR contributes to performance?
- Research subquestion 3: How the external dimension of CSR contributes to performance?
- These questions are to be answered through the following methodology.

METHODOLOGY

Research Philosophy

Ontological Consideration

Ontology is concerned with a central question of whether social entities need to be perceived as subjective or objective (what is the nature of reality) (Guba& Lincoln, 1994). Subjectivism perceives that the social phenomenon is created from the consequent actions of those social actors concerned with their existence and from their perception (Dudovski, n.d.). Because, the current study assumes reality to be subjective as it aims to investigate how the phenomena are created or perceived by the study objects, therefore, a subjective world view of ontology is adopted.

Epistemological Consideration

Epistemology is concerned with the question of what is or should be regarded as an acceptable knowledge in a discipline (Bryman& Bell, 2011). The substance is looked upon as either subjective: constructivism or objective: realism (Jordansen& Madsen, 2010). With subjectivist ontology, this study adopts a subjectivist stance of epistemology due to its qualitative nature. In fact, humans are studying other humans, so one cannot remain objective.

Research Paradigm

Since the study has a subjective-subjective approach and the study is based on the research objectives transformed into research questions which aim to look for the role of CSR in firm performance. Specifically the firm's perception of CSR, and how external and internal components of CSR contributes to firm performance. That is why; Interpretivist paradigm is suited for this study as Interpretivists believe that there is no worldwide universal truth. They understand and interpret from their own outline of orientation and reference. (Ogilvy, 2006; Tugendhat, 2006)

Inductive Approach

Inductive approach has been adopted due to qualitative nature of this study as it condenses bulky and varied raw text data into a brief summary format and establishes a clear link between the research objectives and findings, derived from the raw data; it provides a convenient and efficient way of qualitative data analysis (Thomas, 2003).

Research Strategy/Methodology

Yin (2003) suggests three conditions to be reviewed before considering a suitable research strategy to be used for design planning. The first condition revolves around the research questions, the second condition is related to the degree of control that a researcher has over the surrounding conditions and the third conditions is to stress whether the subject is historic or contemporary. When the focus is on a contemporary phenomenon within some real-life context probing the 'why', 'who', 'how', 'where', 'how many' or 'how much', questions mean case study is preferred research strategy. This study focuses on, 'what' and 'how' questions, having a contemporary phenomenon with a real-life context that is why the case study strategy is highly relevant in this regard. Moreover, the multi-case-study approach is adopted as owners and managers of different firms are to be examined.

Research Method: Interviewing and Observation

Interviewing is the most common data collection format in qualitative research. It is a data

collection method which involves the presentation of oral-verbal stimuli and replies in terms of oral-verbal responses (Kothari, 1990). Semi-structured interviews will be conducted including observation to gain an in-depth understanding of CSR perception in the context of SMEs.

Unit of Analysis

Unit of analysis can be defined as the entity that is analyzed in scientific research (Dolma, 2010). The unit of analysis for this study is 14 SMEs. The owners and managers perception of CSR in the selected organization is to be studied.

Sample

Fourteen manufacturing SMEs of Industrial Estate Peshawar operational in cable manufacturing, steel and Engineering works, Pharmaceutical, Herbal Products, Foam manufacturing, Aluminium works, PVC pipes, Polymers, Printing and Packages, Marble, Chemicals, Scotch tap manufacturing, Mineral waters, and bottles manufacturing is selected. SMEs operating in these sectors are according to the standard criteria set by State Bank of Pakistan (Sme Sbp, 2011), and mostly the firms in this Industrial zone are operational in these sectors (Sarhad Development Authority, n.d.), That is why the selected sample could be representative of the industrial zone.

Thematic Analysis

According to Miles and Huberman, data analysis consists of data reduction, display and conclusion drawing or verification (Miles & Huberman, 1994). Thematic analysis is a systematic approach of qualitative data analysis that involves the identification of patterns or themes of meaning, coding and classification of data, usually in text form, according to the themes, interpreting the resulting thematic structures by seeking relationships, commonalities, explanatory principles, and theoretical constructs (Goddard, 2012). This analysis technique will be used due to the qualitative nature of the data collected through interviews and observation.

ANALYSIS

Research Sub Question 1: How is CSR perceived by the firm?

To express commitment towards CSR is to incorporate it into the organization's vision, mission, objectives and goals (Husted, 2003). In order to know CSR perception at a strategic level, the respondents were asked about their vision statements, and collectively their perception of vision was much different from each other. One of the respondents trying to explain the vision replied.

"[WL] we are trying to cover all area of Pakistan"

Similar was the response of another respondent,

"[ZI] We are thinking about exports...to expand the market."

Another respondent emphasized on diversification and replied,

"[RG]If you are a publisher and producing books etc., then it is better to start making pencil, ballpoints etc. if you are thinking to expand your business. We deal in mineral waters and now our vision is to start a juice production and we have already started work on that."

To some extent, the perception of another respondent was the same. To them, it was just to focus on product differentiation. The researcher observed that the word "vision" was unfamiliar to some extent, respondent replied.

"[SA] Which vision? It depends on human own sight (haba...). We do hard work, we struggle. We are trying to add new things as competition is increasing in the market. This is our objective."

On the contrary, the perception of the vision statement of another participant was unexpected. According to the participant,

"[PC] Vision is an important thing. Everyone does business for money."

The bottom line was important for him. Apart from all of the perceptions of the respondents, the much different view came from the PVC pipes making firm. The firm had an existence in the market from more than three decades. The respondent expressed a perception of CSR as

"[PSI] We follow CSR practices but not regularly."

There are two discussed terminologies related to corporate social responsibility in the literature i.e. formal and informal (Russo & Tencati, 2009). The former means when the CSR is implemented at a strategic level while the latter means when CSR is not incorporated at the strategic level. However, "Irregular CSR" is an alien word.

Answer to RSQ 1

There is a lack of strategic vision in the interviewed firms. CSR at a strategic level was observed as a daydream. These SMEs were even lacking vision. To some of them, the vision was market expansion, market penetration and diversification or product differentiation. While to others of them it was just to tell about their core products or the type of products they had. The researcher observed that the lack of strategic vision in the firms was due to the commitment of top management. Similarly, another reason was their orientation towards short term goals and profit, and lack of proper business education.

Research SubQuestion 2: How internal dimension of CSR contributes to performance?

The internal dimension of corporate social responsibility is related to human resource practices (Calveras, 2013). These practices include health and safety measures, wages, training and development. Internal CSR can improve labour productivity of a firm (Calveras, 2013) which in turn contributes to its performance. Therefore, Research subquestion 2 has been divided into health and safety measures, carrier planning or training and development. Carrier planning, training and development have been investigated from various stakeholders that included the Owners, managers and the employee's perspective.

Health and Safety Measures

Health and safety measures were found to be present in all firms. The productions of some

of them were either posing a direct threat to the workers' health and safety while others were not posing any direct threat. According to a participant,

"[AC] Our production does not pose any threat to workers, we ensure their safety and we keep highly well-trained workers from Punjab."

In addition, the same was the reply of a respondent from the mineral water sector when asked about health and safety measures at the workplace. Respondent replied,

"[RG] Of course we have proper health and safety measures but our production has no such threat to health or environment. Our employees use gloves, masks etc. during production to maintain quality."

On the other hand, those firms whose productions were posing threat to health and safety had also proper health and safety measures. A respondent from the pharmaceutical sector replied,

"[RP] Our production takes place in a safer place - there is no such environmental effect. It is an electrical type process and has no such pollution. In plants, the workers wear masks and observe health and safety measures. After leaving the plants, we provide them with milk to avoid any likely harm to their health."

Similarly, the firm from the scotch tap sector had a training facility for the labours in order to use safety measures in case of an emergency. It was found at the firm from the bottling manufacturing sector as well. While firms from the aluminium sector had even contact with a medical dispensary in order to ensure the health of their employees. proper security and control system was present at a Herbal firm as well.

HR Practices

Proper human resource practices in terms of carrier planning, wages, training and development were somehow at a minimum level and different at different sector due to many reasons. One of the respondents replied,

"[AC] normally we have flexible working hours from 8a.m to 4p.m including prayer and lunch break. However, depending on workload we make changes in working shifts and if you are looking for such things, you should visit Punjab or Islamabad. Here in KP industries, you would not find it anywhere. Here "Jo Jahan hay wahi per hi hay" (Literally meaning, Status Quo)."

An implicit system of learning was observed in firms operating in PVC pipes, Marble and in Steel and Engineering sector. In this type of learning system, a new employee is left to the will of the senior employee. Therefore, it cannot be said with certainty that the new employee will learn the desired skills, and few firms were offering good salaries. The lack of career planning and development is explained by a respondent from mineral water sector by pretending their organizational size as:

"[RG] If you look our organization is not that much large so that we can implement proper practices and mechanism for employees. We have a small number of employees. However, we look into their performance. Those whose performance is good, we encourage them through extra pay and we do not have any career planning or training mechanism."

Similarly, another firm operating in cotton packages sector was lacking proper HR practices. According to the respondent,

"[SA] Here we have technical and skilled staff. It is difficult for us to plane their carrier etc. We provide internship. Here some internees are worker now."

On the contrary, one firm was found to be following proper HR practices up to some level which was almost of the same size as the cotton packages firm. According to the respondent,

"[ZI] we have two types of staff: one is administrative staff and the other is labour or production staff. We have a standard operating procedure for our staff, such as annual leave etc., which is provided to them. We follow proper HR policies. We provide training and grooming. We groom them professionally as well as improve their career. We allow our employee for studies, even labour is allowed for it. Those labours who want to study; we shift their work to night time. We have a performance measurement system for our staff"

Similarly, a firm operating in the herbal sector also stressed on training and capacity building of its employees. The respondent said,

"[WL] yes definitely we offer training. We focus on capacity building and training of employees as with changing the time it is compulsory to upgrade. It benefits us as well as the employees."

The researcher also observed and interviewed the employees working in different firms. The employees were found insecure regarding their carrier and were found to be complaining regarding the ongoing practices. Labour working in a Polymers sector said that he worked from 9:00 am to 5:00 pm and his salary were 15000 per month. He further added that he had a family and that was impossible for him to make a living in 15000 rupees. Similarly, a gatekeeper from the herbal firm also complained regarding salary when asked. He replied in grief that he works for a whole day and gets only 10000 rupees which are not even sufficient for him. A skilled person from engineering and steel firm was complaining that his wage was 6000 per week. His supervisor did not pay him on time and he was looking to find a job somewhere else. An accountant in a pharmaceutical firm said that he was working from the last fifteen years in the firm. His salary was sufficient but complained regarding the standard operating procedure and said that there was a lack of proper promotion system and it depended on the owner will.

Answer to RSQ 2

Health and safety measures were present at all firms. While mostly the firms lacked HR practices. The wages were minimum and training and career planning of employees were missing, there was no proper performance appraisal system as well. One of the reasons behind this problem was the poor business education of owners and managers. Another reason for the lack of proper HR practices was the cheap availability of labour in the market. Each and every type of Labor is cheaply available in the market due to lack of jobs opportunities, that's why the owners and managers of the firms were not much interested to give due attention to employees as they could easily hire other workers easily. In some cases, the obstacle in the implementation of HR practices remained the organization size. One firm had only one employee who was responsible for all accounting and financial activities. The researchers could not find any role of the internal dimension of CSR in the performance of interviewed and observed SMEs.

Research SubQuestion 3: How the external dimension of CSR contributes to Performance

The external dimension of CSR is related to environment, community, ethics, and society at large. Environmental factor means that how much a firm is sensible toward the environment and whether its operations are a threat to the environment or not. The community factor means a contribution to the local community that how a firm contributes to the local community in the form of charity and donation, training and internship to the local community, and purchase of local supplies if available etc. Similarly, the ethical factor means that how it deals its customers [e.g. offering quality product], suppliers, and solve issues with them if arises.

Environment, Charity and Donations

Mostly the firms were not posing any threat to the environment or a source of pollution to it. Either they had safer places and mechanism for production or waste management system. One of the respondents from marble processing told,

"[MC] The cutting of marble or granites requires diamond strips and diamond strips do not work without water. Every factory has a different system for cutting. Our system which we have developed has cost us fourteen, fifteen lakhs rupees. It contains 8 tanks and, on every Friday, we clean it and refill it with clean water and after that, for circulation, we have installed motors which help in regulation of clean water and so filtration takes place and no such pollution is created during processing which may have an adverse effect on the environment."

In contrast, one respondent from the aluminium sector acknowledged environmental pollution. The respondent said,

"[SNA] definitely it affects the environment. Neither have we such measurements for that nor the government. The main problem is with the government."

The firm lacked measures to control environmental pollution. The researchers observed a lot of pollution in the industrial estate during visits and used a mask to stay safe. In addition, the firms were found to be contributing to the local community in three-ways i.e. in the form of charity and donation, provision of training and internship, and purchase of local supplies in case of availability. Talking about donations, a respondent from the herbal sector told,

"[WL] Definitely we do. We arrange camps with different organizations. We make available Doctors there in Camps and also provide them with medicine. It helps them and it is also a source of awareness for our products. We arrange a camp in a month."

Some respondents were viewing philanthropy from a religious perspective. One respondent replied,

"[RP] Charity and Donation is very important. It is not only the business that is important because after all, but we are also accountable to Allah. If a person gives charity, his business is blessed. Alhamdulillah! We give charity to the poor and neighbours etc."

The respondent mentioned the concept of philanthropy from an Islamic perspective. The foam manufacturing firm was found to be contributing to society both in the form of charity and Zakat. Zakat is compulsory and is paid at regular intervals, while charity has no such obligation. However, some firms had a regular mechanism for it. The Industrial Estate has a

labour colony. Employees of some firms live there and are supported by those firms and worker welfare board. A respondent from steel and engineering works said that he had recently taken charge of the firm as his father had died, that is why he had not yet planned related to charity and donation. While a respondent from Aluminium related works replied that they provided aluminium to students when they needed and helped them. The marble firm was found to be donating marble

It is evident that SMEs contribute in the form of charity and donation which is mostly irregular in nature and the firms do not have any proper policy or mechanism for it. Some firms donate internally while some externally. They were contributing in their own style.

Training and Internships

Most of the SMEs were contributing to the local community in the form of providing training and internships. According to a participant,

"[PP] exactly we provide. Technical, managerial and IT students from different institutes come throughout the year; we provide them internship and when we hire internee by our own, we provide them stipend; we welcome students from KP and whole Pakistan, whether they are from technical, management, HR or marketing side."

According to a respondent from mineral water firm,

"[RG] No one has come yet for any training or internship so we have not provided yet. If anyone comes we will welcome them."

Similar was the response from the aluminium firm as well. According to the participant,

"[SNA] well for internship no one has come yet. It may be due to the reason that here aluminium studies are not part of our academics. In foreign it is taught in institutions. While our setup is not that much organized so that we may provide internships. Whenever students from engineering universities come here, we cooperate with them and help them out."

It was the structure of their firm which was the main reason behind to not join the firm for training and internship. During the visit, the researcher observed that the firm had no proper departmentalization. One employee was carrying all finance and account related activities and that was considered to be their whole finance department. A respondent from the engineering works said that they provide internship and stipend to the students of FATA. The Pharmaceutical firm was found to be providing internship to students of Pharmacy and Management. While the PVC pipes manufacturing firm had the provision of internship to students of Engineering. Most of the firms, except foam manufacturing and marble processing firms provide internship to the locals. The respondents of herbal manufacturing, scotch tap manufacturing, chemical manufacturing and cotton packages stated that they provide internship to the students.

In light of the discussion it can be argued that the firms which provide training and internship to the local community, some firms were paying a stipend to the trainees as well. However, some firms did not provide training or internship as no one had requested since.

Purchase of Local Supplies

Some firms were reluctant to buy supplies locally due to low quality, while some were purchasing it partially locally. One respondent said that they import their raw materials from Arab countries as that were not available locally. talking about partial purchases, a respondent from scotch tap sector replied,

"[ZI] Most of the purchases we do, I mean the purchase of raw materials, [Jumbo Rolls], we purchase from China and Malaysia. Our suppliers are there. In spite of this, if you have seen, other materials are also used in it. For example, when the scotch tape is manufactured, then it requires packaging. So, for it, we have a local supplier and from those we do purchases."

The researcher further asked the respondent if the Jumbo rolls were available locally. The respondent said that these were available locally but the quality was not that much good and imported quality was better than the local. Similarly, the mineral water firm was also importing minerals from Germany and was reluctant to buy it locally. Interestingly, the marble processing SME had its own arrangements for supplies. According to the respondent,

"[MC] our mine, which is in Mohmand agency (a road has been built into that area in 2001-2002) and the name of that mine, is Ziarat Marble. We started our mining system there in 2003-2004. That is a lab passed mine and 95% is Sangemarmar. It is of export quality Sangemarmar."

It is clear from the discussion that the firms want to purchase supplies locally as it benefits them as well but they are more inclined to purchase imported supplies instead of local supplies due to quality of the supplies except for the marble processing firm which had its own supply. Quality raw material results in quality products which enhance the performance of the firm. In some cases, to import raw materials was compulsory as they had no other option and supplies were not available to them locally e.g. for polymers manufacturing the required material is available in Arab countries. Some firms were found to be purchasing raw material partially from local suppliers, while a firm had stopped purchasing locally due to law and order situation of that area.

Ethical Responsibility

Those firms which were facing issues in dealing with customers and suppliers used to solve that through mutual consultation and negotiation which is ethical and necessary for the operation of the business. A respondent from bottling manufacturing expressed his views as,

"[PP]As you know "A customer is a king". So accordingly, we have to solve the issues with mutual interest. In business, most issues are related to cash with no other major issues but quality and cash. We focus on quality so where ever we find acceptable good quality, from where we buy our raw material and also look for the same quality if can be obtained at low cost. So, we also look for that. For example, when our payment is delayed they stop the supply of raw material. Then the only solution is to pay them either partially or fully for the supply of material."

A respondent from SME operating in Aluminium sector also emphasized on quality and cash, and the herbal firm had also consultation mechanism in dealing with customers and suppliers. Similarly, the scotch tap manufacturing firm was also facing the same issues in either quality or cash payment which were then solved through mutual understanding. The same pattern of issues and its settlements was present in the cotton packages firm as well. While a respondent from the PVC pipes manufacturing said that sometimes issues arise either in quality

or weight which is then solved through understanding. A respondent from the pharmaceutical firm had also the same reply and said that the issues emerge in payment which is then solved through mutual understanding. A respondent from the water manufacturing firm said that mostly they do not sell on credit that is why, no major issue arises, and when a minor issue arises, they solve these through consultation. While in relation with suppliers the firm had no issues at all. Similarly, related to the customer, the respondent said,

"[NE] Before work, we take 50% advance, after work we take 25% and after final fitting, we take the remaining 25%. So, no such issues arise."

The cable manufacturing firm had also no issue at all with its customers. The respondent said that they sell cables to institutions like WAPDA, and act according to the contract, that is why no issue arises. One respondent went to the extent that they had worked according to their distributors and that had the secret of their performance, according to the respondent,

" [OF] we deal fairly with our customers and suppliers. We act according to our distributors. According to our distributor's requirements, we deliver them the type of foams they order. The distributors are very much important for us. Sales of our products depend upon them as they send orders and we produce accordingly. We give special attention to them and we are dependent upon them."

Similarly, the secret behind performance of another firm was also its relationship with customers and fair rates, according to the respondent,

" [NE] Our father started work here in 1984, a long time in the market. The reason is our networking and fair rates, we earn a normal profit."

The firm had chosen the right strategy of relationship and fair rates which worked for them. Except for two firms, the reason behind performance in the rest of the firms was the product quality offered to customers. Respondent from the cable manufacturing firm said,

" [AC] to an organization, the main thing is to maintain quality. Environmental practices are also essential but customers least bother about it, as they need quality products. We follow ISO standards related to the quality of our products. 90% of our performance is better due to our product quality."

With respect to the respondent statement, it can be argued that the most important thing for a firm is to maintain quality. Environmental measures are essential but these are not the customers' concern. They need quality, not environmental protection. Almost the same was the reply of the respondent from marble processing SME as well.

Answer to RSQ 3

It is evident that mostly the firms were not posing any threat to the environment. Some had proper measures while some had no such effect. e.g. mineral water processing firm. Few had a waste management system. They contributed in the form of charity and donation irregularly both internally and externally in their own style. Along offering training and internship to the local community, some were paying a stipend to the trainees as well. Firms purchase supplies locally as it benefits them but they were inclined to purchase imported supplies instead of local due to quality (except the marble processing firm which had its own supply). Quality raw material results in a quality product which enhances firm performance. In some cases, importing raw

materials was compulsory as they had no other option (e.g. for polymers manufacturing the required material is available in Arab countries). Some firms were found to be purchasing raw material partially from local suppliers.

Moreover, the firms were ethical in dealing with customers and supplier. Those firms which had credit policy were facing issues in cash recovery, which were then settled smoothly, while those firms which did not have a credit policy had no issue in cash collection. In relation with suppliers, those firms which had foreign suppliers did not face any issue, while those having local suppliers either did not face an issue with suppliers at all or when faced issues, were then settled through consultation. In addition, the firms were ethical in dealing with suppliers. Similarly, in relation to the customer, their concerns were dealt ethically. The SMEs provided them with a quality product which was the main reason behind their performance. Therefore, it can be said that the ethical factor contributed to their performance.

DISCUSSION

CSR at Strategic level

CSR at strategic level pays for small businesses in the long run (Nejati et al., 2017), and integrating CSR into the strategic system can help enterprises to create a competitive advantage (Gelbmann, 2010). CSR at strategic level means to incorporate it into the organization's vision, mission, objective and goals (Husted, 2003). By considering the vision of that organization. Ironically, the selected SMEs were lacking vision. To some of them, the vision was market expansion, market penetration and diversification or product differentiation. While, to others, it was just to tell about their core products or the type of products they had. It was observed that the lack of vision in the firms was due to the top management commitment. Similarly, another reason was their orientation towards short term goals and profit, and lack of proper business education. Small and medium-size enterprises approach toward CSR in Pakistan is unstructured, and they are practising CSR activities in an informal manner (Raza & Majid, 2016)

CSR Practices towards Employees

CSR towards employees or internal dimension of CSR is related to Human resource practices that include health and safety measures, wages, and training and development (Calveras, 2013). Health and safety measures were present at all firms. The production of firms was posing threat to the workers' health and safety, however, safety measures were present at all firms. There was a lack of proper HR practices in the selected firms except for a few firms. The wages were minimum, training and career planning of employees was missing, and there was no proper performance appraisal system as well. One of the reasons behind this problem was the poor business education of Owners and Managers.

Another reason for lack of proper HR practices was the cheap availability of labour due to lack of jobs opportunities, that's why the firms were not much interested to give due attention to employees. In some cases, the obstacle in the implementation of HR practices was the organizational size. Some organizations had a very simple structure that is why they did not need to implement proper HR practices. According to the literature, CSR towards

employees improves a firm's productivity which in turn contributes to the firm's performance (Calveras, 2013). Similarly, Human resource and management related CSR practices improve the competitiveness of the firms as it enables them to attract and retain customers and talent (Kramer et al., 2005). CSR activities related to workforce avoids sales decline also (Stoian& Gilman, 2017), but, in this case, no such role is found.

Environment, Community, and Ethics in Dealing

SMEs share to global environmental pollution is 70%, with the major portion from the manufacturing sector(Hillary, 2004), while the analysis reveals that the firms are not posing any threat to the environment and do not pollute the environment. Some firms have proper measures while some have no such effects e.g. mineral water firm. Rest of the firms have a waste management system which in turn benefits these SMEs as they sell the waste to other firms. The cash obtained from selling could be invested again in their firms, consequently can enhance its growth. While Stoian & Gilman(2017) argues that environmental activities are not beneficial to the growth of SMEs.

The analysis shows that SMEs had no familiarity with the concept of CSR but they were making charity and donations (to employees and community without formal mechanism), providing training and internship to locals and local purchases when available and feasible, thus contributing to society at large. The same is highlighted by the European Commission report as well: SMEs implement socially responsible practices without familiarity with the CSR concepts, and its communication (Commission, 2002). From an ethical perspective, the analysis reveals that the firms deal its suppliers and customer fairly which has a role in their performance. The literature also shows that ethical practices enhance SMEs performance (Dim & Edwin, 2016). Hilman & Gorondutse(2015) are also of the opinion that business ethics have a role in performance which is evident from the analysis that the SMEs are providing quality product to its customer which is the main reason behind their performance, and it can be argued that in this case, that ethical factor contribute to the analyzed firm performance.

CONCLUSION

This study concluded that SMEs are somehow practising CSR in an informal manner. CSR perception at a strategic level is missing due to SMEs orientation towards short term goals and Profit. CSR practices towards workforce and management are missing. Except for health and safety measures, they lack proper human resource practices. It is found that SMEs are involved in CSR practices in the community. They contribute to the community in the form of training and internship, charity and donation, and purchase of local supplies when available to them. However, they do not have any specific policy or mechanism for the provision of training and internship. Similarly, charity and donation are given internally to employees by some SMEs, while, most of them donate to the community in their own style. The production of most of the firms does not harm the environment as some SMEs have a waste management system while others' production takes place under proper conditions to avoid such implications. In addition, firms are ethical in dealing with customer and suppliers. Their performance is linked to the quality of the products they produce which contributes to their performance.

Future Research Direction

This study is conducted through a qualitative approach, The future study could use a mix method approach and the legal component of CSR could be included. It is limited to 14 SMEs in different sectors of Hayatabad Industrial Estate Peshawar. In future Different SMEs operating in the same sector could also be considered for the study. SMEs of other Industrial Estates of KPK or those other regions of Pakistan which are missing from the literature can also be considered for the study.

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