2017

A dialectical discourse on Responsible Business Behaviour within Small Medium Enterprises: A Case Study of Pakistan

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http://hdl.handle.net/10026.1/9598

http://dx.doi.org/10.24382/379
University of Plymouth

A dialectical discourse on Responsible Business Behaviour within Small Medium Enterprises: A Case Study of Pakistan.

by

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A thesis submitted to Plymouth University in partial fulfilment for the degree of

Doctor of Business Administration

School of Management

The University of Plymouth Business School

November 2016

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DEDICATION

In memory of both of my grandmothers.

To my parents and my siblings.

To my supervisor: Dr Kerry E. Howell

The shifting discourse on Corporate Social Responsibility in the context of Small Medium Enterprises in Pakistan.

Arzoo Fatima Syeddah

Abstract

This thesis investigates the dialectical nature of Corporate Social Responsibility (CSR) phenomenon a common buzzword in today's globalized economy. The emergence of CSR as a significant issue in recent years can be attributed to the expectation in developed countries for business to engage with society beyond their commercial interests. Business are now under sustained pressure to be held publicly accountable for their activities. The research shed light on two research gaps identified within business ethics- idea of business responsibility firstly in the context of the big economic players of tomorrow- emerging markets; and secondly in relation to small and medium enterprises. Adopting a phenomenological approach based on Critical Theory and Hermeneutics framework, the research attempted to uncover the link between business and ethics in relation to SMEs. This led to the construction of a theoretical model –A.R.T Model, aimed at enhancing understanding of how SMEs perceive and practice socially responsible behaviour. Contribution to knowledge was also made in applying Bourdieu's Theory of Logic of Practice to explain actions of SME owner-managers; and carrying out a comparative analysis of Social Capital theory versus normative Stakeholder Theory to describe workings of SMEs towards their stakeholders. These contributions met the objectives of the study: creation of a 'native' model of social responsibility for SMEs in Pakistan (reflective of the local social reality) using a business ethics and cultural construction; and exploring the nature and evolution of CSR in emerging markets. The research also revealed that socially responsible practices by SMEs are inherently informal and voluntary in nature, driven more so by ethical than religious motivations. Furthermore, philosophical synergies were created between the A.R.T model and the normative construct consisting of Classical antiquities - Kant, Adam Smith and Machiavelli, which bridged the gap between theory and CSR driven practice.

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ACKNOWLEDGEMENTS

AUTHOR'S DECLARATION

At no time during the registration for the degree of Doctor of Philosophy has the author been registered for any other University award without prior agreement of the Graduate Sub-Committee. Work submitted for this research degree at the Plymouth University has not formed part of any other degree either at Plymouth University or at another establishment.

During the course of the study, the following activities have been undertaken:

•	Publication in 2013, titled 'Corporate Social Responsibility Development in China: Cause of Harmony or Discord? International University in Geneva Business Review Volume 3, No.1. Pp.35-58.

•	Participating in annual PAC conference at University of Edinburgh, in 2013 and presented a paper titled 'Linkages between Corporate Social Responsibility and Corporate Governance: corporate reporting in Asian emerging markets'.

•	Participating in annual PAC conference, at University of Liverpool, in 2014 and presented a paper titled 'Argentina in peril once again: the dilemma of political leadership and fiscal policy failures'.

•	Participating in Doctoral Symposium at International University in Geneva, in 2015 and presented a paper titled 'From Machiavelli's virtu to a new CSR and Stakeholder Paradigm'.

•	Attendance of postgraduate research courses: GTA program, qualitative research methods, Preparing for the Viva, Applying for research funding, structuring your thesis, Critical Thinking and writing for research publication.

Word count of main body of thesis:

Signed: 79, 382

Date: 28.11.2016

LIST OF ABBREVIATIONS:

- CSR – Corporate Social Responsibility

- SRB- Socially Responsible Behaviour

- EMEs- Emerging Market Economies

- SMEs- Small and Medium Enterprises

- LCIC- Lahore Chamber of Commerce and Industry

- SCCI- Sialkot Chamber of Commerce and Industry

- GCCI- Gujranwala Chamber of Commerce and Industry

- EU- European Union

- PH- Phenomenological Hermeneutics

- SMEDA- Small and Medium Enterprise Development Authority

- SBP- State Bank of Pakistan

- SECP- Securities and Exchange Commission of Pakistan

- TDAP- Trade Development Authority of Pakistan

- ART Model- Accountability, Responsibility and Trust Model

- RS. – Pakistani Rupees

CHAPTER I. INTRODUCTION

1.1 Background of the Study

The concept of business responsibility, now commonly known as Corporate Social Responsibility (CSR) or Socially Responsible behaviour (SRB) originated in the early 1930's after the Wall Street crash of 1929, which exposed corporate irresponsibility in large organizations (Sen & Cowley, 2013: 413). In the last couple of decades Corporate Social Responsibility has become 'the buzzword' and the focus of business operation and popular topic of investigation, study and analysis for policy-makers, practitioners and academics across a range of disciplines. Thus, the very idea that firm is expected to assume social responsibilities has been equally, both celebrated and condemned during the entire 20th Century (Kristoffersen, Gerrans & Clark-Murphy, 2005). Although there is a seeming consensus that businesses are not responsible for solving all social problems. Nonetheless they are at least responsible for addressing problems they cause and the socio-environmental issues relating to their business operations (Kanter, 2011). The essence of it lies in the implementation of responsible business practices. It lies in right attitudes, in the corporate culture, in the situational context, not in the formalization of it (Fassin, 2008). This thesis attempts to shed a light on the concept of Corporate Social Responsibility from a business ethics point of

view in the context of Pakistan (specifically the prosperous province of Punjab) with small business sector as the case study.

Corporate Social Responsibility (CSR) is a theory, concept and a process all one; an umbrella term encompassing many conceptions of the business-society interface; ranging from disciplines of management, business ethics, culture, sociology to organizational studies (Buchholz & Rosenthal, 1997). Some academics (Dahlsrud, 2008; Visser 2007; Jackson & Hawker, 2001) have gone as far to say '*We have looked for a definition and basically there isn't one!'.* The competing definitions of this intricate concept underline its importance in this era of globalization; whereby due to increased media scrutiny, active pressure groups, ineffective government role and visible presence of business entities has garnered attention to their role in society and globally. One paradigmatic assumption states that businesses ought to be seen as 'responsible citizens' of the society with moral and ethical implications. While the other, more narrow view argues that companies should only be concerned with their primary responsibility i.e. making profit. This will eventually lead to economic growth and prosperity as the profit will have a trickledown effect.

As the idea of Corporate Social Responsibility took root in the Western world, majority of the early CSR scholarship focused on such capitalist economies as case studies. Business scandals like Enron provided enough fodder to explore and debate the idea of the Anglo-Saxon model found in these markets. At present the literature

on mature economies has become saturated somewhat; and the CSR discourse has

looked to other ideas and issues to focus upon such as corporate financial reporting;

plight of the small business sector; role of MNC and their subsidiaries; and Emerging

Market Economies (EMEs). This particular shift in discourse towards emerging

markets is one of the many consequences of globalization (rise in South-South trade)

driven by the idea what does CSR mean for the rest of the world? Interestingly,

current CSR literature has fallen short in terms of a *'more nuanced analysis of how*

CSR manifests itself in markets outside of the developed core' (Kolk & Van Tulder,

2010; Kolk & Lenfant, 2010; Egri and Ralston, 2008). With the profound changes in

geopolitics and economic power during the last few decades this paper seeks to

explain what does it mean for Emerging Market Economies? The global economic

crisis have considerably raised the importance of a number of emerging markets

from Asia, Africa and Latin America and Eastern Europe marking them as major

economic players in an interconnected world (Peters et al, 2011). Fareed Zakaria

(2008:18) argues that one of the immediate effects of global economic growth has

been the '*appearance of new economic powerhouses on the scene'* who are on the

move and will undoubtedly leave *'a large footprint on the map of the future'.* And

their ascent has challenged the hegemony of western norms in commerce and

business, while raising fundamental questions '*related to the framing and*

application of transparency, governance and ethics within markets, sectors and

institutions' (Lenssen & Van Wassenhove, 2012: 403). Due to this north-south

divide, the very idea of CSR has not escaped scrutiny questioning the relevance of

the Anglo-Saxon model in explaining the context dependence social responsible

trends in EMEs (Jamali & Karam, 2016: 1). In recent years, importance of *'exploring*

the context-dependence of CSR has been accentuated' with calls for closer attention

to the *'particular instructional constellations or national business systems*

configurations of developing countries' which may lead to different and vibrant

expressions of CSR (Jamali & Karam, 2016; Jamali & Neville, 2011; Okoye, 2012a).

Furthermore, mainstream CSR literature has primarily been focused on large and

multinational firms within developed economies as some of their business activities

have had significant and far-reaching impacts, attracting media attention as a result.

Nonetheless, Jamali and Karam (2016:19:), argue that in recent years CSR in EMEs

and in developing countries overall, *'has emerged as legitimate domain of study,*

whereby it is identifying and bracketing new definitions and relationships and

developing new empirical and theoretical insights'. Within this underexplored body

of scholarship, the role, response and impact of SME's (Small and Medium

Enterprises) has largely been absent (Jamali et al, 2009b; Amaeshi et al, 2014). A

multilevel overview by Jamali and Karam (2016) on the current CSR- EMEs literature

illustrates the scarce attention given to SMEs and their particular idiosyncrasies

(with the exception of works by Jamali et al, 2009b and Muller & Kolk, 2009). This

further underlines the pronounced absence of SMEs in the CSR-EMEs narrative. This

is surprising, considering how small industries are seen as essential growth engines

in emerging markets. Forming the backbone of any country, SMEs makeup over 95%

of all firms, account for approximately 50% of GDP and 60-70% of total global employment, taking into account both formal and informal SMEs (ITC Report, 2015: XIV). This amounts to between 420 million and 510 million SMEs, 310 of which are in emerging markets (ibid).

Thus, the thesis shall concentrate on these two particular *scarce areas of research*- exploring CSR in EMEs in further depth; and the response, role and motivations of SMEs in being socially responsible agents within such contexts. With a two-pronged approach, the research hopes to shed a light on CSR first in the context of emerging economies and secondly in the context of SMEs- both of which are in nascent stages of development.

1.2 Identifying the Research problem:

The basic idea of CSR is that business and society are interwoven rather than separate entities; and society has certain expectations of appropriate business behaviour (Wood, 1991). Such expectations also apply to SMEs albeit in diverse ways. The research problem came to light, while the author was conducting research for their Master's thesis in 2010. The paper (Syeddah, 2011) looked at domestic large firms in EMEs, exploring how they perceived CSR. This premise was built upon previous academic contributions by Jamali, 2010, Kostova & Roth, 2002 and Ameashi et al, 2006. The study showed that understanding and implementation

of CSR by domestic large firms was very different; as big companies due to their size; operations and global outreach react very differently to CSR. And the term seemed more appropriate for MNCs and large companies, as the word 'corporate' implies big firms with a distinct corporate culture and identity. During the research, the author had come across the vital role of SMEs, as the sector forms an integral part of national markets (Fassin, 2008, Murillo & Luzano, 2006, Jamali et al, 2009b; Amaeshi, et al 2014). Furthermore, any conventional approaches of CSR tended to be based on various mythical fallacies influencing any research on SMEs (Jenkins, 2004a; Spence, 1999). With all this in mind, some of the questions raised were: how did SMEs view the link between business and responsibility? Why was there a lack of academic attention towards SMEs within management studies? Did the business-society interface for SMEs exhibited variations reflecting specific context dependence factors? Could SMEs be seen as a homogenous group for future research? Did SMEs thinking and perception differ from their big brother the MNCs? How did they understand the term CSR and/or if the terminology changed for small business actors? What were some of the challenges and motivations facing small businesses in carrying out socially responsible behaviour? Did their special organizational characteristics play a part in having a unique responsibility response? The culmination of these questions was this thesis.

The attention on mature economies has led to an Anglo-Saxon model of CSR -with a more structured and formalized rule based approach to social responsibility (Matten

& Moon, 2008). And now with the rise of EMEs as future global players, and advent of CSR in developing countries, as a '*legitimate domain of study retaining its nuances, peculiarities and distinctiveness as a platform of knowledge generation'*; there have been calls to pay close attention to the kinds of 'localized' CSR expressions emerging in these countries (Jamali & Karam, 2016:19). It would be presumptuous to assume that the Anglo-Saxon model would be applicable in other parts of the world. A one size fits approach, that disregards the notion that business responsibility changes, evolves and manifests differently when socially constructed in a specific context. Surour and Howell (2013: 306) emphasize that concepts such as corporate governance and CSR should be conceived as *'evolving, dynamic context-based phenomena'* to gain a deeper understanding of these issues. In short, what is role of local contexts and realities (in EMEs) in determining localized expressions of CSR? This is the first identified research gap the research aims to contribute to by looking at Pakistan.

The other half of the research aims to go one step further. Mainstream CSR scholarship apart from its focus on mature economies has tended to study large multinational corporations, overlooking the importance of SMEs. This has changed in the past few years due to not only the contribution of EMEs to the global economy; but also of SMEs as players in the global value chain, making it impossible to ignore their economic importance. If context dependence factors and local realities do play an important role when it comes to CSR, how does the small sector react and understand this idea? This is the second under-researcher area within CSR

scholarship, this paper aims to fill by giving a platform to SMEs when it comes to

practicing socially responsible behaviour.

1.3 Definitions:

For this research, instead of the myriad (and competing) definitions of CSR, emerging

markets and SMEs, one definition for each concept has been picked to guide this

research. For Corporate Social Responsibility, a definition that emphasizes it as an

umbrella term will be applied for this research.

Blowfield and Fraynas (2005: 203) recognize the following traits:

'(a) that companies have a responsibility for their impact on society and the nature environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business; and (c) that business needs to manage its relationship with wider society, whether for the reasons of commercial viability or to add value to society'.

The definition of EMEs by Hoskisson et al, 2000 will be applied here:

'Low income countries using economic liberalization as their primary engine of growth' (p, 249).

SMEs (in emerging economies) can be described as:

' A *heterogeneous group of business, ranging from a single artisan working at home and producing handicrafts to sophisticated software-producing firms selling in globalized niches'* (Fischer & Reuber 2005: 131)

Words such as small industries, small sector and SMEs used in this paper should be understood as synonymous terminology. Words such as emerging market economies (EMEs), emerging markets and emerging countries will also be used interchangeably.

1.4 Research Aims:

In consideration of the special features and significant role of SMEs, the overall purpose of this thesis is to investigate the effects of CSR in Pakistani SMEs; and develop a working model of social responsibility for small business in Pakistan. Currently there is no framework that best describes, explains and understands first; the drivers motivating SMEs to be responsible moral agents contributing to society; and secondly; the challenges facing SMEs that could hinder SRB. Lack of a working model prevents policy makers and SMEs themselves, from understanding the full potential of small business in regard to national growth and social cohesion. Another aim is to contribute to the knowledge and add to existing literature on CSR in relation to SMEs through the critical theory methodology. The final aim is to contribute to the growing literature of SMEs as socially responsible agents in the context of EMEs. More specifically, the objectives are to:

a) Study and explore the concept of CSR in EME's from the stand view point of SMEs. What is the role played by SME's?

b) Determine how CSR is perceived, adopted and implemented by SMEs.

c) Identify whether the concept of CSR takes on a unique profile when observed by indigenous firms such as SMEs.

d) Determine if this leads to localized versions of CSR reflecting context bound cultural norms or a Hybrid model combining western model of CSR with local socio-historical traditions?

e) Develop a SMEs specific indigenous model from the empirical data, depicting how small businesses perceive, adopt and practice 'being socially responsible' behaviour; and identify peculiar institutional drivers and challenges in them being responsible agents. Furthermore, recommend possible ways of addressing the identified findings with small businesses.

1.5 Research Questions

The research questions were developed following an extensive review of the literature review of the CSR literature on developed economies and the current existing literature one emerging economies. Literature on SMEs studies was also reviewed to further identify and narrow down the research gap. In order to achieve the aim and objectives set out in section 1.3, the main research questions link to the following: what does the shifting discourse on CSR taking place in Pakistan tell us about the role of SMEs? The research title is divided into five sub-questions which are:

i.   Identify the necessities of relativist perspectives of CSR in regards to the imposition of occidental perspectives of CSR.

ii.   Analyse the part played by specific institutional configurations (internal and external drivers) in the emergence of localized CSR expressions?

iii.   To what extent is normative stakeholder theory applicable to explaining SME's response to CSR?

iv.   How does CSR as a 'terminology' and as a 'process' differ within SMEs?

v.   What factors influence the motivations and challenges amongst SMEs in responding to CSR?

1.6 Data & Methodology

In absence of any prior CSR studies on small industries in Pakistan, this thesis aims to reduce this gap in the literature through the investigation of social responsibility practices in the highly-industrialized Punjab province of Pakistan. In particular, the thesis focuses on among other things; identifying the challenges faced by local SMEs and how that hinders SMEs from practising socially responsible activities, the concept of social responsibility in such companies, issue of trust in stakeholder-company relationships, internal and external drivers for CSR engagement; and whether personal attributes of SME owner-managers and cultural affiliations have any

influence in decision-making. The study uses semi-structure interviews and focus groups both with the small industry experts and SME leaders.

Data collection proceeded via a Phenomenological Hermeneutics methodology (within a critical theory paradigm). This led to the development of an emerging model of explaining SMEs motivations to engage in socially responsible activities. PH rejects both rejects subjective and objective positions; and the researcher continually exists within the world, where understanding in itself is interpretation and not some procedure (Ricouer, 2004). Unlike other approaches to qualitative research, PH takes into account the historical and cultural processes behind texts to reach an understanding. Every text and utterance was understood in relation to the historical and dialectical nature of CSR in emerging markets. Necessitating a dialogue with the texts led to new meanings and critical understanding of the social phenomenon under scrutiny. The methodological approach was adopted due to its applicability and complementarity to this study.

1.7 Overview of the Thesis

For ease of comprehension the thesis has been divided into four components. The first is this introductory chapter which gives the background, identification of

research problem, aims and an outline of the thesis. This is followed by Parts II and III which deal with philosophical and research topic literature review, theoretical frameworks, methodology, methods, data analysis and theory development respectively. Part IV, the final component will consist of concluding remarks, reflexivity, recommendations, contributions of the study and areas for future research.

Chapter II. Philosophy Literature Review

2.1 Introduction

The aim of this chapter is to present and analyse the philosophical underpinnings of this thesis by looking at moral philosophy; in terms of the competing teleological and deontological approaches (Macdonald & Dudley, 1994). The reason for doing this is to illustrate the normative aspects constituting the idea of CSR. The philosophical debate on CSR will done by drawing on the differing stances of three relevant philosophers: Kant for deontology, Machiavelli for teleology and Adam Smith cradling aspects of both stances. A concise summary of their works such as the Categorical Imperative, Perpetual Peace, *Virtu* and Virtue, the Invisible hand and Impartial spectator will be presented. The aim of the discussion is to critically analyse such linkages between business ethics and ideas of classical antiquity, and establish a historical narrative as well as provide an in-depth understanding of the

debate surrounding Corporate Social Responsibility in emerging economics, with a focus on SME's[1]. Nowadays, businesses are seen as a part of the 'basic structure of society' marking a dramatic shift in corporate obligations to societal changes. As such obligations and duties are encompassed within ethical dimensions, the linkages between CSR and business ethics are highly significant.

Over the years there have been numerous attempts to identify that the teleology-deontology tension is '*a distinction without a difference*' being sides of the same coin (Louden, 1996). Deontology argues that people must act from duty (*deon*), and the act is evaluated '*by a characteristic that cannot be gathered from its consequences*' (McCormick, 1973). Deontologists think that moral principles that compel one to act morally good, are ascertained; or that moral rightness of actions are directly intuited (Pritchard 1949). Teleological philosophy derives the difference between good and evil from the relation of actions and attributes to goals (Louden, 1996). Right actions being right will bring right consequences, and wrong actions being wrong will deliver wrong consequences.

CSR is a mélange of mutually exclusive ethical and economic viewpoints; where the '*economic model has a utilitarian moral core and the ethical model is a vague*

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[1] Business ethics in part has emerged relatively recently as a distinct sub discipline, where its theoretical bearings are still very much defined by the classical moral philosophies (Altman, 2007).

composite of frameworks such as Kantian duties and stakeholder rights' (Windsor,

2006). Goal-based ethics as identified by Machiavelli will be discussed first; followed

by duty-based ethics of Kant. Although competing moral stances, these approaches

share the common theme of how to improve general welfare (Louden, 1986). This

leads to Adam Smith's philosophy of the invisible hand against acting for the public

interest. Smith's work a blend of deontology and consequentialism will be discussed

last. Finally, each section will elaborate the linkages between the abstract

philosophical concepts and specific issues of CSR, emphasizing the importance of

this discussion.

2.2 Machiavelli:

Machiavelli has for the last four centuries' *'excited the interest and admiration of*

scholars' because of *The Prince* (Berlin, 1980:34). Why Machiavelli continues to

rouse fierce reactions and discussions lies primarily in his disregard for the humanist

intellectual tradition of his time- centred on Ciceronian view of morality,

government and power- and championing a paganistic public morality. Machiavelli,

heavily influenced by ancient antiquity, sought out to reflect this in his works -The

Discourses (1980) and The Prince (2009)- through the conceptual triad of virtu,

necessity and Fortuna (Wilde, 1928). This ties in with his ideas on human nature,

love patriotism, leadership and power (Wood, 1967; Price, 1973; Skinner 1981).

Berlin (1980) refers it to the *'originality of Machiavelli'* and argues that Machiavelli

discovered two rival systems of understanding politics- personal morality and public

management. Machiavelli does not emancipate politics from ethics but instead '*he*

institutes a differentiation between two incomparable ideals of life and so two

moralities' (ibid: 56). One is the pagan morality with its values of courage, vigor and

fortitude as embodied in the Greek and Roman city states. Against this is Christian

morality with its ideals of charity, mercy and sacrifice. Berlin emphasizes that

Machiavelli doesn't condemn Christian morality but gives men a choice between the

two. In order for humanity to lead and build an open society, qualities of pagan

morality are best suited; for Christian morality and religion maybe be valuable for

saving the individual soul, but such principles do not help one to strengthen *civic*

virtue required for political strength and independence (Wilde, 1928). This realistic

notion suggests that man can be fickle and sometimes such civic virtues are needed

by the leader to lead and save one's self interests (2009: Ch. 15). The analogy

between a state and people and an individual is a fallacy, '*a state and a people are*

governed in a different way from an individual' and *'not individual good but common*

good is what makes cities great' (Machiavelli, 1980).

In short Machiavelli introduces a morality of his own that separates politics from

theology, arguing that Christian ethic is not the only ethic suited for a glorious social

and political life. What is required is not individual religious virtue but instead a

public civic *virtu* that works for the greater good i.e. the society and state. Atkinson

(1976:23) considers his work reflecting a '*relativistic morality of a pagan worldview*' which is 'public*, collective and situational*.

This ethical code for public organization rests on the term of *virtu*, very different from the modern notion of moral virtue. Prominently and extensively discussed by Machiavelli, *virtu* reflects his views on human causality in politics (Parel 1992). The term is used with multiple meanings by Machiavelli; from the quality of an inanime object as a bow or a weapon to the *virtu* of a new prince in Chapter 6 of The Prince, to the *virtu* of a tyrant and *virtu* in Discourses II.2. [2] The traditional notion of virtue carries the idea of rationality of human nature containing reason and will (akin to Kantian rational agency). Human beings are composite beings made of body and soul, and virtue is '*an acquired disposition, rooted in rational nature*' which aids them to make practical prudential judgments (Parel, 1992:87). The ethics of Machiavellian *virtu* by contrast regards humans as part of '*material nature like other brutes*', whereby notions of right, wrong, good, bad, just and unjust emerge in them only as a result of being part of a society *'for the purposes of security'*(ibid).[3] Hence, *virtu* is deprived of the benefits of rational insights that come from reason, and is broken down into four areas: *virtu* of body, spirit, individuals and groups (Howell &

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[2] 'Since men almost always walks along paths beaten by others and base their actions on imitation-even if it is impossible to remain on that path all the way or to acquire the *virtu* of those you imitate-a prudent man ought always to go along paths beaten by great men and imitate the most pre-eminent so that if his own *virtu* does not measure up to theirs, at least it may smell like it. He should act as prudent archers do, knowing precisely the *virtu* of their bow: when the target is too far away, they elevate their sights, not so that their arrow will go that high, but-with the help of their raised sightings- so as to hit the target' (The Prince [trans] Atkinson, 1976: pg. 143-5)

[3] *Virtu* derives from the latin word of vir for '*man*' and can also be used to emphatically to denote courage, spirit, and manliness. In this way, the word can also be related to 'force, 'power' or 'strength'

Letza, 2000). It is the *'stable disposition or ability of an individual or group, by which he…enabled to perform acts conducive to the good of the state'* (ibid).

Virtu is driven by the elements of animo (spirit), ingegno (natural talent), humor (temprement) and fantasia (imagination), and is maximized when time (opportunity) is successfully recognized and utilized. With the help of Fortune, a prince cannot get a better opportunity for *virtu* and glory, than to get a city, state or company already in a state of corruption (Machiavelli, 1980).[4] A man's *virtu* is influenced through his relationship with goddess of Fortune, and one must learn to act in harmony with her power (Skinner, 1981). One can ally with her by possessing *virtu* which according to Cicero (2005) as depicted in Tusculan Disputations is the criterion for being a real man. Fortune is attracted to such true manliness (*virtu*) and will bestow her gifts, with the greatest gift being *'honor and the glory that comes with it'* (Skinner, 1981: 26). It is fortune *'not prudence that makes men great…indeed all things have attributed to her'* (Atkinson, 1976:71). Such luck or force provides men of *virtu* with opportunities and occasions to prove their worth. The opening line of The Prince (2009) states princedoms *'are acquired either with armies of others or with one's own either through Fortune or through virtu'*. The importance is evident how a prince must always act as if he can control Fortune for his own interest and glory while guided by *virtu*.

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[4] Fortune at times is like a river that one needs to take precaution against and sometimes it is a woman with an unruly spirit that needs controlling almost forcefully so that she continues to smile upon the brave (Rosenthal, 2001).

This leads to the question if men are capable of curbing Fortune and attain their highest goals with their *virtu* what goals a prince should set himself? For Machiavelli, the answer is to preserve the existing state, and ensure control through sound laws and armies. *Virtu* is linked to worldly success with the help of glory and honour bestowed by Fortune (Rosenthal, 2001). This disposition aides the prince in being an astute ruler as stated in Chapter 7 (2009), '*those men who become princes unexpectedly possess such great virtu that they know immediately how to get ready for and keep hold of what Fortune has put in their laps'.* It is an ability that helps a prince act a certain way and to protect his interest and glory in a world where most men are not good. For man is by nature evil, '*constantly driven by ego-centred desires and passions…that are a human constant they are, have been and will always remain so'* (Atkinson, 1976:60). The Prince must be astute enough to realize this and must never forget to always act in this context of man's evil nature. As stated in introductory letter of The Prince (2009: 2) '*just so, too only an exulted prince can grasp the nature of the people, and only a lesser man can perceive the nature of a prince'*.

A morally virtuous prince cannot survive without such qualities and instead should be guided by necessity. Necessity dictates that the prince '*in order to hold his position, he must acquire the power to be not good and understand when to use it and when not to use it'* (2009, Ch.15: 55). This doctrine is repeated, three chapters

later for a wise prince '*holds to what is right when he can, but he knows how to do wrong when this is necessitated*' (ibid, Ch.18). This is a clear rejection of dominant humanist principles- that a morally good man can be a successful ruler and achieve his highest ends. The defining trait of a *'truly virtuoso prince will be a willingness to do whatever is dictated by necessity'*- whether it is immoral or righteous- *'in order to attain his highest ends'* and thereby bring glory to his state (Skinner, 1981: 40). Therefore, *virtu* comes to signify the quality of moral flexibility in a prince for he must have '*a flexible mind altering as the winds of Fortune and change in affairs require'* (2009: 63)

Croce (1925) remarked that the '*puzzle of Machiavelli...will perhaps never be solved*'. Some have damned *The Prince* as a work of evil, others have called it political satire (Mattingly, 1958); for Rousseau (1997) and Spinoza (2006) it was a cautionary tale written by a passionate patriot and a believer in liberty; and then they are academics like Haydn (1950) who regard it as an anti-Christian piece that attacks the authority of the church. Croce (1925) deemed Machiavelli's work reflecting his humanist tendencies; meanwhile Hancock (1935) assessed him as scientist who is morally neutral and transmitted *'an objective analyst of politics'*. Bacon (2011) described him as a supreme realist for '*we are much beholden to Machiavelli...who openly and unfeignedly declare and describe what men do, and not what they ought to do'*. Hegel (1923) viewed him as genius who saw the need for uniting Italian states

into a *'coherent whole i.e. the birth of a modern Italy'*.[5] Machiavelli's universe of

discourse is thus a *'curious, complex blend of biography, experience, study, personal*

taste and interpretation' (Atkinson, 1976:57)[6].

Mattingly (1958) refers to the works as an *'objective scientific description of reality'*

that attempt to portray the true nature i.e. fickleness of men; and T.S Eliot (1929)

famously stated that '*Machiavelli was not fanatic and merely told the truth about*

humanity'. Additionally, Machiavelli's works show he *'did not collect or describe*

facts but rather interpreted words, actions, gestures and texts in order to give

advice, make predictions and reconstruct stories post factum' (Viroli, 1998). This

provides almost a hermeneutical aspect to Machiavelli's writing whereby he bends

historical exempla to his narrative, studying politics up close to better judge and

understand the meaning of political actions and individuals, and uncover the truth

(Atkinson, 1976). This offers his method an *'interpretative and historical value rather*

than a scientific one' (Viroli, 1998: 3).

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[5] For Hegel if The Prince is viewed in its historical context it emerged not as a 'summary of moral and political principles, appropriate to all situations and therefore to none', but 'as a most magnificent and true conception on the part of a man of genuine political genius, a man of the greatest and noblest mind'.
[6] Gramsci (1967) defined Machiavelli, as a revolutionary and The Prince signifies for him the 'dictatorship of new progressive forces' that would eventually lead to the 'coming of the masses and need for the emergence of new politically realistic leaders'.

2.2.1 Machiavelli & CSR

Although Machiavelli's subject- matter was politics, *virtu* and the public good are very relevant for business ethics and management. CSR is underlined by constant tension between economic and ethical perspectives and Machiavelli's teachings reflect the tension between personal ambition of business leaders and public morality (Kessler et al, 2010). The classical conceptions of virtue states that '*internal integrity and public life are to be held compatible because the life of the soul and life in the state are thought to be intimately connected to the notion of the good'* (Parel, 1992: 99). Kant's deontological view of moral virtue falls under this category. On the other hand, for Machiavelli moral virtue has no place in public *virtu* where whatever is necessary, for preservation of the state, should be acted upon. The love of the fatherland overrides the moral virtue of an individual and the common good must prevail over good of the soul. Although greater good is the goal for both philosophical positions, the classical/Kantian view argues that the starting point is rational agency embedded within morality and intertwined with the common good; for Machiavelli, public good through *virtu* can be attained without individual morality dictating ones actions. He champions a pluralism of virtues where ethics of *virtu* is compatible with the public realm i.e. the community and not the individual.

Machiavelli has provided a sound foundation to study issues such as ethical organizational culture (Singapakdi, 1993), evolution of modern management (Swain,

2002) and business leadership (Galie & Bopst, 2006; Harris, 2010). A good leader possessing skilled understanding in an area that is most important for the success of their company is similar to a prince acting in the best interests of his state (fatherland) and might need to act in a certain way that *'might violate accepted norms of behavior for individuals'* (Hill 2000)*.* This is in line with public *virtu* idea that anything and everything is permissible for the prosperity and liberty of the fatherland i.e. the company. Howell and Letza (2000) highlight a clear link between public good and *virtu*, providing a means of observing linkages between *virtu* and CSR within the wider framework of corporate governance. They believe that corporate governance in this context is about the survival of the corporation and this view '*sit comfortably with the concept of maximizing shareholder wealth…the narrow view of ethical behavior'* (ibid: 101). They argue that by giving governance a separate morality, Machiavelli grants *virtu* ethical features that deem it as a morality moving towards some ultimate end. A teleological view of civil morality, where the ultimate end '*may take the form of the community or corporation'*, whose wellbeing is paramount than of the individual (ibid: 102).

This leads to the notion if it is acceptable for a prince to lie if it is for the good of the state/company? Is it right for business leaders willing to deceive the public (stakeholders) for the sake of profit maximization or protection of the shareholders? Singhapakdi (1993) terms this Machiavellianism, where *a 'person's general strategy for dealing with other people [stakeholders], especially to the degree to which he*

feels other people are manipulable'. Under this basis, a leader of a firm would find it easy to manipulate stakeholders, taking decisions that are not entirely ethical but completely justified for the company. Machiavelli argues one could have morally right leaders if people were virtuous but humans by nature are corrupt. So, firms run by people can be managed in a corrupt (dominance of private interests) fashion whereby moral obligation to society can be overlooked. This also ties in with the excessive nature of *virtu*, where desires and assertions run freely. The idea of excessive riches, glory, power and expansion is integral to Machiavellian *virtu* (Parel, 1992:97). In the context of business ethics having such a *virtu*, grants company owners' justifiable reason to focus only on wealth maximization (glory and riches) and ignore their societal moral obligations. For Machiavelli, the state/corporation is elevated above the individual and no action propagated in its name can be defined as bad before it's committed.

Another strand of CSR business that Machiavelli can shed light upon is attempting to understand the motives and ethical stances of business leaders; who are responsible for implementing programs that might benefit a company such as strategic CSR initiatives. Machiavelli states in Chapter 18 (2009:65) that for a ruler to stay in power he must look to necessity and changing winds of Fortune and do what is required for preservation of his state/company. A ruler has to *'adapt his way of proceeding to the nature of times'*, to accommodate himself to the varied times of Fortune, both good and bad (ibid). With the trend of doing responsible business,

firms have had to change their activities out of necessity. Due to advent of

globalization and corresponding societal obligations of business, company leaders

who wished to simply focus on wealth maximization, had to adapt to the demands

of society. Thus, businesses have introduced extensive CSR activities and increased

stakeholdership initiatives that promise preservation of the company (state) by

responding to such demands.

Machiavellianism emerges with regards to corporate governance and leadership in

respect of questions about ethical ends and means. Gallie and Bopst (2006) suggest

that Machiavelli's ideas of power and leadership have been *'reinterpreted for*

contemporary times and can be applied to the attainting and exercising of power by

contemporary business executives' questioning if that power can be used in an

ethical way. The recent corporate scandals such as Enron and WorldCom,

highlighted the devastating effects of corruption of firms, and in Machiavellian terms

it shows how people can be misled and seduced by the corrupt use of wealth and

power (ibid). For Machiavelli, wealth used to purchase loyalty is a great danger to

liberty of a 'republic' (substituted with a firm)[7] and its survival is dependent on it

being free from internal instability such as corruption (*corruzione*) and

mismanagement (Skinner, 1981: 56)[8]. Kant champions a leadership, based on the

duty to treat others with respect and consider interests of citizens within rules of

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[7] In this context a successful growing and strong republic is akin to a strong, successful and sustainable corporations where the prince i.e. CEO can use his techniques of power in a morally ethical way.
[8] For Machiavelli, corruption is equated with the loss of virtu, a process of degeneration which is a disease to society.

human rights and justice (Bowie, 2000)[9]. This deontological view of leadership urges leaders to see the public as means and not as an end. In comparison Machiavelli presents a teleological view of leadership, where he outlines opportunities for princes associated with forceful leadership (driven by *virtu*), and what traits and skills a leader should acquire or use depending on the situation in order to be called a capable ruler (Mattingly, 1958; Kellerman, 2004). He argues that only truly bad leadership is weak leadership and by supporting this new morality, believes leaders must out of necessity, use force (*apply cruelties*) to hold onto power and maintain public order[10]. These ideas have extensively been used as a starting point in numerous theories such as transformational (Bass, 1985; Burns, 1978) and charismatic leadership (Zaccaro, 2001).

2.3 Kant:

Kant vision of ethics is based on the concept of an individualistic general will driven by pure practical reason which translates into duty based '*universal and absolute obligations*' (Bamford, 1979; Peucker, 2007). For Kant (2006a) the highest *end* of such a rational agency can be attained when humanity comes together to a perfect

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[9] Kant states '*is only a legitimate government that guarantees our natural right to freedom, and from this freedom we derive other rights*' (2006b). He champions states based on republican principles, intertwined with his three 'righteous laws' respecting right of people as men, subjects and citizen. Machiavelli by comparison in The Prince appears to portray his support for princely states and leadership. Interestingly his later work The Discourses deals with the question of city states; and shows his change in thinking on his fervent support for republican regimes (Skinner, 1981: 52).
[10] For instance, Chapter 6 states in order to govern conquered cities, the '*safest course for the prince is to destroy them....*' (The Prince, 2009).

state constitution, by disregarding state of nature and adopting rational freedom.

He calls it a *'concealed plan of nature'* to achieve an end of human rationality, '*in which nature can fully develop all of its predispositions in humankind'* (2006a: 13). A moral action is defined by reason and not by our sensual impulses, thereby suggesting that such an action is determined by motives and not by consequences. This concept of rational agency features heavily in Kantian concepts of the Categorical Imperative (CI) Perpetual Peace (PP) and civic just constitution.

In *Critique of Practical Reason* (2004), Kant stresses his position that moral goodness which consists in following the CI is more basic to ethics than good consequences. In short, its right motivations –an obligation to duty- that defines a person as morally good.[11] This concept of right is connected to a corresponding obligation because morality rests on Goodwill for the only thing *'can possibly be conceived in the world . . . which can be called good without qualification (is) a Goodwill'* (Kant, 1998). It is '*the activity of a foreign will in us, subjecting our own inclinations to some sort of external consent'* (Ward, 1971). Kant believes good will is intertwined with what makes humans *'rational agents'* and differentiates between merely acting *with* duty or acting *from* duty. Inspired by Rousseau's Social Contract (1997), this extra

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[11] Stevens (1981) views morality lying between motives and actions and Kant's works reflect how the moral law plays a part in personal moral decisions, where the agent is a decision maker- '*disputing the notion that an abstract subject simply accepts or rejects objectively correct decisions*'. He stresses the centrality of one's honesty as a development tool of one's character as highlighted by Rumsey, (1989); and that honesty is a pivotal concept to virtue (inward action of will) and right action (external conformity of actions to the moral law).

capacity to do what is rationally good, enables us to act on the basis of our normative judgments (Sayre-McCord, 2009a).

Rational agency, (1998: 26) is defined as '*everything in nature acts according to laws. Only a rational being has the power to act according to his conception of a law*'. Such conceptions of a law determine the will in doing good.[12] This concept of '*rational agency*' underlines the view that a rational will is regarded autonomous, independent of the world of senses where it might be constrained by one's contingent desires (Stevens, 1981). Nonetheless if the will is free than it must be governed by a rule but a rule which does not constrict the freedom of the will. The only appropriate rule for Kant's (where content is equivalent to form) is CI. It comprises of three laws for all moral agents where the validity or claim does not depend on any end (Bamford, 1979). The *'Universal law'* is based on the unequivocal maxim that: *'Act in accordance with a maxim that at the same time can be valid as a universal law! Therefore you must consider your action first according to its subjective principle…'* If the maxim cannot be universalized for others, than we should not act upon it. (Kant, 1998: 34).[13]

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[12] In less than perfectly rational agents the representations sometimes fail to determine the will and due to this the representations presents themselves as commands or imperatives with which one might to comply.
[13] To take an obvious example, it is wrong to work illegal immigrants in slave like conditions because such a treatment does not respect their capacity freely to consent to work and deems them expendable entities (means) and not as ends.

The second termed as the 'Humanity' formula states to '*act that you use humanity in persons always as the same time as an end, never merely as a means'* requiring one to understand how humans should and should not be treated (Kant, 1998:41)[14]. The third formula emphasizes only do something if you are prepared for everyone else to be able to do it as well. These maxims reinforce that we are to always act in ways which respect rational agency – insuring that the maxim of actions is of universal import that respects humanity (Dierksmeier, 2013). These formulations indicate that it is the nature and orientation of one's will that confers moral value on their actions rather than rewards, outcomes, social approval or happiness that they produce (Smith & Dubbink, 2011).

With the aid of '*autonomous will'* humans guided by reason generate such principles that constitute the dignity of themselves and others (Sayre-McCord, 2009). This freedom of the will (agency) is autonomous, going beyond the 'negative' sense of being *free from* influences on our conduct originating outside of ourselves. The idea is that laws are made and acted upon by one, and in virtue of this, one has authority over one's self and can be held accountable for actions. Freedom of will is crucial as it '*provides both the content of morality and its motive'* (Korsgaard, 1996:11). The question arises '*how would a free will with nothing constraining or guiding it*

[14] Louden (2000) believes that Kant essentially intended the CI not to be viewed in isolation, but understood in the light of the development of a virtuous character. He adds that Kant's empirical or impure ethics are the central role of progress, where to work toward a realm of ends, human beings need to institute certain institutions to cultivate, civilize and moralize themselves. This in turn will help to introduce humans to ethical practices.

determine its actions?'; and Kant's response is by the moral law (Kant, 2004). This brings together the issue of rational agency and structure where the only structure confronting a rational free will is the moral law given to ourselves. And by obeying such moral laws, the rational will is autonomous.

Rational beings are the determiners of ends, *'the ones who set values on things'* (Korsgaard, 1996: 22). In light of this end, we act only on maxims that could be universal laws, as we make rational nature our end. *'A rational nature is distinguished from the others by this, that it sets itself an end'* (Kant, 1998: 49). As ends are objects of free choice, by choosing the maxims we also select the ends. Under hypothetical imperatives we have a choice to perform a duty with some reward. For Kant duty is an obligation, an imperative that binds us unconditionally, which can only be done if the moral motivation is autonomous (ibid).[15] Furthermore, unlike Machiavelli's separation of public and private morality, CI does not distinguish between the two realms. What one does in private is not morally different in public, duty and obligations are equal all over.

Linked to this is the notion of '*Kingdom of Ends'* where Kant envisages an '*ideal state, a realm'* where people are unified under moral law with acting as impartial moral legislators whereby recognizing others as autonomous rational agents each of

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[15] Ohreen and Petry (2012:368) describe CI as 'objective, independent of personal desires or subjective ends and holds universally and law like in nature- exceptionless and unconditional'.

us will equally strive for the same moral laws (Dierkrsmeier, 2011; Ohreen & Petry, 2012). We shall act so that we advance a '*kingdom of ends*'; that is, we shall pursue ends which integrate the ends of others and do not contradict the moral law' (Kant, 1998). This republic of all rational beings is a collective model of responsibility and reciprocity dependent on respecting humanity in others and doing duty. The aim is to seek happiness through morally worthy behaviour and form a moral community.

Free agency is also a central feature in the theory of PP. In this context, Kant argues that PP can only be achieved if it is formally instituted in a legal civil state (formed on republican principles)[16]. For Kant, such a legal state should be based on a constitution resting upon three principles: citizen's right, international right and cosmopolitan right. He writes *'first according to principles of the freedom of the members of society (as human beings), second according to principles of the dependence of all on a single common legislation (as subjects), and third, according to the law of the equality of the latter (as citizens of the state)'* (Kant; 2006b:75). Such a constitution based on cosmopolitan right '*to the extent that individuals and states …related externally by the mutual exertion of influence on each other are to be*

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[16] By republic Kant means a political system that is based on principles of the freedom and equality of citizens; and governed by the rule of law, not by a despot. In a republic the laws are enacted by the representatives of the citizens and the branches of government are properly separated from each other. Additionally, in a republic neither the offices associated with government nor the territory are the personal (Kleingeld, 2006:481).

regarded as citizens of a universal state of humankind (ius cosmopoliticum)' (ibid:

73).

This idea was first illustrated in his work, Idea for a Universal History with a

Cosmopolitan Purpose (2006a), where Kant identified nine propositions,

representing a teleological vision of history. Kant states that *'all capacities of a*

creature are destined to evolve completely to their nature end' developing definitive

human rationality (ibid: 6). The antagonism that arises due to *unsociable sociability* -

whereby humans are forced to look beyond their antagonisms to bring about the

development of their full dispositions- is ultimately '*the cause of law-governed*

organization of society' (ibid). Unsociability is the tendency of humans to leave their

state of nature [savage] and enter into society with other humans, even though this

state constantly threatens to break it up. Humans need to exist within a social

structure as it creates a situation where they feel '*to more human'*; yet at the same

they have a '*strong tendency to isolate themselves'* because they feel hostility and

expect it in return from others (ibid: 7). Nonetheless this need forces humanity to

curb its state of nature, and choose rational freedom that ensures an end of

peaceful existence (Howell & Letza, 2000). Kant refers to this transformation an

'agreement to society that had initially pathologically coerced into a moral whole'

(Kant, 2006a:7).

Once this civil society is achieved humans can solve rest of nature's problems. Kant

considers moving towards an end, towards a civic society which administers right

universally as *'the greatest problem for the human species to which compels it to*

seek a solution' (ibid: 8). The highest intent for natural dispositions can be realized

only in a society that *'possesses the greatest degree of freedom, where the*

antagonism still persists yet freedom of each is consistent with others...that is a

perfectly just civil constitution' (ibid). Therefore, a civil constitution, initiated by

unsociability, forcefully brings together individual freedoms within the collective

freedom of a society.

However, Kant recognized that even though one state may attain this just civic

constitution antagonisms will persist between states. For a perfect civic constitution

is *'dependent upon [solving the] problem of a law-governed external relations*

between states' (ibid: 9). The same unsociability that compelled people to pursue a

society by discarding their *status naturalis*, is also the reason for states to accept a

peaceful coexistence (commonwealth). Only than state of peace – perpetual peace

can be a realistic notion (Kant, 2006b: 73). PP therefore encompasses the idea of

public right resting upon external freedom, where by embracing individual freedom

states come together in a mutual state of peace; similar to the societal level where

humans by rejecting their state of nature embrace personal freedom (rational

agency) to form a just civic constitution.

Morality for Kant involves not only a law and autonomy of will but also an object, the ultimate end at which all action is directed- the *highest good* (Kant, 2004). He conceived '*the Highest Good as the final end of the Moral Law*' where happiness is proportioned to virtue (Reath, 1988; Engstrom, 1992).[17] Meanwhile Husserl (1999: 232) believed Kant fought for a '*genuine morality, a morality of duties*' an achievement that was high estimable in his view.[18] On the other side of the spectrum over the years' numerous scholars have questioned the validity and applicability of Kant's teachings. In essence, while the Kantian supporters celebrate the '*clarity and lucidity of Kant's ethical principles to solve ethical problems, the latter generally doubt the capacity to provide meaningful theoretical orientation*' (Dierksmerier, 2013). Critics allege that Kantian moral thought relies too heavily on moral agents doing duty for duty's sake, detaching themselves from feelings and personal motives, thereby enforcing rational uniformity in their moral lives (Haney, 2008; Painter-Morland, 2008). The emphasis by Kant on moral principles is said to be bankrupt because such maxims are inevitably empty, too abstract and incapable of motivating concern for morality[19]. Ward (1971) refers to CI having a teleological impetus directing all practice to contribute to improving lives of all humans. In his

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[17] Though they are different descriptions of the Highest Good throughout Kant's works, all converge in the idea of a morally perfect world, where events take place according to moral laws, and moral conduct is successful in achieving its ends (Reath, 1988).
[18] Alan Donagan (1977) describes the fundamental principle of morality as being '*the impermissible not to respect every human being, oneself or any other, as a rational creature'.* This is clearly a paraphrasing of Kant's formula of the end in itself.
[19] Martha Nussbaum (2000) has characterized moral judgment as the ability to recognize, acknowledge or identify what is salient in a particular case.

view Kant is fundamentally concerned with ends of actions and that *'were there no*

such ends a categorical imperative would be impossible' (Kant, 1996)

2.3.1 Kantian Ethics and CSR:

Making sure that moral agents are well attuned to circumstances in which they

render practical judgment is extremely important and this is no less true for business

ethics (Smith & Dubbink, 2011). Kantian theory has provided a subtle and effective

amount of moral foundation and its relation to business moral decisions. Kant can

be constructively applied to practical applications in the business realm as reflected

in works of Kantian scholars (Reynolds & Bowie, 2004; Bowie & Dunfee, 2002;

Dubbink & Liederskerke, 2009; Moberg & Meyer, 1990). Smith & Dubbink (2011)

look at the role of moral judgments in business ethics arguing that individuals and

organizations that exercise such principle judgments will *'exhibit traits that can*

encourage the development of conscience…which will be tied to integrity leading to a

balanced approach for example in management systems within firms'. In their view,

such judgments can enable firms to see moral insight as a social process leading to

greater levels of conscience (responsibility) in their operations.

Herman (1983) and O'Neill (1989) have extended Kant's reach to non-traditional

subjects like targeted advertising and coercive employment practices. Norman

Bowie's Kantian perspective has touched upon issues such as providing meaningful

work for employees (1998b), leadership (2000) and sweatshops (2007). But it has

been Freeman's (1984) work the fiduciary relationship between firms and

stakeholders that has been most instrumental in bringing Kantian thinking within the

realm of business management. Much of the application of Kant's moral views is

premised on the notion of corporations holding the same kind of moral agency as

persons. One can argue that rationalistic decision-making traits of firms are similar

enough to humans that we ought to assign them moral responsibility (French, 1979).

One more reasoning is that collective actions of individual members within a

company animate organizational moral agency (Velesquez, 1983). It should be noted

that for an agent to be moral it needs to exhibit two traits: make decisions on the

basis of reason rather than acting on impulse; and act with a consideration that their

actions will influence others (Goodpaster & Matthews, 1982).

Kant can certainly contribute to CSR specifically regarding the collective

responsibility aspect of CI. His notion of duties can be applied to concept of

corporate philanthropy if interpreted more akin to perfect duty, rather than

imperfect duty arguing that firms *have 'duty-based obligations on the basis on*

benevolence as good corporate citizens' (Ohreen & Petry, 2013)[20]. An imperfect duty

requires business shareholders and management to act from duty, for Kant

fulfillment of such duties is merit but failure to do so is attributable to lack of moral

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[20] Kant's perfect duties are determinate: setting out with precision to who one is morally obligated and what one is obligated to do. Imperfect duties on the other hand are indeterminate.

strength. Corporations ought to be socially responsible because one has a moral

duty to help society. Hence firms constrained by moral imperative of beneficence

would limit the goal of profit maximization to something akin to wealth generation

for shareholders and respecting the needs of others[21]. And so, in an ideal world if

firms would fulfil their moral 'perfect duties' than a *business of ends* (akin to moral

kingdom of ends)- a societal ideal- would exist dedicated to making society a better

place through the use of company resources (ibid). Doing duty is applicable to CSR

for it depends on not to have a specific kind of motivation but rather to undertake a

certain kind of action. This can be related to the discussion of honesty and

transparency surrounding corporate citizenship and CSR endeavours (Dierksmeier,

2013). The question in Kantian terms would be whether a firm is acting from pure

duty motives or if its actions are morally justified.

While the majority of Kantian scholars use CI to justify that business should be

treated as an active moral agents Altman (2007) has argued that Kant's philosophy

focuses on fully autonomous reasoning of the individual and not the collective. He

says it's theoretically impossible as businesses are an artificial entity with no rational

nature. Hence firms are not bound to the imperatives, but the moral agents who

comprise it are. The best way is to *'scrutinize a firm as a legal entity by which people*

work toward the achievement of some mutually beneficial end...as long as

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[21] It should be assumed in this context that it is individuals with an ownership stake in a company, on behalf of
whom firms act, to which the moral duty of beneficence applies, not per se the company as a legal entity.

stakeholders are treated morally [attain highest good]*'* thereby regarding a firm as

an instrument and not an end (ibid).

Most importantly the Marxist critique of Kant and CSR, views it as a product of the

capitalist system[22]. By criticizing CSR, Marxists are essentially attacking all of the

capitalist paradigm and its primary institution the corporations (Shaw, 2008)[23].

Pertaining to individual choices of agents, Altman argues that Kant fails to see *'the*

larger economic conditions that structure the choices [of agents]…determining the

extent to which people are able to take advantage of them' (ibid: 261). If one

accepts the notion of collective responsibility than agents are included in the larger

structure of the firm and their actions guided by it; making it difficult to discern

where the agent ends and the company begins.

While from a Kantian perspective corporate culture is a threat to rational freedom,

Marx regards CSR as furthering the ends of capitalism by ignoring the material

condition of production and how agents are shaped within a company due to this.

This is a direct link to his alienation concept which integrated the issue of alienated

labour (*entrefremdete Arbiet*) within the economic sphere. In the Economic-

Philosophical Manuscripts of 1844/ 1997(324), Marx defines alienation as …*'the*

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[22] In other words, social relations are inherent in the commodity, commodity production and circulation, in short in all phases of capital accumulation and these relations are crystallized in the body of corporation as an individual capital.

[23] For Karl Marx the one purpose of capital is being single-mindedly bent on profit maximization. *'Capital has one sole driving force, the drive to valorize itself, to create surplus-value, to…absorb the greatest amount of surplus labour'* (Capital, 2013: 342).

externalization of the worker in his product means not only that his labour becomes an object…it exists outside of him and begins to confront him…as hostile and alien'. Hence if this concept is applied to CSR as a capitalist mechanism, one can say it leads to alienation of the worker from his self being, from product of his labour, working activity and from other people[24]. By doing so the agency (species-being) of an individual is lost thus becoming mere objects to be used in the firm's actions such as CSR (Ro, 2012; Petrovic, 1963). According to Marxist Theory, capitalist relations of production define the social relations and CSR as tool while doing good for wider stakeholders, instead alienates its workers from one's self and society. In simpler terms, such labour activity *'confront human beings as something objective and independent, dominating them through external autonomous laws'* (Musto, 2010:80).

From a Kantian perspective, corporate culture is a threat to rational freedom, Marx regards CSR as furthering the ends of capitalism by ignoring the material conditions of production and how agents are shaped within a company due to this.

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[24] The four ways defined by Marx that lead to a worker being alienated are: first is the alienation from the product of his own labour. It means that to the product of his labour, the worker is related as to an alien object. Second type is the individuals working activity (alienation of production itself). Man alienates the products of his labour because he alienates his labour activity (which subjugates him). Third one deals with alienating from oneself (specias-being). By alienating his own activity from himself, man in fact alienates his essence from his self being. The final alienation is from other human beings where the manifestation of a man's alienation from himself manifests as alienation of man from man (Petrovic, 1963: 421).

2.4 Adam Smith:

This section will discuss the final philosopher- Adam Smith and his *'impartial spectator'* (1776) concept that looks at the moral duties of individuals; and the *'invisible hand'* (1776) which attempts to reconciles private self-interested action with the common good[25]. Economists have believed for a long time that Smith was mainly an economist in the '*modern anti-ethical sense'* (McCloskey, 2008) but as recent literature indicates he was chiefly an ethical philosopher (Griswold, 1999; Fleischacker, 2004). It can be said that Smith's *'concerns were mainly ethical and the economic system he devised was the means to achieve a more ethical, moral and social just order'* that was not an end in itself (Lux, 1990).

Smith's most well-known work Wealth of Nations is about *'self-regarding behaviour'*, and *Theory of Moral Sentiments (TMS) emphasizes other-regarding behaviour'* where the central theme is the theory of sympathy, while in former the idea is of exchange (Wilson, 1989). Smith announces his intention in the first sentence '*there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it'* (TMS, 2009: 13). The concept of sympathy is very much subjective where we acquire it by seeing others in distress naturally by trying

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[25] The invisible hand has only been mentioned three times in Smith's work: one in History of Astronomy, once in Theory of Moral Sentiments and once in Wealth of Nations (Kennedy, 2009).

to place ourselves in their place[26]. '*By the imagination we place ourselves, we conceive ourselves enduring all torments, we enter as it were into [agents] body' and sympathy does not arise so much from the view of the passion, as from that situation which excites it* '(ibid). We, as spectators on seeing the agent suffer form in our imagination a copy of '*impressions of our own senses'*, as we have experienced in the same situation the agent is in (ibid). Hence these feelings become a source of guide for our actions and out of such a social relation emerges the concept of moral conscience- impartial spectator. This impartial spectator is the inner person, a lasting residue of our judgments of others 'the *great inmate of the breast'* that judges our actions as we judge that of others (TMS, 2009: 14). Smith regards four types of spectators: one's conscience; imagined moral agents observing one's motives and actions; communal law; and finally, God. Such morality based on sympathy, does not occur out of '*any innate sense or as a result of divine consequence'* but by being part of a community (Wilson, 1989).

In order to better ascertain the deeply moral nature of Smith's philosophy one needs to be aware of the historical context in which it was formulated. Smith's model of a '*market driven consumer based economic system'* was both a reaction and an '*alternative to the political economy of mercantilism*' (Bassiry & Jones, 1993). The Mercantilist era benefitted producers and entrenched interests at the expense of

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[26] Smith is in accord with Aristotle who also believed that man was by nature a social animal not only meant to live in society but unable to be apart from society.

consumers; and Smith advocated the maximizing of consumer/citizen choice in politico-economic spheres (ibid). The '*prophet of capitalism*' (Perelman, 2010) offers us with a singular type of framework for examining the ethics underlining capitalism. In light of the deontology and teleology debate, Collins (1994) regards Smith chiefly a consequentlist who through his philosophy presents a mélange of '*utilitarian and deontological ethics as the ethical foundation to capitalism'.* For instance, governments should encourage individuals to pursue their self-economic interests as long as social welfare improves and harms are not generated. Smith (1776/2009:82) argues that '*there can be no proper motive for hurting our neighbour, there can be no incitement to do evil to another, which mankind will go along with, except just indignation for evil which that other has not done to us'*.

Smithean moral and economic philosophies are undoubtedly influenced by both Hume and Hutcheson[27]. Whereas Hutcheson leaned towards utilitarianism, Smith reoriented the ideas of his teacher to present a contrary account of morality that was '*normative and metaethical in character'*; greatly distancing him from the Scottish sentimentalist tradition (Carrasco, 2011). Regarding moral theory, the main

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[27] Francis Hutcheson is termed as the father of the Scottish Enlightenment. Frankena (1955) emphasized the considerable influence and contribution of Hutcheson to moral philosophy lamenting how his impact has been generally overlooked. Interestingly, Hutcheson strongly impacted Smith's work even though he 'categorically rejected the basis of his teacher's ethical model in which benevolence is the only existing virtue and moral sense the faculty by which we perceive it' (Carrasco, 2011). In regard to Smith's idea of an impartial spectator, its roots can be found in Hume's theory of imagination (as a communicative device of feelings and opinions). Hume saw imagination as a mental faculty '*by means of which people create a distinctively human sphere within the natural world'*. Practical imagination – that is concerning people- is what Smith borrowed to formulate his idea of an impartial spectator. Sympathy is a reflection of that act of imagination that enables a spectator to grasp the situation and sentiments of another person.

feature he borrowed from Hutcheson is spectatorial ethics- this idea of a spectator *'as a cause of moral judgments that Hutcheson associated with virtue as the perception of some trait in an agent'* (Smith, 1776)[28].

Although the concepts of a moral spectator were used by Hume and Kant, *'what is clearly original to Adam Smith is the emphasis he places on propriety and impartiality'* (Montes, 2004). In a way, Smith offers a humanly attainable ethical theory where '*benevolence is the sole principle of action in the Deity but cannot be for so imperfect a creature as man....and must often act for many other motives' (*Otteson, 2004). Propriety is thus attained not only by benevolence but with the virtue of self-command. This indicates the central thread running through Smith's work is an unusually strong commitment to the accuracy of the ordinary people's judgments. The impartial spectator is the ultimate standard of moral judgment, the arbiter of propriety and merit that bears a fascinating resemblance not only to Aristotle's virtuous man but also contains a strong strand of Stoicism. This is apparent by the fact that Smith regards self-command as a virtue that gives all other virtues their principle lustre and is harmonious to natural order (Jones, 2010). Self-command is '*a stronger power, a more forcible motive which exerts itself upon such occasions. It is reason, principle, and conscience, the inhabitant of the breast, the man within, the great judge and arbiter of our conduct'.* (Smith, 1776: 59).

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[28] The other two features were the empirical-inductive method that suggests to place moral thinking on an observational footing that appeals to facts and experience rather than a priori perspective. Secondly. was the presence of Scottish sentimentalism within Smith's work stating and how immediate affections and not reasons govern our impulses to do the right actions.

2.4.1 Smith and CSR

Some economists believe the sole responsibility of corporations is economic -to create and amplify profits (Friedman, 1970; Sundaram & Inkpen, 2004). Nonetheless this system not only serves the economic rights of shareholders but also benefits the society in *large 'by the allocative and distributive functions of its market system* (Jensen, 2002) such as generating jobs and incomes for the public. Jensen attempts to show an enlightened view of value maximization i.e. a broad version of profit making- that harmonizes the competing interests of managers and the stakeholders. From Smith's perspective this is operations of the invisible hand linking the self-interest of private economic agents to desirable economic improvement in general welfare. It is interesting to mention that the meaning and understanding of this term is different from the way Smith initially envisaged (Morch & Steier, 2005). Smith mentions the invisible hand in TMS by using imagery of an unfeeling landlord who doesn't share his harvest with those who work for him[29]. The image is mentioned again in WofN (1776/2012):

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[29] 'The proud and unfeeling landlord views his extensive fields, and without a thought for the wants of his brethren, in imagination consumes himself the whole harvest ... [Yet] the capacity of his stomach bears no proportion to the immensity of his desires ... the rest he will be obliged to distribute among those, who prepare, in the nicest manner, that little which he himself makes use of, among those who fit up the palace in which this little is to be consumed, among those who provide and keep in order all the different baubles and trinkets which are employed in the economy of greatness; all of whom thus derive from his luxury and caprice, that share of the necessaries of life, which they would in vain have expected from his humanity or his justice...They are led by an **invisible hand** to make nearly the same distribution of the necessaries of life, which would have been made, had the earth been divided into equal portions among all its inhabitants, and thus without intending it, without knowing it, advance the interest of the society...' (Smith, 1776/2009:219).

'Every individual necessarily labours to render the annual revenue of the society as great as he can. He generally neither intends to promote the public interest, nor knows how much he is promoting it ... He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good.'

This metaphor lies at the centre of contemporary debate surrounding the capacities of markets and the role played by firms in furthering social good via the self-interest route. Furthermore, it has been the subject of numerous interpretations over the years by economists and moral theorists alike. Stigler (1976) deems the invisible hand idea is the crown jewel of WofN adding that Smith's *'one overwhelmingly triumphant is he placed into the center of economics the systemic analysis of the behaviour of individuals pursuing their self-interest under conditions of competition'*. For others, the hand is *'special providence* and also represents the role of God in ensuring stability of markets and force of self-interest (Oslington, 2012). It's referred as the *'possibility of cooperation without coercion'* where minimum state intervention thanks to the invisible hands will lead to greater public welfare (Friedman 1970). This indeed is a conservative view of markets, firms operating in such spaces and thereby of CSR. This narrow view, suggests that firms should carry on doing their sole duty of maximizing profits for the shareholders and this would eventually translate to greater wealth for the wider society.

Forster & Brown's (2013) starting point is stakeholder theory and how Smith's work such as TMS can aid in explaining the way corporations should morally prioritize CSR

initiatives and stakeholder claims. Much of Smith's values rest upon *'tenets of*

morality, justice and beneficence' and under this approach how concepts of perfect

rights and commutative justice (grounded in contractual duties of an exchange) can

provide insight on CSR activities of firm (ibid). Therefore, via this salient contractual

relationship a company would be obliged to share wealth with its stakeholders who

have a perfect right to demand it from the company[30].

Meanwhile, Wilson (1989) links the impartial spectator i.e. conscience with

corporate executives who should be obliged to see the company as their

community. And making sure their actions includes pursuing self-interest (profit

maximization) but *not* on the expense of harming others.

2.5 Conclusion

The aim of this chapter was to establish and clarify the linkages between the works

of Kant, Machiavelli and Adam Smith. The chapter specifically looked at the

normative conceptualizations encompassing the CSR debate. It utilized the three

philosophers to construct a moral framework as a basis for analysing contemporary

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[30] Under commutative justice, perfect rights are embedded in contractual duties of an exchange rather than in distributive justice that confound personal and property rights.

ideas of CSR. Attempts were made to bring to surface ethical concepts such as the

categorical imperative, rational agency, the impartial spectator, theory of sympathy,

virtu and the civic constitution; that are reflected implicitly in various mainstream

CSR theoretical frameworks. By unmasking the different deontological and

teleological approaches, a commonality revolving around responsibility was brought

to light – what entails the idea of responsibility; and what responsibilities (duties)

individuals have towards the community and state. This commonality was illustrated

in Kant's idea of freedom of the will enabling moral driven actions; Smith's invisible

hand in generating eventual social good for all; and Machiavelli's belief that only

public *virtu* was needed for men to attain glory for the creation of a strong and well

governed social whole. In conclusion, these ideas of classical antiquity underpin our

modern understanding of CSR. The following chapter will focus on such specific

theoretical frameworks of CSR within the moral framework created by these

philosophical debates.

Chapter III. Theoretical Literature Review

3.1 Introduction

This chapter will endeavour to map CSR, by shedding light on the specific conceptualizations of this umbrella concept concerning business-society relations. This will be done with the help of the [philosophical] moral construct that was created in the previous chapter, and present a deeper and critical understanding of this domain of study. The existence and scope of 'responsibilities' regarding business firms have been vital issues around for decades (Bowen, 1953), and the rise of the current CSR agenda can be attributed to ethical issues coming to light such as unfair or discriminatory firm behaviour; increasing number of socio-environmental scandals; and changing social expectations (Scherer & Palazzo, 2007)[31].

The chapter will commence with a chronological summary of the debates on defining CSR. Despite a burgeoning literature, the key debate is the lack of consensus on exact conceptual description, leaving it '*open to conflicting interpretations*' (Shum & Yam, 2010; Lee, 2008; Windsor, 2001c). After a brief developmental history; the theoretical landscape of CSR will be discussed including the different types of CSR and the numerous academic stances within it[32].

The analysis will gradually narrow down to the mapping of CSR from its origins as a western (Anglo-Saxon) model to the relatively nascent research on CSR in EME's.

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[31] The present scrutiny on the role of companies has been reinforced by globalization which is eroding published institutional procedures of governance; calling into question the responsibilities of firms within the CSR framework.

[32] For the purpose of this thesis, CSR or SRB is viewed as an umbrella concept including terminologies such as corporate citizenship, corporate sustainability, stakeholder management, business ethics and corporate social performance.

Further narrowing down will occur when discussing the subject area- CSR and SME's in the context of EMEs- an underdeveloped and underexplored knowledge gap in mainstream literature (Jamali & Karam, 2016:2). Throughout the chapter, linkages with ideas of Machiavelli, Kant and Adam Smith will be illustrated.

As EMEs cradle very different and unique socio-economic structures, this brings into question the unique cultural traditions and institutional constellations particular to such economies. Unlike the Anglo-Saxon model, CSR is very much dependent upon context based local realities and traditional elements in these societies. That is why in order to gain a better understanding of CSR within EMEs socio- cultural forces (in a wider culture theory frame) will have to be looked closely. First a brief historical progression of the history of culture will be discussed by discussing important works by Kant, Tylor, Boas, Durkheim and Weber. The analysis will gradually narrow down by identifying the different schools of thoughts such as organizational culture, cultural sociology and cultural anthropology. The final section will look at connection of cultural factors with CSR and SMEs. The aim is to provide an insightful picture on the role played by culture within the context of CSR.

3.2 Mapping CSR

While the CSR construct is a new coinage, it is certainly not a novel practice, for the developmental history of CSR is closely tied to the nature of the firm. Over the years as the contractual nature of firms have transformed so has the question of what are their responsibilities and obligations? Is profit the sole purpose or should social welfare also be promoted?[33] The earliest roots of CSR can be traced back to the Quakers in the 17th and 18th centuries, whose business philosophy was not primarily driven by profit maximization but by the need to add value to society at large—in short business was framed as part of society and not separate from it (Amaeshi et al 2006). Windsor (2001c) and Oberman (2000) provide a developmental history punctuated with major theoretical developments in the realm of CSR starting from the rise of responsibility in the 1920's when CSR was practiced as an *'ideological movement intended to legitimize power of large firms'* (ibid: 240). Windsor views academic milestones by Bowen (1953), Levitt (1958), Carroll (1979, 1998, 1999), Friedman (1970), Freeman (1984) and Wood's (1991) work on corporate social framework, as formalizing the CSR construct known today.

First coined by Bowen (1953:6) CSR *'refers to obligations of businessmen to pursue those politics, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of society'*. His seminal work posed the vital question *'to what extent do the interests of business in the long run merge with*

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[33] Legally as firms remain the product of cumulative contracts among its participants, organizations may be free to pursue ends not entirely predicted upon profit maximization, although under this approach different responsibilities and rights under law are protected and could be carried out. (Sasse & Trahan, 2007, pg 32).

that of society?' (ibid). This definition not only reflected the conceptual duality separating wealth and responsibility; but can be linked to Smithean idea of the impartial spectator. If businessmen had a conscience (impartial spectator) they would make would business polices that would align with the values of the wider community (Wilson, 1989). Despite the long debate on defining CSR (Carroll, 1979, 1991, 1999; Dahlsrud, 2008; McWilliams et al,2006; Fougere & Solitander,2009; Lockett, Moon & Visser, 2006; Wood, 1991; Sethi, 1975; Garriga & Mele´ 2004), socially responsible corporate behaviour *''may mean different things in different places to different people and at different times''* (Campbell 2007:948). Some understand CSR to be as situations where the firm goes beyond compliance and engages in '*actions that appear to further some social good, beyond the interests of the firm and that which is required by law*' (McWilliams & Siegel, 2001:117)*.* [34]

Davis and Blomstrom (1966) refer to it as a person's obligation to consider the effects of his decisions and actions on the whole social system, tying in with Kantian notion of absolute duties and obligations by a company not only towards shareholders but the wider stakeholder community. The Humanity formula is applicable which states that people and society should be treated as '*end and never merely as a means'* by business when taking decisions (Kant, 1998: 41). For Baker (2003) the concept entails

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[34] The World Business Council for Sustainable Development chooses to define CSR (2008) as 'the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large'.

how companies manage the business processes to produce an overall positive impact on society[35]. Carroll (1979, 1998, 1999) characterized the situation as:

'An eclectic field with loose boundaries, multiple memberships, and different training/perspectives; broadly rather than focused; multidisciplinary...'.

The very definitional construct of CSR is one of the defining debates within the discipline. The core tension is linked not to the confusion associated with defining the term but how this malleable concept is socially and historically constructed in a specific context.[36]

CSR is a term defying precise definition; having been described as a concept lacking theoretical integration and empirical verification (Post, 1978; Preston, 1978), a term devoid of a dominant paradigm (Jones, 1983); and a notion susceptible to subjective and value-laden judgments (Aupperle, Hatfield and Carroll, 1983). CSR can be perceived both in a broad and narrow sense dependent on the stance, role and activities of the shareholders or stakeholders. The latter would favour the broad model, depicting business '*in a social matrix contributing to the welfare of society as whole'*; a Kantian notion of where firms as 'moral agents' have duty towards others i.e. the society as enshrined in the Categorical Imperative (Kant, 1998:34; Ohreen &

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[35] EU's Green paper (2002) defines CSR as '*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'.*
[36] The different definitions imply the same message; CSR may change in different circumstances with different consequences. There is consensus on the basic understanding that CSR is about the business contribution to sustainable development—how business can take into account the economic, social and environmental impact their operations will have on society.

Petry, 2012; Quazi & O'Brien, 2000; Ozar, 1985). The orthodox model suggests that

business is '*a single dimensional entity of profit maximization*' (Friedman, 1989, 1970;

Gaski, 1985). With roots in Adam Smith's *invisible hand* the classical view emphasizes

that shareholder value precedence will eventually best serve society as a whole.

Furthermore, in recent times business theorists have noticed a '*paradigm shift from a*

traditional positivist approach'- focused on the exploration and understanding of the

market world- to an *epistemological approach* that looks at the vast social world and

its emerging needs; such as building sustainable relationships with stakeholders

(Quazi & O'Brien, 2000; Kiel et al, 2005).

The second defining debate to materialize on the CSR landscape, concerns the future

of CSR and the direction its heading. Some have expressed scepticism over CSR's

ability to cope with future problems and challenges (Vogel, 2006) arguing that CSR

will not be successful until companies mainstream non-financial reporting. Others

are optimistic viewing CSR as a '*major secular development driven by the long term*

re-evaluation of role of firms in society' (Lydenberg, 2005). Then there are others,

who have called for a *renaissance* in CSR, a logical assumption to an evolving

concept (Visser 2008a).[37] Such an innovative position, champions an understanding

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[37] The new model dubbed *'CSR 2.0'*- is where CSR stands for '*Corporate Sustainability and Responsibility'*. This new paradigm is based on five fundamental principles: Creativity, Scalability, Responsiveness, Glocality (thinking globally and acting locally) and Circularity (closed-loop thinking and business processes). The basic message of CSR 2.0 is that corporate social responsibility needs to adapt or die. The problems society faces are far too serious and urgent to be left to the incremental improvement sideshow that has been CSR for the past 50 years (Visser, 2008a).

and application of CSR where the responsibility contains long-term sustainable

approach for concerned stakeholders.

3.3 Philosophy of CSR

The conceptual roots of CSR encompass diverse philosophical influences that are of

ethical, social and economic nature. Such competing theoretical stances have greatly

contributed to CSR being described as an *'elusive concept'* (Lee, 1987), a *'vague and*

ill-defined' term (Preston & Post, 1975:4); and a concept with a [myriad] of

definitions (Votaw, 1973:7). It is well recognized that as with most of the business

ethics literature, CSR literature is divided between authors '*who assert the possibility*

of creating economic and social value in well managed companies' and those who

have a *more 'philosophically critical approach to the juxtaposition of economics and*

ethics' (Wheeler, Fabig & Boele, 2002:298).

Windsor (2006) identifies three competing approaches- ethical responsibility,

economic responsibility and corporate citizenship within CSR, embedding '*competing*

political philosophies and moral frameworks'. They reflect the tensions between

private conduct and public policy (i.e. economics and ethics). This ethical responsibility

evokes notions of Kantian duties and advocates stakeholder rights with strong

corporate self-restraint, altruism and expansive public policy. Economic responsibility

is concerned with wealth creation subject to only minimalist public policy (Sternberg, 1996). Based on Adam Smith's utilitarian moral core, economic CSR '*emphasizes material gains for society as whole achieved through efficient and competitive markets*' (Windsor, 2006)[38]. The main two approaches share two common themes; they aim to improve social welfare and accept public policy compliance of varying degrees.[39][45] Corporate citizenship aims to fill the conceptual gap by offering two different interpretations; instrumental citizenship, that '*expands philanthropy as a strategic tool for increasing corporate reputation and market opportunities*' and ideal citizenship which encompasses ethical responsibility to allow the influence of managerial discretion upon human rights (ibid: 97).

There have been efforts (Windsor, 2001c, Carroll, 1999; Jones, 1980, 1999) to map the CSR theoretical territory; with the most comprehensive attempt to date done by Garriaga & Mele (2004). They identified four approaches to CSR; the first is *instrumental* based on the classical economic model of wealth creation (Boatright, 1994; Porter & Kramer 2006, Jensen 2002); second group is *political* which emphasizes the social power of the corporation in relation to society (Matten et al, 2003; Wood & Lodgson, 2002). The third group of *integrative* theories argues that

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[38] CSR is linked to consumption where 'Consumption is the sole end and purpose of all production; and interest of the producer ought to be attended to only so far as it may be necessary for promoting that of the consumer. (Smith, WofN, Book 4, 1776/2012).

[39] While economical approach restricts firms to utilitarian ethics dependent on protection of investor property rights (Benthamite view), ethical and idealized citizenship seeks to explain welfare results in light of expanded duties, rights, and just consequences.

firms ought to integrate social demands for survival and growth (Khan et al, 2013; Newson & Deegan, 2002). Finally, *ethical* theories scrutinizes CSR under moral lens where the business-society relationship is embedded in ethical values (Freeman; 1984, 1994; Phillips et al 2003; Freeman & Evan, 1988; Dominguez et al, 2009; McMahon, 1985)

3.3.1 CSR theoretical perspectives:

CSR as a field draws upon diverse theoretical foundations from management, culture, organizational studies to philosophical ethics. Placed on opposite sides, Shareholder theory looks at the narrow transactional perspective of CSR; meanwhile Stakeholder management practices and legitimacy theory answer to the wider relational aspect and Theory of the Firm attempts to bridge these two views.

Shareholder theory is an instrumental approach to CSR. It is based on Anglo-Saxon doctrines of the principle-agent formula, and invokes Adam Smith's (1776), idea of companies operating within their jurisdiction which adds to both the wealth and social cohesion of their socio-economic structures. Windsor (2001b) observes that such wealth creation rhetoric dominates the managerial mindset these days in relation to responsibility (which should be a normative concept). Friedman (1970) stated it firmly '*there is one and only one social responsibility of business- to use its*

resources and engage in activities designed to increase its profits as long as it stays

within the rules of the game..'. In short, the primary responsibility of managers,

acting as fiduciaries is to enable maximum wealth creation for the shareholders

(Boatright, 1994). Furthermore, the firm's commitment beyond legal requirements

to general social interests is in breach of its economic duty- profit maximization for

the shareholder; and by trying to do so a firm becomes not-for-profit (Friedman,

1970). Corporations might be separate legal entities but they are slave to their

owners who are *'entitled to the fruits of their financial investment* (Sternberg, 1994;

1996).

Theory of the firm looks at firms engaging strategically through the lens of the

resource-based-view-of-the-firm (RBV) as introduced by Wernerflet (1984). This

theory posits that *'firms are bundles of heterogeneous resources and capabilities that*

are imperfectly mobile across firms' (Barney, 1991); and the first to apply the RBV

model to CSR focusing on environmental social responsibility was Hart (1995).

McWilliams & Siegel (2001) have taken a slightly varied approach formalizing RBV as a

formal theory of the firm of *'profit maximizing or supply/demand'* interpretation of

CSR. Implying that a company's ideal level of CSR can be determined by cost benefit

analysis (McWilliams et al, 2006)

Legitimacy theory seeks to explain how CSR initiatives are used as a strategic tool to

keep up with changing community expectation and demonstrate social worthiness

while retaining corporate image. Based on the notion of a social contract, it

represents the 'multitude of implicit and explicit expectations that society has about

how an organization should conduct its operations' (Newson & Deegan, 2002).[40] It

can be assumed that as long as the expectations are met, the firm can continue with

its operations and failure to do so may lead to sanctions- legal and economic-

imposed by society and relevant stakeholders, such as reduced demand for

products. Additionally, it can threaten the firm's legitimacy and ultimately its

survival.

Debate persists over Stakeholder theory as an individual (ethical) theory or an

extended thread of instrumental CSR; nonetheless the concept is understood as a

mere means to the end of profits (Garriga & Mele, 2004). [41] The burgeoning

literature suggests a 'broadening of what was traditionally corporate social

responsibility to stakeholder's responsibilities' (Windsor, 2001). In his seminal work

Freeman (1984) argued that 'shifts in traditional relationship with external

groups...mean that a new conceptual approach is needed '. He (1990; 1994, 2002)

elaborates stakeholders as 'a person or group who can affect or are affected by the

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[40] It is defined as a 'generalized perception or assumption that the actions of any entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions' (Suchman, 1995).
[41] Stakeholder theory can be seen as the inevitable theoretical development that naturally evolved in response to the changing nature of business challenging the validity and usability of other theories concerning the 'traditional' firm (Orts & Strudler, 2009; Kristofferson et al, 2005). Although stakeholder theory and CSR debate developed independently (Freeman [1984] hardly refers to CSR) it was quickly adopted as theoretical foundation for a 'contemporary conceptualization of CSR' and has at times complimented the CSR paradigm (Ruff, et al, 2001; Waddock & Graves, 1997).

achievement [or failure] or an organization's purpose'. Alkhafaji (1989: 36) describes

them as *'groups to whom the corporation is responsible'* meanwhile Thompson,

Wartick and Smith (1991: 209) view stakeholders as groups *'in a relationship with an*

organization'. Simply put, the concept is meant to *'broaden management's vision of*

its roles and responsibilities beyond profit maximization to include interests of non-

stockholding groups' (Smith et al, 2005).

There are numerous interpretations of Stakeholder theory but the underlying

principle is very much Kantian in nature -those firms has to act in a

responsible/ethical way towards actors who can directly influence its performance

as well as achieve a *'good'* society (Jensen, 2000; Russo &Perrini, 2010; Gray et al,

1995; Freidman & Miles, 2002; Cragg, 2002). Such a good society would be according

to Kant *a kingdom of ends*, a kind of business of ends where freedom of all

members, development of resources and mutual aid could be accomplished from a

business point of view (Kant, 1998: 43: Hill, 1992)   Under this framework anyone

who might affect the business objective and anyone who might be affected by its

realization are considered a stakeholder.

Stakeholder theory has evolved into three distinct types—normative, instrumental,

and descriptive, that are interrelated yet distinct with different arguments and

implications (Donaldson & Preston, 1995). Branco & Rodrigues (2007) note that the

descriptive and instrumental dimensions explain the *way things are;* and cannot be

easily linked to the normative base as falls short in its' attempts to prescribe the way *things ought to be*. The fundamental core i.e. normative stance critiques the role and function of enterprises including the '*identification of moral or philosophical guidelines for the operation and management of corporations' (ibid, 70).* Instrumental stakeholdership (normally in conjunction with the descriptive stance) builds on the elaborates linkages between stakeholder management and achieving economic performance goals[42]. Finally, the descriptive type presents the exact nature of a firm, to describe, and explain, specific corporate characteristics and behaviours, such as nature of the firm or the way managers think about managing. It reflects and explains past, present, and future states of affairs of corporations and their stakeholders (ibid, 71). In this research, along with normative stakeholdership, the descriptive/empirical data can shed light in how managers think about managing SMEs and their decision-making process. This type can also help in understanding the unique nature of (SMEs) firm.

3.3.2 Business Case for CSR:

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[42] The instrumental stakeholder theory can sometimes be considered primary while the normative dimension of it is often considered critical. Scholl (2001) differentiates between two strands in stakeholder management, namely the social science strand that examines the instrumental rationale behind stakeholder theory. The second one is the business ethics strand which argues that each stakeholder holds an intrinsic value for himself calling for ethical criteria for guiding managers (Kakabadse et al, 2005: 291).

The business rationale for CSR has been around for many years and Zadek (2001) has defined an excellent and composite set of business reasons for pursuing CSR philosophy. He presented four different types of CSR for being a civil and socially responsible corporation. First is the defensive approach which is designed to alleviate pain i.e. companies should pursue CSR to avoid pressures that create costs for them. Second is the cost-benefit approach, relating to the traditional approach that firms undertake activities that yield a greater benefit than cost. Next is the innovation factor, implying an active engagement with CSR provides new opportunities to *'understand the marketplace and enhance organizational learning, leading to competitive advantage'* (Visser et al, 2010a). Finally, the strategic approach recognizes the dynamic role of market and environment and how firms engage in CSR as a deliberate strategy. Porter & Kramer (2006) suggest it *'can be much more than a cost, a constraint, or a charitable deed—it can be a source of opportunity, innovation, and competitive advantage'*. Strategic CSR attempts to present a win-situation where both the firm and relevant stakeholder interests' are fulfilled (Brooks, 2005; Falck & Heblich, 2007; Lantos, 2001). Hence by doing well, by doing good, CSR can indeed *'payoff'* (Burke & Logsdon, 1996; Baron 1995)[43].

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[43] Baron (1995) stresses in order for an MNC to succeed in its market approach it cannot ignore the non-market conditions such as market environment if value is to be created by economic performance. Strategic CSR is a part of non-market component consisting of *'social, political and legal arrangements that structure the firm's interactions outside of, and in conjunction with markets'*. Non -market assets are utilized by companies to add value and can take a number of forms such as having expertise and competency in dealing with government, interest groups and the public. Hence, CSR of a strategic nature can be adopted by companies to add value to their reputation. As reputations can be easily destroyed or established by actions, corporations invest 'strategically' in their reputation for service and quality.

Strategic CSR has a Machiavellian angle to it (strategic CSR is a means to an end) where firms practice it for legitimacy, value creation and reputation- creating an image of good corporate citizens. Machiavelli propagates the idea that for the glory and riches of the state (company) and create to a sound image of his state (to stay in business), a leader must do what necessity and fortune dictates. Chapter 18, of the Prince (2009: 65) states a prince has to *'adapt his way of proceeding to the nature of times'*, i.e. to do what is required strategically to keep his firm profitable. Additionally, it is common feature among multinational corporations (MNCs) operating under the umbrella of *'strategic philanthropy'*- give back to society so companies can gain a powerful competitive edge (Craig Smith, 1994; Baron, 1995; Lantos, 2002)[44].

One prevalent way of practicing strategic driven CSR is strategic philanthropy also known as Corporate Citizenship (CC)[45]. This idea, inspired by Adam Smith (1776/2012), has been accepted as a welcome alternative to check book corporate charity, where as an enlightened citizen the company cultivates a *'broad view of its own interests'* while looking for ways to align them with the larger good (Matten & Crane, 2005; Matten & Moon, 2008). Some like Windsor (2006) sceptically refer to *'the fictional nature'* of the CC notion which combines citizen (which firms cannot be) and person (which a firm might only be as a legal fiction). Furthermore, it is a *'managerial and*

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[44] Lantos (2002) identifies two other streams of CSR- ethical and altruistic but in agreement with Friedman stresses that these two types, lies outside of the firm's proper scope of activities.
[45] The term CC appears in Bowen (1953) and Carroll (1999) argued in his works that the philanthropy dimension must include corporate citizenship.

philanthropic ideology, a strategic doctrine' evolved by practitioners to exemplify the

'self-serving view' of business-society link.

3.4 EMEs model:

Given the dominance of the West in shaping CSR agenda, contemporary CSR

movement was mainly founded and continues to focus on Anglo-American values,

philosophies, experiences and priorities (Chapple & Moon 2007). A product of

market economy countries (with strong institutional environments which efficient

and fairly enforced regulation), CSR is typically considered as policies and activities

going beyond the immediate economic and legal requirements (Dobers & Halme

2009). Consequently, the majority of CSR scholarship has tended to focus on

Western markets and their understanding and application of CSR -with western

MNCs a popular starting point- (Taka, 1997; Milton-Smith, 1997).

The fundamental realignment of the engines of the economic global growth is

shifting consensus from the western markets to EMEs (Peters et al, 2011). Capital

will no longer flow from rich to poor economies and the reverse will become

standard as EMEs accumulate wealth and diversify their economies. It is widely

accepted that the CSR framework is less formalized in EMEs and not easy to define,

as the various context specific socio-cultural, economic indicators manipulate the

perception, adoption and management of CSR (Amaeshi et al, 2006; Visser 2003; Visser, 2008; Matten & Moon, 2008). CSR may get a very different twist within EMEs that are defined by weak governance environments (accentuated by family ownership structures in firms), different contexts, bureaucratic inconsistency, and lack of property rights (Jamali & Mirshak, 2007; Jamali & Neville, 2011; Young et al, 2008). In response a *'largely voluntary corporate responsibility infrastructure'* has emerged where firms are stepping in the vacuum left by governments, and tackling such issues and *'fostering wholly new practices and behaviours'* (Waddock, 2008). Hence, CSR patterns are firmly grounded in the cultural and traditional context of a particular country, addressing socio-economic needs reflecting local realities and priorities.

Visser (2003) emphasises that EME's, are spearheading the growth and progression of CSR while, Mehra (2006) notes CSR has *'gone native --'indigenized'--changed by, local cultural norms and corporate traditions consistent with a more responsive and responsible role for business in society'*[46]. CSR is indeed taking place in emerging markets and becoming enmeshed in the local cultural and social fabric, although the pace is *'relatively haphazard and not structured by CSR policies'* (Frynas, 2006). With the rise of such non-Western economies and scepticism about the 'western

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[46] Examples can be seen in Indonesia, Brazil and South Africa, of how emerging markets are proving themselves highly adept at delivering the so-called triple bottom line of sustainability, namely balanced and integrated social, economic and environmental benefits. This is not surprising, since in these markets these three spheres are seldom separable – economic development almost inevitably results in social upliftment and environmental improvement, and vice versa.

paradigm' there is certainly a need for a new EME centred- paradigm to evolve, with

new forms of governance reflecting social and institutional realities (Visser &

Tolhurst 2010). Oliveira (2006) and Chapple & Moon (2007) suggest that CSR is still

at a nascent stage in EME's; and a smarter approach is needed if one expects CSR to

be fully embodied--for the embedding of CSR norms, standards and values cannot

be taken for granted or left to accident. Furthermore, if CSR is expected to *'take off'*

the ongoing socio-political reality (negotiating balance between the business-society

interface) cannot be ignored.

3.4.1 Current Research on the CSR- EMEs link:

Research looking into CSR and EMEs is still relatively in nascent stage, and has

focused mainly on a few select countries rather than comprehensive national or

regional studies that produce comparable data. The exception has been the

comprehensive multilevel overview by Jamali and Karam (2016) of the current

literature on CSR in developing countries. Their work aims to trace the antecedents

and consequences of CSR, and *'ensuing nuances pertaining to CSR Thinking and CSR*

Doing', keeping in mind the '*peculiar institutional constellations characteristic of*

*developing countries' (*ibid, 3).

In regard to specific CSR themes, studies have looked at non-financial reporting in

Argentina (Newell & Muro, 2006) and Malaysia (Amran & Zulkifli 2006; Thompson &

Zakaria, 2006). Another stream has centred on industry specific CSR practices such as extractive industries in South Africa, Mali and Zambia (Hamann, et al 2005) or the cut flower industry in Kenya (Dolan, 2005). Majority of research is focused on the role of indigenous companies in promoting CSR in South Africa (Visser, 2005), Nigeria (Amaeshi et al, 2006), Mexico (Weyzig, 2006; Logsdon et al, 2006) and China (Lee & Wickerham, 2010). Some of these studies have highlighted the presence of a hybrid expressions of CSR model (Amaeshi et al 2006; Marsden; 1991; Jamali & Karam, 2016) derived from notions of strategy and globalization, depicting how local firms are not completely shielded from external influences and manifestation of such influences is through local indigenous lens[47]. In short, CSR frameworks are mainly driven by global developments and demands, but shaped by context-specific factors.

Majority of the empirical studies (Chambers et al, 2003; Welford, 2004; Baskin, 2006) are comparative. They tend to look at industry specific sectors in western countries (Bondy et al, 2004; Idowu & Towler, 2004; Skjaerseth et al, 2004) and the OECD countries (Williams & Aguilera, 2006; Golob & Bartlett, 2007). The common theme in such empirical studies using the Western model looks at corporate non-financial reporting (Heal, 2005; Gray et al, 1997; Gray et al, 1995) and different cultural contexts for CSR (Matten & Moon, 2008). Another recent trend to emerge

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[47] A process that Jackson (2004) refers to as 'hybridization' process (combining external and internal local knowledge). It is according to Marsden (1991:31) the knowledge of the 'local by the local people who know what will work and will not work'

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has been cross-cultural studies looking at leadership and how ethical perceptions of

managers can translate into CSR initiatives within the firm (Quazi & O'Brien, 2000;

Godos-Diez et al, 2011; Visser & Crane, 2010; Logsdon & Yuthas, 1997).

Regarding the EMEs, comparative studies tend to focus on Asia, indicating a

literature gap for studies centred on Africa and South America. The common theme

among them is although CSR levels in Asia lag behind those in the West; nonetheless

Asian countries have developed their own distinctive systems of CSR product of

specific national norms and priorities. Chamber's (2003) study focused on seven

countries in Asia while Welford's (2004) study highlighted the critical elements and

best practices of CSR policies in leading companies in Europe (OECD) and Asia.

Baskin (2006) showed that CSR in some emerging markets such as Brazil and South

Africa are more developed than commonly thought, indicating EMEs are making

great progress in undertaking of CSR practices.

3.4.2 Defining Small Medium Enterprises

Attempts to define what constitutes a SME, is one of the major contextual problems

for this area of research (Spence, 1999; Jenkins, 2004a). With no universal definition,

the concept is based on varying interpretations. For instance, the definition of size

has proved to be complicated and problematic as Wilkinson (1999) notes that '*what*

constitutes as smallness is contextual and…subjective and interpretational[48]'. One of

the earliest depictions of a SME was in the Bolton Committee's report on Small

Firms (1971). It identified SMEs in economic terms (with a relatively small market

share); as managed by its owners (personalized) and is independent from outside

control (Beaver & Jennings, 2000)[49]. The definition by European Commission (1996)

is widely used to explain SMEs. According to the EU (2003), SMEs *'stands for small*

and medium-sized enterprises and is made up of enterprises which employ fewer

than 250 persons and which have an annual turnover not exceeding 50 million euro,

and/or an annual balance sheet total not exceeding 43 million euro'. [50] Jordan et al

(1998) define them as *'firm with less than 100 employees and less than 15 million*

euro turnover'.

CSR has traditionally been concerned with large multinational firms within

developed countries (Spence, 2007; Jamali et al, 2009; Jamali & Karam, 2016;

Amaeshi et al, 2016, Ladzani and Seeletse, 2012) but recent recognition of the

significance of SME sector has led to an emphasis on their socio- environmental

impact, even though it's a slow process (Spence, 1999). Despite the fact that both in

developed and developing countries SME's provide more than half of employment,

and account for over 90% of businesses in most parts of the world, it still remains an

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[48] Attempts have been made to use differing criteria to define SMEs ranging from capital asset, skill of labour and turnover level, the legal status of SMEs and the method of production. (Abor & Adjasi, 2007).
[49] This is similar to the criteria put forward by Baumback (1988) who considers small business as one that is: actively managed by the owner(s); highly personalized; largely local in its area of operation; and largely dependent on internal sources of capital to finance growth.
[50] http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/sme-definition/index_en.htm.

under-explored research area (Vyakarnam et al,1997; Jamali et al, 2009; Jamali &

Karam, 2016; Murillo & Luzano 2006). Azmat & Samaratunge (2009) highlight the

lack of attention this responsible entrepreneurship has received *'given their*

important role in creating employment, boosting economic growth and alleviating

poverty'.

3.4.3 SMEs Myths and Idiosyncrasies

Conventional approaches to CSR are based on various mythical fallacies that

influence the research on SMEs. First that large companies are the norm and SMEs

are just *'little big companies'* (Luthhold, 2010). Therefore, any advances to engage

such companies in CSR can simply be scaled down to *'fit'* SMEs (Jenkins, 2004a,

2006,). This is not the case as the size of SMEs along with sector, legal form, national

context, ownership structure and historical development dynamics (Spence, 1999;

Spence & Rutherfoord, 2003) will undoubtedly affect the implementation of CSR.

Secondly, CSR can easily be applied to SMEs as they are a homogeneous group. This

is untrue as the application of CSR is challenging for SMEs are *'heterogeneous,*

having qualities, pertaining to size, resources, management style and personal

relationships' (Williamson et al, 2006) which results in different outcomes. Thirdly,

conventional approaches to CSR are based on the assumption that only large

companies are the norm and thus the concept has been developed for them

(Jenkins, 2004a). SMEs understand CSR but in a different terminological sense,

whereas CSR is more commonly used in MNCs, small firms feel more comfortable to use language that applies to their situation such as good business practice or responsible entrepreneurship (Fuller & Tian, 2006). Murillo and Luzano (2006) argue that to understand SMEs, CSR is a problematic term; and needs to be replaced with a concept that is closer to SMEs specific reality. Furthermore CSR i.e. good practice, for smaller firms is to do with a company's ethos, '*giving something back*' and an '*all embracing idea that concerns business impacts towards stakeholders and wider society*' (Jenkins, 2004b, 2006, 2009).

The final assumption revolves around the fact SME's are not aware of CSR, which is untrue as to most of them social responsibility is nothing new and have been practicing it with an '*intuitive attitude*' for a long time (Fassin, 2008). It is true that society seeks greater commitment from MNCs when it comes to CSR, whereas SMEs escape the scrutiny of stakeholders somewhat. However, many SMEs have been engaged in responsible practices but in informal, implicit, indefinable and less measurable ways (Jenkins, 2004a, 2004b 2006; Russo & Perinni, 2010; Lapoutre & Heene, 2006; Spence et al, 2000, 2004; Amaeshi et al, 2016; Jamali & Karam, 2016; Brammer et al, 2012). For some, CSR is a strategic tool to take advantage of market liberalization and develop their business globally; and with their combined entrepreneurial nature to drive innovation in different ways (Hoivik & Shanker, 2011). For others being responsible is not an external thing but emerges out of the internal motivation and moral values of the owner and employees. Jenkin's study

(2006) shows that SMEs pragmatically recognize CSR needs to be mutually beneficial to the firm and stakeholders if it were to succeed in a business context.

With regards to the idiosyncrasies, SMEs are defined as *'special and frequently unique'* with specific contextual traits that distinguish them from MNCs (Beaver & Jennings, 2000). They are flexible and adaptable to changing market condition making them creative and innovative (Jenkins, 2006). They are independent, with the owner manager making all the decisions thereby eliminating any problems arising out of agency issues which can be found in MNCs (Spence, 1999). The personal relationship between owner-manager, employees and community is open akin to a '*social activity'* (Kitching, 1994). This creates a climate of trust centered on honest dialogue. Additionally, SMEs have a mistrust of bureaucracy or structured hierarchies, and the leaner management configurations are more open to informal control mechanisms. SMEs appear to be part of the community network and are recognized as an embedded entity by citizens (Russo & Perrini, 2010; Spence & Moore, 2006; Spence et al, 2003)[51]. Finally, smaller firms are cash-limited, in contrast to MNCs that have large cash reserves. This translates into SMEs not investing in long term projects such as quality standards as they might be seen not central to a firm's survival (Spence, 1999).

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[51] Curran &Blackburn (1994) are sceptical as they found that some firms prefer to adopt a mentality of 'fortress enterprise' in which they see themselves as detached from the environment and it can be assumed with this mentality small firms disassociate themselves from any responsibility to their surroundings.

3.4.4 SMEs and EMEs- A Pertinent Gap

The general trend in CSR literature when it comes to SMEs studies is not so wide and whatever literature there is on SMEs has a developed country focus for instance looking at UK (Preuss & Perschke, 2010; Brooks & Evans, 2011); Netherlands (Spence & Rutherfoord, 2000); Spain (Murillo & Luzano, 2006); comparative study of MNCs and SMEs in Switzerland (Baumann-Pauly et al, 2013); and Italy (Ciliberti et al.2008).

Historically, Spence (1999) identifies two branches of existing research on small business ethics. The U.S contribution started from the beginning of the 1980s and has tended to focus on prevailing notions of CSR and their application in smaller firms. Studies in American research have centred on quantitative methodologies resulting in studies being objectified and contradictory in nature (Vyakarnam, 1995). Meanwhile European studies tend to be more exploratory and more specifically focused on particular issues (relationships between big and small firms for instance), with emphasis placed on theory-building regarding ethics in SMEs (Spence, 1999).

Additionally, CSR in SMEs is less pronounced, less researched and less analysed in the context of EMEs, and has been identified as a major *empirical gap* that has escaped academic scrutiny (Spence & Moore, 2006; Amaeshi et al, 2016). EMEs provide a rich experimental ground to study SMEs regarding their particular

idiosyncrasies combined with the tailor specific, context defined factors of such

societies such as culture, business environment, level of awareness, regulatory law,

and socio- economic factors. Recent years have seen, subsequent studies on South

Africa (Mmboswoben & Seeletse, 2012; Hamann et al, 2005), Namibia (Classen &

Roloff, 2012), Nigeria (Amaeshi et al, 2014), Ghana (Abor & Adjasi, 2007), Lebanon

(Jamali & Mirshak, 2007; Jamali et al, 2009b), a three-country study focusing upon

Lebanon, Syria and Jordan (Jamali et al, 2009a) and Turkey (Uygur, 2009; Uygur et al,

2016).

3.4.5 Case Study: Pakistan

The current literature available on CSR and small business in relation to Pakistan can

be roughly divided into two main categories. One category mainly comprises of

public reports, surveys and research carried out by governmental institutions such

as Small and Medium Enterprises Development Authority (SMEDA) and State Bank

of Pakistan (with its quarterly SMEs report). The literature is mainly quantitative in

nature looking at the progress and prospects of SMEs from a regulatory and

development point of view. From a research point of view SMEs studies in Pakistan

have suffered from inadequate attention from policy makers and practitioners alike.

The second category of literature comes from the academic community of Pakistan who, in the last two decades have started paying attention to the importance of CSR in modernizing the economic sector. The existence of CSR has mainly been investigated from the point of view of multinational and home-based large companies. Ahmad (2006) explores the extent to which local big firms have taken steps to incorporating CSR framework into company objectives. He concludes that awareness of western style of CSR is still in nascent stages where many business leaders know *'what it is'* but there is less awareness of *'how to do it'* and in some cases *'why do it'* (ibid, 127). Presently there seems to be a low presence of both *CSR Thinking* and *CSR Doing*, in Pakistan (Jamali and Karam, 2016). The presence of MNCs carrying out socially responsible policies has an impact on local large firms as well as discussed by Janda and Wilson (2006). The purpose of their study is to explore the ways in which Pakistani firms *'can take advantage' of the growing CSR movement and improve their own economic performance* (ibid:1). They add to the literature on how Pakistani-based multinationals as well as local firms are exploring CSR practices. Kalyar et al, (2012) pay attention to the links between CSR drivers of strategic planning and firm culture and the implementation of CSR. Their work shows that strategic planning and humanistic culture as drivers of CSR in large firms is positively linked with increase of CSR presence.

The other strand of literature mainly identifies the obstacles and restraints facing SMEs operating in Pakistan. They tend to focus on the single most challenge facing

SMEs i.e.- access to formal finance (Bhutta et al, 2009; Dasanayaka, 2008, 2009; Bari et al, 2005; Khan, 2015, Sherazi et al, 2013; Ahmad, & Alam 2015). By using a principal component analysis approach, Sherazi et al (2013) emphasize the importance of SMEs and how they are considered '*as a [form of] survival*' in bad economic conditions (ibid: 1325). The consensus is that for SMEs the biggest obstacle to growth is financial constraints due to banks being risk averse and avoids the uncertainty associated with small business. This is undermined by the government's overall effort concentrated for the growth of big companies. Bari et al, (2005) and Khan (2015) show that SMEs in Pakistan have access to formal sources (banks and non-banks financial institution) and informal sources which include friends and family and suppliers. Due to the lack of trust and indifference existing between banks and small industry, the preference is to use informal channels of finance.[52]

Dasanayaka & Sardana (2009a, 2009b) and Dasanayaka (2008, 2009, 2011) look at the growth of regional SMEs from a comparative lens. They explore how SMEs growth in Pakistan, Sri-Lanka and India- is varied due to globalization and culture-specific reasons. The studies point towards how SMEs are struggling to '*survive in today's global competitive market and sustainable growth is threated by the impact and challenges of globalization*' (2011:61).

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[52] Khan (2015: 5) adds that financial outreach in the SME sector is about 36% (SMEs percentage that hold a bank account) compared to 95% in India. He recommends robust initiatives by the government to reduce the impediments encountered by SMEs while accessing finance from banks.

Interestingly deep linkages between CSR and Pakistani small industry remain absent; and SMEs have been studied from a socio-developmental aspect. Discussing the plight of SMEs and encouraging their growth has become a priority now. Ali et al. (2014) attempt to link the role of SMEs and poverty reduction; and indicate that there is a strong and negative impact of small industry's output on poverty levels of Pakistan. As the backbone of the economy, studies such as these attempts to show the positive effect SMEs can play in social cohesion. Certain cluster, (textile and leather) of the manufacturing sector, supply and export to international markets. The majority of them are based in the industrial hub of Sialkot and have been investigated from environmental responsibility and compliance supply chain management aspect. This theme is discussed extensively by Bhutta et al. (2007) Saleem et al.(2011); Ortolano et al. (2014); Khan et al. (2001); and Kureashi et al. (2009) who have looked at SMEs being environmentally conscious. Ortalano et al. (2014) uncover motivating factors for cleaner production; and Kureshi et al. (2010) look how these sectors adopt compliance frameworks, as before exports have been impeded because products did not meet international standards. The study by Saleem et al. (2011) specifically looks at the positive impact of ISO 9000 on organizational performance in SMEs; while Khurram et al. (2007) gauge how supply chain management concerns influence the health of SMEs.

3.5 Culture:

Culture conceptually lies at the intersection of several social sciences, reflecting the biases of each of the fields, making any attempt at compiling a cultural theory diverse and challenging (Schein, 1990). Culture provides *'the very grounds for human communication and interaction; it is also a source of domination'* (Swartz, 1997). It encompasses language, beliefs, traditions, symbols, values and also mediates practices by attaching individuals to institutionalized hierarchies. Since the dawn of time, humans have been aware of the differences between groups of people due to values, norms, beliefs, behaviours and attitudes (Minkov, 2011: 8). Culture is a group-level construct, and such differences have led to the emergence of different concepts of what constitutes as culture, which have in turn have crystallized into different approaches and meanings to the study of culture itself (ibid).

The term's looseness and pliability has been a source of frustration for academics as it has been impossible to define culture but at the same time that flexibility has enabled the term to be adapted to many uses and across numerous disciplines (Kuper, 1999). Ouchi and Wilkins (1985) note that culture essentially is *'rich mixture of ideas and approaches without any single dominate view or methodology'.* The traditions of anthropology and sociology have significantly dictated the historical development of modern cultural theory which has led to the creation of two specific sub-topics within the field of culture- cultural anthropology and organizational

culture that will be discussed below. The former concept aims to *interpret* human

variation due to culture while the latter seeks to *explain* human action in regard to

societal structures[53].

The concept itself is based on a term used by Cicero in Tusculanae Disputationes

(2005), where he referred to '*cultural animi'* as the cultivation of the soul. Applying

an agricultural metaphor for the progression of the philosophical soul the Ciceronian

view of culture is teleological driven. Whereby cultivation of the soul would be

means to an end i.e. the highest possible ideal for human development (*culture*).

German Idealism under Kant further expanded on culture where he devised an

individualist definition of enlightenment similar to his concept of '*bildung'*. It is

aimed to define the inner intensity of self-formulation where human creativity and

individual freedom is the solution to immaturity and lack of understanding. In *An*

Answer to the Question: What is an Enlightenment, he states *'enlightenment is the*

human beings emancipation from its self-incurred immaturity' and boldly urged

'Sapere aude[Dare to be wise]!' (Kant, 2006c:17). In essence this meant that all

humans had the will (agency) to act and think independently free from any

structural constraints (social class, intelligence, tradition or religion). Enlightenment,

promised a new thinking, the liberation from prejudices and authorities where

humans could become mature and have confidence in their own understanding of

reality and outside world (Howell, 2013: 11). For Kant, true enlightenment requires

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[53] Geertz argues that 'interpretation, rather than explanation' should be the guiding aim of cultural anthropology (1973).

personal freedom to question and '*make use of one's reason in all matters*', for only then can humans attain maturity (perfecting their selves) in other words acquiring culture (Kant, 1995:55). Additionally, in *Idea for a Universal History from a Cosmopolitan Perspective* (2006a), Kant argues that nature's teleological plan is to work towards an end- the attainment of human rationality of the highest order of humans which includes developing their natural dispositions, talents and culture. This enlightenment, '*the first true steps...taken from brutishness to culture...consists actually in the social worth of human beings*' transforms society into a '*moral whole*' (ibid: 8.21).

3.5.1 Cultural Anthropology:

19th century, saw the emergence of a new science called cultural anthropology that looked at cultures and cultural differences due to colonization and Europeans interacting with indigenous populations. There was an attempt to explain culture in light of racial variables. The Victorians defined culture in relationship to civilization and race and E.B. Tylor is widely credited with providing the first definition of 'culture' in its present anthropological sense (Larsen, 2012). He treated culture and civilization as identical, signifying '*that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits, acquired by man as a member of society*' (Tyler, 1871:1). Influenced by his strong Quaker roots,

his interest in primitive cultures was deeply affected by Comte's three stage model

of human progress- Theological, Metaphysical and Scientific[54]. He used the same

criteria to present his view of stages of cultures and civilization whereby human life

could be classified into three stages of '*Savage, Barbaric and Civilized*' , where one

group could be viewed more cultured and civilized than the other(Larsen, 2012).[55]

Therefore, every human culture could be identified as occupying one of these

stages, arguing that culture progressed inevitably in both material and moral

domains (Kuper & Kuper, 2009:199). The Tylorian view was deeply grounded in

notions of human progress and universal human rationality based on cultural

hierarchy.

Early Twentieth Century witnessed a major paradigm shift in cultural studies, when

Franz Boas changed the anthropological discourse with his critique of Tylor's

evolutionary positivism. He emphasized that culture was an expression of human

history (ibid: 30)[56]. The Boasian tradition discarded the notion that race, culture and

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[54] Comte's three stages were essentially anti-ethical to religion as it placed theology in the earliest stage of development and market it off as something that had to be dispensed in the name of progress. He stressed the theological and metaphysical stages had their value and were not to be discarded as primitive but the last stage was most vital to study external reality as it depended on observation and classification of facts. Under scientific stage there is no place for any belief or superstition and conclusions are rationale driven.

[55] Tyler's example of a savage was the wild Australian, while the civilized was the Englishmen, the very model of modern cultivated Homo sapiens. He considered the South Sea islanders to be intelligent barbarians. The common Victorian anthropological thinking leaned on the idea that the world's cultures can be arranged according to a single hierarchy, from the least cultured to the most and that Western civilization was the epitome of human progression (Kuper & Kuper, 1989: 178). 'Tyler sought to explain the differences in humans not by race but by '*the different grades of civilization*' through which humankind progressed more or less uni-directionally (Tyler, 1871: p.7).

[56] Interestingly Boaz's early German training in anthropology, influenced by ideas of Kant and Hegel, was very much situated within the framework of traditional humanist and contemporary evolutionary usage. Therefore he began his intellectual training with a definition of culture that was much alike to Tyler and only afterwards did he digress away to develop his concept of many cultures existing simultaneously.

language moved through history and biological race determined cultural capacity.

Culture was not governed by raw intellect but by its own principles and that the very presence of a culture item among people is a historical accident.[57]. For Boas culture is *'defined as the totality of the mental and physical reactions and activities that characterize the behaviour of individuals in relation to natural environment to other groups, to members of the group itself and of each individual to himself'* (1911: 149). Boasin culture depended on an assimilated system of *'symbols, ideas, values'* that need to be looked upon as *'a working system, an organic whole'* Stocking (1968). By replacing the Tylorian notion of a singular culture to plural '*cultures*', he recognized that not everyone might have attained civilization in the sense of high arts and scientific progress and that *'behaviour of all men regardless of race or cultural stage, was determined by a traditional body of habitual behaviour patterns passed on through enculturative processes'* (Stocking, 1966). Human behaviour was conditioned by historical tradition -transmitted by body of custom and traditional material passed down from generations- and not by difference in mental organization (Boas, 1904). Therefore, Boas attempted to show that Tyler's view of culture was singular and hierarchical while his understanding looked at degrees of 'cultures' which emphasized a progressive historicity, plurality, and relativity (Stocking, 1966; 1968). His ground-breaking views on culture dominated both the

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[57] Human behaviour is conditioned by historical tradition whereby a trait or custom such as culture or language, can be borrowed and modified among various groups or another society to fit the new cultural context. The process is repetitive and stresses the impossibility '*to trace a cultural item back to the original intellectual impulse which gave rise to it for there are too many intervening historical events*' (Kuper & Kuper, 1989: 179).

institutional development and intellectual paradigm in the USA until World War Two

(Kuper & Kuper, 2009: 68)

Presently, the anthropological school of thought views culture essentially as a

semiotic idea, a continuation of Boasian tradition. This predisposition can be

attributed to the notion by Weber that '*man is animal suspended in webs of*

significance he himself has spun' and culture is one those webs with hidden

meanings (Geertz, 1973). He emphasizes the importance of discovering the native's

point of view, by having a *semiotic* approach focusing on language and symbols as

the principle tools of understanding the native's perspective. Geertz champions the

'thick description' approach by completely immersing oneself in the complex

clustering of symbols people use to confer meaning upon the world. Situating

culture within an ethnographic framework, Geertz distinguishes the contribution of

cultural anthropology to an understanding of human beings, from an Enlightenment

standpoint. For Geertz culture '*is best seen not as complexes set of concrete*

behaviour patterns...but as a set of control mechanisms for the governing of

behaviour' (ibid, 45*)*. [58] Culture is public, ideational, and dependent on human

behaviour that is driven by symbolic action (ibid: 10). [59] Geertz deployed his idea of

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[58] A set of control mechanisms include plans, recipes, rules and instructions.
[59] Geertz's work on culture looks how the role of the ethnographer is to understand how people in any given society tend to make models of reality into models of action (ritual and practical). In his eyes for an ethnographer cultural analysis is guessing at meanings, assessing the guesses and drawing explanatory conclusions from the better guesses. According to Geertz, cultural ethnography therefore entails: it is interpretative; it is an interpretative of flow of social discourse (for culture find articulation through social action); the interpreting involved consists in trying to rescue the 'said' of such discourse; and that culture studied in any way or context is microscopic (Geertz, 1973:21).

culture in the study of revolutions, economic development as well as religion, kinship and ceremony (Kuper & Kuper, 2009:191).

While Geertz focused on symbolic form of culture, Goodenough (1971), by contrast developed an approach that was cognitive in appearance. Cognitive anthropologists, as they were called, were particularly interested in the structure of individual thought- cognitive paradigms. Culture for them is '*to what is learned...the things that one needs to know in order to meet the standards of others'* (ibid: 19). They believed that '*culture [is] located in the minds and hearts of men and consists in the pattern of brute behavioural events that are observable*' (ibid). Labelled as ethnoscientists, people like Goodenough, Frake and Conklin drew on '*linguistics to elicit models of thought expressed through words that labelled domains of thinking'* (Kuper & Kuper, 2009: 191). With the focus on culture as a learned activity from an individual stance rather than groups, this shoot of anthropology relies heavily on a behavioural understanding of the concept[60].

3.5.2 Organizational Culture:

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[60] Culture in the eyes of ethnoscientists is the *'system of standards or rules for perceiving, believing, and acting that one needs –to know in order to operate'* in a way that is acceptable to members of that culture (Ouchi & Wilkins, 1985: 461).

Organizational culture, considered a stream of culture emerged in the 1970's with the rise and success of Japanese firms with their superior organizational traits (Abegglen, 1958; Dore, 1973; Cole, 1979; and McMillan et al, 1973). The initial focus was whether national culture played a part, leading to the notion of distinctive organizational cultures within different firms in a single national culture. Barney (1986: 657) defines organizational culture as *'a complex set of values, beliefs and assumptions, and symbols that define the way in which a firm conducts its business'*. In this way culture has pervasive effects in the way a firm interacts with its internal and external stakeholders, thereby establishing a link between a firm's culture and its strategy.

Peters and Waterman (1982) note that '*without exception, the dominance and coherence of culture proved to be an essential quality of excellent companies'*. It came to reflect the rules and values of a company's operations and success. Additionally, there exists a basic distinction among organizational culture experts who either see culture an organization has (analytic stance found among managers) and those who see it as something an organization is - asynthetic approach that is predominantly found among academics (Smircich, 1983a).

Presently organizational culture can be broadly categorized roughly into *macroanalytic* or *microanalytic* approaches. Macroanalytic approach attempts to comprehend culture of a whole group and what function it plays in connecting and

maintaining the group (Pettigrew, 1979). Ouchi & Wilkins (1983, 1985) fall under the

first category arguing that organizational culture (in form and content) is interpreted

as consequences of the needs of firm for efficiency. Jones (1983) offers that the

content of organizational culture results from particular economic conditions and

results in three type of cultures- bureaucratic, production and professional. Barney

(1986) suggests that content of an organizational culture such as having a *'rare,*

valuable and imperfectly imitable culture' can become a '*firm specific'* asset and

produce supernormal returns.

Hofstede and Schein make up the microanalytic set, focusing on culture as

something that resides within each individual and can be understood through

cognitive processes of sense-making, learning and casual attribution (Ouchi &

Wilkins, 1985). Hofstede describes organizational cultures as the '*collective*

programming of the mind that distinguishes the members of one organization from

others' (2010:344).An organization's culture is maintained not only in the mind of its

employees but also resides in the minds of its (self) 'other' stakeholders. In his

earlier work, Hofstede associated culture with nationality and it was only after his

cross cultural work it became apparent that organizational culture and national

culture were different (ibid: 343)[61]. Schein's (1983a, 1983b, 1990) work on

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[61] The four dimensions he came up with during his study of IBM corporation were large vs. small distance power; strong vs. weak/uncertainty avoidance; individualism vs. collectivism; and masculinity vs. feminity. Subsequent research conducted by Hofstede and Bond (1988) added a fifth dimension of Long/short term orientation to fit the uncertainty avoidance dimension in Asian cultures.

organizational culture and leadership is a continuation of Hofstede's ideas on

culture, underlining the idea as a complex phenomenon that should be measured

carefully. Schein's construct of organizational culture is micro analytic in nature,

cradling both the functionalist and interpretative stances of culture. Although at first

it seems his research has a functionalist perspective, he is noted not as a pure

functionalist. His organizational culture model is heavily influenced from the

interpretative traditions- Goodenough (1971) Geertz (1973) and functionalist

literature- Hofstede (1998a), Pettigrew (1979), Louis (1980)[62]. The theory advances

the view that organizations can be understood both as vessels of cultures and social

organisms. It comprises of three factors: '*artifacts, espoused beliefs and values, and*

underlying assumptions' (Schein 2004: 25). These concepts form the major levels of

culture within an organization with *level* implying the degree to which the cultural

phenomenon is visible to the observer.

Underlining these stances is the constant tension on how firms need to be

understood and studied. The Durkheimian tradition asserts that the collective

representations' (myth and ritual) notion of solidarity can help uncover collective

formed cultures within firms and society in general. The Weberian notion examines

how organization as rational structures can bring order and rationality in a complex

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[62] For Hofstede (1998a) such a culture 'is characteristic of the organization, not of individuals, but it is manifested in and measured from the verbal and/or nonverbal behaviour of individuals...combined to the level of organizational unit'.

reality. He emphasized that '*...purely bureaucratic type of administration is....capable of attaining the highest degree of efficiency and...most rational known means of exercising authority over human beings'* (1968:223). Previous attempts by cultural theorists on studying culture included field study and multivariate approaches; and the contemporary approach has shifted, from trying to comprehend a firm's formal structures to recognizing firms as rational actors by using culture as a starting point. Deeply embedded in the intellectual tradition of sociology this stance portrays an organization '*as a social phenomenon that has its own features which distinguish it from the environment and individual predispositions of its members'* (Ouchi & Wilkins, 1985: 463). Nonetheless, like the broader discipline of culture, the theoretical framework of organizational culture draws heavily upon the spirit of functionalist tradition in anthropology (Ouchi 1978a; Pettigrew, 1979, Ouchi & Johnson, 1978; Schein, 1983, 1990; Hofstede, 1991).

3.5.3 Sociological Culture Theory:

While cultural anthropology sought to explain human variation due to cultural differences via semiosis, sociological culture theory looks at human action laden with symbolic interaction, myth and ritual and ethnomethodology (Ouchi &Wilkins, 1985: 462). Culture as a concept, joined the sociological stream of thought, in

response to the advent of modernity- Industrial Revolution and rise of Capitalism-

with a focus on the subsequent structural changes brought about in society (Kuper &

Kuper, 2009:969). Sociological culture regarded how culture played a part in the

progressive social changes that were sweeping across continental Europe[63].

Specifically, how structure and agency plays a part in the study of culture i.e. society

understood as a set of external constraints that restrict the freedom of choices

available to agents. And then in turn determines their behaviour to social settings in

which they are situated, underlined by symbolic interaction and power.

The founding fathers-Karl Marx, Max Weber and Emile Durkheim form the backbone

of the current theory. Stemming from functionalist tradition, which is formed

around human knowledge as the product of social infrastructure, all three were

concerned with *'ideational forms of emergent in the structures of society- material,*

economic, organizational' (Grenfell, 2008:45). Additionally, they all shared the same

'epistemological and logical principles of social knowledge' (Bourdieu, 1968). For

Marx culture arose out of a capitalist economic system justifying inequality, while for

Weber and Durkheim the centrality of religion was the core dimension of culture.

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[63] The term sociology has been in use since the latter half of 19th Century, following the influential work of Augustus Comte. He was first coined the term sociology and claimed 'for the future science, the status of a generalized and generalizing knowledge of laws governing progressive yet orderly development of human society' (Kuper & Kuper, 2009:971).

Marxist tradition sees culture (within historical materialism) as an epiphenomenal

superstructure built upon a determinant economic base[64]. Marx contends that the

economic structure of society, constituted by its relations of production is the real

foundation of society. Within his base/superstructure concept of society, built upon

the economy, *'rises [a] legal and political superstructure and to which correspond*

definite forms of social consciousness' (1859). By interacting with and exploiting

productive labour, the mode of production (the economy) of material life, in turn

conditions the political, social and intellectual life processes within society (Kuper &

Kuper, 2009:611-12). Culture in this sense operates as a dominant ideology as part

of a base/superstructure model; reflecting the interests of the bourgeoisie,

legitimating their authority while dividing into a class system. Arising from

underlying relations of production, Marxist form of culture makes conventional and

socially constructed things (such as wage labour) appear natural. This in turn

engenders a distorted view of reality (termed false consciousness) allowing people

to feel content with their miserable conditions. Culture is therefore a constructed

idea that rests upon and is driven by the economic interests and power of the

capitalist class. It is an extension of bourgeoisie interests, whereby the dominant

culture is nothing '*but the outgrowth of the conditions of... bourgeois production*

and…property', and a society's productive capacity determines the main contours of

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[64] Historical Materialism is explicitly defined by Marx in A Contribution to the Critique of Political Economy (1859).Engels describes it as 'the ultimate cause and great moving power of all important historic events in the economic development of society, in the changes in the modes of production and exchange, and in the consequent division of society into distinct classes, and in struggles of these classes against one another' (1892).

its socioeconomic evolution (1848:487). As a superstructure is needed to organize and stabilize society, culture along with other superstructures (law and political institutions), is created by the economic structure that are best suited to it. Consequently, all spheres and realms of society reflect the dominant economic production, spearheaded by the ruling class.

The Weberian tradition of culture has its roots in understanding the meaning behind human action. It draws from the Kantian tradition of human enlightenment, along with Dilthy's work on hermeneutics in uncovering the meaningful nature of action. To uncover such meanings understanding is required and Weber takes that idea suggesting that human action be regarded as active and laden with subjective meanings[65]. Unlike Marx who looked at the importance of material factors, and Durkheim who focused on the idea of social facts external to individuals, Weber added the importance of ideas in studying human action. In simpler terms to look at the meanings we put into things and how the role of change of ideas than add to society and bring about social changes. He used the term *Verstehen* (meaningful understanding) to argue that in order to study culture or subculture of others, the observer views them on their own terms and from their own point of view, rather than interpreting them in terms of his or her own culture. [66] Culture is a value laden

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[65] He insisted in Economy and Society (1968) that it is up to the social scientist to understand the hidden meanings behind actions 'for a science which is concerned with the subjective meaning of action, explanation requires a grasp of the complex of meaning in which an actual course of understandable action this interpreted belongs'.

[66] The concept of Verstehen was used by the German philosopher Wilhelm Dilthey· to describe the first-person participatory perspective that agents have on their individual experience as well as their culture, history, and society.

concept, where an *'empirical reality becomes culture to us because and insofar as we rate it to value ideas...includes those segments and only those segments of reality which have become significant to us because of this vale relevance'* (Weber, 1904).

Since culture is based on symbols and those symbols contain meanings in order to be symbols, for Weber our understanding of them is an essential element to understanding society and therefore culture. This concept of idea shaping human action, is seen in his work on *The Protestant Work Ethic and the Spirit of Capitalism* (ibid); and how 'protestant ethic' was crucial in advancing Capitalism leading to a culture of disciplined hard work and frugality[67]. Weber believed due to change in religious beliefs (ideas) i.e. Protestant reformation people embraced economic success leading to Industrial Revolution and rise of Capitalism. In this sense, the culture that arose out of protestant ethic (a particular mind-set) came about due to change in thinking- an essential change in ideas- that eventually transformed society[68].

Durkheim's emphasis on myth and ritual has been the influential driving force in determining the explicit versus the implicit features of culture. Particularly his idea

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[67] 'Protestant ethic emphasized not only a change of ideas leading to social change but that people did not need a large, corrupt and decadent organization to tell them how to think, and that independence of thinking contributed to people staring their own businesses and contributing to the growth of the capital owing class.
[68] "A man does not 'by nature' wish to earn more and more money, but simply to live as he is accustomed to live and to earn as much as is necessary for that purpose. Wherever modern capitalism has begun its work of increasing the productivity of human labour by increasing its intensity, it has encountered the immensely stubborn resistance of this leading trait of pre-capitalistic labour" (Weber, 1904/2013:60).

of '*Représentation Collective*' can be seen as alluding to a concept of culture.

Collective Representations '*very often attribute to the things to which they are attribute properties which do not exist in any form or degree. Out of the commonest objects they can make a very powerful and very sacred being....the powers which have been conferred in this way as if they are real*' (Durkheim, 1912: 325-6). It is a form of shared cultural system that is internalized within each individual and seeks to impose upon material things '*deeply meaningful signs, myths and determination of action*' (Smith & Alexander, 2005:8). First mentioned *In the Elementary Forms of Religious Life*, (1912), the idea is central to Durkheim's search for sources of social solidarity where he looked at religion to explain social integration. Based on his notion of the sacred/profane, collective representations are ideas, beliefs and values, created by ritual and elaborated by a collectivity[69]. They help in making sense of the world but also symbolize social relationships. Society becomes aware of itself through such representations, for they emerge and express only through homogenous and shared physical movements constituting as ritual (Bellah, 2005: 184). Meaning thus, arises from this totality of collective action. As Durkheim states '*it is the homogeneity of these movements that makes the group aware of itself and*

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[69] Durkheim claimed that all religions revolved around the sacred and profane rituals. The sacred encompasses feelings of awe, reverence and fear and is different from the everyday or profane. In his ethnographic study of Aboriginal Australians, he noticed that in one phase people went about doing profane actions individually such as hunting, gathering food and fishing. In the second phase the community came together to do some actions together. This concentration 'takes place when a clan or portion of the tribe…conducts a religious ceremony' (1912:216-17). This second phase he concluded generated a collective ~~emotion~~, a common identity, akin to a collective culture, terming it sacred.

that in consequence makes it be. Once this homogeneity has been established...they serve to symbolize the corresponding representations' (1912: 232). He regarded religion such a belief, bringing people together, presenting a picture of culture as a dynamic and motivating force. Hence collective representations reflect certain properties the way society is organized and leads to the formulation of a culture centred on a collective activity.

Bourdieu continues this tradition with his writings in Outline of a Theory of Practice (1977) and Practical Reason (1998). The novel concept encompasses a theory of the production of practice and its dependence of social (objective) structures known as Habitus. His writings firstly aim to escape from the ever-present divide between agency and structure (Bourdieu, 1977; 1990b; 1984). Additionally, he attempts to theoretically define culture by reconciling the tension between objective and subjective positions. This led to a new a cultural paradigm, based upon 'situated interaction' illustrating the link between implicit and explicit views of culture and society (Bourdieu, 1984). Derived from the latin verb *habere* meaning 'to have' or 'to hold' the concept of Habitus grew out of Bourdieu's attempt to address the question how is human action regulated? More precisely is human action shaped by obedience to external structures such as income, cultural norms, education or is it a product of *'subjective conscious intention'*? (Swartz, 2002:615)

Habitus can be described as an expression of one individual's social and cultural history and in turn how individuals are influenced by these social and cultural experiences that shape their understandings (Light & Evans, 2013). Habitus is constructed over time through the individual's participation via practices in specific social fields with other individuals. Bourdieu's ideas reflect the common understanding among theorists of social action that experience *'is an avenue through which aspects of social world internalize themselves in people'* and determine their subsequent behaviour i.e. practice (Schatzki, 1987:117). In simpler terms practice can be seen to mediate between an individual's habitus and the social world (field) shaped and oriented by internalized disposition through early socialization experiences. Maton (2008:51) views Habitus as an ongoing and active process where people are…*'engaged in a continuous process of making history…not under conditions entirely of our own making'*.

3.5.4 CSR and Culture:

CSR in regard to culture can be studied on three levels- national, organizational and individual culture (ethical values). There is considerable evidence that suggests that CSR is *'culture bound'* (Dunning, 2005); nationally contingent (Matten & Moon, 2008; Hofstede, 2010) and ownership specific (Jenkins, 2009). Additionally, it points

towards the corporate strategy formation and implementation '*as a process of social interaction based on shared beliefs*' (Mintzberg et al, 1998).

CSR policies are dependent on the '*instrumental role of management in formulating an organizations CSR policy*', where such policies are an expression of values and beliefs and '*outcome of the managerial decision-making process*' (Jaakson et al, 2009; Waldman et al, 2006; Carroll, 1991; Wood; 1991). This three-tier cultural paradigm can be readily applied in MNCs, but in the context of small industry the formula has to be altered to fit the realities of SMEs. Due to the specific characteristics of SMEs and role of owner-manager research can focus on the generation of culture by the leader and how local culture impacts activities of such companies. Literature is scarce when it comes to the linkage between CSR and personalized management in small business. Nonetheless, there have been numerous studies looking at ethical attitudes in business dependent on personal traits (Serwinek, 1992; Quinn, 1997; Jenkins, 2009); or contingent upon aspects of owner's working environment (Burke, et al, 1993); or the industry sector worked in (Murphy et al, 1992). Agency theory has also been used to explain the role of managers where firms are viewed as coalitions of divergent and competing stakeholder interests that need to be reconciled by owner-managers (Hill & Jones, 1992; Cyert & March, 1963).

The current literature has shown that a research gap exists in how CSR policies connect to individual culture from a sociological stance. To what extent do personal ethics play a part in being responsible SME leaders? How much does local culture play a role in this? Do the needs of the business require personal ethics to be left on the hallstand? The research will shed light on the connection between individual culture (of a SME owner-manager) and CSR engagement.

3.6 Conclusion:

The aim of this discussion was to establish a connected narrative with the previous chapter; and the moral framework constructed in which to study the embryonic and contestable subject of CSR (Jones, 1982). In the process of providing a historical development of CSR, the analysis helped to identify how the concept encompasses the diverse ideas of Adam Smith, Kant and Machiavelli at its ethical core. The chapter not only highlighted the various stances, sub-topics, and theories within the CSR field but also the various misconceptions regarding the current discourse. The extensive field of culture was brought in, showing how CSR affects culture and vice versa in the context of EMEs. It helped to shed light on the underlying influences of historical and cult cultural texts; and how it impacts corporate and societal governance frameworks and business-society relations. Furthermore, attempt was made to draw a picture of the narrow contextual focus- SMEs. The characteristics, definitions and idiosyncrasies of SMEs were explained, questioning their vital role

within the debate of CSR. This highlighted the fact that SMEs are indeed a prominent

knowledge gap in the current CSR literature, with cultural factors playing an

essential part in studying this gap.

Chapter IV. Theory

4.1 Introduction

This chapter will discuss the three formal theory models derived from the

philosophical and research construct discussed in the preceding chapters. The three

chosen theoretical frameworks link ideas of truth, reality and knowledge with the wider research design i.e. paradigms of inquiry, and methodology. Furthermore, the areas and issues identified here will be reflected in the methods by creating specific questions. In this way, the theories will guide the researcher in what questions should be asked for data collection. The three selected frameworks are 'Carroll's CSR pyramid model; Normative Stakeholder framework; and Bourdieu's Theory of Logic of Practice (Habitus).

The selected models focus on the social interaction of individuals in relation to business and society. The CSR pyramid and normative stakeholder theory rest upon the idea that businesses have non-economical duties towards people, specifically towards constituents termed as stakeholders (Carroll, 1999; Lantos, 2001)[70]. Carroll's theory defines and integrates the responsibilities of firms towards society meanwhile stakeholdership delineates them- towards which stakeholders such responsibilities are owed to. Habitus looks at if and how the inner culture (personal values and attributes of individuals) plays a part in them being socially responsible business owners and managers. The first model to be discussed will be the normative aspect of stakeholder management, which is built on ethical legitimacy of stakeholders. Secondly, Carroll's widely acknowledged four tier pyramid model (1979) comprising of economic, legal, ethical and philanthropic responsibilities of

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[70] Carroll defines such non-economical duties as ethical legal and philanthropic (social) in nature towards stakeholders and wider community the business interacts with.

business towards society will be assessed. Next Bourdieu's action regulated by habit idea will be explained and how individuals' understanding of the world is structured by their social and culture history. The concluding section will explain the linkages and complimentary relationships between the three theories and wider research area.

4.2 Normative Stakeholder Construct

The stakeholder approach is a '*powerful heuristic device*' that has been extensively researched and debated over the past two decades (Mitchell et al, 1997:855). To date theorists have not come to any agreement on the exact scope of stakeholder theory, giving the concept a blurred and confusing character (Harrison & Freeman, 1999)[71]. Nonetheless, there is a general consensus on what forms the core of stakeholder theory. Hillman et al (2001) inspired by the work of Jones & Wicks (1999) list four main ideas that lie at the heart of stakeholder theory: '*the firm has relationships with constituent groups; the process and outcomes associated with these relationships are of interest; the interests of all legitimate stakeholders have*

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[71]Stakeholder theory looks at the 'nature' of relationships between organizations and persons who have a stake in the operations and outcomes of business activities (Benn & Bolton, 2011:196). Stakeholder engagement is the process by which a firm's stakeholders engage in a dialogue to improve the firm's decision making and accountability. Establishing and maintaining a two way communication with stakeholders is essential for successful stakeholder engagement. This leads to the third concept of stakeholder management, which focuses on managing such relationships. The aim is to create positive relationships with stakeholders by appropriately managing their expectations and agreed objectives. A company's ability to comprehend the needs and demands of stakeholders is a prerequisite for achieving high social performance. The stakeholder literature uses all these concepts interchangeably.

value; and the focus of stakeholder theory is on managerial decision making'[72].

Theorists such as Jones, et al (2002: 20) look to two basic principles defining the theory of '*that to perform well managers need to pay attention to a wide array of stakeholders, and have obligations to stakeholders which include but extend beyond shareholders'*.

They are two issues that underline stakeholder theory; vague definitional constructs and identification of who and what a (*legitimate*) stakeholder is. Previous literature surveys (Mitchell et al, 1997; Donaldson & Dunfee 1999; Bowie, 1988; Freeman & Reed, 1983; Näsi, 1995; Clarkson, 1995; Cornell & Shapiro, 1987; Hill & Jones, 1992 and Windsor, 1992) of stakeholder theories have indicated a sharp divide between what has been termed the narrow and broad definitions of stakeholders (Orts &

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[72] The definition by Jones and Wicks (1999) strives to bring together four main traits of stakeholder theory in one single framework. It places emphasis on *relationships* to imply the idea that business and wider society have a clear complimentary link; where the actions and responsibilities of both parties are interwoven with each other rather than being distinct entities (Wood, 1991; Freeman, 1984). Effective stakeholder management (managing that relationship) is of crucial interest because by building better relations with stakeholders can firstly lead to increased shareholder wealth -by helping the firm develop intangible, valuable assets which can be a sources of competitive advantage. Secondly, for the stakeholders it provides them with a voice to influence and affect the firm's activities that can either be harmful or beneficial for the stakeholder community. Interest also indicates that without the crucial participation of such core stakeholders the firm cannot survive -a proscribed description held by Clarkson (1995). This links with the next idea- value, meaning where such interests of legitimate stakeholders hold intrinsic value. That is 'each group of stakeholders merits consideration for its own sake and not merely because of its ability to further the interests of some other group, such as the shareowners' (Donaldson & Preston, 1995:67) Additionally value connotes that stakeholders play a part in value creation for the firm and so stakeholder relations can have a profound effect on firm performance. All of these ideas lead to the fourth aspect- managerial decision making. Stakeholder theory is essentially, managerial in nature as it reflects and directs how managers operate. Two main issues underline such decision making. Firstly, what is the purpose of the firm? This encourages managers to articulate the shared sense of the value they create, and what brings its core stakeholders together (Freeman, et al, 2004; 364). Secondly what responsibility does management have to stakeholders? This pushes managers to communicate how they want to do business— specifically, what kinds of relationships they want and need to create with their stakeholders to deliver on their purpose. This illustrates that there is a relationship between theory and practice where managerial action builds on stakeholder theory and in turn managerial activities guide stakeholder theory.

Strudler, 2009). Broad definitions are based on the empirical reality where

'companies can indeed be vitally effected by or they can vitally affect, almost

anyone' (Mitchell et al, 1997: 857). This camp is represented by the now-classic

definition by Freeman (1984: 46) and Freeman and Reed (1983) regarding what

stakeholders actually entail. Theirs is certainly one of the broadest definitions in

literature, because it leaves the notion of stake and field of possible stakeholders

open to include anyone[73]. In comparison, the narrow view is based on the practical

reality '*of limited resources, limited time and attention*…(and) *limited patience of*

managers dealing with external constraints' (Mitchell et al, 1997: 857). This view

attempts to define relevant groups in relation to the direct relevance to the

organizations economic interests. Stakeholder literature shows that some theorists

(Freeman & Evan, 1990; Hill & Jones, 1992; Cornell & Shapiro, 1987) consider

stakeholders as participants in exchange relationships, whereas Clarkson (1995)

describes stakeholders as those who have placed something at risk by being in a

relationship with the firm. Some scholars constrict moral claims of stakeholders,

stressing that the essence of stakeholder management is the firm's participation in

creating and sustaining moral relationships (Wicks et al, 1994), or the company

fulfilling its stakeholder duty in terms of fairly distributing the benefits and harms of

its actions (Donaldson & Preston, 1995; Langrty, 1994).

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[73] Freeman and Reed's (1983:91) definition of a stakeholder as an individual or a group who 'can affect the achievement of an organization's objectives, or who is affected by the achievement of an organizations objectives'. This definition is virtually identical to Freeman's 1984 definition.

Concerning stakeholder classification, scholars have attempted to classify and simplify them in numerous types and categories[74]. Falck and Heblich (2007) divide them into three groups -key, emerging and minor stakeholders; Jones (1999) divides them into primary and secondary groups; and Kaler (2002) suggests two categories 'claimants' and 'influencers'.[75] The widely accepted, categorization is by Clarkson's (1995) where he distinguishes between primary and secondary stakeholders.[76] In regard to which stakeholders are regarded as significant the work of Mitchell et al (1997) is important. They offer a theory of stakeholder identification and salience suggesting that three attributes- moral legitimacy, urgency of claim and power to influence- affect a manager's perception. They argued that these three areas guide the '*degree to which managers give priority to competing stakeholder claims*' (ibid, 882).

Donaldson & Preston (1995) classified four distinct parts within stakeholder theory – instrumental, descriptive, normative and managerial. They argued that the normative approach- prescriptive and categorical in nature- is the central core with other parts of the theory playing subordinate roles. Fundamentally first and

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[74] There are five major stakeholder groups that are recognized as priorities by most companies across industry lines in spite of size or location: owners (shareholders), employees, customers, local communities and the society at large (Carroll, 1991: 46).

[75] For Kaler (2002) claimants are those who have a claim on the services of business; and influencers are those who have a capacity to influence the operations of the business.

[76] Primary stakeholders takes a narrow view of stakeholder theory and include those groups with direct and well established legal claims on organizational resources such as shareholders, creditors, customers, suppliers, community residents and employers (Clarkson, 1995). Secondary stakeholders refer to those parties whose claims on organizational resources are less well established in law and/or are based on non-binding criteria such as community loyalty and ethical obligation.

foremost this makes stakeholder theory a moral theory. In the wider stakeholder

discourse, the normative stance correlates directly with the narrow definition of

stakeholder theory. Normative stakeholder theory, is used to interpret the function

of the firm embedded with *'moral and philosophical guidelines'* whereby

stakeholders are of '*intrinsic value'* (ibid: 67). Stakeholders, in terms of normative

theory are those to whom a firm bears '*a moral obligation, an obligation of fairness*

over and above that due other social actors simply by virtue of their being human'

(Philips, 2003: 30). Such a stance aims to answer the seminal stakeholder question

'for *whose benefit…should the firm be managed* (Freeman, 1984).

Scholl (2001) distinguishes between two main perspectives in stakeholder research.

One is the '*social science'* strand that looks at the instrumental rational of

stakeholder theory; and the '*business ethics'* strand that follows the notion of each

stakeholder holding intrinsic value. The latter perspective views normative

stakeholdership as '*narrative interpretations'*, which looks at creation of narrative

accounts of moral behaviour in a stakeholder context (Jones & Wicks, 1999: 209). It

contains alternative descriptions of businesses so that managers can interact with

stakeholders in a morally sound fashion (ibid). Emphasis is placed on what the firm

ought to do '*both in terms of the ends it pursues and the means it utilizes as well as*

why these oughts are appropriate' (Freeman & Gilbert, 1988; Wicks et al, 1994). The

aim is not to develop a single (instrumental or descriptive) account of stakeholder

theory but to create a broad array of narrative accounts regarding the purposes of

corporation and the actions of people involved in it. Narrative interpretations of normative stakeholdership maintains that language, conceptual schemas, metaphors and images that individuals have of corporate activity influence how they think and act (Wicks et al, 1994). Freeman (1994) describes this process as developing *'normative cores'*, narratives that explain the basic functions of companies and obligations of managers towards people. Gioia and Pitre (1990: 588) take an interpretivist approach noting such accounts show that *'people socially and symbolically construct their own organizational realities'*.

As outlined previously, several such normative 'cores' have been developed in stakeholder theory: Aristotelian conception of ethics (Wijnberg, 2000), the Habarmasian view of stakeholder theory encompassing a moral discourse (Reed, 1999) and Smith's concept of justice and perfect rights (Forster & Brown, 2013). Additionally, Kantian capitalism is a strong influence within normative stakeholder theory (Bowie 1991; Freeman, 1994; Gibson, 2000; Philips, 1997; Jones, 1999; and Garriga & Mele, 2004). Kantian writings advocate a stakeholder model of political and corporate governance – *'at best active and at least representative –participation of all'* (Dierksmeier, 2013: 606). Freeman and Evan (1988) argued that stakeholder theory should be reconceptualized *'along essentially Kantian lines'*. Whereby the stakeholders have a right to be treated as an end in itself and not as means to some end, and *'must participate in determining the future direction of the firm in which [they have] a stake'* (ibid: 97).

Present stakeholder research, concerning CSR is wide-ranging with some regarding stakeholder theory wholly inappropriate to study and explain the different cultural setting and corporate climate of EMEs, underlining the need for a critical approach to rethink the theory (Foo, 2007). One strand of literature argues that overall stakeholder theory is perhaps not the most suited theory to study CSR in SMEs. Taking inspiration from the writings of Bourdieu on social practice (1977, 1986, 1990b), the specialized literature suggests that social capital theory is a more appropriate theoretical stance to investigate the CSR and SMEs interface (Spence & Schmidpeter, 2003; Spence et al, 2003, Spence et al, 2014 ; Aragon et al, 2016). Van Aaken et al. drawing on social capital theory argue how emphasis is placed upon different types of motivations driving managerial actions, framing their pro-social behavior as social practices (2013). Managers, do this to increase or transform their social or cultural capital within their respective social fields and thus improve their relative power position in the social field. This new CSR perspective aims to show that all practices of managers are *directed towards the acquisition and transformation of an individual's (monetary or non-monetary) capital'* (ibid, 355). The majority of authors apply the social capital approach of Putnam (1993) to explain how SMEs with their unique CSR outlook can contribute to the common good of society[77]. Russo and Perrini (2010: 208) argue that for SMEs, *'CSR is the*

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[77] Putnam defines social capital as ' connections among individuals -social networks and the norms of reciprocity and trustworthiness that arise from them…[are] features of social organizations, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions' (1993: 167).

outcome of relational accumulating process, through which SMEs create their social

capital'. In other words, SMEs have a particular dependency on the network of

interpersonal relationships (with their stakeholders) that determine how they

function, which is why smaller enterprises are interested in social capital

investment.

Normative elements can be found in stakeholder engagement; due to its focus on

establishing dialogue with stakeholders. The normative argument is underlined by a

tension between Habarmasian theorists (Greenwood, 2007; Scherer & Palazzo,

2007; Reynolds & Yuthas, 2007; Behnam & Rasche 2008) and those who uphold the

Aristotelian view. The Habermasians adopt a critical theory stance and propose that

business has either moral or strategic connections with stakeholders. Using

Habermas' concepts of intersubjective understanding and communicative reason

they advance a stakeholder engagement view devoid of any *'strategic motivation in*

order to ensure its moral legitimacy' (Reed, 1999). In simpler terms, they aim to

underline the intentions and nature of engagement between stakeholders and firms.

To view stakeholder engagement not as just an instrumental interaction, but a type

of interaction that involves a minimum recognition and respect of common

humanity (Noland & Philips, 2010:40). The second group called Ethical Strategists

argues that the nature of business should always be aligned with the pursuit of the

good life. Their view is that stakeholder engagement is essential to a firm's strategy

if it is to achieve real success. Ethical Strategists are Aristotelian in style to the extent

that they *'challenge the dogma that ultimate ends of business are only profit'* but

also involves value creation for all stakeholders (ibid, 45). Noland & Philips support

the latter view stressing that although Habermasian view provides valuable insights,

the Aristotelian view offers a practical and *'theoretical basis for including honest,*

open and respectful engagement of stakeholders' as part of a company's strategy

(ibid,49).

The categorization by Donaldson and Preston (1995) has generated significant

debate. Branco and Rodrigues (2007) note the classifications help in simplifying

stakeholder theory, but raises questions of practicality. Instrumental, managerial

and descriptive approaches describe the way things are while normative approach

attempts to prescribe how things ought to be making it not relatable to the other

dimensions. The majority of normative stakeholder theory is grounded in Kant's idea

of respecting each individual's autonomy and the Categorical Imperative that the

'the goodness of an act is the intention which motivated it' if it is to become

universal (L'Etang, 1995:126). As the instrumental approach lacks such a moral core,

Jones & Wicks (1999) proposed a *'convergent stakeholder model'.* Convergent

stakeholder theory addresses the question what kind of stakeholder relationships

are both morally sound and practicable? (ibid, 216). It combines ethical guidelines

with the instrumental strategically driven objectives towards a 'morally acceptable

end' (Pesqueux & Bienfort, 2002). It is a *'theory that is simultaneously morally sound*

in its behavioural prescriptions and instrumentally viable in its economic outcomes'

(Jones *et al.*, 2002:28). Scholl (2001) believes that the convergent stakeholder model seeks to unify the two diverging strands (social sciences and business ethics) into one coherent model for stakeholder research.

In response, prominent authors like Freeman (1999) have argued that rather than focusing on a converging theory, attention should be paid to divergence and generating a wide array of narrative accounts which show that corporations can thrive via stakeholder cooperation. Donaldson (1999) contested that such linkages were not sufficiently strong, while Trevino and Weaver (1999b) claimed Jones and Wickes overstate their case and fail to provide a realistic integrated theory. Gioia (1999a & b) also shared the scepticism concerning claims of integration, and that an idea of a hybrid stakeholder theory lacks credibility with managers who would see it as idealistic and impractical. Such debates underline the confusion regarding conceptual stakeholder theory suggesting by nature it is a *'hybrid with unclear parenthood'* (Scholl, 2001).

In conclusion Stakeholder theory identifies and specifies who exactly the stakeholders are in relation to firms' duties. Normative stakeholder theory provides the moral impetus concerning those persons with a stake in the business' activities. The next theory model defines what these obligations entail.

4.3 Carroll's CSR Pyramid.

Carroll's three-dimensional conceptual model on CSR (1979, 1991) was initially a mode of corporate social performance. It is built on three aspects: first a definition of social responsibility, second identification of the social issues to which these responsibilities answer (that firms are tied), and third specification of the philosophy regarding the response by the firm. Building on previous definitions of CSR Carroll proposed a four-layered framework where CSR motives or actions are portrayed as hierarchical layers of economic, legal, ethical and discretionary responsibilities. According to him the identification of these synergic facets contributes to the concept as a whole. The model seeks to link *'legitimate profit making function with responsibilities that extend beyond basic role of the firm'* (Carroll, 2000:35). Furthermore, it reconciles the idea that business *'can be profitable and [also] ethical'* thus bridging the theoretical gap between shareholder theory, stakeholder management via social responsibility (ibid).

The economic aspect looks at firms being good corporate citizens by being profitable, and is doing what is **required** by a capitalist market. Historically, private sector organizations are created as economic entities to provide services and goods to the public, and make an acceptable profit in the process. Carroll's model (1991, 2000) emphasizes that the socio-capitalist system calls for corporations as a *'basic economic unit of our society'* because of their *'fundamental call to be a profit-*

making enterprise'. This is in accordance with the classical economic idea by Adam

Smith of the invisible hand whereby the pure '*economic responsibility of the firm*

dominates the market...' and eventually turns into '*individual common interests*'

(Sachs et al, 2005: 52). With this in mind it is easy to deduce why for Carroll

economic responsibility of corporations forms the basic layer upon which all other

responsibilities are considered.   The second level on the pyramid is legal

responsibilities which stresses that corporations need to be good law abiding

citizens by following society's codified ethics and do what is **required** by the firm

from its various stakeholders (Carroll, 2000: 35). Such laws embody the basic

notions of fairness or business righteousness as established by lawmakers. Hence as

a '*partial fulfilment of the social contract'* between society and business,

organizations are expected to follow their economic aims within the limits set by

such legal rules (Carroll, 1991: 41). Interestingly this level of responsibility can also

co-exist along with economic responsibility as essential principles of the free market

economy.

While economic and legal obligations also embody ethical assumptions, the next

layer of ethical responsibilities embrace the moral aspect of CSR, and to do what is

expected by stakeholders. It involves going beyond the law and management - and

contains those activities, practices, policies or behaviours that are expected or

prohibited by society, even though they are not codified into law (ibid). Such

responsibilities symbolize those *'standards, norms or expectations'* that reflect

concerns of stakeholders regarding what they view as fair or just with respect to their legitimate expectations (Carroll, 2000: 36). Interestingly, changing ethics or trends precede the codification of law as they provide the driving force for issues to turn into such regulations. This layer of responsibility is ill-defined with regard to their legitimacy which makes it difficult for businesses to deal with. This category is in a *'dynamic interplay'* with legal responsibility- constantly pushing its boundaries while at the same '*placing even higher expectations on [corporations] to operate at levels above that required by law'* (Carroll, 1991: 42).

At the apex is philanthropic responsibility on giving back to society and to do what is **desired** by stakeholders. This category encompasses *'those corporate actions that are in response to society's expectation that businesses be good corporate citizens'* (ibid). Such actions can range from business contributions to the arts, education or the wider community. It is the desire (driven by normative reasons) to help mankind through acts of charity, whether done by private citizens, foundations, or corporations. Payton (1988:32) defines such voluntary giving as '*acts of community to enhance the quality of life and to ensure a better future'*. A subtle distinction exists between ethical and philanthropic responsibilities, where the latter are not expected with the same degree of '*moral force'* (Carroll, 2000: 37). In simpler terms if a firm does not engage in corporate giving to the extent community or certain stakeholders desire them to do so, they will not be perceived as immoral. This makes philanthropic responsibility more discretionary in nature, whereby it does not

carry with it the same *'magnitude of a moral mandate'* as does the ethical tier

(Carroll, 1999: 42).

The 'pyramid model' of CSR openly places emphasis on economic responsibility as

the basic building block undergirding all the other three dimensions. Companies are

expected to fulfil responsibilities simultaneously, which in '*more pragmatic and*

managerial terms' implies firms should strive '*to make a profit, obey the law, be*

ethical and be a good corporate citizen' (Carroll, 1991: 43). In essence these four

facets of CSR are intimately interlinked, albeit in frequent tension with each other[78].

Carroll emphasizes *'each of them is but one facet of what it means to be a good*

corporate citizen' (1998). From a manager's perspective, the consideration of these

separate facets of the paradigm can aid them to view the different type of

obligations expected of them by society. The CSR pyramid provides a blue print, by

focusing on the whole model, firms can engage in actions, decisions and programs

that strive to respond to all four tiers of responsibilities concurrently. Thus, Carroll

seeks to connect the instrumental, managerial and normative types of stakeholder

theory into his CSR pyramid by connecting them to economic, ethical and legal

responsibilities.

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[78] The most critical tensions would be between economic and legal, economic and ethical, and economic and philanthropic. This might be seen by traditionalists as a conflict between the firms concerns for profit making versus the concern for society. Carroll's model recognizes such tension as organizational realities. (Carroll, 1991, 1998).

Carroll's durable model is notable due to its integrative stance specially pertaining to the CSR-stakeholder linkages in the changing business world. First dubbed a model of social performance (1979, 1999) it is a fundamental framework that *'still holds'* and underpins all other alternative developments in the CSR research field (Shum & Yam, 2011: 551). It has led to various different directions of understanding what constitutes as CSR and inspired numerous alternative terms such as corporate sustainability and corporate citizenship[79]. Apart from being widely quoted and debated, the pyramid model is very much relevant, with Carroll applying it to contemporary issues such as the role of MNCs in relation to his '*global CSR pyramid'* and stakeholders (2004), moral management of organizational stakeholders (1991), corporate citizenship (1998) and ethical stakeholdership with Buchholtz (2000).

Schwartz and Carroll (2003) offer an addition to the model when they propose the *'subsumption of the philanthropic or discretionary component under the ethical and/or economic components'* (Branco & Rodrigues, 2007: 10). The emphasis with such a three-domain approach is that a company can engage in philanthropic activities for either ethical and economic reasons; or a combination of both (Schwartz & Carroll, 2003: 507). What this implies is that discretionary philanthropy

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[79] Terms such as corporate sustainability, corporate social performance and corporate citizenship have extended the debates around the roles and responsibilities of business in society concerning CSR. Corporate sustainability can be viewed as a 'business approach that creates long-term value for organization by incorporating economic, environmental and social dimensions into its core business decisions' (Benn & Bolton, 2014:63). Valor defines Corporate Citizenship as a process and ultimately a reality that 'connects business activity to broader social accountability and service for mutual benefit (2005: 193).

act can be driven by normative or instrumental positions or a combination giving

philanthropy a strategic aspect[80].

Secondly, the paradigm has served as a workable base point in theoretical

development such as emergence of various research models like Wood's (1991)

framework, and Wartick and Cochran model (1985) looking at corporate social

performance (CSP). Wartick and Cochran took Carroll's early ideas (1979) of

responsibility, responsiveness and social issues and recast them into a structure of

'*principles, processes and policies*' (Carroll, 1999: 287)[81]. Wood's model builds on

Carroll's three-dimensional model where the principle of CSR is '*multilevel with*

institutional, organizational and individual managerial components' (Logsdon &

Yuthas', 1997)[82]. Wood criticized Carroll's phases of responsibility as she viewed such

responsibilities as *'delimited and…..isolated domains'* (1991: 699). According to

Wood, Carroll is able to show the interactions between business and society but fails

to illustrate their interconnectedness (ibid: 695). However, Wood's framework is

based on Carroll's original social performance framework. The model depicts the

same areas and ideas of social responsibility but with different terminology.

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[80] Strategic philanthropy is when companies see CSR as a means of social investing or building reputational capital in anticipation of economic returns to the firm. This shifts the notion of philanthropy from voluntary to strategic.
[81] Essentially what Wartick and Cochran proposed was that the ethical component of Carroll's social responsibility should be viewed as principles. Social responsiveness be regarded as processes and social issues as policies (1985: 767).
[82] Wood's CSP approach, might be seen as extension of CSR that focuses on actual results achieved rather than the general notion of businesses' (Visser et al, 2010). At the institutional level organizations need to be concerned with their legitimacy in fulfilling certain obligations in the social system; on the organizational level firms must be concerned about defining scope of their specific areas of responsibility; and finally, at the individual managerial level managers must makes choices on how to make the firm responsible (Wood, 1991).

Carroll's pyramid model has generated significant debate on its ambiguity and limitations over the years. Hockerts et al, (2008) argue that there is no need to represent CSR as a hierarchy as there are weak or no links between responsibilities involved in each level. Visser (2006) attempted to apply Carroll's model to the context of Africa questioning the universality of it. He noted that the CSR pyramid has been applied in America only, diminishing its global application. For Africa, the CSR pyramid was reconstructed to manifest local reality, with philanthropic responsibility taking precedence over legal responsibility (ibid: 40). Additionally, Visser viewed Carroll's model lacking in conceptual clarity and descriptive accuracy, ignoring the differences in culture across countries (ibid, 45)[83]. Nalband & Al Kelabi (2014) agree with Vissar and propose a revised version of Carroll's model by placing legal responsibility as the basic responsibility (ibid, 237). By doing so they place emphasis on the environment and cultural context wherein businesses are operating, and its effect on top management and relevant stakeholders.

4.4 Theory of Logic of Practice

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[83] Visser's criticism of Carroll is two-tonged. He believes it lacks in conceptual clarity, illustrated by the fact it integrates numerous themes such as corporate citizenship, business ethics and stakeholder management. By combining them it seems Carroll is trying to establish a one fits all relationship between society and business in such a way that lacks clarity and doesn't take into account newer issues like environment. Secondly, for Visser the CSR pyramid is devoid of descriptive clarity as it fails to explain for instance why American culture of philanthropy is different from the European.

The third chosen meso model is Pierre Bourdieu's theory of Logic of Practice centred on his Habitus concept. Bourdieu's ideas enclose sociological roots, in understanding the concept of culture and strive to bring together concepts of agency and structure. The original premise of his writings lay in suppressing the divide between objective and subjective positions within social sciences. His work was a reaction to *'overcome the pernicious dualism between objectivism and subjectivism exemplified in France by the Levi-Strauss [*and his structuralism*] and Sartre [*with his existentialism*]'* (King, 2000: 417). Bourdieu refers to the opposition between subjectivism and objectivism as artificially dividing the social sciences and as '*being the most fundamental and the most ruinous'* (1990b: 25). His ideas such as Habitus, Field, Capital and Practical Theory were in response to develop a critical distance between the two opposing ideas of culture dominating the French intellectual world in 1950's[84]. He stressed in order '*to move beyond the antagonism between these two modes of knowledge'*, the answer lay in the '*ordinary experience of the social world'* which is encapsulated in the idea of Habitus (ibid).

For Bourdieu (1990b: 53) conditionings associated with a particular class of conditions of existence produce the Habitus, which he defines as a:

'systems of durable, transposable dispositions, structured structures predisposed to function as structuring structures, that is, as principles which generate and organize practices and representations that can be objectively adapted to their outcomes

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[84] For Bourdieu the Structuralist explanation lacked agency, which Habitus than builds upon showing that actors '*act strategically and practically' rather than as conformists to an external set of rules'* (Swartz, 2002: 625). His criticism of Sartre's existentialism rested upon the rejection of all internal subjectivist views of human action that would depict social action arising from subjective roots, independent of social influence.

without presupposing a conscious aiming at ends or an express mastery of the operations necessary in order to attain them'.

Habitus is for Bourdieu a property of actors (individuals or groups) that encompass *'a structured structure and structuring structure'* (Bourdieu, 1990a:170). It is structured by one's past situation where schemas and dispositions are internalized through primary socialization experiences in the context of objective structures such as family and education. This leads to the formation of one's habitus which once established is not easily changed. The second aspect of structuring structure looks at how one's *habitus* determines future practice within those very objective structures they grew up in. The internalized dispositions, forms of know-how and competence generate new forms of action, reflecting the original socialization experiences (acquired in childhood)[85]. A person's habitus is responsible for all the actions and thoughts of that person; and activities of human beings even the most revolutionary are determined by the objective structures of the world they grew up in (Bourdieu, 1984:82). Those internalized dispositions is *'first the result of an organizing action with a meaning close to that of words such as structure; it also designates a way of being, a habitual state (especially of the body) and, in particular, a predisposition, tendency, propensity or inclination'* (Bourdieu, 1977:214). The term is meant to suggest *capability* or *reliability*, a way of thinking of habit that shape action when evoked. Moreover it implies that past socialization 'predisposes' people to act out in

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[85] Bourdieu ideas on internalization and socialization process by which habitus is formed, is similar to Mead (1934) and Blumer's (1969) symbolic interactionist tradition concerning the formation of self-identity (Swartz, 2002:635).

a certain way, reflecting what they have internalized but it does not determine them to do so. Bourdieu stresses that dispositions embodying Habitus shape and orient human action, but do not determine it.

Hence the structuring structure is systemically ordered and consists of dispositions and practices, which only emerge when the *habitus* interacts with a field (social space). Habitus is but one part of the equation that attempts to explain human action. Bourdieu outlines two additional concepts to complete his theory of action- capital and field; indicating that habits are a driving force of human conduct but not the exclusive factor. As outlined in his work in Distinction (1984: 101) the theory can be demonstrated in a simple equation:

Habitus (Capital) +Field = Practice

In addition to Habitus, the internalized dispositions require power resources that motivate individuals to acts. Bourdieu refers to them as forms of capital of different kinds such as economic, political, cultural, social and symbolic capital. The dispositions within Habitus draw on different types of capitals to enact action and determine one's place in the field. The definition of cultural capital is very wide for Bourdieu and can include *'material things (which have symbolic value) as well as untouchable but culturally significant attributes…along with cultural capital….For Bourdieu capital acts as a social relation within a system of exchange…'* (Harker et

al, 1990: 1). The various forms of capital are unequally distributed through social classes resulting in different types of expectations, opportunities of practice. Habituses are created with particular types and volume of capital. In turn the sort and size of capital available coupled with dispositions determine a person's position in a field and shape the possibilities for action. Finally, the value or otherwise specific forms of capital is determined within and often confined to a specific field, although overlapping does happen.

The third concept of cultural fields can be viewed as social spaces in which interactions, transactions and events (Bourdieu, 2005[2000]:148) of individuals occur. He attempts to define cultural field as a *'structured social space, a field of forces, a force field. It contains people who dominate and people who are dominated. All the individuals in this universe bring to the completion all the (relative) power at their disposal. It is this power that defines their position in the field and, as a result their strategies'* (1998c:40-41). Hence the social space can be envisaged as an area of land, a battle field and/or a field of knowledge referred to as '*Le Champ'* by Bourdieu himself. In simpler terms fields refers to a series of '*discourses, institutions, values, rules and regulations [constituting of an objective hierarchy]…which produce and transform attitudes and practices known as cultural fields'* (Web, Schirato & Danaher, 2002:21).

Fields are understood to be fluid and dynamic rather than static entities (focusing on the interactions between institutions, rules and practices) as they are always being changed both by internal practices and politics and due to their convergence with other fields (Ibid: 22). Bourdieu thinks of society as a complex arrangement of many types of fields; they are competitive arenas of struggle over different kinds of capital. Furthermore, fields are constituted by, or out of, the conflict which is present when groups or individuals attempt to determine what constitutes as capital within a certain field and how such capital should be distributed. Two concepts make up the composition of cultural fields and shed light on how individuals compete and struggle over various forms of capital with each other. The first one is *illusio* which can explained as the *'more or less unthinking commitment to the logic, values and capital of a field'* or in other words playing the social game of the field (ibid: 26). Bourdieu refers it *'the fact of being caught up in and by the game…of believing the game is worth the candle,…that playing is worth the effort'* (1998: 76-77). The second concept of *doxa* concerns a set of core values and discourses which a field articulates as its fundamental principles. The *doxa* is viewed as inherently necessary and true until the field has to go through a gradual transformation due to external and internal pressures from an autonomous field to a heteronomous one. Bourdieu suggests such 'doxic attitude' implies bodily and unconscious submission to conditions that are in fact quite random and contingent, where the 'natural and social world appears as self-evident' (1977:164). In other words, it denotes what is taken for granted by individuals and society.

Practices are the result of an '*unconscious relationship*' between *habitus* and field, or in simpler terms of relations between one's *habitus* and current circumstances (Bourdieu, 1993b:76). He further adds that '*on one side it is a relation of conditioning; the field structures the habitus...On the other side, it is a relation of knowledge or cognitive construction. Habitus contributes to constituting the field as a meaningful world*' (Bourdieu & Wacquant, 1992:127). Conditioned by our *habitus*, our practices emerge when we act within a field(s), and seek to explain our rightful place in the social world (ibid: 57). Bourdieu's theory '*conceptualizes human action as the outcome of a complex relationship between habitus, capital and field*' underlining the intricate intersection of the three ideas' (Swartz, 2002:65). *Habitus* is an enigmatic and misused concept that is central to Bourdieu's field theory, and its aims are twofold. First it is '*intended to transcend a series of deep-seated dichotomies that shape ways of thinking about the social world*'; and it provide a means of *analyzing 'the workings of the social world through empirical investigations*' (Maton, 2008:48). *Habitus* asks the questions, from a Kantian perspective how social structure and individual agency can be reconciled or in Durkheim's terms, how the outer social and inner self help to shape the other? Bourdieu argues that habitus- a product of history- sheds light on the continuous dialectical relationship between individual agency and objectives structures that determine human conduct.

Through this idea, Bourdieu proposes a symbolic power that addresses the linkages between culture, power, social (objective) structure and actions. Bourdieu uses the metaphor *field of power* for the ways in which cultural fields actually conduct themselves. For him power operates as a 'meta field or macro concept' to explain the way in which people and institutions relate and interact with one another and whole social field. The field of power acts as a configuration of all kinds of capital that shape relations and practices. And by doing so places power at the heart of the functioning of Habitus as it encompasses unconscious calculation of what is possible, impossible and probable for individuals in their specific field locations. As Bourdieu explains, '*the relation to what is possible is a relation to power*' (Bourdieu, 1990b).

For Bourdieu, power lies at the heart of all social life and all cultural symbols and practices embody interests and function to enhance social distinctions (Swartz, 1997). His Habitus model is not only a critical assessment of the French intellectual tradition but also draws on ideas of Weber, Marx and Durkheim (Grenfell, 2008:46). Initially his thinking starts with Marx but proceeds to draw more substantively from Durkheim and Weber. Like Marx he adopted a critical approach in constructing his social theory, and with the forms of false consciousness of power relations and how symbolic systems fulfil functions of domination and creating social inequality. Weber's influence is apparent in Bourdieu's model of culture and social life where he uses the latter's 'political economy of religion', to explain the sociology of culture. Additionally, Weber's idea of religious interests permitted Bourdieu to develop his religious capital and cultural capital concept as irreducible forms of power. He

extends the concept of capital beyond economic meaning to include non- material,

for instance his cultural capital idea contains verbal facility, scientific knowledge and

general cultural awareness. In essence, '*culture can become a power resource*' for

human action (Swartz, 1997:43).

Bourdieu like Durkheim, believes that there is no clear distinction between sociology

and anthropology. He adopts the same position as Durkheim that *'science must*

break with everyday understandings...of social life in order to establish a genuinely

scientific explanation' (ibid: 46). Unlike Durkheim's objectivism, he does include

subjective individual representation in his study of society. Bourdieu borrows

Durkheimian notions of division of labour to distinguish between highly

differentiated and traditionally undifferentiated societies; and how in the former

culture becomes akin to class and status-group subculture while in the latter the

'*conceptual reach*' of habitus is more macro *'producing the entire societal culture'*

(ibid: 114). He uses the idea of historical transition from undifferentiated societies to

modern societies where different cultural expressions become differentiated into

'*relatively autonomous fields*' (ibid:47). For instance, Bourdieu in his work on Algeria

-a traditional undifferentiated society- saw that the conceptual reach of *Habitus* was

broader due to its homogenous structure, reproducing the '*entire societal culture'*

(ibid:114). In complex differentiated societies such as France the case would be

different where habitus 'becomes akin to class and structure-group subculture due

to different competing fields (ibid: 114). Secondly, he applies the profane/sacred

notion to describe contemporary cultural forms in the French schooling system

questioning the equal accessibility of agents to all social fields. Bourdieu explains,

'agents shape their aspirations according to concrete indices of the accessible and

the inaccessible of what is and is not 'for us', a division as fundamental and as

fundamentally recognized as that between the sacred and the profane (1990b).

His work on agency and structure he not only marries ideas of Durkheim, Weber and

Marx but also through his view of the social world reaffirms the essential influence

of Kant on his thinking. *Habitus* sheds a light on the way humans feel, act, think and

being, carrying their history within them to the present circumstances affecting the

choices made and not made. This *Habitus* (culture) engenders a sociological gaze by

helping to transform our ways of seeing the social world. It aims to overcome the

dichotomies between social and individual, objective and subjective, and structure

and agency whereby human action is integrated into a single conceptual movement

(Swartz, 1997: 9). This is done by the underpinning of the '*relational'* mode of

thought where '*relation between'* rather than either/or matter greatly. Bourdieu

aims to show *Habitus* as a mediating link between the dualisms, *'bringing together*

the existence of social regularities with the experience of agency' (ibid: 54).

The application of Bourdieu's sociological theory has been far and wide ranging from

fields of sports; philosophy; gender studies; education; cultural theory; and film and

media. Nonetheless the eclectic stance in his works also has received mixed

reception ranging from the critics' inability to understand satisfactorily his body of work to his complicated writing style. The main argument stems from his attempt to supersede the impasse between objectivism and subjectivism. On one hand, there are academics that focus on the notion that his works have indeed come a long way in overcoming the dualism of structure and agency (Harker, 1984; Wacquant, 1987; Taylor, 1993). On the other hand, critics refute that his writings -especially Habitus- slips back into exactly the kind of objectivism Bourdieu refutes (Schatzki, 1987, 1997; Bouveresse, 1995; Brubaker 1985; Jenkins, 1982, 1993; Di Maggio, 1979). In comparison to his

Practical Theory, they argue that the '*residue of objectivism'* can be seen in the notion of Habitus whereby Bourdieu reinstates the importance of structure thus making his *'retreat to objectivism and the Habitus becomes the key vehicle for that retreat'* (King: 2000:423).[86]

4.5 Conclusion

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[86] King (2000) believes Practical Theory see's Bourdieu place emphasis on the intersubjective practice between individuals devoid of objective structures and rules. By replacing agency and structure with interacting social individuals Bourdieu overcomes many of the dualisms of conventional social theory. Yet in the concept of Habitus the retreat into objective structures, by acknowledging that society no longer consists of intersubjective nature of social life. But is instead a dialectic between practice and structure, whereby we have to think about practice and structure together (ibid, 422).

The crucial similarity between the three theoretical models lies in the fact that they all focus on the systemic study of social action in the wider frame of the business-society interface. Like most social science theories, they are a tool to better describe the social world and foster better action. In this case, the large-scale human actions of individuals whether as managers, group members or stakeholders is analysed (Howell, 2013: 20). Both Bourdieu's theory of logic of practice framework and the pyramid model by Carroll, focus on the people within an organization and how they interact with each other and the outer world. Normative stakeholdership focuses on the other side of equation the people, community and society at large that interact with these firms on issues of responsibility and obligation. By using the organization as the common binding element, the three models aim to question and study ethical activities of Pakistani SMEs, within the wider social responsibility construct.

Bourdieu's Theory of Logic of Practice will help to shed light on the reasons and motivations behind SMEs owner-managers to be socially responsible agents. It will indicate how SME leader do practice with the interaction of Field, Capital and Habitus. Does their social and cultural history play a part? Is their position with in the business field important and how do they navigate and survive in the field with different Capitals available to them? How does that explain their actions as SMEs owner-managers? Specifically, in regard to linkages between Habitus and CSR, the firm's organizational structure plays a crucial part in how employees interact with each other and wider society. This is particularly important in the context of SMEs as

most of them are family owned enterprises, whereby the habitus of the SMEs leader

will be the main influence in how the business is run (Bolton Report, 1971). The

social responsibility of the owner-manager is what essentially drives the activities of

the SMEs as they see themselves as providers of employment and services (Spence

& Rutherfoord, 2000; Spence et al, 2003). If the owner-manager is inclined towards

being 'socially responsible' through early conditioning, internalized dispositions and

schemas that makes up their Habitus. For instance, children brought up in an

athletic family are more likely to develop their own sports abilities. If the same logic

is applied to business owner-managers, one can say that someone raised in a family

that runs a business are more likely to acquire the dispositions and know-how of

running a business. If the parents have implemented socially responsible activities

(such as close interpersonal links with their stakeholders) the child will internalize

this as part of their family conditioning and follow suit when they would take over

the company. In this aspect, Habitus is crucial in clarifying the inner culture (values

and schemas) of business owners and how they view their social responsibility

towards society. Secondly, it helps to explain the driving force behind business

activities such as

 CSR.

Personal habitus can also be a source of competitive advantage for the SMEs as

''*strong core managerial values … define the way they conduct business'* (Barney,

1986). Although organizational culture has mainly been attributed to large

formalized companies, in SMEs organizational culture can also take root as usually it consists of smaller management teams Bunker & MacGregor, 2000). If the SMEs leader employs similar habitus carrying individuals this can lead to patterns of shared assumptions and internalized dispositions, with the owner-manager as the main driving force. Due to the informal and different organizational structure of such companies any culture creation can be traced back to its source- the owner-manager. The aspect of who runs the company and their respective Habitus points to the vital role played by leadership. Schein (2003) believes type of leadership is crucial, where the values and beliefs of a [moral] leader can lead to shared beliefs and assumptions for the group. In this way leadership can create a [ethical] corporate culture of being socially responsible and taking legitimate stakeholder concerns in consideration when creating CSR policies[87]. Van Aaken et al (2013), see Bourdieu's concept of social practice further pointing to the crucial role played by leadership in activating CSR driven policies that results in increase of social or cultural capital.

Bourdieu's model will also provide linkages with Social capital theory and its relevance to the study of SMEs. Numerous academics (Sen & Cowley, 2013; Fuller & Tian, 2006; Spence et al, 2003; Spence et al, 2014; Nahapiet & Ghoshal, 1998;

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[87] For Schein, the critical part of culture is its deep linkage with leadership (1983b, 2003). Schein considers leadership and culture as two sides of the same coin, whereby the actions, norms and values of a strong leader create and manage an organizational culture. He believes that cultures begin with charismatic leaders who impose their own individual values and assumptions on a group.

Murillo & Lozano, 2006; Aragon et al, 2016) have suggested that Social capital would

be a better theoretical position to understand the workings and context of SMEs.

They tend to use Putnam's stance on social capital while the application for

Bourdieu's model is scarce (Coleman 1990). Bourdieu's model focuses on the role

played by different form of capital in the reproduction of unequal power relations.

CSR in this context can be seen, like all practices as a pro-social practice, with an

attempt to acquire or transform capital. Bourdieu argues such socially shaped

activities performed by individual actors, can include giving donations, organizing

charity dinner or investing in philanthropic activities (Bourdieu, 1977; 1990b). Thus

Bourdieu regards social capital as an attribute of an individual while Putnam (1993)

regards it as an attribute of the community (Sen & Cowley, 2013: 416). By utilizing

Theory of Logic of Practice and Stakeholder Theory simultaneously the aim is to

compare and contrast the relevance and applicability of two theories in explaining

pro-social behaviour done by Pakistani SMEs.

Stakeholder theory and CSR literature often intertwine when it comes to the field of

business and society. CSR literature is partly built on stakeholder literature and vice-

versa; they are intertwined (Kakabadse et al, 2005: 288). Both disciplines have

heavily relied and borrowed on ideas from each other with Carroll integrating

stakeholders into his pyramid model (1998) to stakeholder management utilizing

ideas of social responsibility and social obligation. Carroll explicitly states that *'there*

is a 'natural fit between the idea of [CSR] and an organization's stakeholders...the

concept of stakeholder personalizes social responsibilities by specifying groups or

persons to whom companies are responsible and should be responsive' (Carroll,

1991: 43). If CSR lays out *what* responsibilities business ought to fulfil towards

society, stakeholder theory delineates exactly towards *whom* business should be

accountable to regarding these responsibilities. The normative stance of

stakeholdership adds the moral dimension to the interaction between business and

society.

CSR is also regarded as dynamic ongoing process reflecting the changing

environments and needs of society (Carroll, 1999). As the relationship with

environment changes, the responsibilities towards the stakeholders change as well.

In this context, CSR can be pictured as the product, under continual review, which

emerges from the cycles of dialogue between the firm and its stakeholders (Wheeler

& Sillanpaa, 1998). Furthermore, the pyramid model depicts the historical and

evolutionary business perspective and in a sense should be used as a starting point

for future CSR theoretical work. And although the evolution of CSR has shifted

attention to responsiveness and other alternate development, it is clear to see that

Carroll's framework, regardless of criticism, is still very much popular.

In light of the CSR pyramid model with a strong emphasis on ethical and

philanthropic responsibilities, normative (narrow) stakeholder construct seems to be

the best fit. Normative stakeholder theory looks at external or secondary

stakeholders i.e. groups that are not part of the business but gets affected by and have a stake in its activities. Both models count heavily on Kantian notion of duty and obligation where stakeholders are to be treated as ends in itself and not as means to some other end. Additionally, Kant's concept of goodwill and Categorical Imperative are applied to the normative aspect to stakeholder theory, and how that translates into ethical and philanthropic responsibilities. Carroll places emphasises within the ethical responsibility category, on normative ethics which managers cannot ignore (1998:4). He believes firms need to be '*more interested in what should be done than what is being done*' to be good corporate citizens (ibid). Nonetheless one cannot ignore the fact that Carroll's model has essentially an instrumental aspect as he gives primacy to economic responsibility as basis of the pyramid. Carroll's model presents a realistic (dynamic) face of CSR where it is impossible to overlook that economic responsibility is the principle role of any enterprise. As basic economic entity of the socio-capitalist system, businesses cannot overlook its primary aim – to make profits for shareholders.

All other business responsibilities are predicted upon the economic aspect and without it enterprises are unable to cater to stakeholder expectations. In this aspect, the CSR pyramid construct brings together the shareholder and stakeholder perspectives; whereby economic responsibility answers to shareholders (who are in fact primary stakeholders as they have direct stake in the enterprise); which than

leads to responsibilities towards secondary stakeholders[88].   Hence, Carroll's model

has a teleological element as the main goal for any business is to fulfil its

fundamental responsibility- profit maximization and having successfully done so it

can accomplish the remaining responsibilities to the wider stakeholder community.

With this in mind, one can say that Carroll's model in fact attempts to bring together

normative and instrumental stakeholdership into a singular model similar to the

convergent stakeholder theory model.

For this research, the author agrees with Jones (1999) and Jenkins (2006)

assessment that normative stakeholder management and CSR complement each

other theoretically; to explain the motivation and engagement of SMEs in socially

responsible activities[89]. Furthermore, as SMEs are unique enterprises dependent on

size; ownership structure; entrepreneurial drive; and sector and are generally more

adaptive to market changes it is imperative to study the habitus of SME owner-

managers. Issues like (political) national context, historical development and

personal networks with stakeholders would certainly have an effect on the culture

of SMEs. In this way, the three models come together with a focus on SME's and

provide the unique theoretical tools to study- firstly how do SME's identify

stakeholders, their concerns and what kind of relationship do they have with such

stakeholders. Secondly which of Carroll's obligations are crucial in relation to

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[88] Primary or internal stakeholders are groups within a business or people who work directly within the business, such as employees, owners, and investors.
[89] Normative stakeholder model deliver the moral dimension (legitimate) to the rights and expectation of those stakeholders.

responsible decision-making within SMEs. What role do the personal characteristics

and influence of SMEs leader play in the creation of culture? Is there presence of

inherent conflict of interest between the owner-manager's personal needs and the

business? (Fassin, 2008:

366). And finally does this play a part in how SMEs orient their CSR policies?

In connection with SMEs, normative stakeholder theory and CSR pyramid model are

pertinent to this research, as that is where the most current and challenging debates

on corporate morality are taking place. Bourdieu's Habitus paradigm can aid in

explaining how the inner culture of SME leaders play in part in a company being

socially responsible. Moreover, it can shed light on the role of leadership in creating

organizational culture in SMEs. Carroll's model can explicate to what extent SMEs

regard the four responsibilities as fundamental for doing business and responding to

stakeholder needs. The criticism by Visser (2004) questioning the universality of the

CSR pyramid, is a good indicator that the four responsibilities outlined will be

understood quite differently (and perhaps not in the same order) in the context of

emerging economies. This highlights the possibility that '*divergent views traceable

to different cultures'* will emerge, as the CSR pyramid is applied globally and cross-

culturally (Carroll, 2004).

Chapter V. Methodology

5.1 Introduction

The preceding chapter dealt with guiding theories as part of the overall research design; and this chapter focuses on philosophical foundations of the research. The chapter will identify and provide arguments supporting the distinct philosophical position adopted for the research (objective or interpretivist stances), leading to a particular paradigm of inquiry. This will be followed by analysing the appropriate methodology (guided by the philosophical position) which will direct towards the relevant methods of data collection. Hence this chapter aims to link the research topic with the wider framework of ontological, epistemological and methodological positions i.e. the research design.

Firstly, the distinctions between reality, truth, knowledge and theory will be discussed, which have led to different paradigms of inquiry and subsequent

methodological approaches applicable for research. The following section will briefly look at the chosen paradigm of inquiry - Critical Theory. Linkages will be made between theory of communicative action and CSR occurring in EMEs. The subsequent section will discuss the relevance of Gadamer's PH in relation to the research topic. Finally, linkages will be made between essential components of the research design- CSR trends in emerging markets, critical theory paradigm and PH as the methodology that will feed into the emergence of the theoretical model.

5.2 Philosophical Position:

Kuhn (1970) defines paradigms of inquiry as *'universally recognized scientific achievements that, for a time, provide model problems and solutions for a community of researchers'[90]*. Guba (1990) states them as an interpretative framework, *a 'basic set of beliefs that guides action'*. These research paradigms constitute of three main principles; ontology (what is the nature or form of reality?), epistemology (the relationship existing between researcher and what can be known) and methodology (how do we attain knowledge of what is known?). These beliefs undoubtedly shape how the researcher sees the world and acts in it. The sum of these three premises i.e. a distinct paradigm of inquiry determines the investigator

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[90] In other words, accepted practice regarding law, theories and applications provide the basis of scientific research (how it should be conducted and what knowledge requires).

how to do just that. The interlinked concepts of reality, truth, knowledge and theory are the building blocks of the major paradigms. What is the relationship between the world and thought? To what degree does an external reality exists, and the implications this has for the researcher, his/her idea of truth and knowledge? The four concepts are considered contingent and based on human perception and experience for 'truth in itself is constructed', *Verum ipso factum* (Howell, 2013). Furthermore, the views regarding the nature of reality and role played by theory have an impact on methodology and methods when used in a certain project. In short, reality and truth show how the world is (ontology and epistemology) and dictate methodology which is the testing or developing of knowledge that the investigator believes to be true.

Whether or not the world has a *'real'* existence outside of human experience of that world is an open question with countless answers (Denzin & Lincoln, 2011). In all the paradigms of inquiry the referent is the physical or empirical world and the rational engagement with it along with the observation and experience of it. Reality is interlinked with knowledge and can be explained as either being separate from the mind or being a construction of it. In other words, if reality and the world are mind-independent to individuals than that perspective has objective tendencies; and if individuals believe reality to be a construction of mind i.e. there is a link between the mind and reality than the position is more subjective in nature. Positivism views the world from an objective view while phenomenology adheres to the flawed

human apprehension of it i.e. world is very much a subjective creation of the mind.

Truth on the other hand is a difficult concept to pin down and depends on the

individual's perception and understandings of reality. So, for an individual their

version of reality will be the *'truth'*, while for others that would be false. Truth is an

expression of reality at a given point in time and yet it is subject to change (historical

process) as notions of what constitutes as reality change as well (Howell, 2013).

Knowledge is the sum of our experiences, comprehension of the world as to why

reality and truth are the way they are. Knowledge includes understanding facts that

are derived from data as well as an individual's own thought processes. In simpler

terms knowledge gives the validation of what reality and truth is for each person.

Finally, Theory like truth is not eternal and changes over time. While Truth (reality)

sees how the world is, theory involves a way of viewing or reflecting on the world

(ibid). Theory identifies knowledge of how the world is by providing means of

looking at it; and in fact, no difference exists between knowledge and truth. Theory

provides the means of clarifying or giving connotation to understandings and

experiences derived from data and the world around us. Such hypotheses describe

the facts and can be expressed through immutable laws or social creations and in

sum are ways of reflecting reality, truth and/or knowledge (ibid).

Taking note from Plato and his views on knowledge being a recollection process

remembered by the soul, Enlightenment thinkers such as Kant expanded on the

connection between reality, truth and theory by identifying the existence of reality.

Kant thought objects were mere representations of the mind with no independent

existence outside one's mind. He believed this idea of 'Critical Thinking' developed

self-knowledge- in which one's own *'inherited thoughts, prejudices and traditions*

were combined with received doctrines and systems' (ibid). For Kant Enlightenment

meant opening one's mind and to think for one's self and have *'one's own*

understanding without the guidance of another' (Kant, 1995:54). This kind of

freedom, where thinking for oneself leads to truth, knowledge and understanding of

not only one's true self but also others and the world. He termed it the enlarged

concept where the imagination is extended to consider the judgement or opinions of

others and form one's own general view point (Howell, 2008). By adopting a critical

stance in one's own thoughts and that of others, objectivity can be achieved, but

this objectivity depends on accepting the subjectivity of others. Hence one cannot

be objective without the context of the subjective.

Regarding objectivity, the Empiricists (Bacon, Hobbes, Locke, and Hume) considered

that experience and observation were starting points when studying external reality

and that *'human consciousness which is subjective is not accessible to science and*

thus not truly knowable' (Polkinghorne, 1989). An external/objective origin of the

world was assumed, where understanding was derived from experience.

Additionally, any genuine knowledge could be tested and measured by experience,

enabling prediction and control. This type of inductive (posterior) knowledge was

validated by empirical evidence. Empiricism incorporated the underpinnings for positivism, stressing experience provides foundation for knowledge and how we understand the world. Whereas, Kant and Schopenhauer, considered the world to be deductive (subjective in origin), where knowledge was separate from experience (priori). Both stressed the synthesis of external and internal worlds in understanding truth, knowledge and reality. Schopenhauer believed the object and subject are the same in fact where the object is conditioned by the subject and the subject in turn is identified or known by the object. He added that they are two sides of the same coin, considered from two opposite points of view (Schopenhauer, 1966).

The starting point for Hegelian notion of subjectivity was the naive mind's emergent understanding of external reality - and of others (Howell, 2013). He specified that humans are only able to recognize a total concept of *'self'* due to their interaction with others. By interacting with others, can one understand its' own subjectivity and hence become objective in their viewpoint. Humans need a complimentary objective stance to provide an understanding of its own reality, for subjective awareness of self is not enough to enable self-consciousness (how human perceive themselves in this world). Without this recognition, there is no objective truth (mutual recognition), that is the identification of *'self'* and *'others'* in the world (ibid).

5.2.1 Phenomenology:

Phenomenology, a product of 20th century continental philosophy is both a philosophy and methodology -dependent on one's ontological and epistemological position. It is a rejection of science and stresses interaction between self and the world from a subjective stance. One is able to understand oneself as more than a bit of the world, where one is a *'sociological and biological entity that cannot shut out the world and exist in the realm of science'* (Howell, 2013: 69). With regard to the growth and application of phenomenology, it fair to say that it has had a long, controversial and often confusing history within the social sciences (Rehorick &Taylor, 1995). A distinctive description of phenomenology is '*dangerous and perhaps even paradoxical as it lacks a thematic focus…it is not a doctrine, nor a philosophical school, but rather a style of thought, a method, an open and ever-renewed experience having different results* (Farina, 2014: 50).

The fundamental division between the positivism, post-positivism and PH is that the latter believes '*being-in-the-w*orld' rather than external to it (Howell, 2008: 20). The emphasis is on to enlarge and deepen the understanding of inner experiences and meaning of the subject vis-a-vis the object. This *essence of consciousness (*where each experience is an act of consciousness for the subject) is central to what phenomenology is. Phenomenology is essentially an *'analytical reflection [that] starts from our experience of the world and goes back to the subject as to a condition of possibility distinct from that experience, revealing the all-embracing synthesis as that without there would be no world'* (Merleau-Ponty, 1999, ix).

Goulding (2005) explains that phenomenology is a critical reflection on conscious experience, rather than subconscious motivation, and is designed to uncover the essential invariant features of that experience. Within phenomenology itself there are three focal distinctions- Husserl's transcendental phenomenology, Heidegger's hermeneutical stance and Merleau-Ponty's idea of perception.

Husserl's version of phenomenology depends on mundane experiences in the life-world (*the world each one of us lives in*), on a daily basis as this is '*a life-world which included everything that is taken for granted and normally not reflected upon in the attitude of common sense*' (Howell, 2013). He identifies intentionality as the essence of consciousness involving the relationship between an act by subject in relation to the object. The intent of the subject to interact with the object gives it meaning or recognition. That is you approach something with preconceptions and pre-understanding, which gives intelligibility to everything individuals encounter (Howell, 2008). Husserlian phenomenology weaves consciousness experienced and meaning together; through meaning we are presented with a structured world which includes ourselves (Husserl, 1969). In other words, the mind understands that even a real world exists, it can only exist through transcendental subjectivity (ibid: 12). Thus, transcendental phenomenology is about inquiring '*into the ultimate source of all the formations of knowledge and the knower reflecting on self and life*' (Howell, 2013: 62).

Merleau-Ponty investigated whether science was capable of providing humanity with a complete picture of the world. He wanted to see if the scientific approach to reality could be used without measurements or experiments. Applying Husserlian methods, Merleau-Ponty looked to expose the *'roots of rationality'*, that contained *'re-awakening of an understanding of the original acts whereby humans come to awareness in the world '* (Moran, 2008: 400). He understood phenomenology as the study of essences and that all problems amount to finding definitions of these essences i.e. essence of consciousness or perception. His is a concept of a world already existing prior to reflection or thought as an *'inalienable presence'*, where the subject will be guided in his inquiry of what he seeks because he already knows the meaning of that object (same as Heidegger). The aim is to directly re-establish contact with world and through this give it philosophical distinction (Howell, 2013: 69).[91] Merleau- Ponty struggles to join objective and subjective approaches to reality by perceiving the world as 'being there' before human analysis, with no sort of prior reality (Howell, 2008). But he stresses that this analysis should move inwards underlined by phenomenology and away from the outer outlook stance taken by the positivist camp.

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[91] Merleau-Ponty believes that the meaning of an entity should be known beforehand to the inquirer and must already be available in some way. Moran (2008:403) views this as Merleau Ponty emphasizing *'the inseparability of self and the world' where individuals should be viewed as 'integrated into the natural order, as fundamentally belonging to the world, though not ,merely as objects in the world as their presence generates the social world of culture'.*

Heidegger's work is deeply rooted in *Being and Time* (1927/2010) in which he

stresses that interpretation was essential when studying social beings. His

hermeneutical phenomenology revolves around the idea of **Dasien** which also

stressed on intentionality but said that intelligence (pre-conceived notions) actually

directed individuals at the world[92]. It is *'event of world manifestation and as soon as*

*a being such as **Dasien** exists, than a world exists'* (Howell, 2013). Heidegger came

up with his theory because he believed Husserl was too subjective in his approach.

While Husserl emphasized the meaning of experiences, Heidegger considered

consciousness and world are not separate entities but a holistic construction of lived

experience (ibid).[93]For Husserl intentionally is implied when the human mind is

directed at objects leading to pre-understanding or mental content that give

meaning to then objects. Heidegger's intentionality is slightly altered in that the

mental content directs the individual mind at the world and bestows meaning to

everyday activities. In this way his work aims to penetrate the pre-suppositions

which shape our understanding of reality. Thus, for both Heidegger and Merleau-

Ponty an external reality is already present, where there is no distinction between

the world itself and individual.

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[92] Dasien can be perceived as human existence instead of a thing or an object. Heidegger describes it as human existence that is *'happening'* a life story unfolding between *'birth and death'*; giving Dasien a historicity aspect in relation to the life course (Heidegger, 2010: 247).

[93] Caputo states that the difference between Husserl's and Heidegger's phenomenology was that in the latter it was rendered explicit 'the implicit clues that organize understanding, identifying the horizon of Being that allows entities to appear as they are and then explicates the implicit clue around which that horizon is organized and by which it is nourished, which is meaning of the Being of those entities (1999: 225).

Heidegger believed that we are in the world and there was not distinction between the object and subject, because *'Being-in-the-world rendered this distinction obsolete'* (ibid: 65). As human beings, the world and individual are continually linked with one another; we are in the world being both object and subject and at one with the world. What is important is our existence within the world and how we fit in with our environment because we are thrown into this existence (facticity) we did not construct and then find a way to cope in this world (ibid: 65). Phenomenology in short *'emphasizes the attempt to get to the truth of matters, to describe phenomena, in the broadest sense as whatever appears in the manner in which it appears, that is as it manifests itself to consciousness, to the experiencer'* (Moran, 2008:4). And so the ontological and epistemological positions reflect a subjective reality formulated by the human mind. Phenomenology understands the becoming entity in an uncertain changing world with multiple changing realities and ensures in depth understanding. It gives meaning to humanity being-in-the world. All this translate into varied and rich interpretative paradigms focusing on identifying the links between the objective and subjective to describe human behaviour. In terms of philosophical position, the proposed area of study leans heavily on a **phenomenology (interpretative) approach** applying the critical theory paradigm.

5.3 Critical Theory:

Critical theory, a German sociological movement founded in the 1920's and associated with the Frankfurt School, emerged essentially as a critique of German social and philosophical thought. It was a reaction to the post World War I socio-political and economic climate i.e. rise of Fascism, spread of capitalism, impotence of bourgeois democracy and disillusionment with the Weimer Republic (Dmitri, 1992: 241). For the Frankfurt school such issues of power, domination required a *'necessary reinterpretation'*, a critical social theory -that would give a new life to ideals of freedom and reason- by examining all these changes (Howell, 2013: 75). The work of the School is best understood as a family of diverse philosophical approaches and perspectives, characterized by certain core conceptual positions with the *'intent to understand and to disrupt notions of truth and the structures of power that come to be taken for granted'* (Hodges, 2014: 1043). Regardless of the multitude of rich contributions reflecting the Frankfurt School's profound mistrust of institutions that claimed to represent civilized societies, none of the critical theorists over the years have claimed to have formulated a unified approach to social investigation and criticism (Howell, 2013: 75).

Described as rather fluid by design, Critical Theory is *'characterized by an interpretative approach combined with a pronounced interest in critically disputing actual social realities…the aim is to serve the emancipatory project, but without making critical interpretations from rigid frames of reference'* (Alvesson & Skoldberg,

2009: 144). The founding members or the first generation of the Frankfurt School-

Horkheimer, Adorno and Marcuse attempted to critically criticise social life world

through broadly neo-Marxist lens. For instance, Horkheimer had borrowed the term

critical theory from Marxism - which sees it as an account of the social forces of

domination that takes its theoretical activity to be practically connected to the object

of its study (Rush, 2004: 9). Horkheimer stressed the importance of a philosophically

informed [interdisciplinary] social theory that narrowed the gap between subjectivity

and objectivity; and enabled social scientists to identify and explore issues that might

not otherwise be investigated. For Horkheimer such a paradigm of inquiry was about

connecting critical theory with individual every day experiences in the interest of

abolishing social injustice (Noerr, 1999: 362). Marcuse was in agreement with

Horkheimer, about the need of a new interdisciplinary theory, as well as the reciprocal

relationship of theory and praxis. Social status of happiness and pleasure (from an

alienation point of view), are recurring themes in his works, providing rich

perspectives on *'human beings and their relationship with the dominant forms of*

nature, society and culture (Kellner, 1999: 394). Adorno, like Horkheimer and Marcuse

was also concerned with the end of philosophy issues and agreed with them that a

replacement theory would be a *'hybrid of dialectical materialism and social science'*;

critical of current cultural and political conditions in light of their historicity (Rush,

2004:31).

One of the main obstacles for 'critical' theorists in uncovering the truth- that would lead to emancipation and change in agents- lay in the scientific paradigm of positivism. Adorno and Horkhemier in their work *'Dialectic of Enlightenment'* (2002) viewed at how Enlightenment had led to humans dominated by scientific reason and limited analytic capability, thereby supressing the reflective rationality inherent in all of us. Equating Positivism with Enlightenment as for each '*whatever does not conform to the rule of computation and utility is suspect'* (Adorno & Horkheimer, 2002:8). In their opinion such instrumental rationality had led to totalitarianism and Fascism in Europe. They claimed that the '*systemic pursuit of enlightened reason and freedom had the ironic long-term effect of engendering new forms of irrationality and repression'* (White, 1995:3). Instrumental rationality, concentrating on positivistic methodology, was concerned with objectivity, separating facts and values. Thus, Positivism came to represent an elitist approach which unwittingly reproduced existing social power relations where the '*individual as a rule must simply accept the basic conditions his existence is given and strive to fulfil them'* (Horkheimer, 1972:207).

This led to traditional theories that aimed to objectify cognitive reflection, where the distance between the subject and object was crucial (Geuss, 1981:2). *Dialectic of Enlightenment* sought to show that critical theory was emancipatory and epistemologically reflective. It pursued change and liberation, challenging positivistic positions and traditions served by institutional arrangements (Howell, 2013: 80). The underlying theme was alienation or the false separations between the researcher and

social phenomena. Alienation is the *'Marxist psychotherapeutic or indeed romantic notion that humankind is estranged from the natural world…and the consequences are self-consuming'* (Roberts, 2004: 60). Adorno and Horkhemier perceived this estrangement to be crucial in understanding the social world critically. They argued that the researcher was always part of the object under study, and thus inextricably linked and not alienated.

Another issue taken up by critical theorists was that of hegemony and ideology. Geuss (1981:3) argues that critical theory is about criticising society and at the very heart of it lays its *'criticism of ideology'*. The ideology is what prevents the agents in the society from correctly perceiving their true situation *'and real interests; and if they are to free themselves from social repression, the agents must rid themselves of ideological illusion'* (ibid). The first generation, perceived ideology to be a form of domination (hegemony) or power that is exercised on people through consent rather than force[94]. For Critical theorists hegemonic ideology helped to understand the complex nature of domination without coercion; enabling people to accept the status quo as normal and change as utopian. It also underlined the issues of structure, agency and power within social affairs. Hegemony can be seen as a dominant structure that imposes oppression and control upon free agents, denying them the freedom on how to live (Kant calls it agents having rational agency). Of course, individuals can never be fully free of the

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[94] Examples of such subversive domination in media, politics and culture were apparent in the spread of Capitalist culture or the rise of Stalinist communism; where individuals were manipulated in accepting such oppression through the medium of ideology.

historical and social structures they construct; power relations guide all aspects of social settings. Nonetheless, Critical Theory aims to bring that conscious empowering aspect for agents, to transform them into free agents by challenging the existing dominating forms of injustice found in social relations and social existence (Howell, 2013: 81).

Furthermore, hegemonic ideology from a critical theory paradigm perspective is the means by which ideology and discourse construct our ontological positions. Different ideological positions represent different points in time and hence provide the basis for a historical reality. The reality changes due to dialectical transformation, underscoring the importance of the dialectical process and historicity within the critical theory paradigm.

5.3.1 Dialectics

The first generation of the Frankfurt School were heavily influenced by Hegelian ideas of dialectics and contradiction, as inherent properties of human reality[95]. Thompson (1978: 306) regards dialectics as a *'practice learned through practising...in this sense dialectics can never be set down, nor learned by rote'*. Hegel perceived dialectics as progression through contradiction (negation) in experience via which

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[95] Hegal's idea of dialectics is a prevalent feature in Adorno's concept of negative dialectics.

the subject is created[96]. Both the *subjective and objective exist through*

consciousness of experience and development of the entity and self which eventually

encapsulates the same thing' (Howell, 2015). Dialectics constitutes the life of

scientific progress and absolute knowledge. Hegel saw dialectics as a circle where by

returning to the *'starting point of the motion, the result if fatally annulled…this was*

supposed to bring about a continuous identity of subject and object' (Adorno,

1973:163). In opposition to previous modes of thought that viewed things in

abstraction, Hegel transformed dialectics into the moving soul of thought. This kind

of dialectics looks at ideas according to their movement and change in historical

time. History proceeds and evolves in a dialectical manner, the present embodies

the rational synthesis of past contradictions, and so history can be viewed as a

process which is moving towards a specific condition such as the rational realization

of human freedom. Nonetheless for Hegel the future holds no significance, and for

him history is limited to the past and present realities. Dialectics involves the unity

of opposites by means of contradiction, quantitative and qualitative transformation

and negation of the negation, which than gives arise to change.

The emergence of the discourse of possibility within Critical Theory was inherently

linked to the dialectical transformations within the social sciences (such as

Horkheimer's call for a hybrid philosophically informed social theory) and the wider

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[96] Negation or contradiction is the very essence of Hegelian dialectics and one needs to understand this concept of contradiction if one is to grasp Hegel's dialectics. (Magee, 2010:72).

social changes arising from it (Howell, 2013:76). The dialectical nature of history

provided the impetus that individuals could be responsible for their own destinies

and existence. This idea of transformation, arising from the struggle of opposites

and contradictions intrinsic in all things was crucial to the development of Critical

Theory paradigm. Furthermore, Critical theory can be viewed dialectical in nature,

apparent by three successive generation of critical theorists who by situating

themselves within the Frankfurt School, respond *'critically and dialectically to their*

own heritage', underlining the broad spectrum of critical perspectives within the

School (Pensky, 1999:408).

5.3.2 Jurgen Habermas & Discourse Ethics

Jürgen Habermas (1981, 1983) the most distinguished critical thinker from the

second generation raised the epistemological discussion within critical theory, to a

new level through his ideas of communicative rationality and discourse. An

important part of his writings has been the development of discourse ethics which is

the CI reformulated in terms of a discursive procedure for moral argumentation

(TCA, 1984, 1989)[97]. Habermas believes that control and understanding should be

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[97] Discourse Ethics is a reconstruction of Kant's idea of practical reason i.e. Categorical Imperative. Habermas reformulates and rewrites CI in his discourse ethics where 'only those norms may claim to be valid that could meet with the approval of all those affected in their capacity as participants in practical discourse' (Habermas, 1983:66). Universality is the core in Habermas's version of communicative ethics.

subordinate to emancipation and liberation (Howell, 2013: 83). He believes social

science should understand the *'ideologically distorted subjective situation of some*

individual or group…explore the forces that have caused that situation and…and

show that these forces can be overcome through awareness of them on part of the

oppressed individual or group in question' (Dryzeck, 1995: 99). Such a shift contests

the post- positivism stance by presenting an interpretative, phenomenological

approach to social science[98]. Subsequently Critical Theory encompasses reflective

action, precisely the action of people included in the research. McCarthy (1999:400)

states that:

'Habermas was able to draw developments in the phenomenological, ethno-
methodological and linguistic traditions and thus….anticipate the decline of
positivism and rise of interpretivistism'.

He posits that the positivist tradition (with control observation) needs to be replaced

with *'participatory relation of the understanding subject to the subject confronting*

him…' a paradigm built upon *'dialogue…communication in which the understanding*

subject must invest part of his subjectivity' (Habermas, 2004, 10-11).

Consequently, Habermas identifies the need for a paradigm shift via his critical

theory of communicative action; whereby in order to comprehend theory,

communicative rationality and not instrumental/strategic rationality (means-ends)

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[98] Verification cannot be achieved through controlled variables but instead the action of those involved in the research process who on reflection decide on a perspective based on their suffering and means of relief (Howell, 2013: 83).

take precedence. In this way, the philosophical stance of Habermas can be seen as a departure from Horkheimer and Adorno, finding the confines of the Frankfurt School too narrow and moving beyond its fold (Dmitri, 1992: 244). He takes a fresh approach to the question that the first generation of critical theorists had failed to answer: Is emancipation through reason a rational hope? Habermas is convinced that the answer lies in his communicative action theory and that *'one could retain the power of his predecessor's critique of modern life only by clarifying a distinctive conception of rationality and affirming the notion of [an]…emancipated society'* (White, 1995: 5). The theory of communicative action can be seen as an attempt to *'invigorate Critical Theory by merging the Continental and Anglo-Saxon traditions, and bringing the pragmatic perspective to bear on the project of emancipation through reason'* (Dmitri, 1992: 244).

The conceptual core of communicative action lies in its communicative rationality- the interpersonal communication rather than to a knowing subject. A social view of rationality is suggested by which practical reasoning is attained through *'emancipative communicative reasoning'* instead of instrumental thinking (Schaefer et al, 2013). Hence action can be either purposive- rational action orientated towards people from a utilitarian point of view or it can be the opposite i.e. understanding-orientated action. Habermas defines them as technical interests and practical (emancipatory interests) that guide the daily interaction between

individuals and groups[99]. In the tradition of Horkheimer and Adorno, Habermas

found that *'modern world has fostered an unbalanced expansion'* of technical

interest regarding knowledge, reason and control (White, 1995:6). The drive to

dominate nature leads to the drive to dominate other human beings and use them

as means to an end. Technical interest (instrumental rationality) is deeply embedded

in daily social life and the only way to emancipate one's self from that would be by

reconfiguring and reasserting practical and emancipatory interests (rationality) in

society. The rational basis for collective life would be attained only when social

relations were consolidated *'according to the principle that the validity of every*

norm of political consequence be made dependent on a consensus arrived at in

communication free from domination' (Habermas, 1971). Undistorted

communication is a distinctive type of social action where consensus is achieved

through shared meanings and discourse of language. The goal of communicative

action (practical interest) is to reach an agreement in a public context, through

mutual understanding (*Verständigung*) among people concerning the world. In

acting communicatively individuals take on the burden of redeeming various claims

(truth) raised by their actions or utterances; and equally assume that each is

prepared to offer reasons should the normative rightness and sincerity of those

claims be questioned (White, 1995:7; Baynes, 2004;198).

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[99] Instrumental or strategic driven rational actions are aimed at influencing others or reaching a certain goal
(telos) and appraised in terms of efficiency and structure. Communicative action on the other hand is not goal
orientated but rather seen as an attempt to reach a mutual agreement through practical discourse.

Communicative competence is achieved via language and shared meanings, which draws together subjectivity and objectivity, by placing sentences in connection to the external world of objects, internal world of the speakers own experience and the *shared social world* of normative expectations (McCarthy, 1999; 401-2). Habermas within his framework of rational driven, subjective-laden communication also mentions the concept of the *life-world*. Following the Husserlian tradition of lifeworld (*Lebenswelt*), the idea is that action always occurs within a broad network of normative orders, cultural meanings and patterns of individual socialization (Baynes, 2004:204). An individual's link to the lifeworld is a circular process in which the *'agent is at once both the initiator of his actions and the product of the [culture] and traditions in which he stands…of socialization and learning process to which he is exposed'*(Habermas, 1984:135). This is akin to the notion of Bourdieu's *Habitus* where the patterns of socialization, history and traditions (dispositions obtained through past practices) guide and condition one's present and future actions (1984, 1990 & 1993).

It appears that communicative discourse is regarded as morally desirable with its focus on language and inter-subjectivity. Strategic rationality on the other hand is perceived to be morally undesirable. Habermas emphatically places a moral aspect within communication and by doing so presents a *'social view of rational behaviour'* (Schaefer et al, 2013). The normative centrality can be found in Habermas' Kantian pragmatic standpoint. Essentially, he takes cue from Kant on the idea (introduced in

the Critique of Pure Reason) that practical reason has primacy over theoretical reason; and it is this very reason that grants freedom to be moral agents (concept of rational agency). In the preface to the second Critique Kant states that freedom is the keystone for entire edifice of reason (Kant, 2004). The concept of a rational agency is found in the theory of communicative action whereby in the social context of *'reciprocal recognition the role of the agent as a law-giver is located by mutually ascribing the status of reason-giver to one another'* (Baynes, 2004:197). Therefore, Habermas' account of agency within communicative action is one level *'closest to Kant's formula of the categorical imperative'* i.e. Kingdom of Ends. The Categorical Imperative states ''*Act in accordance with a maxim that at the same time can be valid as a universal law! Therefore you must consider your action first according to its subjective principle…*' (Kant, 1998: 34). Habermas rephrases that in the context of his communicative discourse, as *'only those norms maybe claim to be valid that could meet with the approval of all those affected in their capacity as participants in practical discourse* (Habermas, 1983:66). As a result, communicative rationality is only possible given the human capacity for rationality- to be free moral agents. This rationality is found in the practical discourse of language, mutual understanding and consensus.

5.4 Methodology:

The concept of methodology is an integral third part of interpretative paradigms of inquiry. Schwandt (2007) describes methodology as a '*process of how we seek out new knowledge, forming the basis of our inquiry and how inquiry should proceed*'. In essence methodology reflects the philosophical assumptions of one's paradigm of inquiry; and this then informs what type of research methods to apply establishing interconnectedness between ontology, epistemology and methodology. The fundamental philosophical distinctions of truth, knowledge, reality and theory thereby, translate into specific methodological perspectives. Under the Positivist and post-Positivist paradigms the emphasis is on explanation and control mimicked methodologies set out for the natural world, with the intent of creating immutable laws enabling prediction (Howell, 2004a)[100]. Phenomenological studies have variations between the ontological and epistemological stances thanks to the different theoretical positions of three intellectuals- Husserl's transcendental phenomenology, Heidegger's hermeneutical stance and Merleu-Ponty's world of 'inalienable presence'. Methodology for critical theory is changeable where actions (historical circumstance) affect change. The approach is dialogic and dialectical as dialogue is needed between the researcher and the researched, intrinsically linked through historical values (Howell, 2013).

5.4.1 Hermeneutics:

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[100] Hence methodologies are experimental with manipulation of confounding conditions- in positivism the aim is verification of hypotheses whereas in post-positivism it's the falsification of it.

The origins of Hermeneutics can be traced in breaches of inter-subjectivity, where the field of application is comprised of all situations in which one encounters meanings that are not immediately clear and require interpretative effort (Gadamer, 2008). Hermeneutics has a long tradition in Greek and Hellenistic philosophy, and until Heidegger presented his ontological hermeneutics in 1920s, it had for the most part dealt with trying to discover hidden meanings of religious texts after the Reformation (Dostal, 2002b). The underlining aim was to bring a whole new understanding to an existing tradition of meaning by uncovering lost beginnings where the original meaning had been concealed or distorted (Gadamer, 2006). The history of hermeneutics is punctuated with different era such as romantic hermeneutics represented by Schleiermacher, Neo-Kantian hermeneutics under Dilthy, and philosophical hermeneutics of Heidegger and Gadamer; with each era displaying a varied approach to what constitutes as hermeneutics.

Hermeneutics derived from the Greek *hermenium* (meaning to interpret) is about paying close attention to historical and social contexts that surround actions when interpreting a text (Honderich, 2005). The roots of hermeneutic vocabulary under Hellenic thought (as seen in the works of Plato and Aristotle) are distinctly different from the modern definition of hermeneutics. Plato in his works such as *Cratylus* (407e), *Symposium* (202e3) and *Statesman* (260d11) mentions the term *hermeneia* in connection with the god Hermes (as a messenger) transmitting or communicating messages between gods and mankind. The emphasis is on

hermeneutics as an art (*mantike*) that communicates the will of gods to human.

In his other work it is associated with *dialektos*- a dialogue or conversation

between gods and mortals (Definitions, 414d). Under Aristotelian vocabulary

'hermeneia is used to mean expression along the lines of what we find in the

pseudo-Platonic Definitions' (Gonzalez, 2015: 15). In *Poetics* (1450b14) Aristotle

defines language as an expression (*hermeneia*) through words, meanwhile in

Topics (139b13-14) readers are told 'that the person who seeks to define must

employ "*the clearest form of expression"* instead of an unclear form expression'

(ibid: 16). Finally, Peri hermeneias (On Interpretation) is not about the *sense of*

interpretation, but concerns with the way sentences, verbs and words may be

understood as a *sense expression* (Howell, 2013:154). Greek hermeneutics is

about communication as seen in Plato's view of dialogue and Aristotle's

comprehension of expression, where the emphasis is conveying clearly a thought

or message[101]. Secondly ancient hermeneutics has nothing to do with

interpretation of texts but is understood in the context of an *'expressive*

communicative discourse', which is oral in nature (Gonzalez, 2015:15). This is

vastly different from modern hermeneutics which is about uncovering hidden

meanings, about *'penetrating behind words in order to decide between possible*

(pluralistic) meanings' (ibid: 18).

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[101] Capuccino adds (2005:195) '*it is clear that what we are dealing with here is ex-pression or communication: the movement is outwards'* and not inwards which in essence is *in-*terpretation.
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The focus of the so called 'new hermeneutics' at the beginning of nineteenth

century was history and how humanity could be viewed from a historical point of

view (historicism). The discovery of foreign cultures and new languages, pointed not

only to the fact that texts had to be considered within their whole context to derive

a meaning but that also interpretation changes due to linguistic plurality.

Schleiermacher belongs to this new epoch also known as *'romantic hermeneutics'*

(Scholtz, 2015: 62). He argued that principles of hermeneutics be used as universal

language to study all humanity- and not just be confined to sacred canonical texts.

He pointed towards a more philosophical understanding of hermeneutics in two

ways. First that hermeneutics should exist as a discipline of understanding in a

systemic form; and second the rules underlining hermeneutics should become more

of a method, rather dislocated guidelines (Grondin, 2015). Such a rigorous

methodology approach would help to recover meanings where the *'interpreter's*

aim is to understand the text as first as well as and then even better than its author'

(Schleiermacher, 1998). Consequently, Schleiermacher conceptualized hermeneutics

as an act of reconstruction, where the emphasis is given to reconstructing the

historical situation in which the text originates (Follesdal, 2001). The natural priority

of '*misunderstanding'* would arise when first encountering the text and '*that*

understanding must be consciously sought at every point' by the researcher through

historical distance (Schleiermacher, 1998: 29/30). Real knowledge can only be

attained dialogically by entering into a conversation with the text directing

questions to it and allow oneself to be questioned by it (Grondin, 1994: 74). This then leads to an understanding of others and the world. Hermeneutics aims to do just that by making the thoughts of other people and epochs understandable to us. Nevertheless, Schleiermacher believed that hermeneutics will never enable one to understand a text completely and *'one has to be satisfied if understanding approximates the complete meaning since the inner life'* of the individual will always remain hidden (Scholtz, 2015: 68).

Wilhelm Dilthy tried to narrow the gap between objectivity and subjectivity when studying social phenomenon. He considered that social science *'analysis would benefit from a combined approach'* but recognized that even though both natural and social sciences *'emanated from the phenomenological life'* world each one reacted differently towards it (Howell, 2013: 154). The former negated the lifeworld while the latter embraced it. Dilthy argued that natural sciences were primarily concerned explaining the outer experience (connecting causal laws with natural events), while the human sciences looked to understanding the inner experience. This inner experience provided humans with access to the connectedness of their lives making it meaningful (Makkreel, 2015:75). Borrowing Husserlian ideas of consciousness when realizing historical existence, he coined the term hermeneutical circle, which included the *'continual interaction between the implicit and explicit'* and *'between the parts and whole'* (ibid: 155). When interpreting a text, one's initial horizon of beliefs/ attitudes may come to change when they understand it within

the wider socio-cultural community from which it emanates (Follesdal, 2001). The

totality, the link between the subject (self) and object (other) comes into play when

they transform as a result of this encounter, in turn altering their understanding of

the text which may lead to new changes and so on. Thus, the relationship between

individual and the cultural or social existence remains a crucial point in the

development of self (Dilthy, 1989). In short, both Dilthy and Schleiermacher

recognized meaning of the text with the subjective intention of its author where the

task of understanding is to recover *'the original life-world they betoken and to*

understand the author as he understood himself' (Gadamer, 2008: xiv).

This distinction between subjective and objective (part and whole) has translated

into three strands of hermeneutics: objectivist, alethic and phenomenological.[102] For

this research **Phenomenological hermeneutics** has been selected.

5.4.2 Phenomenological Hermeneutics:

This particular strand of hermeneutics, based on the works of Gadamer and Ricoeur,

is underpinned by the ideas of Husserl, Heidegger and Merleau-Ponty. In relation to

the research, Heidegger's philosophical hermeneutics and its influence on the works

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[102] Objectivist hermeneutics emphasizes on clear distinction between objectivity and subjectivity by understanding the part between the part and whole. Alethic hermeneutics on the other hand developed its own circle based on pre-understanding and understanding (Howell, 2013). Understanding is not developed through procedures but through daily existence, where the researcher is culturally and historically bound.

of Gadamer will be discussed. PH rejects both rejects subjective and objective

positions. The researcher continually exists within the world, where understanding

in itself is interpretation and not some procedure (Ricouer, 2004). Heidegger's take

on hermeneutics was different from the previous approaches to hermeneutics of

Dilthy and Schleiermacher, in that applied it to the very existence of human beings-

'*the interpretation of meaning of being*' (Heidegger, 1927). With his concept of

Dasien he provided an ontological view of hermeneutics where understanding (and

self-understanding) emerges through ones '*Being*' and its interaction with the world.

Heidegger seized upon the idea that life is intrinsically interpretative, where

understanding is not a cognitive inquiry but instead is our primary means of

orientation in the world. Therefore, his idea of hermeneutics was different from

Dilthy and Schleiermacher as it looked at the existence itself and the quest for

understanding.

Gadamer remarks '*Heidegger's temporal analytics of Dasein*

has…shown…understanding is not just one of the various possible behaviors of the

subject but the mode of being of Dasein itself…and embraces the whole of its

experience of the world' (Gadamer, 1975/2004). Heidegger in his work *Being and*

Time (1927) regarded understanding less of an intellectual undertaking, than a

'*know-how, an ability, a capacity, a possibility of our existence*' (Grondin, 2006: 37).

By granting understanding a practical feature, he worked out the conceptions of

understanding by exploring the implications of the German expression of '*sich auf*

etwas verstehen' which means to be capable of something or to be at home with

something (ibid)[103]. Such capacities are interwoven into our daily lives and help to

skilfully cope with this world that we have been thrown in. Heidegger calls this

practical understanding existential *'because it is a way of existing, a fundamental*

mode of being by the power of which we try to find our way in this world' (Grondin,

1994: 93). Furthermore, this understanding grasps not only the world, giving it

meaning but also Dasien's way of being-in-the-world, implying that an

understanding of the world is also self-interpretation of itself. Any good

interpretation should disclose something about both Dasien and world.

Consequently, Heidegger's radical understanding of hermeneutics shows '*Dasein*

and world are coterminous in understanding' (Hoy, 2006: 179). Heidegger conceived

the world and Dasien as forming an *'ontological and hermeneutical circle'* where the

one is not divorced from the other (Heidegger, 2010, 7; 147-8). For Heidegger, all

understanding is circular consisting of continuous self-understanding and

interpretations through the temporality of Dasein. In simpler terms the

understanding of being (Dasein) and the being of understanding (being in the world)

are mutually connected[104]. The Heideggerian circle *'conceals our basic mode of*

understanding and is only realized when we continually interpret' the life world*,*

devoid of any fore-sights and fore-conceptions (Howell, 2013: 162). Such fore-sights

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[103] To understand something implies in this sense to be equal to or be a master of it. For example we can say a painter understands and how to paint. This does not necessarily mean the painter has some knowledge but that a capacity or mastery to paint.

[104] Heidegger terms this as *'in all understanding of the world'* where Dasien is *'co-understood and vice versa'* (2010: 147).

have to be worked out in relation to the phenomenon under investigation, negating

any scientific procedures that can serve to limit such interpretations. The

hermeneutical circle consists of questioning and understanding the phenomenon.

Such questions already exist within us (they do not emanate from nowhere), and

when they encounter the phenomenon, it causes one to reassess the original

viewpoints which lead to further new questions and so forth- signifying the

ontological position of temporal and futural Dasein within hermeneutical circularity.

By focusing on Being itself, Heidegger extended the *'traditional hermeneutical circle*

between a text and its interpretation…to the most primordial level of human

existence' (Hoy, 2006:179).

For Hans-Georg Gadamer existential ontological hermeneutics had a universal and

philosophical outlook as seen in his work Truth and Method (1975/2004). Influenced

heavily by Heidegger, he sought to diminish the need for hermeneutical inquiry as a

methodology for human sciences as championed by Dilthy. According to Gadamer,

the implication of the subject interpreting a text at a historical distance indicated

objectivity; and instead the understanding of the subject is essential in the

experience of meaning. Truth can only be fully experienced when the subject is

transformed after their encounter with the text and history, becoming part of the

event of meaning itself. For Gadamer truth is a not a procedure to be attained

through a method, but rather an event (Grondin, 2015). Therefore, the basic

premise of Gadamer's hermeneutical stance is that all understanding is always a

matter of interpretation.   The notion of Gadamer's hermeneutics has three

elements of origin-epistemological, linguistic and practical (Grondin 2002; 36). These

points encompass ideas of Greek Antiquity, Dilthy, Schleiermacher and Heidegger,

culminating in hermeneutics that is dialogical and dialectical in nature. The

epistemological understanding deals with the interpretation of texts; meanwhile

practical understanding is based on Heidegger's interpretation of *Being,* along with

Aristotle's notion to practical understanding (*phronesis)*. To understand is to apply a

certain meaning to the situation being investigated. Gadamer single-handedly draws

out a third source for the meaning of understanding which he perceives to be akin to

reaching an agreement or to concur. Unlike the emphasis of traditional

hermeneutics on *mens auctoris*, Gadamer's idea of understanding contains two

layers of interpretation[105]. Understanding is always guided first and foremost by the

subject matter (*Sache*) and then by *mens auctoris*. Thus, Gadamer's hermeneutics

gives precedence of the understanding of the *Sache* over the *mens auctoris* (ibid:

41). Finally, such an understanding implies a form of agreement, done mostly

through language. The dialogical aspect of hermeneutics is an essential feature of

Gadamer's work, emphasizing the linguistic part of understanding. To understand

means to articulate it into words or conversation. Language was not an important

issue for Heidegger or Dilthy, but for Gadamer it represents the universality of the

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[105] Mens auctoris means the author's intention.

hermeneutic experience. Understanding is always a matter of language as he remarks *'Being that can be understood is language'* (Gadamer, 2004: 432)[106].

Consequently, these three types of understanding combine to form the notion of application in Truth and Method. The idea of application is similar to translation where the event, person or thing needs to be translated so that meaning is derived from such understanding. A fundamental component of this applicative model of understanding is the idea of prejudices as the starting point for every interpretation. Gadamer stresses the significance with the *'recognition that all understanding inevitably involves some prejudice'* (ibid: 283). The historically inherited and unreflective prejudices guide the interpreter (projecting) on to the text and are thus are open to revisions when confronted with new interpretations of the text. *'A person who is trying to understand a text is always projecting…and working out the fore-projections'* that are constantly revised with each new emergence'*…as he penetrates into meaning, is understanding what is there'* (ibid: 279). The subject should be sensitive to the text's alterity and apply one's own presuppositions along with temporal distance to reveal meaning-adequate understanding[107]. This requires engagement with the self while interpreting the text resulting in development of comprehension and Being-in-the-world. The entirety of the hermeneutical circle is

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[106] Understanding itself is always linguistically formed and it be must capable of engaging the whole content of language in order to arrive at the *Being*, that language helps to bring expression. In short, language gives expression to the Being.
[107] Gadamer states historical/temporal distance as *'to remain open to the meaning of the other person or the text'* (Gadamer, 2004: 281).

concerned around this idea of prejudice and projecting onto the text, culminating in fresh experience (meanings) each time. For Gadamer, this ontological circularity is about the parts and whole, where the subject moves back and forth to gain a more cogent understanding of the whole[108].

In Gadamerian hermeneutics it is crucial to acknowledge the interrelation between history and self, which grants it a dialectical and dialogical dimension. Encompassing ideas of temporal distance and effective history, there is a primacy of the past when interpreting a text. Effective history is the *'particular relation between past and present in which past tradition is constitutive of present orientation'* that determines the present (Gander, 2015: 146). When we are trying to interpret, we are affected by history thereby *'understanding is, essentially a historically effect event'* (Gadamer, 2004: 310). Through the idea of application there is a dialectic of '*question and answer'* that takes place between the subject and text (Grondin, 1994: 116). Understanding is similar to having a conversation in the present with the past, through effective history, by engaging in a dialogue. The questions and answers we seek are bound by history and culture we are part of, making the verbal experience with the world a hermeneutical dialogue. This insistence of understanding determined by the past is in stark contrast to Heidegger who regards understanding as orientated towards future existence (futurity).

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[108] Heidegger's account of the Hermeneutical circle is slightly different to Gadamers. He doesn't refer to the circle consisting of parts and whole; but always involving understanding and its unfolding interpretative process (Grondin, 2002: 47).

5.5 Critical Theory, Phenomenological Hermeneutics & CSR: Linkages and Complementarity.

Having discussed the importance and applicability of the Critical Theory Paradigm for and selection of PH to support the researcher's ontological and epistemological positions, the research design for this thesis begins to take shape (Table 5.1). The research design brings the concepts and theories together to underline the research flow; and identify linkages between the various components of this phenomenological driven study.

Table 5.1 Research Design

Research Type	**Qualitative & Exploratory**
Philosophical Position	**Phenomenology (Heidegger stance)**
Paradigm of Inquiry	**Critical Theory (Habermasian position)** **Dialogical & Dialectical in nature.**
Ontological Stance	**Reality is manifested by the mind**.
Epistemological Stance	**Subjective Stance**.
Theoretical Frameworks	• **Normative Stakeholdership** • **Archie. B Carroll's CSR pyramid** • **Bourdieu's Theory of Logic of Practice**
Methodology	**Phenomenological Hermeneutics (Heidegger & Gadamer)**

For critical theorists, individual assumptions are influenced by social and historical forces and so historical realism provides a unifying ontological position (Howell, 2013: 77). In the context of this research, the ontological and epistemological positions of the positivist approach- with its focus on experimentation and prediction- is not applicable here. The research topic focuses on human interactions within a socially constructed world that does not exist completely independent of human theory and discourse. This requires that the study should be approached subjectively within an interpretative paradigm framework. Therefore, critical Theory will look at CSR as a historical process- i.e. the indigenous socially responsible practices that have formed due to religion, culture, and socio-historical values specific to Pakistan. How have such patterns shaped [local] reality over the years and influenced views on CSR. Hence, the background of CSR is crucial in establishing a historical link between an emerging market society and CSR trends; which will than form the basis of the emergent theoretical model. Phenomenological undertones are displayed in both the ontological and epistemological positions of critical theory incorporating a process of temporality and being in the world. There will be interaction of *Being* with the research topic due to historical values and a dialogue will be established between researcher and the phenomenon investigated (past and present). The paradigm necessitates interaction between the world and human mind in terms of becoming in the world. This underlines the idea that individuals are the ones who create and determine each distinctive reality. Native CSR models reflect the way reality (what are responsibilities of business towards society) is defined and determined by individuals

within EMEs. Also, the reality of what entails CSR for SMEs will be very different to what CSR represents for large firms. The changing and malleable nature of CSR in EMEs and SMEs will have implications for Being and our interpretation of reality, in relation to Being *'which provide the impetus for theoretical and empirical outcomes* (Howell, 2013: 86).

Another notable aspect in which Critical Theory is relevant is how CSR can be viewed as a 'dominant' business ideology. CSR can be conceived as an Anglo- Saxon paradigm of doing business, which when imposed upon EMEs tends to disregard the influence of social and historical forces unique to them. Critical theory with its *'pronounced interest in critically disputing social realities'* can serve to emancipate the indigenous CSR models from the Western paradigms CSR, by focusing on those very context specific forces that sets them apart. The research aims to be critical of the prevalent 'Western' notion of CSR ideology and show that the emergence of local CSR realities leads to agents (SME leaders) being emancipated or free, and in the process, perceive their true situation and real interests (Geuss, 1981:3). This implies whether CSR is evolving into a particular theory- emerging model- specifically for EMEs that reflect the true situation of the (local) free agents and business entities.

The research topic is essentially, historical and dialectical in nature because
'dialectics can be understood involving understanding self, society and history as
process and that aspects of the past as well as future possibilities exist in the present'

(Howell, 2015). History is made up of transitory phases that defines vital aspects of

human development and is relevant to a point in time. These phases are justified in

relation to specific time and conditions, and to understand people and societies one

must comprehend historical process. Hence to understand the transformation of

CSR one must understand the historical process it is a part of. Utilizing Hegelian

dialectics, we first must look at how business corporations have changed over the

years. Business entities experience continuing transformation dependent on

external and internal factors. One such factor is CSR, outlining the responsibilities

that companies have towards individuals and society. Dialectics can help to make

sense of how business companies have changed in relation to CSR, which in turn has

changed in this dialectical cycle. Bhasker (1993: 2) regards dialectics to '*come to*

signify any more or any less intricate process of conceptual or social conflict,

interconnection and change, in which the generation, interpretation and clash of

oppositions, leading to their transcendence in a fuller or more adequate mode of

thought or form of life, plays a key role'. The conceptual conflict is manifested in

competing views of CSR (the shareholder perspective versus the stakeholder

perspective). This struggle of opposites shows the inherent contradictions within

business entities and how the stakeholder and shareholder perspectives are

inseparable from each other. This '*transcendence in a fuller or more adequate mode*

of thought', Bhasker (ibid) mentions, can be found in the historical progression of

the idea: what are the obligations of business entities towards society. The internal

contradictions of shareholder theory and stakeholder theory led to dialectical

change within CSR- moving from the past (profit driven view of business) to instrumental stakeholder theory and finally to morally based stakeholdership (present). The changing expectations of society and stakeholders concerning business, unmasked the internal struggle of opposites between shareholder perspective and stakeholder theory. This contradiction enabled the dialectical transformation (historical process) of business entities, from one of profit maximization to inclusive stakeholdership.

Moreover, dialectical transformation also provides a mechanism for explaining change by understanding the link between individual and social qualitative and quantitative transformation (Howell, 2015). With more companies adopting CSR policies and socially responsible attitudes, the quantitative transformation (number of companies adopting CSR policies) has led to qualitative change in the way the [capitalist] market and business interact. The market has dialectically moved from old school capitalism to a more informed version of capitalism. Dialectical thought in the context of Critical theory provides '*the existence of another realm of ideas, images and imagination that serves as a potential guide for a social transformation*' (Marcuse, 2002: xviii). In this instant, the social change has been the way the pro-social behaviour of enterprises are regarded by society and (big and small) business themselves.

The Habermasian theory of communicative action is pertinent here, to clarify the

discourse behind this dialectical transformation. This progression of what are

business obligations as perceived by society has been through a gradual democratic

process- through the medium of communicative rationality. This framework

demonstrates that practical interests and not technical interests are crucial in the

discourse between businesses and stakeholders. This issue has been expanded by

the Habermasian stakeholder theorists who advance the view that stakeholder

engagement should be devoid of any instrumental motivation (personal and

corporate interests) in order to ensure that communication action is morally

legitimate (Reed, 1999; Noland & Philips, 2010)[109]. Practical interests view

stakeholders as rational agents, as ends itself in reaching a mutual agreement. By

giving this social interaction a moral dimension the emphasis has shifted to reaching

a consensus on what it does it mean when one speaks of responsibilities of business

towards society? Is business only a profit maximization mechanism or does it have

responsibility towards the wider stakeholder community? The gradual shift towards

a more inclusive stakeholdership indicates that stakeholders and business have

reached an agreement (of some sorts) via shared meanings and mutual

understanding of the role of corporations. An intersubjective understanding is

reached by each party regarding an objective truth. The pursuit of such an

intersubjective agreement is based on the assumption that the consensus is '*purely*

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[109] Such studies focus on the attributes of the relationship between stakeholders and business organizations. Stakeholder engagement in this sense implies that business do not just interact with stakeholders but identify and respect the humanity and legitimacy of them as well.

a function of the intention of both parties (both subjects) to reach some agreement' through practical discourse (Noland & Philips, 2010:42). Communicative rationality brings together business companies and stakeholders into one social world of shared normative expectations (through language) and *'recognizes the existence of numerous truths, regarding the external world and actions'* in connection to that shared social world (McCarthy, 1999:402).

Consequently, communicative interaction not only gives insight into the discourse between business organization and their relevant stakeholders, but also underlines the growing awareness within CSR literature of the *communicative character of conflict resolution* (Calton & Payne, 2003; Suchman, 1995; Swanson, 1999). Communicative action theory illustrates how language has the capacity to direct action in a consensual and cooperative way as opposed to a forced one (Warnke, 1995:120). Finally, it also offers a frame for the interpretation of many kinds of social phenomena and practices such as the interaction between business organizations and stakeholders**.**

Hermeneutics, as a methodology appears to be a best fit for this research focus for two reasons. First, majority of the current literature on CSR and EMEs consists of texts containing the historical and cultural narratives of these concepts. This underlines the importance of interpreting relevant texts to gain an insightful understanding regarding the topic. Every sentence, utterance and wider discourse will be

understood in relation to the context of CSR and its historical moment (Gadamer, 2004). Secondly, from a phenomenological stance, hermeneutics perceives understanding as an event that is happening; meaning that CSR can be viewed as an event occurring within EMEs. Understanding of an event (situation, text or social action) in its very nature is *'episodic and trans-subjective'* (Gadamer 2004: xxviii). It is episodic because every act of understanding is a moment in the life of tradition itself of which the subject and text are subordinate parts (ibid). It is trans-subjective because understanding is a continuous interplay between the past and present. To achieve a better understanding of CSR, one has to experience this event, which not only mediates between the past and present and uncovering meanings behind it but at the same is becoming-in-the-world. This process is essentially phenomenological.

Any meanings will be temporal and processional in a constant state of becoming. Understanding will be mutually negotiated with the text and historical context, bound by language *'which acts as the medium in which past and present interpenetrate'* (Gadamer, 2006). In this aspect, Gadamer's hermeneutics with its focus on language as a dialectical and dialogical understanding, compliments the dialectical aspect of Critical Theory.

Hermeneutics necessitates dialogue with the text which should be approached as an equal entity. One should listen to what the text has to say, while interrogating it through their projected fore-meanings. The researcher should be sensitive to the

text's alterity taking into account that with each new interpretation a new meaning will surface that will modify the subjective prejudices, until no new perspective emerges. PH in particular *'questions the text line by line… putting the same question continually'* until this persistence leads to insight and critical and reflexive self-consciousness (Howell, 2013: 165). For instance, by confronting the otherness of the text - in this case involving CSR or EMEs, the researcher's own (historical and culturally conditioned) bias will be thrown into relief leading to a better understanding of the CSR phenomenon being investigated. Historical distance (although Gadamer claims this to be illusory) will also play a part as texts on CSR need to be understood in a *'historical reality to which each individual historical document belonged'* (Howell, 2013). The meaning of the text does not exist in itself, it has to be interpreted against one's own bias and the wider historical tradition. To marginalize historical and cultural tradition from any research would be like marginalizing one's self; and only by belonging to a historical and cultural tradition the self is guided in how it interprets meaning (ibid).

Texts can be considered as part of the world of human experience. As objectifications of historical life (Dilthy, 2002) the texts will help to understand actions of actual people involved with CSR in Pakistan (actual situations). The continuous interaction of the researcher and the CSR life-world will result in better understanding of *Being* and the world. PH, will help in gaining a fresh understanding of a text by *'bridging the gap between the familiar world in which we stand and the*

strange meaning that resists assimilation into the horizons of our world' (Gadamer, 2008b). His work is a phenomenological account of all understanding, and so by extension all understanding is interpretative and hermeneutical. The stance compliments the phenomenological school of thought as his work relies on ideas of Husserl's concept of horizons and Heidegger's account of 'radical historicity of human situation and understanding (Dostal, 2002a:3). For both hermeneutics and phenomenology, the emphasis is on uncovering hidden meanings of humanity by starting from the subjective.

Critical theory and hermeneutics, both interpretative approaches negate the idea of an objective reality and that immutable laws can be realized through prediction and control. For both meaning is participatory and in a continual state of becoming (Howell, 2013; 166). Understanding is critical, reflexive and existential; as it is who we are in the world in relation to the historical tradition we are part of. Critical theory and hermeneutics focus on historical processes and historicity in the pursuit of clear comprehension. Critical theory in interpreting reality looks to *'hermeneutic disciplines, that is…employ hermeneutics instead of a measurement procedure which hermeneutics is not'* (Habermas, 2004: 11). Prejudices, governed by tradition, culture, and historical situation affect an individual's actions and understanding. The hermeneutic circle forces one's prejudices to be revised with each new level understanding to emerge from the text. In this way hermeneutics gains a critical aspect where each interpretation, frees the mind and forces unreflective prejudices

to be discarded, that alter true understanding of ourselves and others. Reflexivity is an important aspect in both Critical theory and hermeneutics that leads to a more aware understanding of the self and the world. Hence PH, in this context reflects the critical theory paradigm and is an ideal methodological approach when taking the critical stance.

5.6 Conclusion:

The aim of this chapter was to identify, examine and deliberate over the paradigm of inquiry and methodology to be chosen, as the next step in the research design. The issue of CSR relies on subjectivity and interpretation and so the philosophical position adopted is phenomenological. Furthermore, as the research is historical nature and due to the dialectical processes involved regarding the transformation of CSR, Critical Theory and PH were chosen as paradigms of inquiry and methodology. The discussion clarified complementarity between Critical theory and Hermeneutics; and how that will help in gaining a better insight on the CSR phenomenon within SMEs in context of EMEs. The theoretical model will aim to reflect and represent this 'social reality'. PH will help unravel the meaning of CSR related texts with reference to the wider historical and cultural contexts. Finally, Communicative action theory by Habermas can help shed light on understanding the moral undertones of organization-stakeholder relationships.

Chapter VI. Methods

6.1 Introduction

This chapter will elaborate on the relevance of qualitative methods chosen for this research, the final component in the research design. In the methodology-methods equation, methods are important as authors spend time evaluating what type of data collection techniques to choose for their research which not only produces the specific kind of subjective data but is also supported by the best methodological fit i.e. the principles behind the set of methods used. Furthermore, the selection of methods complement not only the research objectives but the type of philosophical paradigm the research is situated in. A multi-methods approach will adhere to the overall research design which is exploratory and phenomenological in nature (Frey and Fontana, 1993). The goal here is to *'match research questions to appropriate data collection strategies'* and in the process, provide rich data for the researcher (Morgan & Spanish, 1982: 262).

The chapter will begin with discussing the link between the methodology and methods equation and what exactly is the definition of methods. The impact of the paradigm of inquiry and the type of methodology chosen, on the selection of methods will also be discussed. The second part will explore focus groups by briefly looking at its historical origins; and highlighting the strengths and weaknesses of this method. The characteristics and relevance of focus groups will also be touched upon. Following this, the next section will deal with the in-depth individual interview method including the *'dyadic interview'* (Morgan, 1996) approach. The final part will look at the complimentary relationship between focus groups and individual research interviews. The discussion will expand on why these two types of qualitative methods fit in best with the requirements of the research area, chosen philosophical paradigm and methodology. Also, what a phenomenological research entails and some of the challenges facing it, will be analysed.

6.2 Methodology and Methods: Unfolding the link:

If methodology is the philosophical study of scientific method (Honderich, 2005), what is the definition of methods? Methodology is an approach to the process of research, which is the guided framework in carrying out the research. It contains a body of methods which are techniques for how to collect and analyse data. For Charmaz (2004: 987) methods are merely tools used for gathering research and

expedite learning. They *'should offer reasons and routes but not recipes',* where attention is given to the phenomenon itself, rather than the methods to explore it (ibid).

Methods are not only there for the purpose of satisfying technical criteria but *'rather to bring us closer to what it is we are trying to understand'* (Huff, 2009: 182). Closer in every sense more intimately, directly, truthfully and holistically. Methods therefore determine how we understand a phenomenon under investigation and to what extent it will become important; and how when and where this will be observed (Howell, 2013; 209). Additionally, methods help us verify, to make what we think we have discovered through exploration more plausible and probable. Finally, methods are also there to '*discover objective truths about the world through gathering evidence, testable statements and coherent arguments'* (ibid).

It is important to select methods that complement chosen philosophical paradigms and methodology. It is possible to use a combination of methods depending on objectives of the research and the extent of quantitative and qualitative modes utilized (Howell, 2013: 193). Although certain methodologies and methods maybe conducive for undertaking certain research, no specific approach provides a panacea in the pursuit of knowledge (ibid). Philosophical paradigms inform methodology and that in turn informs what form of methods to apply. Positivist and post-positivist approaches use quantitative methodologies (surveys and structured interviews);

meanwhile phenomenological studies adopt qualitative methods such as focus

groups, individual interview techniques and participant observation. The ontological

and epistemological positions of the chosen paradigm of Critical Theory has

informed what methodology to select for this research area --which is

'phenomenological' hermeneutics -grounded in the works of Heidegger and

Gadamer. Interpretative methodologies like PH *'provide insights, reveal meaning*

and acknowledge the possibility of multiple answers to the problem' (Goulding,

1998: 50). Therefore, the selected qualitative methods are the very tools to gather

these numerous meanings embedded within multiple constructions of a subjective

reality. Both semi-structured interviews and focus groups will have a

phenomenological aspect to them emphasizing a return to the lived world, the

world of experience (Husserl, 1969 & 1992). The idea of the life world will underline

how focus groups and semi-structured interviews aim to describe the phenomenon

under study instead of being explained, by focusing on the very things as they

manifest themselves. Although the Husserlian idea of the life world is the starting

point the two methods will in fact reflect Heidegger's idea of phenomenology, by

taking into account how pre-understanding affect the way the researcher interprets

experiences and life world of others. Interpretative phenomenologists believe it is

impossible to rid the mind of such preconceptions and approach something in a

completely blank or neutral way (Ball, 2009). The questions within the two methods

will consider and reflect such historically conditioned preconceptions and

preunderstanding of the researcher and how those experiences will come into play

when the researcher attempts to interpret experiences of others. Furthermore, Gadamer's idea will be present within the methods, stressing that understanding can only be attained through language and openness to the perspectives of others (McConnell et al., 2009).

6.3 Mixed Methods approach:

With the advent of the *'qualitative revolution'* the past 25 years, many researchers have come to use qualitative methods in the field of social sciences (Denzin and Lincoln, 1994). Additionally, if the researcher is interested in '*understanding individuals' past experiences and interpretations multiple methods of data collection'* may be important (Agar & MacDonald, 1995; Manfredi et al. 1997). For example, combining focus group with participant observation technique will produce different aspects of the same participant's sample. Furthermore, Crabtree and Miller (1992: 6) stress that if one is to take a multi-method stance *'the choice of research style…depends on the overarching aim of the research, the specific analysis objective and its associated research question, the preferred paradigm, the degree of desired research control, the level of investigator intervention, the available resources, the time frame and aesthetics'*.

Methods can be applied for exploratory, triangulation and phenomenology purposes. Methodological triangulation is a technique that facilitates validation of

data through cross verification from two or more sources. It refers to the application

and combination of several research methods in the study of the same social

context. It aims at providing a larger data base (Denzin 1989); further decoding and

interpretation of data; and additional methodological rigour (credibility and validity).

Triangulation occurs where combining such strategies may provide a more nuanced,

rich and varied data about the participants (Hollander, 2004:602). The exploratory

aspect is often used for the initial phase of a research project. In this context, the

researcher is typically looking at a social context that is unfamiliar or new.

Exploratory studies can therefore can satisfy a researchers' curiosity, to arrive at a

better understanding of a social phenomenon; to develop methodological

techniques; to add precision to a research problem; or to identify nuances of a

research setting that can impact the investigation (Babbie, 1989). The

phenomenological aspect seeks to uncover descriptions of 'truth' from the voices of

the participants. This can be done by studying descriptions of reality among

participants (via focus groups and being a part of that reality); and within

respondents by eliciting descriptions of the lifeworld by sharing their version of truth

(via interviews). This way the researcher by employing any of these methods can

vicariously experience a reality (be part of the lifeworld) in the same manner as the

respondents.

This research contains aspects of all three factors mentioned above. It is exploratory

in the sense that the social context of CSR embedded within the activities of SMEs in

Pakistan, is an unfamiliar and under-researched area. Although there is a growing literature on CSR in emerging economies, the focus has tended to be on large companies. SMEs in this context are severely overlooked. Methodological triangulation applies as focus groups and semi-structured interviews have been selected for this research with the aim to provide a larger data and methodological rigour. Each method will essentially provide a different social context for the participants (Kitzinger & Barbour, 1999) resulting in nuanced, varied and rich data of Pakistani SMEs. Finally, as the chosen philosophical paradigm and methodology are phenomenological in nature, the methods will reflect that as well in data collection. Both focus groups and individual interviews will allow the researcher to be part of the participant's lifeworld and study their idea of 'truth'. Questions that will be asked include: In what ways do notions of lifeworld differ among SMEs owners when interviewed individually? And does the meaning of reality change for them in a group interview (either through consensus or dissent)?

6.4 Focus Groups

Focus group is its own specific structure mode of conducting research. They have been in use since the 1920's, and were extensively used in social science programs during World War II to examine the persuasiveness of propaganda efforts for the troops (Merton & Kendall, 1946). They only became standard practice after the 1950's when they were used to study consumer preferences. There are numerous

definitions of a focus group in the literature featuring terminology like *'organized discussion'* (Kitzinger 1994), *'collective activity'* (Powell et al, 1996), *'social events'* (Goss & Lienbach 1996) and *'interaction'* (Kitzinger, 1995), underlining the contribution of this method to social research. For this research, the definition by Morgan (1996) will be used who views focus groups *'as a research technique that collects the data through group interaction on a topic determined by the researcher'*. In principle what this implies is that the interest of the researcher offers focus, however data themselves emerge from the group interaction (Morgan, 1997: 6). Normally the size of focus groups consists of six to ten participants and is typically aimed to last no more than two hours.

Calder (1977) identifies three different types of focus groups in present use, grouping them according to the kind of knowledge is sought- exploratory, clinical and phenomenological. Exploratory focus groups serve primarily as means of generating hypotheses while clinical groups aim to provide insights into the unconscious motivations of the participants. Phenomenological driven focus groups are of interest to this research, which grants researcher access to the participants' common sense conceptions and every day explanations of experiences. For Calder, the way a group is conducted and ways data are interpreted depends on one of these three goals. For instance, in this research, the aim would be to get an insight into the life world of SMEs owners; and see what is the explanation of daily reality shared by the actors, through phenomenological focus groups.

Focus group as a technique is similar to other methods, in allowing access to individual opinions and life stories; yet it strives to deal with the issue of dealing with the self-other divide in the research process. Focus groups with their multi-vocal makeup and unstructured character provide the best method *'for dealing with discourse in which images of research subjects as Other are constantly reproduced'* (Madriz, 2000). On a conceptual and theoretical level, the distinctions existing between focus groups and individual interviews are deeply rooted in the functions and definitions of the 'self' (Kamberelis & Dimitriadis, 2014: 316). Individual interviews are based on Enlightenment notion of the 'self'- *'a transcendent consciousness that functions unencumbered by social and material conditions and is the source of all knowledge and the agency of all action'* (ibid). This notion of agency is diluted in a focus group setting giving opportunities to see the 'self', 'other' and context as co-emergent phenomenon, lying at the very heart of social processes that constitute as reality (Madriz, 1997). The self and social constitute each other throughout, where experiences are collective conversations about a shared reality.

Emphasis is given to the participants' opinion and frameworks of reality; and knowledge construction is multiple via language reflecting personal beliefs, stories and ideas (Howell, 2013: 202). Due to minimal researcher control, focused interviews allow for horizontal and vertical interactions giving rise to, if any, authentic power relations among the participants (ibid). This method also provides a

space that encourages plurality in the construction of knowledge, where priority is granted to what the participants have to say. Understanding is constructed through the participant's language and thinking, for this theoretical sensitivity is required to better comprehend the lived-in experience of the participants. Largely focus group allows the researcher to merely observe how ideas, understanding and knowledge and beliefs operate, develop within an interactive cultural context (Kitzinger, 1994:116).

Through asking questions, sharing stories, validating and challenging each other, focus groups create collective identities and dialogic conversations, evoking feelings of empathy and commonality. Howell (2013: 202) believes this also fosters self-disclosure, self-understanding and self-validation; as communication permits participants to build on each other's thoughts, differ or reach consensus indicating that certain opinions are valid and legitimate. This ties in with the critical and political nature of focus groups, that enable participants to empower themselves by uncovering relations of exploitation and domination (Johnson, 1996:520). In this way focus groups have a Habaramasian feature of achieving consensus through communicative discourse around a particular topic. Communicative action makes it clear that rather than individual, their collective issues are structural, legitimate and reside with society in general (Howell, 2013:203). Such an empowering experience occurs when research data leads to a 'transformational act', turning participants into change agents within their communities (Johnson, 1996:536). This way, focus groups

offer possibilities for critical inquiry as a *'deliberative, dialogic and democratic*

practice that is already engaged in and with real world problems and asymmetries'

in the distribution of social and economic capital (Bourdieu & Wacquant, 1992).

As focus groups are a relatively new qualitative technique, what advantage does this

method offer over individual interviews and observation methods? The biggest

advantage focus groups have is it offers the chance to *'observe participants*

engaging in interaction' that is concentrated on attitudes, motivations and

*experiences (*Morgan & Spanish, 1984: 259). In individual interviewing the option to

observe such interaction is sacrificed in exchange for in depth study of such

experiences and attitudes.   Often group interviews are more dynamic and flexible in

comparison to individual interviews, being much closer to every day discussions.

Focus groups due to their interactional nature indicate how participants discuss,

argue and justify their opinions and attitudes in a group setting (Brinkmann, 2014:

289). In simpler terms, focus groups apart from exploring people's knowledge is

used to examine *'not only what people think but how they think and why they think*

that way' (Kitzinger, 1995). In this way, the unit of analysis still remains the

individual and how they interact collectively. Another strong point is that they are

tools for producing information which is directed by the researcher, but collected

within group of informants. Regarding researcher focus, group interviews can be

seen to be more controlled than participant observation; and with the respondent-

defined nature of the collective interaction, is less controlled than in-depth

interviewing (Morgan, 1997: 16). In essence the strengths of focused interviews lie

in a compromise between the strengths found in informant interviews and

observation techniques. Similar to participant observation they *'allow access to a*

process that qualitative researchers are often interested in- interaction' (Morgan &

Spanish, 1984: 260). And like in depth interviewing they enable access to the

content which is of interest to the researcher- experiences and attitudes of people.

As a middle ground focus groups are neither as strong as observation method

concerning the naturalistic setting of interaction, nor as strong as interviewing

regarding direct probing of participant knowledge (ibid). But what they do, is a

better job of combining these two goals in one single method by providing another

option for qualitative research.

The chief disadvantage of focus groups is first the researcher's relative lack of

control over the discussion. When allowed to be more free flowing conversations,

focus group settings can mitigate the authority of the moderator, thus allowing

participants to 'take over' or 'own' the interview space. This can result in richer and

a deeper understanding of whatever is being studied, highlighting the nuances,

contradictions and complexities among respondents. But this also runs the risk of

the researcher hearing less about the topic of interest. If the role of the moderator is

more direct and dominant, that can possibly lead to losing the free-flowing

discussion which was the original aim of the group (Morgan, 1997: 11). Issues of

control however can be advantageous to focus groups, as devoid of any

predetermined structure can make them easier to conduct; and giving control to the group can be useful when the study is exploratory in nature. The research interest, purpose of study and focus of the moderator should decide how much control the researcher should have in the focus group. The other disadvantage is the unnatural setting in which they are conducted; yet it can be argued that although focus groups are not a natural occurrence, the data to emerge is natural. As focus groups allows the researcher to create better approximations of natural interactions than could be done in informant interviewing or participant observation (Kamberelis & Dimitriadis, 2014:317).

Hollander contends otherwise, adding that, as focus groups are '*artificially formed*' for the researcher's purpose, this produces *'contrived speech'*; in comparison, one-on-one interviews and participant observations normally occur in natural settings and are able to capture more 'natural speech' (2004:605). Issues of 'honest data' to emerge due to the degree of the researcher's role is one that all qualitative methods face and it should be stressed that given such limitations focus groups should not be seen as a substitute for more informal setting methods. Rather focus groups should be viewed as having its own distinctive identity by providing access to data that cannot be easily obtained by other two methods. They are useful in filling out gaps in understanding derived primarily from other methods, and pair nicely with other modes of data collection in certain research contexts (Kamberelis & Dimitriadis, 2014:327).

Although the focus group space is tightly defined by the researcher, the role is starkly different where it is greatly minimized as opposed to interviews. The role of the researcher is of a moderator where she has to steer the discussion in the right direction; anticipate the flow of talk; intervene when needed (with probes and pauses); and be an attentive and respectful listener. Focus group in this sense can be *'perceived as a mechanism for overcoming the interviewer's bias and subjectivity in terms of beliefs and values directing the interview'* (Howell, 2013:201). A lot of it has to do with the style of carrying out the focus group by the moderator. One style calls for a rather passive, non-directive approach where the researcher only asks questions as probes *'on a limited basis or offers reinforcement to keep the discussion going'* (Frey & Fontana, 1993:27). The other technique involves being directive, where the researcher has a dominant role in the focus group proceedings. This can be done with either the researcher being an empathetic participant in the interview; or being active moderator in term of exerting considerable control over the direction of the conversation. For instance, the researcher would have a structure to the focus group and ordered set of items to be covered by participants, and constantly keep the group on track (ibid).

6.5 Research Interview:

Interview research is a means of developing accurate interpretation of a given

situation '*enabling rich description, evaluation and consideration of personal*

accounts or biographical and, historical data...allowing [an] environment for

storytelling' (Howell, 2013: 198). They are widely used requiring investigation

through question and answers, where interpreting answers is a subjective process

with ambiguity existing on some level. How else are we to gather understanding

unless we ask questions of ourselves and other individuals? This entails questioning

ourselves when observing or reflecting on others through interviewing (ibid: 197).

Interviews can either give an in-depth comprehension and accurate description of a

given situation or provide foundation for a numerical study through a scale

dependent on the structure type.

Interviews can be essentially seen as knowledge-producing conversations- the

cornerstone of how human beings have used conversation as a medium to obtain

knowledge about others. People are dialogical conversational creatures who use

conversation to interact with others and in process define their selves. Harre points

out that '*the primary human reality is persons in conversations'* (1983:58). This

conversational process which is essentially dialogical and interactional in nature has

been conceptualized under the term interviewing. Macoby and Macoby (1954:449)

define it as '*a face-to-face verbal exchange in which one person, the interviewer,*

attempts to elicit information or expressions of opinion or belief from another person

or persons'.

Individual interviews at times can be preferable to group interviews and other

methods. First, it is often easier for the researcher in such a context to lead the

conversation in one direction that ties in with the interest of the researcher.

Secondly, when studying aspects of people's lives that can be sensitive or private, it

is preferable to use individual interview context allowing more confidentiality and a

space of trust for participants to talk (Brinkmann, 2014: 289). Furthermore, in terms

of acquiring in depth and rich data, individual interviews allow that to occur as it is

easier to collect such data from the one participant in comparison to a focus group

of 10 respondents. It also gives each participant the opportunity to have a detailed

and open discussion with the researcher creating a *'field of communicability'* (Briggs,

2007: 556). Thus, individual interviews provide in greater detail the experiences,

attitudes and motivations of individuals for the researcher to study.

The distinction between different types of interviews should be thought of as a

continuum ranging from structured to unstructured formats, with semi-structured

version as the middle ground. These various forms of interviews are shaped by the

main philosophical paradigms i.e. positivistic and phenomenological positions. For

positivist studies, its structured interviews with closed questions aiming to generate

specific data that be easily codified. Such type of interviews is normally employed in

surveys and is based on the same research logic as questionnaires (Brinkmann, 2014:

286). Researchers are supposed to *'read questions exactly as worded to every*

respondent and are trained never to provide information beyond what is scripted in the questionnaire' (Conrad & Schober, 2008: 173). Phenomenological approach uses semi-structured and unstructured interviews where the objective is to understand social and behavioural complexities in an open inductive manner. Both types of interviewing evolve as the individual interview proceeds; and information accrued in each interview adds to the next one. For instance, having realized which questions elicit the most information and what type of information, the researcher can focus on them more in future interviews with the participants. Unstructured interviewing, on the other end of the continuum, uses open talk on a given topic with conversation taking any direction. Devoid of pre-set structure, the researcher should enter the conversation without any pre-conceived questions and must be sensitive to what is being disclosed (ibid).

Semi-structured interviews are sometimes equated with qualitative interviewing and are the most widespread form of interviews in the social sciences. Kvale & Brinkmann (2008; p.3) regard semi structured interviewing *'with the **purpose** of obtaining **descriptions** of the **life world** of the interviewee in order to **interpret the meaning** of the described phenomena'*. All interviews have a purpose i.e. to serve the researcher's goal of producing knowledge, which in turn sets the agenda of the interview. All sorts of motives come into play when staging an interview and this can be reflected in the data notes containing a reflexive account and discussion of the individual and social aspects of such motives. Keeping in line with the

phenomenological perspective, semi-structured interviews are '*seeking descriptions of how respondents experience the world, its episode and events*' (Brinkmann, 2014: 287). Such descriptions are reflected in the type of questions asked during the interview and avoiding abstract and reflexive questions. In qualitative research, there is a primacy of the Life world, referring to the shared intersubjectivity and meaningful world in which humans conduct their lives and experience phenomena (Husserl, 1969 & 1992). In this respect, research is meant to provide a first-order understanding through concrete descriptions, by eliciting meanings of the life world. Finally, interpretation of meanings relates to how researchers should engage in the interpretations of the people's experiences and actions as described in the interviews; and avoid abstract theorizations. This is because life world events are rarely transparent and are '*polyvocal'* in nature, permitting multiple (even contradictory) readings and interpretations (ibid: 288).

In a semi-structured interview the initial preconceived questions are not closed and can be adapted as the interview progresses, indicating flexibility in the outcome. Compared to structured interviews, semi-structured interviews can make better use of the *'knowledge producing potentials of dialogue'* by allowing leeway and deviation in terms of questioning (Brinkmann, 2014:286). Like any qualitative research, the researcher serves as the *'instrument'* through which data are collected (Boyd, 1993; Rew at al, 1993, Gillham, 2000). The skilled interviewer, will use responses of the participant to guide data collection and probe for additional

information as needed for depth and clarity (Sorrell & Redmond, 1995:1118). Semi-structured interviews also allow the researcher the chance of becoming '*visible as a knowledge producing participant in the process itself*' rather than hiding behind the pre-set interview guide (Ibid). The in-depth interviewing carries with it a unique intimacy and level of openness between the researcher and respondent that can be best balanced with the hybrid feature of semi-structured interviews. This dynamic is also reflected in the technical accounts and reporting of questions and answers.

6.5.1 Dyadic Interviews

Dyadic interview is another form of interviewing, differing significantly from individual interviews in the sense it brings together two participants. Normally dyadic interviews involve a pair of participants who may either share a pre-existing relationship (e.g., co-workers) or be strangers (e.g., participants in the same program). Dyadic interviews have been mainly used in family research and health but the author believes this type of interviewing has broader uses in social sciences. Furthermore, they can be a third alternative to individual interviews and focus groups (Morgan et al, 2013).

The crucial difference between individual and dyadic interviews is the amount of interaction that takes place in the latter. The comments from one participants draw

forth responses from the other, culminating in a combined interdependent

conversation. While individual interviews allow respondent to share information in a

safe space, dyadic interviews allow participants to stimulate ideas that might not

have been either recognized or remembered. Whereas in individual interview

settings the researcher has more control over the session, dyadic interviews, like

focus groups allow respondents to *'co-construct'* (Morgan, 2012) their version of a

dyadic reality and dyadic being-in-the-world (Eisikovits & Koren, 2010: 1643).

Furthermore, compared to individual interviews, what distinguishes both focus

groups and dyadic interviewing is the production of data through the interaction

among the participants.

Additionally, in comparison to the discussion among several participants in focus

groups, dyadic interviews collect data through a conversation between just two

participants (Morgan et al. 2013). One feature that dyadic interview does share with

individual interview is the ability to collect more data from each participant. This

creates an opportunity to '*gather more data in more depth and detail, while*

allowing each participant to develop a more personal narrative' in connection with

the research topic (ibid: 1277).

Although dyadic interviews also involve interaction between the participants similar

to focus groups, comparisons do exist between the two. Both types of methods

contain the process of comparing and sharing due to the interactional element.

Sharing allows the participant to extend what the other has said; while comparison

looks at the process of differentiation in the opinions of the two respondents.

Combined together, sharing and comparing allows the researcher to hear similarities

and differences in how the respondents think (ibid). One strength of two-person

conversation is that it mimics some form of interaction better than focus groups do

(Morgan, 2012). This can be useful when conducting such interviews over the

telephone making it easier to organize logistically. Another strength, is the easy

recruitment process of bringing together two participants and arrange an interview;

rather than a large group of people to meet at the same place and same time.

Finally, it is important to add that it can be quite misleading to view of dyadic

interviews simply as miniature focus groups; as the format, the interaction process

and conversation emerging from such process can be very different from a focus

group.

6.6 Discussion

CSR as one of the many processes that looks at the relationship between business

and society, can be best explained and studied by an interpretivist paradigm. CSR

looks at the business- society interface – such as SMEs and their stakeholders, or

SMEs as corporate entities and the wider society. In order to comprehend

underlying meanings behind such interactions an interpretivist approach is needed

(Jones, 1983). The philosophical underpinning for this research is phenomenological

with Critical Theory the selected paradigm and PH as methodology. The two

qualitative methods will reflect that aspect in their purpose and direction for data

collection. The selected qualitative methods are reflected in the research design

(Table 6.1).

Research Type	**Qualitative & Exploratory**
Philosophical Position	**Phenomenology (Heidegger stance)**
Paradigm of Inquiry	**Critical Theory (Habermasian position)** **Dialogical & Dialectical in nature**
Ontological Stance	**Reality is manifested by the mind**.
Epistemological Stance	**Subjective Stance**.
Theoretical Frameworks	• **Normative Stakeholdership** • **Archie. B Carroll's CSR pyramid** • **Bourdieu's Theory of Logic of Practice**
Methodology	**Phenomenological Hermeneutics (Heidegger & Gadamer)**
Methods	• **Experience focused Interviews** • **Focus Groups** • **Memo- writing and Reflexive diary.**

Table 6.1 Research Design

Heidegger rejected Husserl's epistemological mind-body split and talked about

being-in-the-world, *'an integral, temporal, and dynamic activity that comprises what*

it means to be' (Heidegger, 2010). He stressed the significance of interpretation as

'*engaging a pre-understanding of being-in-the-world and an always-already*

engagement of making meaning, which is a common human experience' (ibid).

Heidegger's work underscores humans' foresight, or ability to make interpretations

based on historically driven practices. This past, present and future oriented

understanding is an all-inclusive circular process that exemplifies humans as self-

interpretive beings and represents what could be labelled as the hermeneutic circle

(Diekelmann & Ironside, 2006). In phenomenological hermeneutics, comprehension

is not '*an isolated activity of humans but a basic structure of experience of life…'*

with a focus on the medium of language for transmitting meaning (Gadamer, 1970).

In their works, Heidegger and Gadamer asserted that people cannot refrain from

preconceived notions and that attempts to eliminate these preconceptions are

unattainable and absurd (Annells, 1999; Gadamer, 2004). From a method's point of

view, by taking such a position the researcher becomes an involved agent of the

interpretive process and cannot 'bracket' understandings as data is gathered via

interviews or analysed in the interpretive tradition (Vandermause & Fleming,

2011:369).

In terms of research the emphasis will be on language, combined with historical pre-

understanding and cultural being to gain an interpretative understanding of the

research topic. For instance, patterns of understandings and experiences of CSR

(from the SMEs perspective) embedded within the historical and socio-cultural

fabric of Pakistan will be analysed. This making sense of experience or reclaiming of

language is similar to a conversational dialogue (ibid). In phenomenological studies,

the words of the informants are considered the only legitimate source of data,

where the view of them is taken as 'fact'. (Goulding, 1998: 51). Understanding will

only arise when the researcher will engage with one's self encompassing subjective

bias (researchers' own historical prejudice and fore-conception). A

phenomenological researcher can never objectively view history, as one is part of

the historical process (Howell, 2013:166). With historical distance, the researcher

will try to recognize texts better than the writers themselves, and a meaning will

emerge out of the continuous interplay between the past and present. The meaning

of the texts will be taken to what it references, corresponds with, or stands for in

the real world; as the essential task of the language is to convey information and

describe the life world (Goulding, 2005:302). Any meanings to emerge will be

temporal, in a constant state of becoming, existing through participatory

understanding produced by the researcher interpreting the texts line by line

(Howell, 2013: 166). The purpose is to realize the act of comprehension itself,

where the author is part of the world-is-being studied.

With this in mind, focus groups and individual interviews, like other qualitative

methods are a good fit when carrying out phenomenological studies. Moreover,

they also are a great combination, and can enhance projects if one is aiming to do a mixed methods approach. The next question to ask is how do individual interviews and focus group compliment this particular research? First, the research is exploratory and phenomenological in nature, where it is important to understand several individual's common or shared experiences – in this case the experience as SMEs' owners dealing with CSR- and gain a deeper understanding of the phenomenon. To achieve this, qualitative methods are ideal to produce specific and not generalized data. Individual interviews are particularly useful when studying the underlying rationales for beliefs and attitudes are important. For instance, what are the beliefs and opinions of SMEs owners when it comes to social responsibility and the rights of stakeholders? Focus groups on the other hand will be used to study the complex behaviour and motivations lying beneath such beliefs. Another way in depth interviews can be useful is to get some *'comprehension of culture and… norms'* (ibid: 200). As the research will be carried out in Pakistan, with its particular socio-cultural traditions and '*national business system'* configurations (Matten & Moon, 2008), an understanding of that particular context will be important. Focus groups will be able to show how such culture and norms play out in a collective setting leading to the identification of group norms. Group norms include every day forms of communication such as anecdotes, terms or jokes that will shed light on how SMEs owners communicate with each other. In this sense focus groups will reach parts that other methods are unable to reach *'revealing dimensions of understanding that often remains untapped by more conventional one-to-one*

interviews' (Kitzinger, 1994: 109). Secondly as the concepts of historical pre-understanding and experiences are impossible to rid the mind off and approach a phenomenon in a completely neutral way, these preconceptions will guide in how the data is carried out (Balls, 2009). The researcher will use their own experience to interpret those of others. Furthermore, pre-understanding will also guide the research questions asked in the interview, because as researchers we are always interpreting something in which we ourselves exist (Koch, 1995).

Thirdly to obtain in-depth understanding, individual interviews are the best option as it will allow the respondent to reveal things in an intimate and trusted space. This will lead to a close relationship as the researcher, who in their capacity as the instrument will encourage the participant to divulge information. Hopefully the participant in turn will develop a personal narrative with the research topic. Focus groups, on the other hand provide less detail and in-depth of each participant yet is successful in presenting them, as part of a collective (Johnson, 1996: 523). This creates a synergy between the participants and moderator; and themselves, leading to vibrant multilateral conversations that are rich and meaningful. The aim of the research is to create and capture that synergy through group interaction, and reveal a different side to the phenomenon being studied. Lastly, individual interviews and focus groups will be used as a follow up to the other. The initial focus groups, would help in identifying potential participants (depending on their participation level and views) for individual interviews as well as provide depth and detail on topics that

were broadly discussed in group interviews. Second, conducting informant

interviews will help the researcher to study about any perspectives or voices that

were under represented in the focus group. A good example of this would be

interview individually women SMEs owners in Pakistan, and see what problems do

they face specifically as business owners?

Phenomenological interviewing is also known as *'experience focused interviewing'*

where the researcher is known to have a receptive style (Wengarf, 2001).

Encompassing a receptive manner, the researcher both in focus groups and

individual interviews, will empower the informants enabling them to have *'large*

measure of control in the way they answer the relatively few and relatively open

questions they are asked' (ibid: 155). In individual interviews, the semi-structured

form will allow the participants to answer fixed questions which as the interview

progress could be adapted leading to a more open discussion. Inside out questions,

will encourage respondents to share their stories and uncover meanings embedded

with their experiences. Regarding focus groups, the unstructured format (consisting

of open ended transitionary and key questions) will allow the researcher to give up

control to the group and thus get access into the shared daily reality of the

participants. This will pave way to explore differences between the participants and

how they reflect on each other's ideas; identify conflict to pinpoint why people

believe what they do; and see if focus groups provide an arena to reach consensus

on important issues (Kitzinger, 1994:116). Experience focused interviewing will thus

allow the researcher to gain a holistic understanding of the experience that form a

vital part of the respondent's day to day existence i.e. their life world.

6.6.1 Organizing Focus Groups and Interviews:

From a phenomenological point of view, normally the structure of individual

interviews are unstructured and open-end questions For, this research the semi-

structured format will be utilized with special attention given to language and

meaning. Focus groups will follow the unstructured format to encourage an open

and great variety of discussion between the participants. With the aid of purposive

sampling, participants will be selected who have lived the experience already. This

will also often result in participants come prepared and ready to tell their story- as

they would have had time to mull over their experiences and think about the

phenomenon in question. The number of participants for the focus groups will not

exceed more than 6-8 as this is dependent on their availability and time schedule

(MacIntosh, 1993). Regarding the setting, ideally both type of interview would have

to be in a natural setting which is free from constraints and where the participants

can feel at ease. This will be possible for the individual interviews with SMEs owners

as they will be carried out at their office or workplace. The focus group comprising of

SME's owners will also in a more informal setting- the Lahore Chamber of Commerce

(LCOC), an important meeting point for all SMEs owners to interact and network.

The second focus group including the SMEs experts will take place at their office as all the participants work there.

On the issue of homogeneity in both focus groups, the participants know each other. If a group is too homogenous with regard to specific characteristics than differing experiences and diverse opinions might not be revealed. The identification of participants has been carried out so that they can feel comfortable with each other. Meeting and having a conversation with '*others whom they think of as possessing similar outlook, attitudes and levels of understanding on a topic, will be more appealing*' than sitting with those who are strangers (Morgan, 1997). In the SMEs owners focus group participants know each other as they are all members of LCOC and are members of the local SMEs network. The second focus group includes people who all work together but with different rankings and positions within that organization (SMEDA)[110]. Hence in this case, the focused interview will be critical in identifying nature of relationships such as power differential, gender bias or friendship patterns, which might not be discernible through individual interviews. Finally, as the research is exploratory in nature as well, focus group respondents have been selected because they are knowledgeable observers (experts) who are familiar or living the social situation under study. Herbert Blumer recommends doing this as this kind of group '*is more valuable many times over than any representative sample*' (1969:41).

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[110] Small and Medium Enterprises Development Authority.

In phenomenological interviews, the researcher not only shapes the interview but is also shaped by the process. The role of the researcher is that of a participant, engaged in a narrative discourse with the participant. Both parties feel empowered through the awareness of new meanings in lived experiences. Another important point is the art of listening - where the researcher should have the capacity to listen attentively and respectfully. The researcher will focus on what is being said and what may be hidden, responding sensitively when required and probing for clarification as the narrative text is co-created. This aspect corresponds to what Heidegger (2010) and Gadamer (2004) refer to when *'phenomena occur in a dialogic context that is reciprocal, multi-facted, historical and dynamic'*. This art of listening translates to focus groups as the researcher/moderator having minimal control over group interaction. Initially asking opening questions to start the debate and the occasional use of probes, the researcher by having a less visible role will really observe and study interactional discussion. By being adaptable, non-judgemental and a good listener the goal is to encourage open and rich channels of dialogue.

Ethical considerations are pretty much the same for all methods of social research and are bound to manifest in data collection (Homan, 1991). These range from fully informing participants about purpose of research; issues of confidentiality and handling sensitive material; and extent of disclosure issues. To gain further support and sensitivity, the researcher will inform the participants' purpose of the research

and their contribution to the data collection. Regarding confidentiality, the names of the participants will not be disclosed and any 'off the record' information will be disregarded. To create an atmosphere of respect and openness, the researcher in focus groups will also emphasis that each participant should feel comfortable to share their point of view- as every one's opinion matters. Prior to any interview, the participants will be informed about the expectations of method being used and the topic to be discussed. Particularly in the case of focus group the good practice of not pressurising participants to speak will be followed. All of these ethical limitations will be elaborated in the consent form given to the respondents prior to the interviews.

6.6.2 Research Rigour

With reference to validity and reliability, as this is a naturalistic research the alternative terms coined by Lincoln and Guba (1985:300) will be applied. Issues of trustworthiness, credibility, transferability, dependability and confirmability will feature prominently during the data collection phase. The ways that credibility can be established is through prolonged engagement in the field and triangulation of data of sources. For this research validity/credibility will be achieved through triangulation of methods and sources; confronting researcher bias from the outset of research and allowing for rich and thick descriptions for the readers to make decisions regarding transferability (Creswell, 2007:208). The chosen methods will improve validity by painting a picture of the lifeworld -the perspectives and

experiences of participants - as accurately and truthfully as possible. Reliability will

be achieved and enhanced by obtaining detailed field notes, good quality tape for

recording and detailed transcription of the tape. Reflexivity will be achieved with the

researcher keeping a detailed diary, recalling their experiences, emotions, thoughts

and observations during the data collection. The researcher will return back to

original findings and critically examine them after a few days, going through a series

of reflexive cycles to see how and if interpretations have changed. This aspect of

memo writing will provide a discourse between the researcher and data, and

highlight the subjective influences the researcher brings to the research process.

6.7 Conclusion

This chapter has highlighted methods selected for this particular research;

influenced by critical theory paradigm and PH as the methodological approach. The

research is phenomenological, triangulatory and exploratory in nature, requiring

qualitative methods- group interviews and individual interviews in particular. The

argument, first shows that the two methods have been chosen because the research

focuses on social interaction in a social context of SMEs about the phenomenon on

CSR. And secondly, how they fit in with the overall research purpose and research

questions. Aspects of organizing focus groups and semi-structured interviews were

also discussed highlighting any challenges expected in the data collection.

Furthermore, issues of Rigour and Trustworthiness, as the overarching focus

throughout the research were discussed. In short, focused interviews and semi-structured interviews will guide the researcher in studying intricacies of CSR in Pakistani SMEs, by providing rich, meaningful and subjective insight into the life world of the participants. This will enable the researcher in capturing objective truths about the world.

Chapter VII. Analysis (I)

7.1 Introduction:

The emergence of CSR as a significant issue in recent years can be attributed to the expectation in developed countries for business to engage with society beyond their commercial interests. Business are now under sustained pressure to be held publicly accountable –in an age of instant information dissemination- for a myriad of reasons to shareholders, wider conscientious stakeholder community and sophisticated consumer groups (Ahmad, 2006:116). For companies in EMEs, the pressure from media, stakeholders and consumer specialist groups might not be as sustained. In many of the countries, share-holding is concentrated in a few familial hands, consumer groups are virtually non-existent or ineffectual and consumers are not very business literate. On the other hand, where certain regulatory standards do exist, the government lacks the political will and resources (or both) to enforce a culture of compliance (ibid). These kinds of conditions exist in all EMEs, including Pakistan. An interesting trait of CSR in emerging economies is the influence of local culture and traditional norms in establishing what being socially responsible entails. Khan and Nomani (2002) emphasis that as elsewhere in Asia, CSR is '*gradually making inroads in the private and multinational sector'* with a number of big companies claiming to be engaged in CSR activities but it is still a slow process.

The chapter first will provide a brief overview of the 'grey literature' on Pakistan's business environment and current regulatory standards identifying Small and Medium Enterprises Development Authority (SMEDA), State Bank of Pakistan (SBP) and Securities and Exchange Commission of Pakistan (SECP) as key regulatory players. Next, company profiles selected for this research will be discussed,

highlighting traits such as size, location, number of employees and industry sector.

The subsequent section will discuss the detailed explanation and analysis of the

interview questions. The reasoning behind the questions and how they link up with

the wider research question and topic will be reviewed. Chapter VII will finish with

a brief section on the various ethical and logistical challenges faced during the data

collection process; and how data was coded using thematic analysis approach and

micro-interlocutor analysis. [111]

7.1.1 SMEs in Pakistan

SMEs are a vital, innovative, dynamic life-force and breathing apparatus of Pakistan's

economic growth (Seth, 2010). A study by Dasanayaka (2008) shows that there is no

universally acceptable official definition for SMEs in Pakistan, and like any other

EMEs, all the existing definitions depend on convenience and objectivity of

studying SMEs. Normally SMEs have been defined as firms having less than 100

employees (Nooteboom, 1994) but for the purpose of this study (and variability) the

author chose to define SMEs as firms with approximately 25-500 employees.

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[111] The micro interlocutor analysis divides focus groups into enumerating data and help to validate any inference
about the level of response patterns and consensus achieved.

SMEs are the backbone of the national economy, underlining its vital role for the country. Statistics indicate that small industry constitutes 99% of all businesses and cover 78% of total industrial employment (SMEDA, 2013). Out of the 3 million SMEs, at present 96% are solely owned (ibid). It is estimated that they account for 30 percent of national gross domestic product (GDP), 25 percent of exports of manufactured goods and 35 percent of manufacturing value added (State Bank of Pakistan, 2013). The significant concentration is found in the province of Punjab (65.4%), with Sindh coming second (18%) followed by Kyber-Pakhtunkhwa (14.2%) and Baluchistan (2.3%) having the smallest share (SMEDA, 2013). The pace and productivity of SMEs are pivotal in employment generation, poverty reduction, equitable distribution of income, regional development and growth of private enterprises[112].

7.2 Grey Literature

The fate of SMEs and business in general had taken a backseat due to the political and economic instability of the 1970-90s. In early 2000, economic policy makers realizing the immense untapped potential of SMEs, identified it one of the priority drivers of economic growth and employment in Pakistan. In response, they started

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[112] For emerging countries like Pakistan, SMEs are known to 'catalyse the structural change that translates into macro-economic developments and therefore support sustainable growth' (Khan, 2015).

assimilating SME sector in the broader development agenda, and introduced some

institutional infrastructure that contemplated changes in the regulatory

environment. This included creating new governmental institutions —such as

SMEDA, and Trade Development Authority of Pakistan (TDAP); and restructuring

existent bodies (SBP) and creating new regulations to encourage the growth of SMEs

growth (Hussain, 2002)[113]. In 2007, the government launched its SMEs Policy which

serves as a benchmark to initiate national and provincial programs and projects

related to the sector. The core issues of SME Policy look at the creating a favourable

business environment for SMEs; increasing SMEs access to formal finance; access to

resources and services and SMEs definition; and feedback, monitoring and

evaluation mechanism (SMEDA, 2007). It has been widely acknowledged that the

current regulatory environment is more geared towards larger corporations and

multinationals firms in the country (Dasanayaka, 2008, 2009, 2011; Dasanayaka &

Sardana, 2009a, 2009b; Ahmad, 2006). The apparent disregard of the plight of SMEs

and inadequate growth opportunities has left this vital industrial sector virtually

ignored over the past few years in Pakistan. For small business to strengthen and

grow, a strong enforceable regulatory system is imperative that promises

sustainable and inclusive growth.

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[113] Hussain, I., (2002). Developing SME Sector in Pakistan Concluding address at the Habib Bank Seminar on 'Small and Medium Enterprises'. Speech on January 15th, Karachi.

According to SMEDA (2014) companies wishing to do business in Pakistan must

register with Registrar of Companies, under the Companies Ordinance 1984[114]. The

majority of the laws that have been developed over the years regarding CSR and

businesses aim to target large companies and multinationals who are operating in

Pakistan. Any CSR related initiatives are linked to the Company Ordinance Act of

1984 (Section 246) which states:

*'Power of Commission to require submission of additional statements of accounts
and reports. - (1) [Notwithstanding anything contained in any other provision of this
Ordinance the] Commission may, by general or special order, require companies
generally, or any class of companies or any particular company, to prepare and send
to the members, the registrar, any authority, a stock exchange and any other
person such periodical statements of accounts, information or other reports,
[audited by an auditor,] in such form and manner and within such time, as may be
specified in the order'[115].*

The issue of companies being socially responsible is thus included in the periodical

statements of accounts, information and other reports part of the section. Although

the Company Ordinance Act of 1984 deals with the running and corporate activities

of companies, it does not make reference to mandatory CSR as is the case in

neighbouring India.[116] In EMEs the concept is being incorporated into concrete legal

structures over time. For example, in India, Companies Act of 2013 (Section 135)

makes it mandatory for every company having a net worth INR 500 crore or more to

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[114] The laws which govern businesses in Pakistan mainly include Sales Tax Act 1990, Income Tax Ordinance 2001, Customs Act1969, Federal Excise Act 2005, Imports & Exports Act 1951, and Partnership Act 1932.
[115] http://www.bu.edu/bucflp/files/2012/01/Companies-Ordinance-of-1984.pdf

[116] Normally the concept of CSR is rooted in the corporate laws of a country, and in Pakistan such laws are vague and overlapping.

develop and implement a CSR policy. Schedule VII also defines the activities which are considered CSR activities[117].

The *'Corporate Social Responsibility Voluntary Guidelines of 2013* CSR by SCEP are purely voluntary in nature and geared mainly towards large companies with shareholder structure[118]. They were drawn up with the view that any kind of CSR pursued by the private sector is optional. Nonetheless businesses are encouraged to move beyond the recommended minimum provisions articulated in the document. Pakistani government holds the view that instead of pending a formal amendment to the relevant law, it is more appropriate to create greater awareness and sensitivity towards CSR activities in Pakistan. This has been done in light of the present economic conditions, whereby the government believes that making CSR mandatory would have an adverse impact on the business sentiments in regard to domestic and foreign investors.

SECP's guidelines on CSR (2013: 2) are aimed for all companies that have '*initiated or intend to initiate corporate social responsibility ("CSR") activities'*. Additionally, it is expected that all companies '*may endeavour to adopt working models that*

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[117] To gain a better view of CSR in EMEs, it is seen that CSR is mandatory in developed economies such as UK and Australia. UK Companies Act 2006 (section 172) imposes a duty on directors to promote the success of the company, including also the impact company operations have on the community and environment. The law encourages CSR but is not mandatory. Similarly, in Australia the Corporations Act of 2001 does not make any direct mention to CSR by firms. Thus, CSR is largely voluntary but is encouraged by the respective governments.
[118] https://www.secp.gov.pk/document/voluntary-guidelines-for-csr-2013/

complement the recommended guidelines with a focus on fair, transparent and

responsible business practices' (ibid). The objective is to promote the development

of a framework for CSR initiatives by companies operating in Pakistan. Its notable

feature is the emphasis on stakeholder engagement whereby companies are

encouraged *'to strive and work in cooperation with stakeholders for implementing a*

transparent and socially responsible strategy' (ibid: 3). The guidelines serve as a

starting point for big companies only, stating CSR policy should be endorsed by the

board of directors of the firm. Furthermore, the document encourages companies to

disclose and report their CSR policies annually. In line with the Companies Order of

2009, firms are expected to '*provide descriptive as well as monetary disclosures of*

the CSR activities undertaken by it during each financial year (ibid: 6). The

disclosures can be made in areas among others, such as corporate philanthropy;

community investment and welfare schemes; and national-cause donations among

others[119].

Recently, SBP having realized the potential of SMEs sector growth and the positive

impact on the national economy has given special focus to SME financing. According

to a survey done by World Bank (2002) access or lack of finance is the main

challenge facing SMEs owners and entrepreneurs in Pakistan (55%). Banks are

reluctant to issue loans to SMEs due to high default risk. Furthermore, SMEs lack the

necessary information on how to access banks along with not having the proper

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[119] http://www.secp.gov.pk/corporatelaws/pdf/CSR.pdf

financial record to be provided to banks for loans. Typical of many emerging

economies, SMEs in Pakistan find it difficult to access finance through the formal

sector. In response, SBP has taken concrete steps such as launching a

comprehensive regulatory framework among others, to improve SME lending

market (Ahmad & Alam, 2015: 267). In 2013 the regulations were revised such as

creating prudential regulations for SMEs, thus giving more focus to SMEs as well as

lending incentives for banks[120]. Since these initiatives have taken place the

outstanding SME financing (domestic) has increased by a steady 6% annually in the

last two years (Dec 2014 & Dec 2015). In regard to the three main SMEs categories,

trading SMEs saw a decrease in financing from 41% (2014) to 37% in (2015).

Manufacturing SMEs had the same issue standing at 42% in 2014 and down to 35%

the following year[121]. The only category to experience an increase was the services

SMEs from 17% in 2014 to 28% in 2015[122].

SMEDA , is a policy-body advisory body and it's task is to encourage the '*growth of*

globally competitive SME sector, through a conducive environment and support

services, serving as an engine of sustainable growth for national economy' (SMEDA,

2007). Along with SBP, it is one of the two institutions that have come up with a

definition of SMEs in Pakistan. It facilitates other stakeholders in addressing their SME

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[120] Other initiatives include establishing of SME division, creating a dedicated e-Credit Information Bureau; and facilitating the creation of a secure transition registry that will be instrumental in lending to small borrowers (SBP, 2013). [128] [129].
[121] SBP Quarterly on SMEs, Dec 2014.
[122] SBP Quarterly on SMEs, Dec 2015

development agendas. The organization works across industry '*clusters and sectors*

providing business development services to unleash the true potential of SMEs in

Pakistan' (SMEDA, 2013-2014). It also has an extensive 5-Year SME Development Plan

(2013-18) with the aim to assist SMEs in value addition and employment generation

to the national income through the expansion of the SME sector[123]. SMEDA plays a

vital role in facilitating policy making, providing overall planning and research

concerning small industries. It also advises the government in allocating funds for the

growth and development of SMEs. Keeping in mind that SMEs suffer from a variety of

weaknesses which constrain their ability to fully take advantage of the rapidly

changing global business environment, SMEDA provides services and support to

SMEs[124].

SMEDA also carries out pre-feasibility studies business plans for research purposes.

Such studies provide market information and serve as a first step towards informed

decision making for SMEs. SMEDA terms these studies as industry cluster studies that

target SMEs sectors that have the potential to form an industry cluster[125]. Industry

clustering is seen as a step in mapping out the growth and progress of the sector,

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[123] This will be achieved by helping to increase the number, the scale and competiveness of such enterprises.

[124] Examples of this include, walk in facilitation, development and investment facilitation, training services, a web portal (with relevant information resources such as sector information and regulatory procedures) and an accounting package called SMAP which aims to improve capacity building. The software is to assist SMEs in maintaining cost effective accounting systems.

[125] A cluster is defined as '*geographical concentration of enterprises which produce and sell a range of related or complementary products and are, thus, faced with common challenges and opportunities*' (SMEDA 2013). Cluster development looks at strengthening the industry clusters by creating networking among stakeholders to reduce the cost of doing business; bringing them on a single platform for more voice among policy makers; create fresh business opportunities; and reducing risk of doing business and capacity building of the SMEs.

something which had been lacking before. In conjunction with SBP, SMEDA has carried

out numerous cluster profiling studies to reduce the severe lack of credible research

data on SMEs which hinder the development of effective strategies for the sector[126].

To bridge the gap between policy makers and business community, the government

launched a multi stakeholder forum called the '*Pakistan Compliance Initiative*' in 2002.

It was intended to facilitate exporters particularly the SMEs in meeting international

social compliance standards such as ISO-9000, ISO-14000 and SA-8000[127]. The initiative

was established on the urging of the private sector, on environment and labour issues,

that exporters could face in the global market as supply chain partners. This is

particularly relevant to export orientated SMEs (textile and leather goods sector). The

result has been the inclusion of social compliance in the national trade policy as well as

bringing exporting SMEs on the same social compliance field as other emerging

economies. The initiative aims to help SMEs attain internationally recognized social

compliance certification and compete in the world market.

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[126] In this way, such cluster studies not only guides entrepreneurs and supplies information related to investment opportunities for SMEs; but also provides information to government and other relevant stakeholders such as banks in how to deal with SMEs. For instance, in the case of local banks, such studies aid them in coming up with cluster specific products and tailored SME banking strategies. The cluster focused development has also proved to be a crucial factor in employment generation and poverty reduction globally.

[127] The board consists of representatives of exporters of carpets, textiles, surgical instruments, sports goods, readymade garments, hosiery and bedwear. The ministries of labour, commerce, interior and environment are also represented on the board.

7.2.1 Religious Factors:

It is unwise to comprehend Pakistan's regulatory environment, without acknowledging the crucial role of cultural norms embedded in the social fabric. In Pakistan with 90% of the population identifying as Muslim, means that religion has a strong influence in the perception and practice of CSR. Islam has enabled its society to preserve many traditional values while managing its transition to an emerging economy. Concepts such as the four ideals of Islamic social practice: Free will, Unity, Responsibility and Equilibrium, are the defining factors in economic activity. The Islamic teachings emphasis '*transparent and corruption free written contracts, acceptable working conditions, fair exchanges for both natural resources and human effort*' (Waheed, 2005:26). Islam favours fair and ethical business as the best source of income and aims to promote mutual benefit in business interactions. Consequently, indigenous firms in an Islamic environment are expected to be conscious of the impact of their activities on the community[128].

The study by Ahmad, (2006) suggests that any sort of engagement in CSR related activities are of charitable and philanthropic nature with the majority being carried out on an individual and ad-hoc basis, in accordance with Islamic values of charity and community support. Cone (2003:62) believes '*it is clear that Muslims see business*

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[128] All local firms have to pay the annual Islamic tax (Zakat) standing at 2.5%.

activity as being embedded in the social world and, as a result, have expectations that business activities will reflect the value orientations of the surrounding social environment'.

This section has highlighted the current regulatory environment in Pakistan's for the business sphere. It seems, majority of the regulatory mechanisms favour and support multinational and big companies in Pakistan. On the issue of CSR, current policies provide regulation and encourage the conduct-for-profit (such as the Companies Ordinance, 1984 over seen by statuary bodies like the SECP but mainly geared towards large companies with no mention of SMEs). This indicates two things about small industry and CSR: first any kind of formalized form of CSR is still very much in infancy and what is being done is by big corporate actors- local and multinational. The government and institutions are more concerned with providing an environment that is conducive to the growth of MNCs and larger firms to sustain their continued contribution to the national economy. It appears the government has not yet reached the stage where SMEs can be viewed as socially responsible actors, as they are still trying to devise policies to mainstream CSR frameworks for big firms.

Secondly, this overview shows that there is no decided view of CSR and what it entails for SMEs. This is unfortunate as SMEs comprise nearly 95% and are backbone of the national economy. Nonetheless, any informal grassroots level,

community driven philanthropy that is taking place by local SMEs cannot be termed CSR in the formal sense as it is not structured or driven by corporate interests. In short formalized frameworks of CSR are taking root among larger companies in Pakistan and are very much still in infancy. In SMEs, this process appears to be is less visible, less pronounced; but with informal and native forms of responsibility frameworks evident.

7.3 Profile of Companies Surveyed:

For this research, the selected SMEs are all based in the province of Punjab. Apart from being the most prosperous of the four provinces of Pakistan, Punjab was chosen because over 65% of SMEs are located in the province (SMEDA, 2013). Along with agricultural hub of the country, Punjab has numerous industrial concentrations that make a substantial contribution to the economy. Cities such as Faisalabad, Lahore, Gujranwala and Sialkot contain rich and varied industrial clusters- in terms of geographical location, historical backgrounds and competitive labour skills- which make Punjab a particularly sound choice for this research. The province has more than 48 thousand industrial units, and small and cottage industries are in abundance. There are 39,033 small and cottage size industrial units at present (ibid). Over all the industrial structure of Punjab comprises of diverse SME industrial clusters and, have huge potential for development that is critical to industrial growth of the province. The data collection focused on the cities of Sialkot, Gujranwala and Lahore.

Among the ten SMEs that were profiled and interviewed, majority of them are based

in the city of Lahore with the remaining located in the 'Golden Export Triangle'

comprising of Sialkot, Gujranwala and Gujrat (Table 7.1). About 60% of the country's

SMEs are located in this 'triangle' underscoring its importance as a rich industrial

hub.

Lahore	5
Gujranwala	1
Sialkot	4

Table 7.1 Location of SMEs

The sample was non-random and network based with the attempt made to

approach a cross section of companies across the national economy. In terms of

ownership and size, the aim was to focus on SMEs that were privately owned or

family owned business entities. All the selected SMEs have sole proprietorship and

consider themselves as family owned businesses. Most companies in Pakistan (both

large and small) are privately owned and a considerable proportion of those that are

publicly listed are tightly controlled by the private interests – often an individual or

family (Hayat, 2003). Concentrated firm ownership factor plays a key role in the way

companies are run and managed; and in the case of SMEs, the issue is important.

Sole proprietorship is the preferred ownership pattern in Pakistan as minimum

regulatory requirements are involved in establishing such organizations (IFC report,

2014). In terms of the gender of owners, the research included two female

entrepreneurs (Table 7.2).

Female	2
Male	8

Table 7.2 Gender of SMEs owner-managers

The Industries represented are depicted in Table 7.3 representing main sectors of

the economy. The sector types listed highlight the three broad categories used to

define SMEs: trade, services and manufacturing. One SME falls under the trading

category, seven of them are classified as manufacturing while the remaining ones

are of services category.

Name (pseudo) of the SME	Industry/business type	No of employees.
1. Company/ Owner A	**Gems and Jewellery**	80
2. Company/ Owner B	**Pharmaceuticals**	500+
3. Company/Owner C	**Energy**	25
4. Company/Owner D	**Textiles**	30
5. Company/Owner E	**Surgical Goods**	300
6. Company/Owner F	**Surgical Goods**	40
7. Company/Owner G	**Auto Parts**	472
8. Company/Owner H	**Leather**	400
9. Company/Owner I	**Leather**	150+
10. Company/Owner J	**Steel Utensils**	200

Table 7.3 Profiles of participating SMEs

The table also classifies firms in terms of the number of employees (on a regular

contract basis) in the company. Majority of the SMEs owners interviewed were

reluctant to divulge the information on their assets (excluding land and building) or

annual turnover due to cultural sensitivities. Thus, the research than focused on the information they were willing to share- employment size -as one of the parameters for the definition of SMEs as highlighted in the SMEs Policy of 2007 (Appendix B)[129].

7.3.1. Lahore

Apart from being the largest city, Lahore is one of the most industrialized cities of Punjab; and serves as a mecca for numerous industrial sectors (automotive parts; plastic products; printing and publishing; foundry cluster; textiles; services; and hand knotted carpets cluster). Company A deals in Gems and Jewellery and exports their products mainly in foreign markets with some domestic trading as well. Company B deals in production and distribution of pharmaceuticals. This SME exports to foreign markets as well as supplying within Pakistan[130].

Company C is the only SME that falls under the services SMEs sector. It describes itself as a consulting company providing services such as project development and strategic management in the energy sector (electric and power specially). Company D is the only trading SME in the sample and operates as a shop in the central shopping district of Lahore. The owner runs a franchise on behalf of a larger textile company by selling their products. Company G is one of the leading manufacturers

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[129] The vague and loose nature of SME parameters, combined with the diverse sizes of SMEs available made the researcher aware that this would affect the data sample in terms of analysis and variability.
[130] Both Company A and B are owned by female entrepreneurs

of technology intensive and engineering plastic, automotive parts, and packaging products in the country. This SME enjoys a very selective client base, both in domestic and international markets.

7.3.2 Gujranwala & Sialkot

Sialkot based companies represent what the city is known worldwide for- production centre of sports goods, surgical instruments, leather garments, gloves and accessories and musical instruments. Part of the 'Golden Export Triangle' along with cities of Gujranwala and Gujrat, Sialkot is the centre for SMEs. Four SMEs are located in Sialkot with one in Gujranwala, giving a rare opportunity into the workings of this rich industrial region. The local craftsmen produce immaculate niche products while export orientated entrepreneurs ensure that products reach international destinations (SMEDA, 2013). The companies based in both cities cater to the international market and are part of the international value chain.

Companies E and F, are involved in the manufacturing and exporting of surgical instruments. These SMEs are export orientated in nature supplying to customers globally. Leather goods sector is the main export with the flagship product being hand stitched inflatable ball (soccer balls). Rest of the products made by this cluster can be considered an off shoot of the soccer ball product line. The other two SMEs (Company H and I) used for this research are specifically involved in manufacturing

of sporting gloves[131]. An interesting trait of the sports goods cluster is that most of the manufacturing done is based on manual skills of expert craftsmen. Although some aspects of this manufacturing use modern technology, the manual skill aspect gives Sialkot the competitive edge in international markets.

Keeping in view the availability of raw-material and skilled labour, Gujranwala supports a variety of industries. It is known for its quality ceramics sanitary ware products, fan making industry and cutlery[132]. Company J is a sole proprietorship which produces aluminium based cutlery and comprises of about 200 personnel.

7.4 Interview Questions Reasoning

The demands (qualitative) and nature (exploratory and phenomenological) of the research required the questions to be open ended and thematically organized. The questions were influenced by, and based on the three chosen theory models- Carroll's CSR pyramid, normative stakeholdership and Theory of Habit of Practice. This provided insights into perceptions of the role of business in society as well as, understanding of socially responsible activities by SMEs. In this context understanding is defined as the way CSR is perceived and viewed by SMEs owner-

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[131] Gloves include goalkeeping gloves, cycling gloves, exercise gloves, weightlifting gloves, boxing gloves, shooting gloves, motto racing gloves and batting gloves etc. (SMEDA Cluster report, 2015).
[132] The cutlery sector is an important sub-sector of light engineering industry- which is one of the small yet vibrant sectors of the domestic industry. Gujranwala, along with Sialkot, and Wazirabad has a high concentration of small-scale metal & light engineering industry.

managers; and in what ways do they engage in CSR related activities. The process of coming up with questions that reflected research aims and research question was done meticulously. Furthermore, the philosophical paradigm i.e. phenomenological hermeneutics, needed to be not only be reflected in the methods, conducting of interviews but also in the questions constructed for such interviews. The aim was to create questions for both individual interviews and focus groups that would help uncover descriptions of truth from the voices of the participants. The questions would serve as a medium of connecting with the participants and experience their life world, sharing their 'truth', and in the process elicit rich and varied responses.

During question construction, the researcher kept in mind that the wording of the questions had to be specific indicating the link between theory and practice. Past research has shown that small changes in wording sometimes produce major changes in the distribution of responses (Foddy, 1993: 4). This was the case in individual interviews with Q7 (Appendix A) where researcher realized the wording of the question was ambiguous and somewhat complex for the participants. Difficulty arose on the wording of 'landscape' which was understood differently by SME leaders and Experts. The researcher thought 'landscape' would be self-explanatory for participants, implying an overview of the SMEs sector in general. The aim was to elicit responses that would explain drivers, challenges and traits of the small industry. Initial responses showed for SMEs leaders it was description of their 'respective' industrial cluster; while for the Experts it implied 'general' overview of the sector/field. Data

showed that SME leaders showed an immediate affinity to their respective industry clusters more so than the small industry sector in general. The researcher had to clarify and explain the question to participants, for them to answer. For that, the term landscape was modified to emphasis the term 'industrial sector' for SMEs and 'field' for the Experts.

Another factor that ensured the researcher stayed on track when formulating questions was to probe reasoning behind question wording -why it was being asked and whether it covered research objectives and research questions. Hence the researcher was able to reflect and establish linkages between the research and the questions through constant reflexive practice (asking 'why do I need to know this?' and 'what am I going to do with the answer given?') Every draft used the same technique and by the final draft the questions reflected the goals, theories and questions guiding the research. Logistical challenges, cultural context and time constraints were also taken into consideration when formulating the questions. For example, the researcher was aware that in Pakistan local culture and religions is a significant factor and that would have an impact the way respondents would interpret and answer questions. Keeping all this in mind the *'intelligible requests'* for information had to be specific, easy to understand and culturally sensitive in order to generate appropriate information (Ibid, 39).

The two focus groups conducted in Lahore consisted of two different type of participants. One focus group consisted of SME owner-managers and the other comprised of Experts at SMEDA (dealing with policy making aspects of SMEs within Punjab in various capacities). This granted the researcher a rare opportunity to have two focus groups one looking at the SME owners – the actual people who are running the business; and the policy makers who are trying to ensure the growth and progress of SMEs at a higher level by collaborating with the government and SME business community. As the research purpose is exploratory, it was wise to choose appropriate participants who would not only represent the social situation under investigation but also contribute to the discussion. Herbert Blumer (1969) recommends bringing together several knowledgeable observers who are familiar with the research topic into a resource group. He states that such a group '*is more valuable many times over than any other representative sample'* (ibid: 41). The focus groups were planned in such a way that they not only consisted of questions but also supplementary strategies such as videos, ranking exercises and vignettes to kick start, encourage and deepen the group discussion.

For quality control, focus group questions are extremely important. The constructed questions followed a prescribed thematic format (Krueger, 1988) that intended to foster the permissive climate of the focus groups and capture the non-directed nature of the interaction. The aim was not only to construct questions that would illicit relevant and varied verbal information; but be specific and concrete (rather

than phrased in abstract philosophical terms). In terms of research questions and

formal theories reflected in the questions, it was decided that focus group would

look at the first two research questions covering aspects of critical theory and role of

local culture and traditions. The first two research questions are:

a) ***Identify the necessities of relativist perspectives of CSR in regards to the
   imposition of occidental perspectives of CSR.***

b) ***To what extent do institutional aspects (internal and external drivers) play a
   part in the emergence of localized expressions of CSR?***

Focus group discussion would be a more suitable platform to illicit rich and varied

responses from the participants rather than individual interviews. By selecting the

first two research questions for focused interviews, the objective was to see if the

answers would lead to differing views or would it result in a consensus between the

participants. Aspects of the two research questions are reflected in questions 4, 5, 6

and 8 (Tables, 7.4 & 7.5). The remaining questions for focus groups were reflective

of the theoretical models – normative stakeholder theory, the CSR pyramid and

Theory of logic of practice. The funnelling method and the five step approach by

Krueger (1998a) was used for questions, starting with broad questions and gradually

narrowing the topic as the focus group proceeded[133]. As can be seen in both tables

(7.4 & 7.5), the opening and introductory questions was not only meant to serve as

an ice breaker but also dealt with the Habitus model. They gave an insight into the

background of the participants (the acquired socially shaped dispositions), the

position of the participants (capital) in the field and the kind of Field they are

situated in.

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[133] The five step approach by Krueger (1998a) was applied where the group interview started with an opening question, introductory question, a transition question followed by five key questions and concluding the session with an ending question that aimed to summarize the session and ask for final input from the participants.

1. Tell us who you are? Please tell us about your background and education? **(Habitus model)**
2. What persuaded you to join SMEDA? **(Habitus Model)**
3. Milton Friedman famously wrote in 1970 *'there is one and only one social responsibility of business–to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'.* What are your views on this quote? **(Carroll's CSR pyramid)** (The quote will be shown to participants on a placard).

    → What kind of responsibility do businesses have in your view?

4. What particular features (such as size, ownership, management style, resources and personal relationships) of SMEs play a part when it comes to CSR? **(Habitus Model)**
    → Show video of Habitus. Explain the term to participants
    → What role does management style and personal background of owners play a part in SMEs activities?

5. What is your view on the transition and process of CSR in the context of emerging markets? **(Research Question & Carroll's CSR pyramid).**
    → Going back to the earlier question, do you think question of business responsibility defers in emerging markets? How so?
    → Show Carroll's chart of and do ranking exercise with participants.
6. How have internal and external drivers influenced the emergence of localized versions of CSR in EMEs? **(Research Question)**
7. What do you think about the relationship between SMEs and CSR? **(Research question & Stakeholder Theory)**
8. Describe the SMEs field in Pakistan? **(Research question)**
    → How do SMEs in Pakistan react differently to CSR?
9. Is this an adequate summary of our discussion? Have I missed any points?
10. Of all the things we considered, what issues are most important to SMEs in Pakistan?

Table 7.4 Focus Group Questions for SMEDA

Krueger adds that the nature and sequence of questions maybe the most distinctive feature of focused interviews (1993: 77). So, the researcher decided to change the sequencing of questions (the transitionary question specifically) in the two focus groups. This was to see if the sequencing of the questions would yield slightly

different dynamics of group interaction. No significant difference was noted but it

certainly uncovered the implicit dynamics and way of communicating between the

participants. Another point of consideration was that the SMEDA the experts would

be more aware of (formal) CSR due to the nature of their work; while in the case of

SME owner-managers it would be easier to start with managerial values as that

would be relatable to them. In SMEDA focus group after the initial Habitus based

questions, the transition question looked at Carroll's CSR model (Table 7.5). This was

done by showing the participants the famous quote by Milton Friedman on

responsibility of business, on a placard. The quote helped to generate discussion on

business responsibility; and served a way to ease the participants into the research

topic and start the discussion. Meanwhile in the LCCI focus group the transitionary

question further explored the concept of habitus by asking the SME owners-

managers if managerial values and ethics played a role in the way an enterprise was

run (Table, 7.5). The participants were shown a concise and easy to understand

video on Habitus, which then helped to generate discussion[134].

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[134] Furthermore, the definition of the concept was also printed on placards for the respondents that was distributed after the video was shown in case they wanted to read what the concept was about.

1. Tell us who you are? Please tell us about your background and education? **(Habitus Model)**
2. What persuaded you become a member of Lahore Chamber of Commerce? **(Habitus Model)**
3. What particular features (such as size, ownership, management style, resources and personal relationships) of SMEs play a part when it comes to CSR? **(Habitus Model)**
   → Show video of Habitus. Explain the term to participants
   → What role does management style and personal background of owners play a part in SMEs activities?

4. Milton Friedman famously wrote in 1970 *'there is one and only one social responsibility of business–to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud'.* What are your views on this quote? **(Carroll's CSR pyramid)**
   (The quote will be shown to participants on a placard).

   → What kind of responsibility do businesses have in your view?

5. What is your view on the transition and process of CSR in the context of emerging markets?
   → Going back to the earlier question, do you think question of business responsibility defers in emerging markets? How so? **(Research question & Carroll's CSR pyramid)**
   → Show Carroll's chart of and do ranking exercise with participants.

6. How have internal and external drivers influenced the emergence of localized versions of CSR in EMEs? **(Research question)**
7. What do you think about the relationship between SMEs and CSR? **(Research question and stakeholder theory)**
8. Describe the SMEs field/industrial clusters in Pakistan? **(Research question)**
   → How do SMEs in Pakistan react differently to CSR?
9. Is this an adequate summary of our discussion? Have I missed any points?
10. Of all the things we considered, what issues are most important to SMEs in Pakistan?

Table 7.5 Focus Group Questions for LCCI

The key questions format was same in both focus groups. To aid participants,

printed copies of Carroll's CSR pyramid was distributed among the groups as a way

to lead up to questions regarding business responsibility. The researcher was also able to do ranking exercises with the help of the pyramid diagram and see how the participants ranked the four types of responsibility. What was most interesting was to observe group interaction on which responsibility ranked higher than others and why. All participants had constructive responses but there was consensus reached (in one group) as to what type of responsibility ranked first in the context of Pakistan. In this way, the group dynamics of the focused interview led to producing new insights and additional data on business responsibility.

The social context of a focus group is extremely important when studying group interaction during the discussion and in the stage of analysis. Hollander (2004) identifies four types of contexts – associational, relational, conversational, and status contexts[135].SMEDA focus group showed aspects of associated context as all participants work in the same organization and knew each other. In the LCIC group interview all four aspects of contexts were prevalent as all respondents were members of LCIC and part of the local SMEs community. The evolving relations among the group members provided a stimulus to elaboration and expression and the researcher was able to gain greater depth about SMEs in the context of CSR. Finally the focus group discussion was a source of validation for individual interviews

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[135] Associational context is the common characteristic such as working in the same place, language or ethnic backgrounds. Status context refers to the 'relative positions of the participants in local or societal status hierarchies' (ibid, 615). The role of gender can be considered an example of this context. Conversational context includes the tones of the discussion, who speaks first and who sets the tone of the group talk. This kind of context may vary according to special social and cultural contexts. And relational aspect looks at the degree of prior acquaintance among the participants, referring to the level of intimacy already existing among them (ibid 620).

data. The ending questions contained a quality factor where participants were encouraged to share final statements and clarify their positions.[136] This was done as during discussion the participants had offered several differing points of view. The ending questions also provided the researcher to seek verification from the participants of the key points of the study. By offering a summary at the end of the focus group, attention was given to critical points of concern in the discussion and gave participants an opportunity to see if they thought the summary was adequate.

Focus groups can help identify and single out respondents that can be asked to participate in follow up interviews. This process was used with the focus groups where, group dynamic led the researcher interviewing all but one of the participants in the LCCI focus group. One of the SME owners realizing the importance of the research topic recommended another potential participant for an individual interview. This resulted in the researcher holding a face-to-face interview with the recommended contact. In the second focus group only one expert agreed to sit with the researcher for a follow up interview.

The main focus of interview questions was to pursue the attitudes and experiences of respondents in detail. This was especially useful when carrying out follow up interviews with focus group participants. Some of the ideas and responses they had shared in the group discussion was expanded and clarified in detail during the

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[136] Questions marked 9&10.

interview. Furthermore, some of the participants had gone back and thought about

the research topic, and were able to talk more openly and freely in the interview.

The questions constructed for informant interviews were semi-structured with open

ended questions used by the researcher. The interview format consisted of twelve

questions sequenced thematically (Table, 7.6). The remaining three research

questions were incorporated into individual interviews as reflected in questions 4

and 12. The research questions are:

c) *To what extend is stakeholder theory relevant in explaining the SME's response to CSR?*

d) *How does CSR terminology and as a process differ within SMEs?*

e) *What factors influence the motivations and challenges amongst SMEs in responding to CSR?*

1. Which individuals and communities are affected by the activities of your company? Do you count them as stakeholders? **(Stakeholder Theory)**
   - ➤ If not, why do you not see them as stakeholders?
   - ➤ In what ways do you engage with them?
2. What determines nature of your relationship with your stakeholders? Please provide an example. **(Stakeholder Theory)**
   - ➤ How are these relationships formed and what impact do any of them have on firm practices?
3. What do you consider to be stakeholder's needs and expectations? (Stakeholder Theory)
4. Which stakeholders are significant to your SME? **(Stakeholder Theory)**
   - ➤ How do you address stakeholder concerns? Think back to an example.
5. Describe your family background and your education? **(Habitus model)**
   - ➤ What was it that made you want to start your own company?
6. What characteristics, motivations and values influence your action as a SME owner? **(Habitus model & Research question)**
   - ➤ To what extent personal and religious beliefs play a part in your management style & corporate decisions?
7. How would you describe the SME clusters presently in Pakistan? **(Habitus model & Carroll's CSR pyramid)**
   - ➤ In what ways can SMEs be socially responsible?
   - ➤ What factors determine SMEs be willing to engage in pro-social behaviour? (reputation, religious duty, competitive edge)
8. Tell me a little about your relationship with fellow competitors in your industry cluster? **(Habitus model)**
9. What do you understand by business having responsibility towards society? **(Carroll's CSR pyramid)**
   - ➤ What are the economic issues relevant to SMEs? Give example
   - ➤ What are the legal issues relevant to SMEs? Give example
   - ➤ What are the ethical issues relevant to of SMEs? Give example
   - ➤ What is the philanthropic responsibility of SMEs? Give example
10. Which responsibility is most important for SMEs in Pakistan? **(Carroll's CSR pyramid)**
    - ➤ What role do local traditions and religious beliefs play a part in these responsibilities?
    - ➤ Trusting (accountability) aspect playing a role?
11. Describe how SMEs practice philanthropic activities? **(Carroll's CSR pyramid)**
12. What are you views on CSR? **(Research question)**
    - ➤ In your view what is the definition of a socially responsible firm?
    - ➤ What role do owner's personal values and motivations play in how CSR is understood?

Table 7.6 Interview Questions

Individual interviews like focus groups started with a question pertaining to the Habitus concept as it seemed the best way to start the interview- by asking the participants about themselves and why did they want to start their own company. It was a way to establish an intimate connection between the researcher and the respondent before the key questions were presented. Rest of the interview questions were based on ideas of stakeholder theory, CSR pyramid of responsibility and Theory of Logic of Practice[137]. Questions on Theory of logic of practice would shed light on why and how managerial values come into play on issues concerning agency-structure. Keeping this in mind, the researcher felt Habitus related specific questions would be best answered by SMEs owner-managers. Questions relating to stakeholder theory were not asked in focus groups, as the nature of those conceptual questions was more suited for individual interviews. The scope of questions 2, 3, 4 and 5 was specific, ensuring SMEs owners would be easily able to identify and discuss whom they considered stakeholders, as well as share their experiences of interacting with them[138].

As the format was semi-structured, the researcher adapted some of the questions with the way the interview proceeded. Some questions led to prompts and new directions that were asked as follow up inquiries. This gave the individual interviews

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[137] For example, questions 9,10 and 11 dealt with the four-tier model of responsibility by Carroll, and the reasoning behind those questions was to see if CSR in Pakistan, is something that is an organized formal process or an informal procedure differing across sector specific SMEs. This reasoning also tied in with research question #4 as mentioned above.

[138] Furthermore, along with the interview protocol, participants were given a sheet containing a glossary of relevant terms (as a reference) that they would have to discuss in the interview with the researcher.

a conversation-like structure between the researcher and the participant emphasizing phenomenological undertones in the discussion.

7.5 Data Accessibility: Challenges and Constraints

Engaging in pro-social behaviour rests on the role of the SMEs owner-managers and how they view the concept of CSR. In attempting to understand the underlying phenomenon of CSR in small industry, the researcher had to recognize the nature of such business entities and challenge of gaining access to participate in the project. It was deemed important that in order to get a holistic view of SME activity in Pakistan, participation was required also of policy makers. Having identified two group of participants, the formal contact process began through the network connection of the researcher. Contact was made via telephone and email explaining the research aims and objectives during a scoping visit in 2015. Focus group interviews were arranged in person upon visiting the offices of LCCI and SMEDA. Furthermore, to build confidence between the researcher and participating SMEs leader and policy-makers, attached with the email were interview protocol and consent forms. This initial step was intended to sensitize the targeted participants, gauge their interest and was also a way of gaining access for the interviews. Out of the total 12 interviews (Experts included) that were conducted, four of the participants prepared written responses in advance that were shared with the researcher prior to the interview.

Due to time constraints and availability, the number of focus group participants ended up being five. The aim was to select participants who are familiar with the social phenomenon under investigation. The SMEs entrepreneurs in Sialkot and Gujranwala were willing to take part in face-to-face interviews only; and their interviews were carried out at the local Chambers of Commerce. They were reluctant to sit and participate in a focus group in the two cities among their fellow colleagues and discuss their companies. There was one exception in Sialkot, where the face-to-face interview ended up being dyadic in nature consisting of two participants. Both participants head the leather's sector's business association in Sialkot and were available at the same time. Follow up interviews of Lahore based SMEs leaders, were done with the help of LCCI staff who arranged them to take place either at LCCI or company offices. For individual interviews, participants agreed to take part but due to availability issues some interviews had to be rescheduled. One interview had to be done via Skype as the participant had to travel outside of Lahore on an urgent business matter. In order to obtain a cross industry and gender representative sample, three participants were requested for an interview but they declined due to time constraints. To ensure participants felt comfortable, the location was practical for everyone; hence the focus groups were held at SMEDA offices and LCCI (as all SME leaders were members).

Some participants expressed confidentiality concerns prior to group and individual

interviews and their concerns were dealt in the detailed consent and protocol forms

(See Appendix A). Issues of disclosure and confidentiality were repeated verbally by

the researcher before the focus group commenced[139]. Another issue was ensuring

that female participants were represented in both focus groups. The SMEDA and

LCCI group interviews both consisted of two females. The researcher specifically

selected and contacted female experts and SMEs owners for the focus group to

ensure gender equality. Furthermore, few individual interviews went beyond the 45

minutes set time due to late arrival of participants or pause during interviews. This

was due to participants having to attend to urgent business matters.

The researcher knew beforehand the challenge posed by language during empirical

research. The national language of Pakistan is Urdu; and English is used for business

dealings. Not all of the SME owner-managers were proficient to talk in English and

preferred to converse with the researcher in Urdu. This led to practical challenges of

the interview being lengthened whereby at times the researcher had to translate

and explain the questions to participants prior to being questioned. This also may

have influenced the meaning of data during translation and transcribing. These

difficulties may have affected the scope of data and its final construction.

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[139] The researcher clarified that every participant's contribution would be shared with other participants, and the assistant moderator. Additionally, they were informed about the expectation from the group and topic; and were encouraged to speak openly among each other. Participants were encouraged to maintain confidentiality on what they heard during the meeting; and were duly reminded that the researcher would anonymise data from the group (as the sessions were being tape recorded). See Appendix A.

7.6 Data Coding Procedures:

To retract and analyse the data collected, manual coding and indexing techniques were used for this research. In particular, thematic analysis was applied keeping in mind the theoretical and epistemological position of the researcher – phenomenological hermeneutics. Thematic analysis is one such analytic technique that offers an accessible and theoretically-flexible approach to analysing qualitative data (Braun & Clark, 2006:6). Such a tool can potentially provide a rich and detailed, yet complex account of data. To strengthen the qualitative data analysis process, the researcher relied not only the textual data such as transcribed interviews and detailed field notes but also on diary entries containing the researcher's observations. This exercise comprised of a three-step process whereby first, the researcher noted down initial reaction to the interview immediately after its completion. This included still fresh views and understanding of what had been shared with the researcher. The second step involved returning to that first diary entry and see if the researcher's interpretations had changed or remained the same. This step was done after reading the interviews notes and see if any new idea emerged from the data that had been previously overlooked. The next step included studying the detailed notes and diary entries with the addition of transcribed verbal data; carefully noting any patterns or themes emerging in the three forms of data. The final diary entry by the researcher would be a detailed understanding, which formed the analysis.

Coding is a process of identifying themes that is analytic categories in the data collected. The six-step thematic analytic approach by Braun & Clarke (2006) was used in this research to identify and highlight themes found in the text. It comprises of familiarizing oneself with the data, generating initial codes, searching for themes, reviewing themes, defining and naming themes and finally writing up the analysis. The thematic analysis was inductive whereby the themes emerged from the data and made explicit to the researcher. For example, the issue of Trust was one of the themes to emerge by following the six step model. The researcher familiarized themselves with the data (Step 1) by immersing in the data on a multilevel (audio recordings, transcripts, detailed field notes and reflexive diary). One of the Codes (Step 2) to emerge was reciprocity and interdependent trustworthy relationships between SMEs and their stakeholders. Coding involves '*generating pithy labels for important features of the data of relevance to the (broad) research question guiding the analysis'* (Braun & Clarke, 2006). In this case, ideas of reciprocity and the social network existing among SMEs and stakeholders related directly to research questions III and V. Following that the researcher started searching for themes (Step 3) which are seen as coherent and meaningful patterns, relevant to the research question (iii and v). The themes of trustworthiness and reciprocity were not necessarily the most prevalent theme across the data set – they appeared implicitly in participant's responses; but together captured an essential explicit element of the way in which SMEs owner-managers view their relationship and interaction

stakeholders. Step 4 of reviewing themes made sure that the themes 'worked' in relation to other five coded extracts and the full data-set. The researcher also reflected whether the two emergent themes told a convincing and compelling story about the data. They provided insight into the nature of association between SMEs and stakeholders, as well as what motivated enterprises to be socially responsible. The nature of each individual theme was defined along with complimentary linkages between the two. At this point, the researcher decided that it was necessary to collapse the two themes and combine them as one. This led to Step 5, where a written detailed theme analysis was carried out. Some of the questions asked were 'what story did the theme tell?' and 'how did this theme fit into the overall story about the data? (ibid). The word 'Trust' felt to be most informative and precise name, capturing, the 'essence' of the theme encompassing ideas of social networks, reciprocity, trustworthiness and stakeholder concerns. All this was reflected in the last step – writing up- where by combining analytic narrative and data transcripts a coherent and persuasive story about the data was told.

Additionally, to gain reliable data from focus groups, information about the count or proportion of members who appeared to be part of the consensus was derived through a matrix technique (Appendix B). This required specifying the number of members who appeared to represent a consensus or dissenting view; providing richer information complimenting the qualitative data (Sandelowski, 2001; Silverman, 1985).

Empirical research carried out in Pakistan was both deductive and inductive. In true

phenomenological fashion existing preconceived notions and bias were used as a

starting point of the research (Gadamer, 2004). Ideas such as --how would the

Anglo-Saxon model be applicable in Pakistan? What are the challenges to its

transferability? Are SMEs not so different from big companies when it comes to

CSR? – underlined the researcher's own bias about the research. Such stances not

only guided the author (projecting) on to the text but then were subsequently

altered and confirmed when confronted with new meanings of the text. Listening to

the texts and questioning it line by line, not only led to understandings of the texts

(including *Mens Auctoris*) but also the wider context (historical circumstance) of

SMEs in Pakistan. By interacting back and forth with the text; the researcher was

able to derive meanings of why SME behave a certain way, and what is the role of

local realities in the way owner-managers perceive CSR.

Historical understanding and personal prejudice inevitably led to fresh and new

meanings of the data. The result was that while discovered data linked up with

research questions, at the same time it threw new findings and themes that the

researcher did not expect to come across. The best example to illustrate this

deductive procedure was the emergence of a link between the concepts of

accountability, responsibility and trust. This then resulted in the formation of the

Accountability-Trust-Responsibility Model (A.R.T), to explain SME activity in

Pakistan.

7.7 Conclusion

The discussion has touched upon various aspects of the empirical data that was

gathered in the province of Punjab –centred on the three cities of Lahore,

Gujranwala and Sialkot. This part of analysis described the grey literature on the

various legislations and state policies concerning business entities presently in

Pakistan. The literature highlighted the fact that although extensive legislation exists

it is mainly geared towards big national and multinational companies operating in

the country. There is a vacuum at the policymaking level regarding SMEs even

though such companies comprise a huge part of the national economy. Recent

years has seen a surge in the attention given towards SMEs and resulted in the rise

of organizations such as SMEDA and banking organizations tailoring policies for

SMEs. It is a step in the right direction but a lot more needs to be done on the

national level in supporting the growth and expansion of the SME sector.

The chapter examined the profile of SMEs that were chosen for this study. SMEs

characteristics that were highlighted were sector specification; location, the number

of employees; and gender of the SMEs owner-managers. Specific attention was paid

to the reflective and reflexive reasoning behind questions that were constructed for

the data collection. The similarities and differences between focus group questions

and individual questions were highlighted. The reasoning also explained the need to

have semi-structured questions which would ensure open-ended data to be

collected. Lastly, data collection challenges and constraints were briefly explained

highlighting issues of logistics, confidentiality measures and accessibility to

participants; which undoubtedly influenced the research process and analysis.

Chapter VIII. Analysis (2)

8.1 Introduction

This chapter details the thorough investigation of data findings; and will describe and discuss the main thematic issues developed from the empirical data. Excerpts and verbatim statements by participants will be used whenever possible to strengthen the argument. The discussion will attempt to connect the thematic analysis with philosophical and theoretical concepts that underpin this research. Links will be established between practice (empirical data) and formal theory (Kant, Adam Smith, Machiavelli, Bourdieu, normative Stakeholdership and the idea of Responsibility) to reach the point of praxis. The analysis will conclude with a discussion of the emerging theoretical model termed A.R.T (Accountability, Responsibility and Trust) model; along with a concise summary of the findings and themes identified in relation to the wider research design.

8.2 Findings:

Through careful coding six main themes emerged from the data. Each of the theme discussed reflect the major concerns, challenges and opinions of small business entrepreneurs and policy makers. These themes represent the 'local realities' of SME owners- managers and the issues they have to deal with on a daily basis. Some

of the ideas and issues revealed themselves to the researcher, by being visible in other thematic categories and then eventually took form as separate themes themselves. A good example of this is the concept Trust which the analysis identified as an overarching and integral issue in all the other themes. 'CSR drivers' was another good example of an overarching theme connecting relevant ideas and drawing an overall picture of the SMEs sector.

8.2.1 Terminology and Definition:

One the earliest themes to emerge from the empirical data, was the vague definitional parameters of CSR and SMEs. CSR as a concept, process, theory and model is vague, contestable, wide and varied in nature with different interpretations (in breath and scope). Thus, it was no surprise that the concept would evoke different opinions on what the exact definition is, from SME owner-managers and experts alike; while keeping in mind the fallacy that one size fits all for CSR does not apply to emerging economies due to contextual indicators unique to them. The views of the participants provided a plethora of definitions and perceptions when it comes to CSR. Interestingly, due to the change in definition the meaning behind the terminology also alters when it comes to Pakistani SMEs. Furthermore, it is not only CSR that takes a local flavour in the context of Pakistan but by extension the concept of SMEs also becomes localized reflecting local realities.

Before discussing the confused and vague notion that CSR has become (Garriga & Mele, 2004; Bridge et al, 1998: 101-104), it is important to discuss what the term SME means for business entrepreneurs in Pakistan? The definition of SMEs suffers not only from vague notions of misunderstandings but also is constantly compared to bigger corporate actors. By living in the so-called shadow of large companies, SMEs have been wrongly defined, mapped and ignored when it comes to Government policies. The research points towards the confusion and disagreement over defining what constitutes as an SME in Pakistan. There is no singular or precise official definition of SMEs in use within the business sphere. Unlike the EU position on SMEs with its demarcated parameters, the definition is fluid, existing in a grey area. The common reaction ranges from confusion to scepticism depending on who the respondent is.

Taking inspiration from EU parameters various government bodies, in Pakistan, have come up with their own definitions of SMEs. SME Policy 2007 adopted a legal definition which would seek to define SMEs according in terms of either 'employment size' or assets, somewhat in line with the EU position (Appendix C). It takes into account manufacturing, service and trading sectors of SMEs separately. SBP also uses two parameters that of employment size and annual sales turnover in its definition, but does not demarcate according to sector. Consequently, on the

national policy level, this has led to micro, small and medium firms lumped together in one general definition. Expert A (from LCCI) emphasized the point:

'…there is no exact definition because it is a merger….we say small and medium. And we do not know….how to differentiate small from medium…there is an obvious difference. So there is a total merge that has not been segregated as yet. In my view this is a part of the policy- makers' loophole and also a flaw.'

Due to lack of mapping of the rapidly growing SME sector existing definitions of SMEs by governmental institutions contain much ambiguity. Another reason has been misplaced priorities by the national government who has largely focused on encouraging the growth of big companies. This in turn has not dispelled the confusion experienced by SME owner-managers on whether they belong in the SMEs category or not. All of the SME owner-managers interviewed were not sure if their firms really qualified to be SMEs as they themselves were not sure what the criteria was in order to be included in the group. One respondent prior to the start of their interview, questioned the researcher on what definition of SMEs was being used for this research and expressed concerns over SMEDA's parameters being not realistic to their sector. Expert A echoed the same concerns:

'If the policy makers are not exactly aware who they are making policy for and who it will impact than…there would be no trickledown effect. [SMEs owner-managers] fit nowhere because of the ambiguities existing in policies'.

Presently, representative bodies such as LCCI are engaged in consultations with the Government for a revised definition, as it does not consider the previous parameters wholly accurate of the SMEs industry. Apart from issues of inconsistency and

effectiveness, business stakeholders believe that this has led to incorrect targeting when it comes to allocating funds and resources from the Government and banks (LCCI, 2015). The proposed definition by LCCI aims to be more realistic and representative of the changing landscape of SME sector in Pakistan (Appendix D). The new definition aims to be clear on criteria of size, ownership, annual sales turnover and staff head count and in doing so improve and enhance the valuable positioning of SMEs in the overall economy.

CSR terminology suffers from blurred definitional parameters as well. Both the narrow definition—which looks at the responsibility of a company to its immediate stakeholders; and wide definition—which implies that a company has responsibility towards a broad range of stakeholder such as wider community and society dictates that a business entity is responsible towards people who are affected by its activities. When that concept is transplanted into EMEs in the context of SMEs it reacts in noticeable ways. CSR in the context of Pakistani SMEs reflects the cultural norms and traditions of the country. Below are some excerpts of participants' responses on what CSR means to them:

'Society tends to reward people who are supportive of the society itself. By providing the right products, by providing some service which the society might not be paying like a school or something. Society does reward you for the good work you do…..and that reward is profit by the way.' (Owner H)

'It depends on each individual as to what do they understand by what their responsibility is. You cannot teach this to anyone nor can you impose it on anyone. As a business owner, one should have social responsibility towards everything she does'. (Owner A)

'Being socially responsible….it always pays you back. People like to stay with you. And have a long…relationship and say long working time. Loyalty aspect is there'. (Owner B).

'….on a daily basis I have to think carefully that what I am doing or about to do…who does it benefit and who does not benefit. I have to look not only at the well-being of my employees but also my company' (Owner F).

'I think in our local context if an enterprise is doing what is required to be done, it's social responsibility. This is a definition which is different from any other….but in our local context if the people are delivering what they promise to deliver I think…they can be termed as being socially responsible' (Expert B).

The definitions above highlight two things for this research project. Firstly, the excerpts show that CSR takes on a new terminology when it comes to SMEs—it is commonly understood and referred to as '*being socially responsible'*. Implementing polices of corporate social responsibility is usually understood to be a term appropriate for large 'corporate' companies. Conventional approaches to CSR are based on the myth that large companies are the norm and SMEs are just *'little big companies'* (Luthhold, 2010). That is not the case as any advances to engage such companies in CSR cannot simply be scaled down to *'fit'* SMEs (Jenkins, 2004, 2006,). The one size fits all approach also fails for SMEs who due to their specific organizational structure, size, ownership features and industry type prefer the terms *being socially responsible*, *responsible entrepreneurship* or '*community driven responsibility'*. These views on being socially responsible underline the idea that CSR in SMEs needs a specific approach (and terminology) which is adapted to the informal entrepreneurial character of SMEs (Fassin, 2008). In short, concept of CSR cannot be applied to SMEs as they are *'heterogeneous, having qualities, pertaining*

to size, resources, management style and personal relationships' (Williamson et al,

2006).

Secondly the concept holds diverse perceptions, interpretations and meanings for

SME owner-managers. It means different thing to them depending on what industry

cluster they belong from. These excerpts represent multiple realities of participants

in how they view the phenomenon personally. For some being socially responsible

behaviour means individual ethical stance; or providing the right quality of products

and delivering them on time and fulfilling the needs of society; by investing in

community projects (schools or hospitals); while for others having the loyalty of your

workers and realizing the impact of your managerial decisions on your employees

constitutes as socially responsible action.

These variances in the definitions of social responsibility underlines the role played

by local economic, social, ethical and political realities in identifying what is

expected of SMEs. More importantly SMEs themselves believe they have a

responsibility in giving back to society. This desire is fuelled by the successive

incompetence of the national governments in doing their responsibility. Thus, SMEs

step in to address basic failures facing communities such as high levels of poverty,

access to education, high rate of employment and access to medical facilities. This is

a common trait found in all emerging markets whereby the local populations having

lost faith in the government look towards firms- both big and small to fill in the

shoes and be responsible citizens. The result is that business entities end up being

involved in community related charitable and philanthropic developments. A good

example to demonstrate this point is of Sialkot and the plight of its roads. The

Government's reluctance to provide funds, prompted the local business community

(via Sialkot Chamber of Commerce) to gather funds by imposing a 0.25 export value

tax. As a result, they were able reconstruct citywide roads and even helped to build

Sialkot's airport and dry port, due to this self-financing initiative.

This issue of terminology and definition was a central feature in the SMEDA focus

group. In some ways, it set the tone of the interactive discussion between the

participants. Interestingly all 5 of them held the view point that there is a divergence

in the definition of SMEs and CSR in developed countries versus Pakistan. There was

a general consensus, that vague terminologies not only hindered in SMEs

entrepreneurs understanding what was expected of them, but also made creating

SMEs policies a major challenge. The discussion also pointed towards the influence

of religious and social factors in defining being socially responsible. Emerging

consensus between the participants was found in their responses:

*'I think I agree with what Participant 3 is saying. It's got more to do with our culture,
ethnicity and the value system of these businesses than you know CSR so to speak'
(Participant 1)*

*'…we have to look at the background context…that the CSR concept, how much is
being implemented in the SMEs at the moment. First of all…the definition of SMEs
versus the definition of SMEs in developed countries—there is a huge difference'.*

Participant 2 responded:

'I agree that CSR in local SMEs are not taken up as seriously or not understood as the concept is understood in the West. Majority of SMEs do socially responsible activities in an informal way due to their…religious obligations instead of their corporate necessities'.

8.2.2 Challenges and Constraints facing SMEs.

SMEs in any emerging economy are considered the growth engines and the answer to employment generation. And yet due to their special characteristics face many challenges and barriers that hinder their progress. These challenges and structural barriers, act as hindrances for small industries from acting socially responsible. These barriers lead to cost-associated with CSR initiatives, whereby SMEs have to choose between company survival or demonstrate pro-social behaviour. Pakistan is no exception, as due to political and economic instability in the past SMEs have largely been ignored and overlooked by successive Governments. When trying to paint an overview of the SMEs sector the data can divided into two parts- SME sector as a whole industry and industry specific traits. The Experts provided a general overview view while the SMEs owner-managers gave industry specific view, providing a reliable and a richer view of the SMEs sector. Broadly categorized into three groups- manufacturing, services and trade- it is the manufacturing units that dominate the SME population (49 percent), followed by community, social, and personal services (40 percent). Others include wholesale and retail trade and restaurants and hotels (7 percent) as well as other services (SMEDA, 2013).

In terms of how they would describe or view the SMEs sector, the participants could

be divided into two groups. One group gave an overview of the sector describing its

main features and future prospects. While the other group identified what

challenges and constraints were facing them as business owners. Although the SME

sector in Pakistan is diverse, rapidly growing and cross cutting there are challenges

that the sector faces as a whole; and then there are threats that each industry faces

individually. For example, the threats faced by the leather industry in Sialkot differ in

some respects from ones by the Gems & Jewellery industry due to the demand of

products they manufacture. Though SMEs face industry specific threats, the main

sectoral challenges facing them were compiled in order of importance as derived

from the transcripts (Table 8.1). These barriers were listed according to the number

of times they were mentioned by the participants. Access to finance was listed by 7

participants as the top barrier facing SMEs in Pakistan (Owner A, Expert B, Owner

D,q Owner F, Owner K and two Participants in each focus group. Upon asked to list

challenges facing SMEs in Pakistan, the reply was:

*'Finance is top for me, facing SMEs at present. It's a huge barrier for them'.
Participant (SMEDA focus group).*

The excerpt of interview with Owner D below highlights this barrier.

*Owner D: 'It comes back to access of finance for SMEs- which is severely lacking. They
do not have credit guarantees or collateral. So the government should take specific
initiatives where loans should be provided to Small Medium Enterprises on the basis
of recommendation by certain authorities, certain individuals or certain*

organizations. For example an SME owner is running his company successfully. At a certain time he gets an order for which he will give have to procure a good amount of raw material'.

Researcher: For that they require a loan?

Owner D: Exactly and for that they require a lot of finances. So they need short term financing...that should be provided to them.

'Yes starts up are facing a lot of difficulty here. For the entrepreneurs ....their financial resources are limited. And for that they look for partners to start their businesses'. (Participant, LCCI focus group)

This is also supported by the existing literature (Bari, et al, Bhutta et al, 2009, Sherazi et al, 2013; Ahmad & Alam, 2015) on challenges facing SMEs in general. Khan (2015: 5) adds that financial outreach in the SME sector is about 36% (SMEs percentage that hold a bank account) compared to 95% in India. The other four barriers were ranked also in terms of how many times they were mentioned. Energy crisis was mentioned 4 times, lack of skilled labour, currency devaluation were each mentioned 3 times while technological and marketing restraints were raised twice.

Challenges Facing SMEs
1. Access to Finance
2. Energy Crisis
3. Lack of skilled Labour
4. Technology and Marketing Constraints
5. Currency Devaluation

Table 8.1 Challenges facing SMEs.

Resource poverty

Access to finance is a chronic problem facing SMEs in Pakistan today, and continues to hamper their progress due to the mismatch in the demand and supply. Small industries normally face finance related constraints where the inadequacy of working capital; delays in sanction and disbursal of working capital; gaps between sanction of term loan; and working capital along with poor credit management is a major hindrance to their growth (Bari et al, 2005). Having access to funds is essential for any start-up and most of the time the entrepreneurs use their own personal assets to raise capital needed for the business. SMEs entrepreneurs add that there are not many banks present in Pakistan that cater to the small industries. This point was raised and discussed in the LCCI focus group:

'Before in Pakistan there were certain financial institutions….during that period in our country there was great industrialization taking because all those financial institutions were providing them all sorts of help….short term loan, long term loan. And working capital. Right now there is not a single institution who is providing these facilities to…investors who are going to start their new business' (Participant 4)

This excerpt sums up the frustration of SMEs entrepreneurs who want to set up a company; or already established SMEs leaders in getting any kind of help from lending institutions. Access to finance it seems is one of the biggest challenges both to start ups (especially) and already existing SMEs in Punjab. Banks do tend to provide financial assistance to existing business owners on the basis of past experience but is a rarity.

Due to the limited resources of entrepreneurs the logical option is to venture into a business partnership but that is a risky step as such partnerships after a period of time gets dissolved, making the cost of business high as well. Thus prospects of *'doing business'* are not conducive to entrepreneurs in the country, unless they invest their own financial resources –which tend to be limited. The second issue is that of supply, where when financial institutions do exist, they have been reluctant to fund SMEs. Owner-managers expressed frustration at not having the ease in procedures when it came to both short term and long term loans from the banks. SMEs experience discrimination by the banking sector compared to the services offered to the large industry sector. Obtaining loans from the traditional financial market is hampered down to excessive paper work and high collaterals because of the high risk involved in SMEs finance. Traits such as issues of proprietorship, lack of collateral securities and nonexistence economies of scale aggravate the situation. Any SMEs tailored services that are present are not sufficient, as there persists a lack of trust and indifference between the two parties.

Furthermore, access to finance is harder for female entrepreneurs, where they have to deal with challenges of being a woman SMEs owner-manager; and acquiring any

kind of short term loan or financial help is a major obstacle for them[140]. Owner A

explained:

'Access to finance is vital. Especially for us business woman it is huge problem. No one trusts [us] to give a loan. So we need the government to take initiatives in access to finance as it would be very beneficial to women entrepreneurs'.

Interestingly in the case of the city of Gujranwala, there existed a general risk

aversion to taking out loans from banks. Owner J elaborated:

'Yes they do not depend on loans. They are self-financed and hence their volumes are small. If they involve the bank sector than their volume could be bigger. But that also means that the people will be unable to manage and then there is loss '.

The SMEs owner-managers are mainly self-financed and if a need arose for them to

access a loan, they preferred to borrow from someone they know rather than

through formal means. This proves there is reliance on informal sources which

include family, friends and credit from suppliers/customers (Khan, 2015; 8). In

Gujranwala, this appears to be the business culture, where small sector community

prefers not to rely on banks, underlining the lack of trust and indifference between

the two parties. There are number of reasons why SMEs rely on informal structures

of finance. Informal sources make it easier and quicker to obtain loans, and they are

easy to understand operating with low service requirements (ibid, 4). Furthermore

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[140] Some of the urban SMEs are female owned or managed; and like many other countries in Asia and Africa, such businesses are concentrated in selected sub-sectors like fashion-designing, dress-making, cane work and food retailing. The two female owners who participated in the research are operating in typically male dominated sector of manufacturing - Gems and Jewellery; and Pharmaceuticals.

this type of borrowing usually happens with trusted social networks where the

lender knows the borrower beforehand (Altunbus et al, 2011).

Energy Crisis

The second biggest challenge facing the small industries sector is energy shortages

(oil, gas and electricity) country wide. This is due to poor infrastructure conditions,

low quality of service, corruption in obtaining supplies, non-reliability and politically

influenced tariffs. The state controlled infrastructure suffers from being

underdeveloped and highly insufficient. World Bank report (2005) estimates power

transmission and distribution losses including power theft in Pakistan are to be one

of the highest in the world.

For the manufacturing sector this is a serious threat, as this negatively affects the

productivity of numerous industry sectors (Leather Goods, Utensil manufacturing,

Auto parts and Surgical Instruments). Below are two extracts of SMEs owners from

Sialkot and Gujranwala on how the energy crisis has affected their livelihood.

'....you have the energy crisis, where you have power for 4 hours a day. You have to do 8 hours' worth of work in half of that time, because electricity will stop and I should quickly do as much as I can. This has an impact on the quality of products which goes down'. (Owner I)

'Nearly all the businesses have been affected due to gas and electricity shortages at the moment. The busines have been disturbed by these issues and that led to

competition increasing. It became a race….we can say it became a survival issue. And we also have the oil deficit…' (OwnerJ).

The SMEs leader belongs to the industrial clusters of Leather Goods and Utensils respectively. Both sectors are known globally for their craftsmanship and creativity yet are heavily dependent on machine work. *Thus,* consequences of power shortages has a domino effect affecting not only productivity issues but also decrease in product quality; which in turn affects the name and reputation of the company and its relations with the customers. Furthermore, production cost goes up which forces some owner-managers to seek alternative forms of fuel such as coal, rubber material or petroleum. This is not sustainable in the long term but in the short term leaves those SME leaders with few choices if their business is to survive. While for others survival implies thinking outside the box and venturing into trading along with manufacturing. This affects demand of orders -- if there is less work less people will be employed and vice versa. Hence in this case access to the energy crisis has affected productivity, quality level and the workforce.

Technology & Marketing Constraints:

Access to *technological and marketing capabilities* is another challenge that was identified by SME owner-managers to the researcher. Technological and marketing constraints hinder SMEs in aspects of product design, innovation, product development, processing technology and engineering applications when it comes to

storage, preservation, transportation and distribution. Lack of awareness over

appropriate use of technology, absence of R&D facilities, and availability of funds to

buy such technology are major deterrents in SMEs becoming technologically

sophisticated. SMEs are known to rely on low and obsolete technology, combined

with lack of technical skills (required to produce quality products). In a machine

reliant industry, such as Aluminium Utensils there is still usage of indigenous and

outdated machines with reliance on traditional productions methods for survival.

Lack of government support, limited financial resources, energy shortages and lack

of skilled labour makes the sector way behind other countries, like China in making

good quality utensils.[141] By using labour intensive methods of manufacturing,

productivity is affected, cost is high and the quality finish is lower, making it hard to

compete globally.

'If we could get this [transfer of technology]…we would able to manufacture very rapidly, lot more high finished products that could compete on the global market with other competitors such as China and India'. (Owner J)

With other challenges listed above, access to innovation hinders the operations of

the Aluminium Utensils industry. This leaves SMEs owners with two choices- either

to shut down business or somehow survive (by adapting and using other alternate

means to continue manufacturing). Marketing related constraints were found to be

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[141] The process of making aluminium sheets consists of a 4 step time consuming process in Gujranwala, in comparison in China it is a faster and continuous process saving time, energy and resources.

a challenge for SMEs that have a local geographical customer base and wished to expand their outreach. Lack of marketing capabilities prevents SMEs to enter the export market and reduces their ability to match products with new demand. In comparison to large companies, SMEs lack in brand name, large budget for promotion and publicity, geographical reach and product positioning. The change in marketing style is badly needed in order to increase the demand for the products. Therefore, marketing capabilities and innovation go hand in hand when it comes to SMEs barriers in Pakistan.

Skilled Labour:

Shortage of skilled labour is most acute in sectors of Leather Goods, Surgical Instruments and Utensil manufacturing (all based in Sialkot and Gujranwala). Labour is present in abundance in these two industrial hubs, but there is a severe shortage of skilled labour who can serve these highly-specialized industries. A good illustration is the Leather Goods industry, where most of the work of stitching gloves and footballs is done manually. This kind of skill is taught and passed down from generation to generation within families. As it is a non-capital-intensive industry, stitching is a home-based activity where whole families- including children are involved in the process (Hussain-Khaliq, 2004: 102). Due to absent monitoring mechanisms, manufacturers before, were often unaware of whether children or adults were actually stitching the leather goods.

It was observed during data collection, that there was strong sense of pride among

skilled craftsmen for their workmanship, guarding their skills carefully, and retaining

the creativity and innovation this sector is known worldwide for. Nonetheless

external pressures such as ethically driven global supply and demand and concerns

of global interest groups resulted in shortage of this skilled labour. As participants

from this sector pointed out:

'In all honesty the issue of skilled labour shortage in the industry started here….because ten years ago you had problems of child labour. Due to that children stopped coming to the industry'.

The point of contention was the ethical issue of child labour that was rampant in

Sialkot. It was finally banned with the joint efforts of Sialkot Chamber of Commerce

and Industry (SCCI), ILO (International Labour Organization) and UNESCO in 2001.

Known as the Atlanta Agreement, it aimed to eliminate child labour from Leather

Goods sector through the use of improved monitoring. With these regulations, SMEs

leaders believed the older skilled generation had been unable to pass on skills to

future apprentices; as now the younger generation preferred white collar jobs or

acquired proper training. On the latter issue, local industry associations such as

Pakistan Gloves Manufactures and Exporters Association and SCCI are indeed

providing training. Owner I explained:

'The reason of this shortage is because….that government is not investing the money to train people. We want to give them training, we have machinery, the teaching staff…but we lack funds to do training and keep up the infrastructure. Funds should be given by the government'.

The training and investing in skilled labour, lacks government support and is faced

with logistical hurdles of infrastructure, shortage of trained staff and lack of fiscal

incentives to do training. The Gloves Association and SCCI contribute to such training

centres through member donations or the Zakat that they pay yearly, but it not

sufficient. The child labour laws have been implemented (and being monitored) but

the government has failed to replace them with facilities for training. The shortage is

acute in a city like Sialkot where skilled labour is the lifeline of the industry. Owner J

added:

'I believe our biggest weakness is the area of training. In order to raise productivity it is a must. It is a must'.

This example, further underlines the crucial interlinkages between productivity,

energy shortages, quality of products and skilled labour and how SME entrepreneurs

have to adapt in order to 'survive' economically.

Currency Devaluation:

Currency devaluation due to the global economic recession, is another challenge for

SMEs. Markets have become disturbed and currency devaluation has occurred

resulting in value of stocks going down. This was a particular concern for SMEs in

Sialkot and Gujranwala. As they produce specialized products for outside markets,

issues like the lowering of conversion rate of the national currency (Rupees) to Euro (the trading currency) have impacted the companies significantly. The devaluation of stock has been another issue for SMEs due to currency devaluation, has resulted in low demand from customers in North America, and Europe. This means loss of profit for SMEs, who are part of the manufacturing industry.

8.2.3 Misplaced National Priorities:

The challenges discussed earlier all seem to underline hindrances facing small industries from being socially responsible citizens of society. As well as the failure of the government in promoting SMEs. Although the politico-economic leadership in Pakistan recognizes the critical role played by the small industry sector; and its contribution to the national objectives, the government has not done enough. Hallberg (2000) argues that governments should promote SMEs because of the very fact that they account for a large share of the total firms in an economy, are responsible for employment generation and as *'the emerging private sector in poor countries'* they form a *'base for private sector led growth'*. Even though the government has taken few concrete steps in the right direction such as the SMEs Policy of 2007, creation of SMEDA and SBP policies tailored for SMEs, in practice the results are dismal. This is reflected in economic and fiscal policies, which are skewed in favour of MNCs and big companies from bank interest rates, sanction of large projects to advancement of loans.

In some instances it seems that the government through its' polices (access to finance; lack of training for skilled labour) and failures (energy shortages) has been deliberately indifferent to the plight of SMEs. Small businesses feel frustrated at the lack of responsibility by the government on a range of issues --legal, institutional, fiscal and social- that are important to the sector's survival. This includes unstable political climate, and absence of regulatory measures addressing the concerns and issues facing SMEs. Political instability over the years, accompanied with constant changes in leadership has made the business sector weary in general. And SMEs are particularly not insulted against such aftershocks due to their unique organizational and management profiles. The consequence of changes in leadership is troublesome, as each government comes with a personal agenda towards the business sector.

'The reason…lies in the political instability of Pakistan. One government comes and starts a project, than a coup happens and work comes to a standstill say for a decade. This is bad for the industry and also for the country (Participant I).

What is needed is a stable political climate, as SMEs and business in general require continuity for business industry to thrive. Additionally, it seems there is a lack of communication between national policies implemented and the needs of the SMEs sector. On the fiscal level, there is discrimination from lending institutions in acquiring loans (short term and long term). On the legal level vague taxation laws for SMEs and bureaucratic hurdles in simply starting a company discourages new

entrepreneurs. For instance, entrepreneurs are required to register their company

first; and then they have to register with eight government departments each with

their own criteria and requirements. There is no cohesive policy among the

departments to enable new SMEs to register with ease. If a SME fails to register with

one of them they are severely penalized which might result in their enterprise

shutting down. The lack of transparency appears to permeate all aspects of the

regulatory framework. Power shortages; exporters' refund sales tax being stopped

by government; avoidance of tax by SMEs all serve to underline the absence of

enforceable regulatory mechanisms.

One of the consequences of misplaced national priorities has been the absence of

rule of law in Pakistan. Kaufmann et al. (2003) describe rule of law as 'the extent to

which people have confidence in and abide by the rules'. These rules consist of the

effectiveness and predictability of the judiciary and the enforceability of contracts.

Like other EMEs, the consequence of this has been that businesses do not have

much confidence in and do not want to abide by rules 'mainly due to lack of

accountability and prevalence of corruption in every aspect of life' (Azmat &

Samaratunge, 2007). While a lot of SMEs are engaged in 'silent' CSR, the absence of

rule of law has created opportunity for corporate misconduct as well. As one

participant explained, copyright issues whereby competitors are using illegal

methods to manufacture low level textiles and flooding the market, is a huge

problem for the textile industry. With law enforcement mechanism missing this

leads to a culture of no accountability.

Finally, the SME owner-managers believed that the government institutions and

policies that are in place did not serve the interests of all, but just a few who are

favoured by the government. All of the SMEs owners interviewed, expressed dismay

and lack of interest by the government in hearing their 'voices'.

*'…we have been suffering like this the past decade or so. And till now the government
has not done anything. They say by 2018 changes will happen but we have no hope.'
(Owner J).*

In summary, the constraints and challenges affecting the SME sector outweigh the

factors that promote its growth, thus preventing the small industry area from

realizing its potential. According to a World Bank (2006) study, 19% of SMEs were

less than five years old with just 4% surviving beyond 25 years. This is because a

large number of (internal and external) threats they face affects them at various

stages of development, thereby preventing them from evolving into self-sustaining

enterprises. From a hermeneutic aspect, these issues provide the contextual (social,

legal, historical and political issues) background small industries operate in; and

helps to explain why they act a certain way. It also provides insight into the thought

process of SMEs owner- managers. The key word that stands out from this theme is

the issue of survival. Economic survival is the key for SMEs in spite of the chronic

challenges and constraints facing them. SMEs show great resilience in dealing with

such threats, which in some cases can be crippling with one comprehensive aim '*to survive*' somehow.

8.2.4 Motivations for SMEs to engage in CSR

Interview questions related to CSR motivations revealed that SME owner-managers are inclined to engage in socially responsive behaviour because of three drivers- religious and moral motivations; level of CSR awareness; and employee welfare. By being socially responsible, SMEs want to, be as seen as responsible community members, fulfil personal satisfaction, motivate employee morale, or meet stakeholder expectations. In short, CSR motivations are driven by moral, personal and economic objectives.

Religious ethics & Moral values:

Each emerging economy views CSR differently depending on company-specific and cultural specific reasons. To what extent do those local historical and cultural traditions (Howell, 2016:2) reasons play a part in social responsibility in Pakistan? Cultural and religious traditions are important in large companies, but are also very much a factor when it comes to SMEs[142]. It can be assumed that with a

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[142] Welford (2004) in his comparative study on Asia and Europe stresses that the implementation of CSR concepts has played out differently in Asia as 'priorities vary according to the countries' norms, values and economic development'. Pakistan is a good example of that.

rich cultural heritage religion plays a significant role in Pakistani society. Religious ethics and moral values as drivers for business being socially responsible have a strong case. Ahmad (2006:125) states that religious beliefs acts as personal motivation for engagement in socially responsible activities. There is religious awareness among the business community which has evolved into a culture of philanthropy in cities of Gujranwala and Sialkot. These motivations to be socially responsible have translated into community driven responsibility by tackling urgent social challenges facing society. Majority of such projects are building and funding schools (Gujranwala), creating hospitals and providing access to medical facilities (Sialkot) or providing assistance during natural calamities.

Furthermore, there was acknowledgement among SMEs owner-managers that while ethics depends on the individual's morality, religion proves to be a strong enough reason in generating cultural motivations to do good.

'How near or far he is to the religion…..It's individual. But on the whole if you look since it's' a Muslim society, we should try to adopt these kind of religious practices more and more'. (Owner D)

Owner C expressed similar sentiments:

'Although CSR is a new term but being born in Islamic Country and by birth [being a] Muslim, we must understand that community development is part of Islam and also other religions'.

Both participants were from two different industrial clusters and yet the notion that as part of a Muslim society this a duty that business entities should abide by seems to be universal. This showed that ideas of social justice and social values are both influenced by religious ethics and moral values in a predominantly conservative

Muslim country like Pakistan. Schumaker (1997) adds human motivation to be

socially responsible can be better understood by additional benefits of religion.

Religion *'establishes self-serving and other-serving moral guidelines that promote*

social cohesion; and reduce self-destructive practices and provide the basis for a

clearly focused social identity that satisfies the need for belongingness' (ibid, 195). In

that context, SMEs who are socially responsible are driven by religious ethics and

values to contribute to the collective good and create a social identity of being

responsible and moral citizens of society. Religious motivation also manifests itself

by doing fair dealings, submitting taxes on time, fulfilling order commitments and

using proper channels for business and transactions. Socially responsible behaviour

is also a regulated activity in the form of paying the compulsory charity called Zakat,

at the rate of 2.5% of net incomes/wealth (Raimi et al, 2014). All businesses

regardless of size and sector, are obligated to pay this annually. Zakat is one of three

welfare concepts found in Islam which is designed to show empathy to the less

privileged in society (Raimi et al, 2013)[143]. Additionally, Islam has endless list of

provisions, ethical values and rules of conduct on social and economic matters. One

of them is Fardh (social responsibility) which 'happens when people

discharges…responsibility to the society and especially towards the less privileged'

(Naqvi, 1997:4). Any social irresponsibility equals to being insensitive to the misery

of others. This is pertinent where many times SMEs feel motivated to carry out

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[143] CSR as a practice is embedded into three welfare concepts called Zakat (compulsory charity), Sadaqat (voluntary charity) and Waqf (a form of voluntary endowment) which are designed to show empathy to the poor in the society (Raim et al, 2014).

philanthropic activities and make up for ineffective government policies. These influences impact the way society views religious ethics and moral values which than translates into how responsibility is viewed both by individuals and companies.

It became evident that small businesses were already engaged in some sort of socially responsible activities which are an ad-hoc process. They are voluntary, informal and philanthropic in nature, and are considered a norm, a duty rather than fulfilling corporate necessities. At times the SMEs owner-managers were unware that such activities already constituted as being socially responsible. When pointed out that this can be considered as CSR, to them it was carrying out their obligations (responsible practices) towards society. This ties in the issue of terminology and definition, where such initiatives are considered as part of formalized CSR targets, but in Pakistan they are considered the norm, 'part of the package' of being philanthropic in the religious and moral sense. Finally religious ethics and moral values also underlined the 'moral' obligation SMEs have towards their external stakeholders- wider community and society- in line with Freeman's (1983: 91) broad definition of stakeholders.

CSR Awareness Level:

The second motivation that the data revealed was CSR awareness. To what extent CSR awareness plays a significant part in how SMEs engage in socially responsible

practices? There are two aspects to the level of CSR awareness when it comes to

Pakistani SMEs. First there is an indigenous form of awareness that results in pro-

social behaviour, as exemplified by the religious ethics and moral values embedded

in society and part of daily life. Being good and carrying out socially responsible

practices is based on the Islamic value of 'spending from what God has granted' in

charitable pursuits (Ahmad, 2006: 127). The second aspect looks at the CSR

awareness in terms of SMEs who are engaged in the global export market where

they are required to have a certain level of knowledge of being socially responsible

in order to stay competitive. This certain knowledge is in the form of social and

environmental compliance mechanisms such as CE certifications. Such indicators are

used to see the extent companies take into account the impact of their activities on

stakeholders like the wider community and environment. This kind of advanced CSR

awareness is prevalent in SMEs who have a global market outreach and

manufacture specialized products such as surgical goods, sports goods,

pharmaceuticals and leather goods. This view was confirmed both by SMEDA focus

group and by SMEs leaders in interviews.

'…..in Sialkot the majority of entrepreneurs are export orientated. [They have] bit more awareness as well as more sophisticated business set ups as compared to entrepreneurs…working in the local market' (P, 2)

'The customers…consider themselves safe by knowing that their own suppliers are also following these rules and producing at a certain standard' (Owner J).

Adhering to global quality and legal standards (and minimize business impact on environment) are the usually the demand of the customers to their suppliers (SMEs) as part of the global supply chain. This leads to increase in orders (profits) and enhances business standing for small companies. And in order to remain part of the supply chain they all have to adhere these regulations. Five SMEs from the data sample had these certificates- the pharmaceutical sector SME carried EU certification for quality control; the leather sector SMEs followed CE certifications of ISO 9000 and ISO 9001; and surgical goods small business had ISO 9001 and ISO 13485. By doing so, SMEs come closer to the Anglo-Saxon definition of CSR because who have had more exposure to the international markets evolve into having greater amount of CSR awareness. This indicates that awareness and amount of exposure are interrelated and influential when it comes to SMEs engaging in pro-social behaviour. Such a trend by SMEs can be defined as '*hybridization*' which combines Anglo-Saxon aspects of CSR (social compliance rules) with local socio-historical tradition (religious ethics and moral values). It is a process that Jackson (2004) and Amaeshi et al. (2006) refer to as combining external and internal local knowledge- where CSR models are driven by global developments, but shaped by context-specific factors. As part of global supply chain, SMEs are not completely shielded from external influences such as globalization, nonetheless the manifestation of such influences is through a local lens.

It is important to point out despite the drivers for SMEs to engage in pro-social behaviour there is a cost associated with doing such activities. Therefore, resource poverty is a major constraint at times preventing SMEs owners from being socially responsible agents but to 'external stakeholders'. In case, SMEs wanted to do engage in initiatives such as funding a hospital, their first priority was- economic survival and the wellbeing of their immediate stakeholders i.e. the employees. The widely held explanation was that if employees are not getting paid, their families would suffer. As one respondent stated the children of the workers will go to sleep hungry if they workers are not paid on time. In other words, the plight of people reliant on them- the families of workers- took priority for SMEs owners as they considered it as social responsibility through the trickledown effect. Being responsible entrepreneurs but towards internal stakeholders was a priority for SMEs owner-managers who took into account their monetary dependency and livelihood on the company.

In other words, if the company is not generating profit enough to survive, engaging in socially responsible behaviour towards external stakeholders becomes a second priority. As one owner explained being socially responsible is dependent on their business performance and not actual intentions. In conclusion, religious ethics motivation also affects indigenous forms of pro-social behaviour which consists of voluntary, ad-hoc, charitable pursuits for social welfare. High CSR awareness drivers are found in export orientated SMEs who comply with quality and social compliance

standards due to demand of the customer. SMEs with high exposure, appear to be more aware of structured CSR frameworks found in developed countries.

Employee Welfare

The previous two drivers pertain to the role and engagement with external stakeholders of a company –wider community. There is another aspect of CSR which looks at the role and obligations towards internal stakeholders of a company i.e. the employees. Vives (2006) found in Latin American that SMEs, while considerable amount of small businesses were engaged in responsible practices, the focus was on internal practices with external and environmental issues being less frequent (ibid, 39).

In this case evidence indicated a strong commitment to internal CSR. External pressures such as shortage of labour and price increase by the craftsmen, influenced stakeholder engagement that took place between SME owner-manager and internal stakeholders. SME owner-managers considered employee welfare both as an obligation and compulsion. Due to the market fluctuation and currency devaluation, there has been an increase in pricing by skilled labours, giving them higher bargaining power. This left the SME entrepreneurs with no choice but to comply with their demands, otherwise they would lose their employees. Leaving the company and defecting to another enterprise was a prime concern for many SME

leaders who are highly dependent on their skilled workface. An SME can collapse immediately if there is no labour and so companies not only are forced to comply with their demands but also have to provide incentives for them to stay with the company. This raises the question of survival, where if there is no committed employee base, a SMEs will surely breakdown. In the industrial hubs of Gujranwala and Sialkot skilled workers are extremely valuable and many owner-managers provide benefits not only to generate Trust (and thereby create loyalty) but also to motivate the workers to stay with the company.

This indicated a **pragmatic approach** to internal CSR whereby employee motivation and employee welfare are interconnected, ensuring economic goals are met by the company. Incentive driven activities of this kind range from providing individual scholarships and training; helping with an employee's marriage; providing a crèche for kids of female workers at the company offices; to paying workers for overtime when there is a huge order to process. This underlines the fact that employee welfare is a high priority for SMEs owner-manager for a variety of reasons. From an ethical point of view any (internal) socially responsible stakeholder engagement lies in the deep sense of obligation SMEs leaders feel towards the employees. This idea of looking after the people who work for you, and considered as family also reveals a paternalistic attitude carrying '*a sense of noblisse oblige*' (Ahmad, 2006: 126)

8.2.5 Role and Influence of Owner-Managers:

Due to the size and organizational context of SMEs, the focus point is the role of the owner-manager. Most of the time the values and characteristics of SMEs owner-managers is aligned with those of the company they have created or inherited. Meulenberg and Verhees (2004), highlight the importance of managerial characteristics by defining SMEs as *'a firm that is run and controlled under the direct supervision of the owner'*. Aspects of owner-managers personality that impact the firm's health are education, owner's experience in business; family history; generation setting up the business; motivation; technical competence and knowledge level; and personal ethics. In the case of Pakistan the empirical data raised interesting questions when it came to the role of owner-managers. Do personal ethics and attributes play a part in them being more open to being socially responsible or is it the socio-cultural environment? It appears both were relevant in how owner-managers view responsible entrepreneurship. The role of owner-manager can be divided into two main areas in relation to the data- personal ethics and values; and role of managers in generating culture.

Similar to SMEs in developed countries, the role of SMEs leaders is of importance not only because the way they run the enterprise but also how personal attributes

influence them in being socially responsible owners. This implies that SMEs

entrepreneurs are in a stronger position to bring their own '*personal ethics'* and

characteristics to bear on business decisions, than managers in larger associations

(Trevino, 1986). For SMEs owners ethical attitudes are very much dependent on

individual morality and family history. Personal values include not only the

motivation to be successful but also being personally involved in the day to day

running of business. The extracts below emphasis this point:

'I think foremost for me it is dedication [in running the business]'.
(Owner A)

'Your inner self, your personal motivation no doubt [along with] personal
involvement in business'. (Owner B)

SMEs leaders revealed that personal values and ethics vary from person to person;

and motivation and dedication to the business is extremely important. Religious

motivations have a role to an extent in how owner-managers' moral stance is

constructed and reflected in business dealings. Notions of being a God fearing

individual; being honest with one's self; and helping the less privileged feed into

ethical attitudes. Personal ethics contains a normative element of running the

business responsibly with traits of integrity and Trust. In this aspect having personal

integrity, being honest in the way the business was managed and how the owner-

manager interacted with their employees led to an environment of Trust.

'…depending on the beliefs of the owner- he may come from any religion- as long as he or she is creating an environment of integrity. Again the key word becomes trust in which integrity will lead to trust'. (Owner, G)

The generating and building of this 'Trust' from a moral stand point would eventually make them successful in the long term. This implies that ethical traits of being honest and trustworthy, play a bigger part than religious factors when it comes to SMEs owner-managers being socially responsible. Furthermore, SME owner-mangers have *'the right to allow their own ethical attitudes to bear on business related decisions'* as it is their own money they are dealing with, whereas the employed manager has no such right as '*he is acting solely as the agent of the firm's shareholders'* (Friedman, 1970). This points to the factor of solely owned small business which grants owner-managers the flexibility and legitimacy to run their business aligned with their ethical attitudes. If an owner-manager is ethically inclined to be socially responsible he will have no hindrance in engaging in such activities. Quinn (1997) suggests there is no need for the owner-manager to obey authority or to look for approval of others is almost non-existent or of no importance. The *'normative structure'* of what ought to be done in a situation, rather than being given in a large company, '*is likely to be embodied'* within the SME leader and his *'cognitive moral judgment'* (ibid; 121). Therefore there is a closer relationship between their moral judgement and moral action.

On the issue of family characteristics over half of SMEs owners interviewed had a business background. A few among them are second generation owners having

taken over from their fathers, while others are preparing their children to take over

the company one day. The advantage of being raised in a business family leads to

SMEs owners being aware of familial expectations of continuing the business. Owner

E explained:

*'The most important [thing] for me is that it is my family business. My father started
this…I think for me it is a lot of motivation that I run this company well and even
better than him'.*

This type of motivation to do better certainly influenced in how owner-managers

behaved and acted. It is different with first time entrepreneurs as for them kinship

does not make a difference. For them traits such as education, technical know-how

and the right managerial skills were essential. What is important is how the

entrepreneur than uses these attributes and run a small enterprise successfully. One

participant emphasized how their education in business helped them to become a

successful SME owner-manager as it gave them the right skill set and broadened

their horizon. Another SMEs owner indicated that if one has the right technical

know-how and entrepreneurial mind set one can run the business successfully and

deal with any kind external and internal pressures.

This kind of ownership structure and control also provides a fertile ground for the

generation of organizational culture. Formal corporate culture is normally found in

big business entities thanks to their size and organizational structure. In smaller

companies it might be absent but in medium sized ones there is potential for

organizational culture to take root in the form of strong and charismatic leadership.

Three medium companies showed early signs of organizational culture when their

owner-managers spoke of personal mottos and management style. It was obvious

that these aspects had somehow permeated and evolved into a type of 'company

culture'. The responses below highlight this point:

'You have to be a role model for your team. You have to work with them and don't just order them'. (Owner A).

'Honesty and integrity come above the capability and skills of any employee. If I do not seen any integrity in them…than they cannot stay part of the team. This is [my] prime directive'. (Owner G).

Being a role model and ensuring business is driven with integrity and honesty point

towards the beginnings of '*basic underlying assumptions'* led and reinforced by a

strong leader under Schein's three level cultural model[144]. These basic assumptions

serve as a mental map for individuals (SMEs owner-manager) who share it with their

employees carrying the same '*thought world'* (Schein, 2003: 32). For him leadership

and organizational culture are two sides of the same coin and believes that a culture

begins with charismatic leaders who impose their own individual values and

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[144] Schein's approach comprises of '*artifacts, espoused beliefs and values, and underlying assumptions'* (Schein 2004: 25). These concepts form the major levels of culture within an organization with *level* implying the degree to which the cultural phenomenon is visible to the observer. Artifacts exist on the surface level and are defined as visible organizational structures and process (such as language, company climate, myths and observable rituals). The next level concerns espoused beliefs and values which look at strategies, goals and philosophies of a company. These beliefs are transformed into a shared belief (through social validation) and eventually into shared assumptions. Schein believes that such a set of beliefs and values become embodied in organizational ideology and '*can serve as a guide and as a way of dealing with uncertainty of intrinsically uncontrollable events'* as well as basis of company identity (ibid, 29).The final level –basic underlying assumptions regarded as the essence of culture, include the unconscious taken-for-granted beliefs, perceptions, thoughts and feelings serving as the ultimate source of values and actions.

assumptions on a group. If that group is successful and *'the assumptions have been*

taken for granted, we than have a culture' (ibid). Such success breeds deeper

commitment, loyalty and eventually trust within the company, bound by a powerful

cultural habit. A good example to illustrate this is one given by Owner B; who

emphasized that their company has never failed their annual audits because of the

leadership style; and working alongside employees as a coordinated unit. Keeping

this in mind, it's assumed that owing to their specific characteristics, for now such

medium companies are displaying the primary level of organizational culture; while

in small firms, this phenomenon does not have the capacity to nurture. Leadership is

the original source of beliefs and values that enables groups to deal with internal

and external problems, serving as a cognitive defence mechanism for the whole

company. In the context of SMEs a strong owner-manager through his leadership

skills will be able to deal with internal problems such as shortage of skilled labour;

and external problems such as access to finance, economic instability or energy

shortages. In simpler terms, a strong leadership displayed by owner-manager can

help a firm to survive and be successful.

8.2.6 Trust

The discussion of themes to emerge from the data have pointed towards the central

concept of Trust that exists (or lack of) when it comes to the situation of SMEs in

Pakistan. In this sense, the idea of Trust seems to be the overarching theme present

in all of them- in some cases its explicit while in others of implicit nature. For instance when looking at the challenges and obstacles faced by SMEs in Pakistan, a lot of them stem from the absence of trust between SMEs and other stakeholders such as the Government and national institutions.

On the issue of access of finance there is a clear lack of Trust between the small business sector and financial lending institutions for reasons stated above. This has led to persistent discrimination against SMEs who requires access to formal channels of finance. When it comes to the persisting energy crisis, because of the climate of dishonesty on government's part there is a serious breach of Trust. SMEs choose not to believe the reassurances of the government because such promises never seem to materialize into action. In their eyes this failure underlines the lack of responsibility by the government. This had led to small industries being distrustful of bureaucracy. The lack of government support- in the form of national economic policies and regulations- have led SMEs having no Trust in them, believing their voices are often ignored. This has created a climate of 'institution based distrust' and therefore irresponsibility on an institutional level. Assistance needed by SMEs is recognized in the form of easy and quick access to finance, technology up-gradation, and small industry specific rules on regulation, unfettered energy access and time bound sanctions. Unfortunately the policies lack in all these dimensions. Furthermore, misplaced national priorities which tend to favour large firms have led SMEs to adopt a culture of survival where they have learned to be adaptive, swiftly changing their

trading capacities according to market opportunities as well as local socio-political

realities (Goffee & Scase, 1995:18).

In relation to the government there is a clear lack of Trust but when it comes to

SMEs in relation to other stakeholders such as customers, wider community and

employees it is not the case. It appears there is a presence of Trust via interpersonal

relationships built over time. This tie in with the 'social capital' feature of SMEs in

how they create and sustain such networks. Putnam sums up the significance of

social capital to SMEs seeing it as *'as connections among individuals -social networks*

and the norms of reciprocity and trustworthiness that arise from them…[are]

features of social organizations, such as trust, norms and networks, that can improve

the efficiency of society by facilitating coordinated actions' (1993: 167). As is the case

with SMEs majority of their interactions rests on the concept of Trust between them

and their various stakeholders. For the SMEs leader interviewed, creating Trust

between an enterprise and its stakeholders is dependent on factors such as - being

honest and open in their business dealings; acquiring and maintaining a good

reputation in the industry (integrity); and delivering products that meet the needs of

the customers.

 *'The key word is trust. I have never found a company being successful without
people trusting the product and company'. (Owner, H)*

*Reputation plays a vital role for the development of any organization. Trust is most
the most important for this' (Owner D)*

*'Trust is only established when you have good examples to prove your credibility'.
(Owner J)*

Building and maintaining good relationships with customers, suppliers, employees

and the wider community is essential to the survival and success of any business. By

being socially responsible, society will reward SMEs (who they see trustworthy) by

buying their products. By doing so society will legitimize the reputation of such

enterprises and the enterprises will strengthen their credibility in the process. This is

further strengthened when SMEs give back to society in the form of community

development or employee welfare which can also be termed as pro-social

behaviour. There is no denying that Trust in such an enterprise-stakeholder

relationship implies a moral stance. In such a relationship Trust between the two

parties is needed with trustworthiness being indispensable[145][152]. When a

stakeholder has contributed an investment to the company and *'that investment has*

been accepted, the firm owes a duty to the stakeholder' to either maximize benefit

or minimize harm to that stakeholder (Greenwood, 2007). Here investment is

conceptualized as something that is advantageous to the firm's operations such as

labour, financial capital or a location to operate. The informal entrepreneurial

nature of SMEs where interpersonal social networks dominate, show Trust plays a

crucial role.

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[145] Trustworthiness is seen as a moral trait that is present in the management of the company. In SMEs that would be looked in the role of the owner-manager who as the sole proprietor represents what the company stands for. Trustworthiness can be akin to the having rational agency (morality) as put forward by Kant.

Greenwood & Van Buren (2010) put forward a classification of Trust within in

organizational theory that explains the nature of enterprise-stakeholder relationship

found in local SMEs. It is:

'*the reliance by one person, group, or firm upon a voluntary accepted duty on the part of another person, group or firm, to act in a manner that is ethically justifiable; that is, undertake morally correct decisions and actions based upon ethical principles of analysis towards all others engaged in a joint endeavour or economic exchange'* (ibid, 426).

When it came to customer partnerships and supplier relationships, all of the SMEs

described their customer relationships as close, friendly and positive; based on

notions of Trust and respect. The majority of small businesses have had customers

since the company was created, indicating that SMEs tend to have long-term

relationships with their customers. This links in with the issue of reputation where

the name of the company in manufacturing products, within time and quality

constraints, leads to sustained customer relationships and enhances reputation. On

the supplier side, those SMEs who depend on skilled labour to supply them with

products, emphasize the value of Trust and reciprocity. One owner explained

because of the Trust they have with their suppliers, that sometimes if there was an

urgent order, the suppliers would do it in less time. This showed that these kind of

'economic relationships' in the context of SMEs are driven and defined by the Trust

and mutual respect.

8.3. Theoretical Themes:

Linkages will be made explicit with the three frameworks reflected in the research methods; along with highlighting the relevance and limitations of these models

Responsibility:

The pyramid of responsibilities coined by Carroll (1979) is one of the most referenced models within CSR literature. The four-layered framework was assimilated in the methods, generating rich responses- both in focus groups and individual interviews. In a nutshell the pyramid defines CSR encompassing economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time. Carroll devised this pyramid of responsibilities with the Anglo-Saxon model in mind, raising the question if the pyramid stands or changes by addressing the socio-economic factors of emerging economies. If it does change, how do the responsibilities rank and why? Studies carried out using the pyramid in different contexts have indeed generated diverse results (Visser, 2006; Nalband & Al Kelabi, 2014) showing simultaneously the limitations and durability of the CSR model.

The questions about the pyramid of responsibilities generated responses that were

surprisingly similar across the board but revealed differences in how participants

approached and viewed the framework. The method type also had an impact, as

there was a variety in the manner of responses when asked in individual interviews

versus responses in the focus groups. In individual interviews, all of the respondents

(except for two) agreed and emphasized that economic responsibility was the most

important responsibility in their eyes. Carroll himself places economic responsibility

at the base of the pyramid, saying it is the very foundation of any business

obligation. The economic aspect looks at firms being good corporate citizens by

being profitable; doing what is required from them as part of a capitalist market.

This thinking is based on Adam Smith's idea of the Invisible Hand and has been

championed by neo-classical theorists of shareholder theory like Milton Friedman.

While respondents agreed that all the other responsibilities are important, it could

not be possible if businesses were not fulfilling their basic one i.e. economic

generation. The emphasis of this responsibility ties in with the concept of survival

and SMEs in Pakistan, whereby until and unless a business is not making money it

cannot be expected to survive in the sector. Owner H underscored the point:

'Survival is compulsory. If the company is not surviving than all other responsibilities are null. So once you have survived economically, than the society expects you to play with the boundaries society has created'.

As long as a SME is economically stable, only then they can have the luxury of

engaging in charitable/philanthropic responsibilities. In Pakistan, there is a cost

associated with being socially responsible, whereby if the company is not performing

well, they cannot think to engage in such activities; either they do not engage in

them individually or do it as part of a collective system such as Chambers of

Commerce or trade associations. As for the remaining responsibilities, all

respondent were in agreement that legal, ethical and philanthropic should stay the

same hierarchically. Consequently, the pyramid remained the same for them.

Both focus groups had similar results where the participants agreed that for them

economic responsibility was and should be the primary concern for businesses

operating in Pakistan. The manner of response in focus groups provided insight not

only into group dynamics group, but validated individual interview data.

Furthermore, the discussion on the CSR pyramid gave access to the participant's

explanation of social responsibility. Interestingly, in LCCI focus group, the divergence

in opinion showed the depth and variation of responses. The two dissenting views

highlighted differences among SME leaders on which responsibility should be ranked

first. The discussion and eventual consensus achieved in SMEDA group interview

embodied Habarmasian communicative action (1981). Communicative action

constitutes an independent type of social action where the goal is an attempt to

reach an agreement or mutual understanding with other actors in the world (ibid,

101). The group discussion stressed how participants reached the goal of a mutually

shared explanation of the social phenomenon being discussed, through a cooperative process of interpretation. In acting communicatively the participants accepted as valid the claim raised- importance of economic responsibility with their utterances and provided reasons of validity for the claim when questioned by the researcher.

The exceptions to this response were two participants, who as part of the LCCI focus group (and later in follow up interviews) viewed the pyramid differently. One participant viewed ethical responsibility as most important as it was all encompassing containing awareness of CSR and religious motivations together. The other respondent due to their policy-making background, considered legal responsibility as paramount. They argued that rule of law and presence of enforceable regulations was urgently needed in the business sector. A strong and persistent government intervention would create sound policies that would ultimately lead to business being legally responsible. This confirms the argument made by Nalband & Al Kelabi (2014) who argue that by placing legal responsibility as the pyramid base points towards the unique environment and cultural context in which companies are operating.

Normative Stakeholdership

Stakeholder theory looks at the nature of the relationship existing between organizations and persons/groups who have a stake in the operations and outcomes of the organizations activities. This particular strand of stakeholdership carries a moral element dealing with reasons why companies *'ought'* to consider stakeholder interests even in the absence of any apparent benefit. The argument is that all legitimate stakeholders are of intrinsic value (Donaldson & Preston, 1995:73). From a deontological (Kantian) view point this implies that all individuals have equal moral worth and should be respected as 'ends in themselves' (Formula 2 of CI). This approach demands that businesses treat stakeholders as more than mere tools in maximizing profit. Essentially managerial, stakeholder theory looks at how owner-managers operate with various stakeholder groups. With respect to this research, normative stakeholder theory sheds light on identification of stakeholders; the nature of stakeholder engagement done by SME owner-managers; and explains how such relationships are managed.

In identifying stakeholders relevant to SMEs the broad definition by Freeman and Reed (1983:91) was used for interview questions and but the data revealed quite a different story. The identification of stakeholders was more in line with the narrow definition of stakeholders- which regards stakeholders from a practical lens, identifying them because of limited recourses, limited time and limited patience of

managers dealing with external constraints (Mitchell et al 1997). Stakeholders were

identified using the salience approach by Mitchell et al. (ibid) by applying the three

attributes –legitimacy, power and urgency of claim. Salience is '*the degree to which

managers give priority to competing stakeholder claims*' (ibid: 869)[146]. Stakeholders

who possess one attribute have low salience and are termed latent. Stakeholder

possessing any two have moderate salience, are known as expectant. Amongst

them, the ones who possess power-legitimacy are dominant; those having

legitimacy-urgency are dependent; and those with power and urgency are

dangerous stakeholders. Finally, if all three attributes are present in a stakeholder,

managers have to prioritize its claims.

The classification defines stakeholder management- the way SME owner-managers

manage the expectations and needs of their stakeholders- depending on their

salience. Table, 8.2 is based on the model salience model, listing the range of

stakeholders relevant to Pakistani SMES, ranked in order of higher to lower salience.

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[146] Three features of stakeholder attributes help in understanding how stakeholders gain or lose salience to a firm's owner/manager (Mitchell et al. 1997: 868). First is that stakeholder attributes are variable and not in a steady state. Secondly stakeholder attributes are socially constructed and not an objective reality. Finally, consciousness and wilful exercise may or may not be present.

Table 8.2 SMEs stakeholder classification.

Owners	Power/legitimacy/urgency	Definitive
Employees	Power/legitimacy	Dominant
Customers	Power/legitimacy	Dominant
Vendors/distributors	Power/legitimacy	Dominant
Government	Power	Dormant
Trade Associations	Legitimacy	Discretionary
Community	Legitimacy	Discretionary

Nine out of ten SME leaders acknowledged four key stakeholders important to them- customers, suppliers (vendors), employees and society. The tenth respondent understood them to be only the owners and employees because they believed that due the nature of industry (textile) and size of their SME (30) they couldn't view society as a stakeholder. They also considered the definition by Freeman & Reed very broad for SMEs. A notable aspect was that two participants struggled to identify their stakeholders, and were able to answer after the researcher explained the meaning of stakeholder. This indicates that perhaps stakeholder terminology is still vague and foreign for small industries in EMEs; and if there is any knowledge of the concept it is found in export orientated SMEs with global links.

In terms of salience model, SME owner-managers are definitive stakeholders, as their claim carries a necessity of action and acknowledgement. As owner-managers are central to SMEs, their claim carries the highest salience. This might create

conflicts of egoism versus altruism, but with the particular organizational structure

of SMEs, owners also have to be considered stakeholders who have invested

personally in terms of personal assets within the enterprise. Employees, customers

and suppliers are seen as dominant stakeholders, because their claims matter. Their

influence on the SME is assured as without them the company would come to a

standstill (exemplified by the labour shortage in Sialkot). The expectations and

demands of the dominant stakeholders have to be recognized and acted upon by

the SME owner-manager. Examples of this can be seen in the various socially

responsible projects SME owner-managers have taken to boost employee

motivation and loyalty. The expectations of the customers can be seen in delivering

on time maintaining and high quality of products; while for vendors/distributors it is

ensuring they are provided with sufficient distribution and production orders. This

underlines the idea that when it comes to being socially responsible, SME owner-

managers tend to prioritize the claims of dominant stakeholders over discretionary

stakeholders (wider community)[147]. Interestingly, in Pakistan, the government can

be classified as a dormant stakeholder. Keeping in mind the lack of government's

role, they have the power to impose their will but lack of legitimacy (in the form of

socially constructed of norms and regulations); and also lack the urgency makes

them dormant stakeholders. This can change if they were to acquire another

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[147] This supports the evidence by Jenkins (2009) and Russo & Perrini, (2009) that social responsibility of owner-manager is expressed through loyalty to different immediate stakeholders.

attribute but for now the researcher believes the government's role is best

described as dormant.

Trade associations and wider community are discretionary stakeholders as they do

not possess the power or urgency to influence the enterprise. This category of

stakeholders is likely the recipients of what Carroll (1979) calls philanthropic

responsibility. The main point with these stakeholders is that with absent power and

no urgency of claims it is up to the discretion of the SME owner-manager to engage

in an active relationship with them. As seen in Pakistan, socially responsible activities

towards discretionary stakeholders tend to be voluntary, informal and philanthropic.

SME leaders can choose to engage with these stakeholders, and in Pakistan majority

of SMEs do so 'collectively' via trade associations like LCCI or SCCI.

Finally, on the issue of stakeholder engagement, as discussed before it appears that

the dialogue between stakeholders and SME leaders is open, engaging and friendly.

There is a two way communication between the two parties who also have

developed interpersonal linkages over the years built on trust. For a lot of the SME

leaders, the dominant stakeholders are considered family, an essential part of their

business network- someone without whom the company cannot function. There is

an emphasis on building stakeholder relationships rather than just 'engaging with

them'. Therefore, although normative stakeholder theory can be used to identify

stakeholders by their 'intrinsic' interests, it falls short of explaining the

interdependency aspect found in company-stakeholder relationships built on trust, reciprocity and mutual value.

Theory of Logic of Practice:

Bourdieu's theory of logic of practice, attempts to overcome the tension between agency and structure, and derives meaning behind human action arising from such an impasse. Unlike the other two models that signify the role of responsibilities and defining who and what really counts; theory of logic of practice places SMEs in a cultural construct and interprets their actions. Specifically, how the actions of SME owner-managers can be explained within the Habitus, Field and Capital equation.

One of the themes to emerge under motivations for CSR was role of owner-manager which not only looked at the characteristics but also personal values found in SME leaders. In terms of managerial values the Habitus related set of questions sheds light on how managerial ethics and values play a role in pro-social behaviour; and how agency-structure comes into play. For Bourdieu conditionings associated with a particular class of conditions of existence produces the Habitus and this can be seen among SME leaders interviewed. All of the SMEs are family owned and three of the participants are second generation business owners, having taken over from their fathers. In terms of the Habitus, one can see how these SME owner-managers act and do business as Habitus provides actors with a kind of generative grammar and

guides their actions based on dispositions obtained through past practices

(Golsorkhi et al, 2009). The second-generation owner-managers exhibited

characteristics that can be termed as internalized dispositions, schemas and forms of

know-how and competence due to their upbringing. The point was emphasized

because they grew up in the family business and watched their fathers build the

company, they not only felt a sense of responsibility towards it but also saw first-

hand how to run the enterprise. This is what Bourdieu refers to as '*structured*

structures' (1990b:53) or internalized dispositions acquired informally through early

socialization interactions (family contexts, education and friends). These

unconscious internalizations and schemas predispose owner-managers to generate

new forms of action that reflect those early socialization experiences. One

respondent revealed that their company continues to financially fund families of

deceased employees, as that is what their father had done when he was running the

company. They explained that they had grown up seeing their father start that fund

and felt it had become a part of the company's socially responsible activities. This

refers to the '*structuring structures'* (ibid) where Habitus generates and reproduces

practices, expectations and perceptions corresponding to structuring properties of

earlier acquired dispositions. In short the way SME owner-managers have been

raised and educated plays a vital part in how they run their business. Individual

ethics can also be included in this, where for instance having seen their parents

display socially responsible behaviour (motivated by religious and moral values) will

likely mean that SME owner-managers will acquire the same dispositions. This can

be seen in second generation SME owner-managers for whom such [socially responsible] practices as are informal, practical and occurring on a tacit level.

Another notable aspect has been the continuation of this transferability of habitus to the next generation. Three SMEs leaders from Sialkot and Lahore shared that being a family business they expected their children to take over the reins after them. One participant has sent their son to Italy to acquire a degree in supply chain management because their company is a supplier to its customers. Realizing the need for awareness on this issue, this is their way of passing on 'internalized dispositions and schemas' to the next generation of owner-manager.

'By doing the masters [in global supply chain] he finally understands what needs to be done. And I told him after he returns…he should take over from me and run the business' (Owner H).

Dispositions suggest capability and reliability, a way of thinking that drives practices. Another participant has their children already working with them in the company and expressed their willingness to take over the reins in the future. This shows how present SME owner-managers are ensuring the 'structured structures' of their children is being created which will shape and orient their actions in the future. Habitus also has the capacity to generalize fundamental forms of habit through *'generative schemes'* to all areas of life (ibid, 94). Although no two humans are the same and yield different habituses, collective form of habitus can be created as well. Bourdieu justifies this with the creation of social classes. With somewhat similar

generative schemes one can see that within the business Field there is a SME class who display group-specific characteristics from big company and micro enterprise owners. One trait is sense of place in the social order, in this case the place of SMEs in the social hierarchy of business- they will be given any government attention only *after* multinational and big companies. Thus, the idea of Habitus not only reproduces individual habituses but also collective habituses such as a SME status group. This is evident in SME dominated cities like Sialkot and Gujranwala.

Habitus is but one part of the equation that explains SME owner-manager practices and so require linkages with ideas of Capital and Field. Bourdieu views Capital as valued resources required by dispositions, which in turn motivate individuals. The dispositions of Habitus draw on types of capitals to enact practices. SME sector contains four kinds of cultural capital. There is social capital defined as groups, memberships and social networks. Trade associations and chambers of commerce are an example of that. They represent the economic interests of SMEs as well providing networking and being a 'voice' of small industries. Cultural capital exists in the form of SME owner-manager's technical skills, knowledge, education and experience. Generally, SME leaders are not highly educated but have a surplus of technical know-how or the 'entrepreneurial spirit'. Pakistani SME sector contains both kinds of entrepreneurs. Another instance of cultural capital is SMEs taking pride in them being family owned entities which can be seen as a way to increase or maintain their share of the market. The positive capital –with a focus on

relationships certainly works in favour of SMEs increasing cultural and economic

capital. Economic capital in the form of economic assets is present in the business

Field but spread unevenly among multinationals, big firms and SMEs. Finally,

Symbolic capital exists in the form of business prestige, honour and recognition but

also is not distributed equally in the Field. Habituses are formed by particular forms

of capital and all participants have economic, cultural and social capital. Some have

symbolic capital while others want to attain it. The struggle over various kinds of

capitals happen in structured competitive social contexts called Fields[148]. SME's exist

in a business Field where they have to compete with each other and other actors in

acquiring different capitals available to them.

In Pakistan, SMEs are competing over economic and symbolic capital with larger

actors that have a greater share of these valued resources. From a social capital

stance, Bourdieu's theory shows the role played by different forms of capital in the

reproduction of power relations in a field. In the business Field SMEs are at a clear

disadvantage in terms of power relations against large companies- who monopolize

economic and symbolic capital due to the strength of their social capital- i.e. closer

links with the government. SMEs react by collaborating with other industry peers in

creating awareness and knowledge sharing (cultural capital). This is dependent on

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[148] They can be seen as a series of institutions, rules, rituals, convention, categories, designations and titles which constitute an objective hierarchy (Webb et al, 2002).

the industry type[149]. Realizing their smaller resources and capabilities participants

stressed how collaboration gave them an edge against larger actors. Concerning

economic and symbolic capital, SMEs are competing with each other and big firms

over share of export market.

Another factor has been the transformation of the business Field due to external

and internal pressures[150]. Business Field in Pakistan transformed from an

autonomous field into a heteronomous one thanks to external pressure of

globalization and greater demands for social responsibility from foreign customers.

Internal pressure in the form of child labour issues and calls for good businesses

practices also had a big impact. The doxa of 'business for profit's sake' become more

tenuous replacing economic driven notions with social responsibility. This

transformed the business Field making companies compete with others on a global

scale for export share. The opportunities have been disapportionate for SMEs due to

their resource capabilities, leaving them with no choice but to adapt and evolve to

remain (survive) in the Field. In other words, they believe the game is worth playing

and to recognize its stakes (*illusio*). This is evident in social compliance practices

export orientated SMEs have undertaken to not only increase share of economic

capital but also symbolic and social capital. Being socially responsible can be seen as

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[149] As manifested in leather, auto parts, pharmaceutical and surgical good sectors but not in the packaging industry for example.

[150] Cultural fields are fluid and dynamic because they are always being changed both by internal practices and policies and by their convergence with other fields.

a practice by SME leaders   who wish to acquire or transform capital from economic to symbolic (bringing prestige and recognition to the company). Thus, Bourdieu (1977) views social capital as a quality of individuals and shows how inner culture (habitus), possession of capital and navigation of business Field explains practices of SME owner-managers in this case.

8.4 Linkages to Ethics of the Classical Antiquities:

This section of the analysis will place identified themes within the normative construct comprising of Kant, Machiavelli and Adam Smith. These philosophical underpinnings will help in explaining notions of being socially responsible in Pakistan; and accentuate the deontological and teleological tension when it comes to business ethics.

8.4.1 Kant

Kant's writings can be applied to ideas of the role of SME owner-manager having a rational autonomy (as a moral agent) and fulfilling duties; and to the idea of unsocial sociability in explaining the dialectic shift of SMEs discourse in Pakistan.

Kant's (2004, 2006a) idea of ethics is duty based universal and absolute obligations driven by a rational and free will. He argues that any moral action is defined by

practical reason and not by sensory impulses, placing emphasis on the motives

behind any action. At the core of having a rational agency is the idea of Goodwill –

which Kant identifies with being autonomous (1998). Goodwill is intertwined with

what makes humans rational agents and thus sets the distinction between doing

merely in accord with duty and acting from duty. The free will determines its actions

through moral law whereby, the only structure confronting a rational good will is the

moral law (Categorical Imperative) we give ourselves. And by obeying such laws, the

rational agency is autonomous and free. Korsgaard (1996:11) argues that *'freedom*

of will is crucial as it provides both the content of morality and its motive'. If the self-

imposed moral law sets one free in the form of having a rational agency

(autonomous will) how does that describe SMEs owner- managers as moral agents?

Do they act from duty or in act in accordance with duty when it comes to being

socially responsible?

With the help of the autonomous will and guided by practical reasons, humans

generate principles that make up the dignity of themselves and others. Kant refers

to them as obligations and duties brought upon by morality; where often such

demands come into conflict with one's needs and desires. Morality involves acting

from duty and not *with* duty; one should do their duty because they recognize it is

the right thing to do. The point being made is that free of such negative influences,

one is responsible for their actions as (moral) laws are made and acted upon by

oneself; and in virtue of this, one has authority over one's self and can be held

accountable for actions. In the context of SME owner-managers if they have an autonomous will (rational agency) any action taken will be their responsibility. Furthermore as moral agents a SME leader would make decisions based on reason and act with a consideration that their actions will impact others. Thus pro-social behaviour should be done in *accordance* from duty but recognized that it should be done as it is *morally* the right thing to do. Acting from duty, will result in a trust-based exchange between the SME owner-manager and stakeholders (who are impacted by the decision). Trust that the SME owes a duty to the stakeholders to maximize benefit or minimize harm to that stakeholder. Thus the autonomous will and motivations of the SME leader is crucial in doing good and seen as trustworthy.

The data has shown that in Pakistan, engaging in pro-social behaviour towards '*external stakeholders'* (wider community and customers) is done from duty and not with duty. SME owner-managers feel it is their obligation to have social compliance measures in their business operations as it is not only an economic necessity but also a moral duty to minimize impact of their operations. SMEs owners recognize that as part of the global supply chain and to be seen as rational agents, such measures are a duty they should do. In regards to the wider community, the data reveals that SMEs leaders realize and understand their duty to help the wider community as corporate citizens. They are also aware of the impact their decisions will be on the wider community. For example, SMEs belonging to the leather sector in Sialkot are acutely aware of the environmental impact of the chemical leather

tanning process. To counter this they have established a single tanning zone on the outskirts of the city. By having all tanneries in one place and installing sustainable chemical treatment plants they want to minimize the environmental impact on the city and its inhabitants This shows an awareness among SME leaders that their decisions and actions affects others.

When access to resources is an issue, it seems SMEs come together in the form of Chambers of Commerce and pool their resources and fulfil such obligations. Chamber of Commerce, serve a collective responsibility mechanism whereby SMEs together can act out their duties. For example, LCCI has set up numerous social welfare projects in collaboration with its members one such being Shalimar Hospital in Lahore. Additionally, such pro-social behaviour can be considered, an imperfect duty- to help others i.e. the duty of beneficence (Kant, 1998). Imperfect duty is devoid of specific demands and instead asks humans to cultivate and promote certain things. As socially responsible behaviour in Pakistani SMEs is situational and voluntary, it becomes an imperfect duty whereby it does not specify who and how much a SME can be benevolent towards others. The duty of beneficence says it's wrong never to help anyone, but the choice on whom and when to help is up to human beings. Thus, SMEs seeking to fulfil this duty would seem to have a wide discretion regarding which philanthropic projects to undertake. In Pakistan, SME leaders as rational agents are motivated to help solve pressing social problems in

Pakistan. This aligns with the explanation of pro-social behaviour being voluntary and situational.

Kant (ibid) believes that duty is an obligation, an imperative that binds us unconditionally, which can only be done if the moral motivation is autonomous. The motives or principles that generate such philanthropic actions are religious ethics (fear of God in not doing one's duty towards mankind) and personal satisfaction (derived from personal values) which can be akin to having good will (rational agency). The data has revealed that individual ethics as a motivation takes precedence when it comes to duties and obligations of SMEs as majority of pro-social behaviour is voluntary in nature. Voluntary implies absence of duty done because it's correct to do, but duty done as it is recognized the right thing to do. Due to interpersonal and social networks with the wider community, SMEs recognize obligation in helping them in any way they can. The personal, direct and immediate contact between the two also indicates the moral presence of Trust- where the wider community trust SMEs owner-managers in doing their duty towards them and doing it honestly (thanks to autonomous rational will). Such SME leaders are viewed as trustworthy, which is seen as moral trait. It appears that, engagement in social responsibility towards external stakeholders is driven by SMEs owners having a rational agency- of acting from duty.

Finally, Kant's (2006a) teleological idea of history- *unsociable sociability* is relevant to the current SMEs sector in Pakistan. Unsociability is when humans are forced to leave their state of nature (barbarism), overcome their personal antagonisms against other humans and come together as a society. The underlying theme Kant tries to establish is despite that unsociable sociability ultimately tends to promote human progress where the need to exist in a social structure forces humanity to choose rational freedom by curbing its state of nature. This leads to a law governed organized society even though this state constantly threatens to break up. This results in competition (state of conflict) with one another. In this context the idea helps to explain the dialectic progress of SMEs in Pakistan. From being completely invisible and overlooked before, SMEs are gradually being recognized as economic growth engines of the country. It is this state of conflict (unsociable element) with the government that has resulted in (albeit minor) progress of SMEs in the sense that now national policies (SME Policy, 2007), financial institutions (SME specific banks) and institutional mechanisms are being created. Although a lot more work needs to be done (such as finalizing a unified definition for SMEs and establishing regulatory processes), the unsociable element of SMEs has led development of new economic and political institutions for SMEs in Pakistan, and paradoxically been the driving force of human progress.

Another dialectical issue is the emergence of the hybridization model in export

orientated SMEs. It is a result of dialectics whereby the unity of opposites (Anglo-

Saxon model of CSR versus local forms of social responsibility) has led to the

emergence of a 'hybridized CSR model'. The conflict arising from the opposite ideas

– two competing views on corporate-societal obligations- enabled change (historical

process) from a formalized Anglo-Saxon model to one that encompasses native

elements of business responsibility resulting in a combined framework. The internal

contradictions of the Anglo-Saxon model and localized expressions of business

responsibility led to a dialectical change within CSR moving from the past

(dominance of formalized structured CSR) to a hybrid model (present) that takes

into account both models. Such a dialectical transformation provides mechanisms

for explaining change by understanding the link between individual and social

qualitative and quantitative transformation (Howell, 2015). With export orientated

SMEs adopting formalized CSR policies, the quantitative transformation (number of

SMEs) has led to qualitative change in the interaction between global markets and

SMEs. The market has dialectically shifted from its reliance on MNCs to greater

reliance on SMEs in the economic sphere. Marcuse (2002: xviii) considers that

dialectics within the realm of critical theory affords '*existence of another realm of*

ideas, images and imagination that serves as a potential guide for a social

transformation' (Marcuse, 2002: xviii). In this instant, the social transformation has

been the way SMEs view their social responsibilities as part of the global market.

8.4.2: Adam Smith

Smith's work on spectorial ethics (2009) views the ideas of sympathy and justice in regards to human actions, while his theory of exchange (2004) attempts to reconcile self-interest with the common social good. Essentially an ethical philosopher, his writings such as the WofN and TMS showed that the economic system he devised was the means to achieve a more ethical, moral and social just order (Lux, 1990).

In the context of this research, his idea of the Invisible Hand is pertinent in understanding the idea of responsibility of businesses towards society. Questions pertaining to types of responsibility a business have towards society in relation to the well-known responsibility model by Carroll, revealed some interesting answers. All of the SME owner-managers as well as policy makers agreed that in the context of SMEs operating in Pakistan the primary and basic responsibility for them is economic responsibility. Profit generation is imperative for SMEs in terms of 'economic survival' in the challenging and changing economic climate of Pakistan. It should be noted that such responses do not denote that idea that SMEs are driven by selfish economic motives with no care about the impact of their decisions on stakeholders. That could be the case for MNCs but in SMEs with their unique organizational characteristics, the dominance of profit generation is the primary duty; due to challenges born out of local socio-economic conditions (namely being access to finance). Making profit and achieving overheads, enables SMEs to survive;

and only then can they think about ethical and discretionary responsibilities and whether they can afford them. Such responsibilities can only be a possibility once the SMEs is generating long term profit.

In terms of the Invisible Hand this enlightened view of maximization harmonizes the competing interests of SME owner- managers and the stakeholders. Jensen (2002) refers to this as the broad version of profit making that leads to a *'trickledown effect'* resulting in job creation and incomes for the public. From Smith's perspective, the idea of the Invisible Hand links the self-interest of private economic agents to desirable economic improvement in general welfare. It appears that the views of SMEs on economic responsibility –profit generation apart from being an issue of survival- in an indirect way (via the Invisible Hand) leads to economic development. Creating jobs through their enterprises and generating incomes for the public is a form of social responsibility for SMEs in Pakistan. They believe the trickledown effect is good because if the company is making profit than the country is progressing. By employing people in their companies (and by extension supporting their families) they are accomplishing the basic duty of business -to make profits and generate wealth- by enhancing shareholder (employees) wealth. Thus Pakistani society in large and by extension shares wealth by the allocative and distributive mechanism of its market system (ibid). This is emphasized by the fact that SMEs are considered backbone of the national economy constituting 78% of the total industrial employment (World Bank, 2006).

The idea of Invisible Hand playing a part for the social welfare is compounded by the fact that the majority of SMEs have a special relationship with specific stakeholders such as customers and employees. These personal relationships are defined by a certain responsibility SME owner-managers feel towards these stakeholders; considering them a part of their wider social network. This makes the claim of being socially responsible towards certain stakeholders such as employees legitimate for SMEs, who believe they are contributing to the improvement of social welfare by creating employment which is a pressing social issue.

8.4.3: Machiavelli

Machiavelli's (1980, 2009) paganist view of ethics highlights the conceptual triad of *virtu*, necessity and Fortuna; connecting ideas of human nature, patriotism for one's land, power and leadership. Specifically his idea of *virtu* and leadership is appropriate to understanding the role of SME owner-managers within Pakistan. The ethical code for public organization rests on the term of (civic) *virtu*, which views individuals as part of '*material nature like other brutes'*, whereby notions of right, wrong, good, bad, just and unjust emerge only by being part of a society *'for the purposes of security'*(Parel, 1992). *Virtu* is devoid of rational insight that come from reason and should be understood as the *'stable disposition or ability of an individual*

or group, by which he, or it is enabled to perform acts conducive to the good of the state' (Howell & Letza, 2000). Therefore, it is not individual virtue that should govern a person's reasoning, rather it should be *public [civic] virtu* that gives supremacy to greater good- of society and state. For Machiavelli, men can be fickle and sometimes such civic virtues are needed by the leader to lead and save one's self interests (2009: Ch. 15). The analogy between a state and people and an individual is a fallacy, for '*a state and a people are governed in a different way from an individual'* and *'not individual good but common good is what makes cities great'* (The Discourses, 1980).

In the context of business, the state or 'fatherland' can be envisaged as the modern company (Parel, 1992). For Machiavelli, the highest need of society is patriotism, in the business sense it means loyalty towards the company. For a SME owner-manager (akin to the Prince) who has invested their personal assets, the company is the state to them. In simpler terms, at times to save the interests of the company, the SME owner-manager should apply civic virtues so that their interests are kept safe and the company is not harmed. This pragmatic analogy can be applied to the concept of survival, which in this case means, if you have attained economic survival than you are considered a successful SME. In order to protect and keep the company safe, how do SME owner-managers utilize civic virtues? How do they attain honor and glory (business reputation) by being a leader with *virtu*?

By using the *Virtu*- Necessity- Fortuna idea, one can assume that the challenges facing the sector are 'wheels of Fortuna' not working in favor of SMEs. For Machiavelli, a prince can curb the winds of Fortuna and attain glory and honor through his *virtu*. This means that a SME owner-manager can curb Fortuna (by preserving his existing company) and attain glory for their company through i.e. good reputation. In order for SME owner-managers (the Prince) to be successful, he must adapt his '*course of action to the quality of times*' and fare well (2009, Ch.25). And conversely if they clash with so called quality of times they will face ruin, as evident by the failure of many startups and business partnerships prevalent in the SME industry. Hence *virtu* in a leader is the ability that helps them to act a certain way and to protect their interest and glory in a world (market) where most men are not good (can be understood as market competition from MNCs). SMEs in Pakistan have shown resilience despite the obstacles facing them by adapting and evolving as dictated by necessity. The instinct for survival has not only made them resilient but also brought honor and glory in the form of good image, loyalty of customers and employees. SME owner-managers who are still operating in Pakistan, and trying to wither the storm, are with the basis of their *virtu* trying to attain highest ends for their company (fatherland) in the form of profit generation. And bringing glory to their company through their socially responsible endeavors. It seems, *virtu* in SME leaders signifies a moral flexibility in a leader for they must keep '*a flexible mind altering as the winds of Fortune and change in affairs require*' (2009: 63). Therefore,

the researcher believes Machiavelli *'civic virtu'* best describes the *survival instinct* found among local SMEs.

8.5 Emerging Theory:

The discussion above has highlighted several key issues raised in the analysis. They are:

- The shifting and unsure nature of **SME terminology** has resulted not only in lack of reliable data but comprehensive parameters for companies to qualify as SMEs.[151] This also affects data for research purposes and results in data sampling issues. On the topic of CSR it appears, when it comes to local SMEs they have very specific, unique and localized language of what CSR means them. *'Being socially responsible'* and *responsible entrepreneurship* appropriately are the definitions used instead of CSR by SMEs.

- CSR in the small industries is **voluntary** and **informal** in nature; part of an **ad-hoc process** and mainly consists of philanthropic and charitable activities. This confirms the fact that CSR frameworks are uniquely different in the context of emerging markets and even more for SMEs reflecting the socio-

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[151] Pakistan SMEs are participating in almost all the sectors of the economy i.e. from agriculture to manufacturing and from services to trade. This parallax nature of SMEs does not allow anyone to frame into one common acceptable definition.

cultural contexts of the country. Thus CSR should be seen and analysed as an *'evolving, dynamic context-based phenomena'* to gain a deeper understanding of it (Surour & Howell 2013: 306). It is normally assumed SME's are not aware of CSR which is untrue as to most of them social responsibility is nothing new, as many have been engaged in such practices but in a less formal, more sunken indigenous, and measurable way. (Fassin, 2008).

- Among the barriers to SMEs demonstrating socially responsible behaviour, discussed resource poverty came on top, with severe and far reaching implications for SMEs in the country. Inaccessibility to formal channels of finance and discrimination from banks make local SMEs turn towards informal networks of finance such as family and money lenders. Others obstacles of energy shortages, currency devaluation, and shortage of skilled labour severely impact the productivity and competitiveness of SMEs nationally and globally.

- Misplaced national priorities and unfavourable business environment has accentuated the challenges facing SMEs, preventing them operating efficiently and achieving economies of scale. This has created a culture mistrust whereby government is believed to be failing in their responsibility to the SMEs. In light of such external and internal pressures SMEs have shown a strong resilience to ***survive***.

- In terms of motivations both cultural and strategic aspects play a part.

  Religious and social beliefs play a substantial part in influencing owner-

  managers attitudes towards social responsibility. Personal values and

  characteristics of owner-managers play a more prominent role, dependent

  on numerous factors such as technical competence, education, family

  background and individual moral standing. Strategic motivation

  (instrumental stakeholdership) in the form of internal CSR is another big

  driver whereby SME leaders engage in employee welfare programmes to

  maintain loyalty and motivation among the labour.   When it comes to paying

  attention to the demands of stakeholders, internal stakeholders take

  precedence from external stakeholders (wider community). This is because

  those SME owner-managers have familial connection with employees and

  consider them as dependent on the company for their livelihood. Any pro-

  social behaviour towards the wider community is done mostly via collective

  mechanisms such as local Chambers of Commerce or trade associations.

  Thus, pro-social behaviour by Pakistani SMEs can be described as a mixture

  of normative and instrumental stakeholder elements. Trust is the

  overarching issue that appears in the themes. There is a lack of Trust

  between the government, banks and SMEs due to absence of institutional

  responsibility. Personal responsibility exists on the part of SMEs who believe

  they have a duty towards their stakeholders which includes society too.

  There is also presence of conduct of irresponsibility by some businesses who

have taken advantage of the vacuum or a 'responsibility free space'

(Donaldson and Dunfee, 1994) created due to no rule of law and lack of

proper governance structures. This implies there are no robust mechanisms

to ensure accountability in the business arena.

- In terms of the different local CSR expressions that were found in Pakistan,

  three types emerged during the empirical data analysis. The identified

  expressions- Hybrid, Developmental and Relational are all context dependent

  and show more sensitivity to the complexity of business society interactions

  with a '*heightened affinity to the normative relationships embedded in the*

  business-society social contract (Jamali & Karam, 2016: 12). Those SMEs,

  involved in the global value chain (the ones based in Sialkot) reflected Hybrid

  expressions of CSR, while the other SMEs showed both Relational and

  Developmental manifestations of CSR in their thinking and activities.
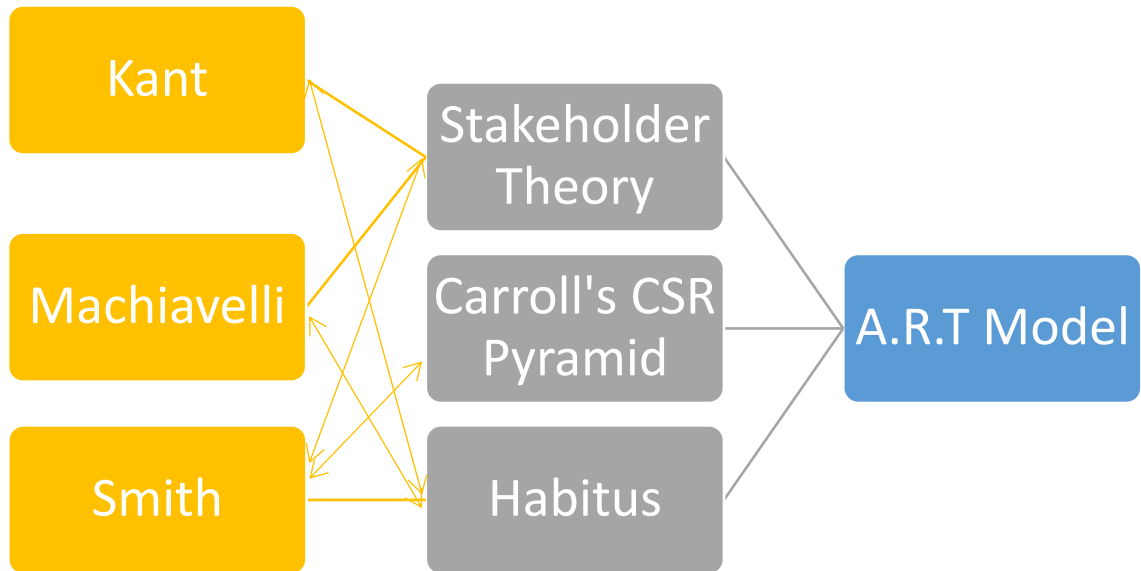
Figure 1 Linkages between Theory & Model

- Complementarity and flow between practice (data) and theory was attempted on two levels to explain the intricacies of local SMEs (see Figure, 2). Firstly, three theoretical frameworks established synergy between stakeholder management, societal expectations of business and deciphering SMEs owner-manager through habituated forms of conduct. Next, findings were placed in a philosophical ethics construct; which resulted in revealing links between socially responsibility in SMEs, Adam Smith's Invisible Hand, Machiavellian public civic *virtu* and Kantian notion of rational agency and duty. Contextualizing empirical data within the selected theoretical literature revealed also the emerging relationship between concepts of Trust, Responsibility and Accountability. Notions of responsibility with its roots in

Kant, Adam Smith and Machiavelli, were emphasized in the theories of stakholdership and Carroll's CSR pyramid. Issues of inner culture and personal characteristics and motivations of SMEs owners could be traced back through Bourdieu's Habitus all the way to Kant's teleological vision of culture (Bildung) and how that results in enlightened rational driven 'moral' individuals.

- The emerging theoretical model is a culmination of normative and conceptual ideas raised in the literature review and theory chapters, supported by the themes found in the gathered empirical data. Furthermore, the A.R.T model encompasses the deontological versus teleological debate, surrounding the business-society interface, within the domain of ethics and management.

8.5.1 A.R.T Model
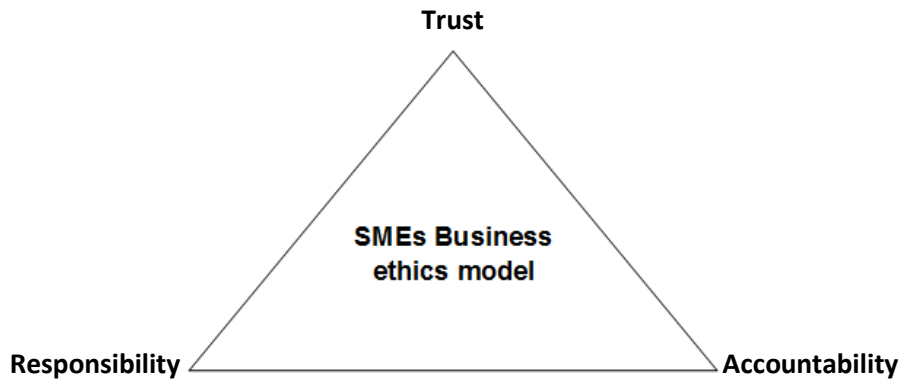
Figure 2 A.R.T MODEL

Theory under the Critical Theory paradigm takes the form of axiomatic models and ongoing theory development (Howell, 2013: 26). Thus any social science theory is derived from rich conceptualizations of specific situations with its ability to provide validity and understanding. The model developed in this study is based on the opinions expressed by the participants in this research (from the SMEs sector and other stakeholders) on drivers for SMEs to engage in socially responsible behaviour. The main objective of the study to was to uncover the underlying reasons of SMEs engaging in pro-social behaviour; and to understand how they perceive, adopt and implement such practices. The basis of the theory relates to the identification of

what socially responsible among the SME sector entails. This main objective was achieved through a series of interviews and focus group discussion.

Through an inductive and deduction process, along with the verification and refinement of the data, the interconnectedness between trust, accountability and responsibility was revealed to the researcher. The linkages between the three concepts stood out from the data during the analysis process and pointed towards a framework of how SMEs respond to 'social responsibility'. The main aspects of this 'framework' i.e. **A.R.T model** are as follows:

- The model was developed around the link between trust, accountability and responsibility, as determinants of socially responsible behaviour in SMEs. It is representative of the unique set of size, resources and capabilities of SMEs. In this sense the theory is an illustration of the 'indigenous forms' of social responsibility frameworks found in emerging markets. It brings together aspects of stakeholder theory and social capital in one framework.

- The model is based on the Rousseau's notion of *social contract*, whereby businesses owe obligations (duties) to employees and wider society in which they operate[152]. This involves pro-social behaviour along with corporate

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[152] *Philosophers such as…Hobbes, Locke, Rousseau and Kant have argued that human beings would find life in state of nature…so difficult that they would agree (either with one another or prospective ruler) to the creation of political institutions that they believe would improve their lot* (Hampton, 1998: 380). This would necessitate a

governance. This tie in with the definitions founds in EMEs, where CSR is considered as a key relational exchange often embedded within a pre-existing social contract. Specifically, the theory indicates how socially responsible behaviour is perceived by SMEs where the presence of social interpersonal social networks built on trust, trustworthiness and reciprocity lead to value for the small businesses.

- The A.R.T model is driven by notions of Legitimacy and Reciprocity. Legitimacy is the driving force of stakeholder theory, whereby the legitimate claims of stakeholders are needed for the firm to exist and function. Stakeholder connotes legitimacy, and links with Freeman's 1984 definition of what are considered to be stakeholders[153]. Reciprocity on the other hand is the driving force of social capital theory with its emphasis on concepts of mutual dependence and mutual benefit.

- Responsibility is the main idea that holds the model together, being the overarching concept which generates both trust and accountability. In Pakistan, this model explains the ethics of business and how companies (big and small) view the three ideas when it comes to being 'ethical' corporate citizens.   The theory emphasizes the nuanced difference between accountability and responsibility. For this research, accountability can be

contractual agreement that require individuals to join with others in ways that could reasonably and freely subscribe to as a moral common standard (Howell, 2016: 5).
[153] Suchmann (1995) defines legitimacy as *' as generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions'*.

understood as answerability or an expectation to explain one's actions for whatever they are accountable for[154]. Responsibility for this model has a distinct deontological (Kantian) aspect to it where it is a synonym for two things- first it is the moral agency of a person (individual responsibility); and secondly it is understood as duty or obligation of individuals (prospective responsibility). Due to the specific characteristics and ownership structure of SMEs, both types of responsibility can be applied to the SME owner-manager. Furthermore, even though responsibility and accountability are thought to the same, this theory stresses it is not although they are two sides of the same coin. One cannot be without the other, yet are viewed differently in this model

- Responsibility exists on two levels in Pakistan. First in relation to company-stakeholder relationships, responsibility exists between SMEs and their various stakeholders. The data has revealed that SME owner-managers tend to express loyalty or prioritize some stakeholders over others in the case of employee welfare. Responsibility towards wider society and community is accepted and understood, but tends to be voluntary in nature. Furthermore, from a Kantian stance, SME owner-managers act *from* duty and not in accordance *with* duty when fulfilling their obligations.

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[154] Goodpaster and Matthews (2000: 133) define responsibility comprising of three things: holding someone accountable (causal sense); rule following (contexts where individuals are subject to externally imposed norms often associated with some social role that people play); and decision making (implying that individuals are responsible if they are considered trustworthy and reliable). In the A.R.T model holding someone accountable is viewed separately as accountability (yet linked to responsibility).

- All aspects of this responsibility are built on Trust- between stakeholders and the SMEs, where it is the choice of the trusted party to take the risk of placing their trust in the trusting party. This is underlined by the expectation that trustee will not take advantage of the trusting party. Trust becomes a moral exchange where the trustworthiness of the SME owner-manager (as a moral trait) determines these social networks. This point towards the vital role of social capital which determines these social interpersonal reciprocal relationships. The driver of this level of responsibility was mainly personal values and ethics of SME owners as well as religious factors. Religious motivations impose a personal responsibility on SME leaders who believed their religious duty required them to help the underprivileged. This tied in with accountability whereby owner-managers fulfilled their religious duty as they considered themselves answerable to God. One's accountability to Allah also encompasses one's accountability to society and therefore may be interpreted as promoting social justice and social responsibility. Consequently, indigenous firms in an Islamic environment are expected to be conscious of the impact of their activities on the community. Accountability also exists in the form of society rewarding businesses who give back through profits, and with the creation of company reputation and prestige. The A.R.T model shows a positive correlation between company and their stakeholders.

- The second level of responsibility was found in government-company

  relationships which is very different in nature. The findings showed that Trust

  is lacking in this relationship and a culture of distrust exists between the

  government and SMEs. Trust can only be established if the government

  recognizes its responsibility towards all actors of the business sphere

  including SMEs and address their concerns. The lack of institutional-based

  trust and failure of government responsibility has resulted in absence of

  accountability mechanisms; and created problems of opportunism and

  business misconduct. The A.R.T model in this respect depicted a ***negative***

  correlation in the Government-stakeholder relationship.

- The A.R.T model represents an indigenous expression of socially

  responsible behaviour for SMEs in Pakistan. It brings together ideas of

  responsibility, accountability and trust within a normative and cultural

  construct, reflective of the Pakistan's local context. The model also

  underscores classical works of Kant, Smith and Machiavelli and theories of

  stakeholdership, responsibility pyramid, Habitus along with social capital.

8.6 Conclusion:

The chapter dealt with findings and subsequently the themes that took shape from

the data. Thematic categories pinpointed to traits, motivations, perceptions and CSR

language of local SMEs. Some of the themes were expected while others were

unexpected finds such as the importance of trust in describing SME- stakeholder

relationships. The following part dealt with ethics and highlighted the way SMEs

engage and manage their stakeholder relationships through the theoretical lens of

CSR pyramid of responsibility and normative stakeholder theory. They shed light on

the importance of economic responsibility for SME owners in Pakistan. Normative

stakeholder theory helped to identify the different groups of stakeholders important

to local SMEs and explained how they engage with each other. Bourdieu's theory

brought in the cultural aspect, which showed the workings behind SME owner-

manager action within the business field and what does it tell us about agency-

structure interplay.

This section also established theoretical ties between themes and philosophical

ideas, bridging the gap between theory and practice. The analysis displayed that

actually ideas of Kantian duty, Machiavellian *virtu* and Adam Smith's invisible hand

underscore many issues surrounding ethics in small firms. All of this culminated in

the A.R.T model that aims to describe how and why SMEs engage in pro-social

behaviour. Specifically, it confirmed the idea that individual ethics, dispositions,

values and schemas play a bigger role, than religious ethics when it comes to SME

owner-managers being socially responsible agents. Furthermore, the A.R.T model

can be seen as an example of an indigenous CSR expression representative of local

SMEs- which do not exist at present. In conclusion, the analysis attempted to answer

the research aims and questions that have guided this thesis with empirical data. It

explained the view of SMEs and how they understand CSR on their own terms- which

is voluntary, informal and philanthropic in nature towards external stakeholders but

driven by instrumental objectives towards internal stakeholders. Social responsible

behaviour in SMEs can be seen as a mixture of ethic and economic objectives. The

analysis also revealed that due to specific context specific institutional factors, native

expressions of CSR exist in emerging markets and are more prevalent than the Anglo-

Saxon Model.

Chapter IX. Conclusions, Implications for Practice, & Future Research

9.1 Introduction

This thesis has attempted to shed light on two significant research areas that exist in the field of CSR studies- the study of emerging markets and the pivotal role of small industries. Framed within a critical theory approach and applying PH, qualitative data were collected through individual and group interviews involving SME owner-managers and other stakeholders, and then systemically analysed. This resulted in construction of a theoretical model, aimed at enhancing our understanding of how SMEs perceive, comprehend and practice socially responsible behaviour. This has met one the objectives of the study: to build a model of social responsibility for SMEs in Pakistan using a business ethics and cultural construction. This study has therefore discovered and understood the nature of corporate social responsibility phenomenon and its evolution in the social realities of emerging markets. The model built herein joins the hierarchical order of substantive, formal and philosophical theories in business ethics research.

This final chapter starts by an overview of the research and a discussion if the research objectives outlined in Chap I were indeed achieved. Next section will look at reflexivity and role of the researcher, highlighting the historical and critical distance applied in data collection and analysis. The personal prejudice of the researcher will be reflected in this section as well as how the past has influenced the way present and future studies on SME ethics will progress. The chapter offers some conclusions from the research, and discusses contributions this study has made to CSR knowledge. Drawing upon the findings, the chapter provides implications for practice in how SMEs can apply trust, responsibility and accountability constructs to enhance their role as responsible citizens. Finally, this chapter will conclude with limitations of the study, and identify areas for future research.

9.2 Overview of Research & Research Objectives.

The contemporary evolution of the CSR construct, precipitated by the economic recession of 1930's to now an increasingly interconnected globalized economic sphere along with changing social expectations; continues to play a prominent role in current public discourse (Bowen, 1953; Scherer & Palazzao, 2007; Matthews, Goodpaster & Nash, 1985). Far from abetting, the 'buzzword' of business responsibility has not only adopted numerous forms (corporate citizenship,

corporate social reporting, strategic philanthropy), but is gradually manifesting in

economies not practicing the Anglo-Saxon model, with unprecedented and

surprising consequences. This is surprising not only for such developing economies

but also for the wider discourse on CSR scholarship questioning issues of ethics and

management.

The so-called formalized structured CSR framework with specific corporate targets

and accountability measures is evolving into new models built on specific realities of

emerging economies (Peters et al, 2011;Visser, 2008b, Jamali & Neville, 2011). At

present, there are myriad of competing theories (Freeman, 1984; Carroll, 1979;

McWilliams et al, 2006; Jones, 1995) definitions (Moon & Visser, 2006, Garriga &

Mele, 2004; Preston 1978) and models (Friedman, 1989, 1970, 1968; Gaski, 1985;

Wood, 1991; Carroll, 1979) of CSR which continue to generate much debate,

highlighting the fact that there is no consensus on the best model to address

business responsibility issues. Interestingly there is consensus on the idea that

business is responsible and should take into account the economic, social and

environmental impact their operations have on society (Kanter, 2011). The issue of

contention lies in the vague and contested definitional parameters of what

constitutes as CSR. This points to the fact that CSR is a 'local' context dependent

concept and not 'universal' one. It is socially constructed and dependent on a

peculiar social realities and institutional constellations of emerging economies

(Jamali & Karam, 2016). The different definitions imply the same message; CSR is

dynamic and will alter in different contexts, with different forms and different

consequences (Visser, 2008b; Surour & Howell, 2013)

At the start of this thesis, five main research objectives were laid out to guide the

study. The intention was that the empirical data gathered in Punjab from SMEs and

policy makers, along with theoretical literature chosen for this study would help in

achieving the identified research objectives. The research carried out and

subsequent analysis justifies the first research objective which was to **'study and**

explore the concept of CSR in EME's from the stand view point of SME and the role

played by SME's?' The thesis shed light on how CSR as a notion is understood rather

differently by SMEs. The terminology takes on a different shape and meaning

whereby terms such as 'being socially responsible, pro-social behaviour and socially

responsible behaviour' are closer to describing SMEs reality, than a big corporate

inspired term such as CSR. Pro social behaviour found in Pakistani SMEs reframes

the business-society relationships, where context is the key consideration. CSR is

broadly considered '*as a key relational exchange in which a multiplicity of actors are*

involved (beyond corporate actors) who are expected to understand and

accommodate mutual needs in the context of a dynamically evolving social contract'

(Jamali & Karam, 2016: 11) The case study shows that SMEs are playing a vibrant and

indispensable role by generating employment, alleviating poverty, supporting

economic growth and promoting social cohesion. In Pakistan, the main corporate

players involved in philanthropic activities are large companies (local and foreign)

who are spearheading the growth and progression of CSR due to their visibility, resources and operational reach. By doing so, the real economic engine of emerging markets i.e. small industries and their role as socially responsible actors has been largely ignored (Jamali et al, 2009).

The second research aim was to **'determine how CSR is perceived, adopted and implemented by SMEs'.** The research showed that socially responsible behaviour is perceived and adopted very differently in Pakistan- it is voluntary, informal, less sunken, implicit in nature, and mainly philanthropic towards external stakeholders. Meanwhile towards internal stakeholders such behaviour is strategic and intimate, to promote loyalty, maintain motivation as well as profit generation. In short, pro-social behaviour by SMEs in Pakistan is a blend of both instrumental and normative aspects of stakeholder theory. In terms of adoption, the analysis showed that pro-social behaviour tends to be community driven with SMEs investing in various projects ranging from education, charity-giving to providing medical care. Thus, ideas of *CSR Thinking* and *CSR Doing* (Jamali & Karam, 2016) are uniquely diverse in emerging markets than from the developed economies. This confirms the fact that local socially responsible expressions are very much present in EMEs, embedded within their particular national business systems (Matten & Moon, 2008), reflecting contexts of that particular country. This justifies the third research aim which asked to **'identify whether the concept of CSR takes on a unique profile when observed by indigenous firms such as SMEs'.** In EMEs the societal expectations for business

differs from those in developed countries. Apart from CSR being haphazard and not structured by any corporate policies, businesses are expected to make up for government failures by addressing pressing social issues (Frynas, 2006; Visser, 2006, 2010; Mehra, 2006). Thus, the meeting of CSR principles with specific socio-cultural and economic realities of Pakistan has resulted in very distinct responses to responsible business practice. These responses are in the form of indigenous SRB manifestations such as hybrid expressions (Amaeshi et al, 2006), developmental expressions, aimed at filling institutional and developmental gaps (Kolk & Lenfant, 2013) and relational expressions that are *'attuned to the social contract and relational norms and expectations of the local community '*(Robertson, 2009). All three CSR expressions reflect the country's peculiar ethical, socio-cultural and economic configurations.   Such findings validate the fourth research aim which was to '**determine if this leads to localized versions of CSR reflecting context bound cultural norms or a Hybrid model that combines western model of CSR with local socio-historical traditions'**.

This thesis heeded calls to fill the two research gaps in mainstream CSR scholarship- CSR in emerging markets and role of SMEs in being socially responsible agents-, and had as its last research objective the development of a model of socially responsible behaviour for Pakistani SMEs. The A.R.T model was in response to **'develop a SMEs specific indigenous model from the empirical data, depicting how small businesses perceive, adopt and practice 'being socially responsible' behaviour; and identify**

peculiar institutional drivers and challenges in them being responsible agents'.

The model highlights the influence of external and internal drivers in emergence of

fluid and native expressions of CSR by SMEs; it explains to what extent normative

stakeholdership and identification of stakeholders help SMEs in being socially

responsible; it reflects the motivations and challenges facing SMEs in being

responsible corporate citizens; and shows how SME leaders consider CSR both a

term and a process. Additionally, the model describes how business and ethics

intertwine in the context of small industries and their socially responsible responses.

By doing so, the developed theoretical model has also contributed to the research

gaps concerning knowledge on SMEs and CSR within EMEs.

Furthermore, PH techniques were used in the systemic collection and analysis of

data, based on a series of individual and group interviews involving SME owner-

managers and other stakeholders. This strand of hermeneutical inquiry has been

found to uncover not only the historical and cultural background to texts, but also

offered insights into the 'lifeworld' of individuals embedded in constructed social

realities. It was an ideal methodology for a qualitative study as it took into account

the historical and cultural processes behind texts to reach an understanding. PH

helped to fully comprehend the historical and cultural evolution of CSR as it is

context bound, encompassing expectations that society has of organizations '*at a*

given point in time' (Carroll, 1970). Indeed, the use of PH helped with development

of the model, reflecting cultural and historical processes of Pakistani society (see

chapter 8); and the discussion of its relationship with formal and philosophical

theories.

9.3 Reflexivity

Researchers should recognize and acknowledge that one's previous experiences and

prejudices will have an impact on the research. Referred to as reflexivity, it is *'an*

awareness of the ways in which the researcher as an individual with a particular

social identity and background has an impact on the research process' (Robson,

2002). It is an iterative and interactive dialogue about past experience in relation to

present perspectives and future possibilities (Howell, 2013: 186). Reflexivity looks at

how *'we are constructed in a social construct while at the same time acting as*

constructing agents. Without a constructing constructed self within a social

construction all is meaningless, through interpretation meaning is constructed' (ibid).

Construction requires something to be constructed i.e. the research as a

constructing subjective agent and an object/community that creates the researcher

in turn (ibid). This continuum of interaction reflects a form of symbolic interaction or

Hegelian notion of recognition where linkages between the selves and others form

the basis of reflexivity[155]. As a constructing subject, the researcher has undergone a

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[155] The starting point for Hegelian notion of subjectivity was the naive mind's emergent understanding of external reality - and of others (Howell, 2013). He specified that humans are only able to recognize a total concept of *'self'* due to their interaction with others. By interacting with others, can one understand its' own subjectivity and hence become objective in their viewpoint. Humans need a complimentary objective stance to provide an understanding of its own reality, for subjective awareness of self is not enough to enable self-consciousness (how human perceive themselves in this world). Without this recognition, there is no objective truth (mutual recognition), that is the identification of *'self'* and *'others'* in the world (ibid).

construction process themselves through the interaction with object i.e. the phenomenon of CSR and the small industries. During the research process the author was aware (as a native of Pakistan) they were part of a wider social and political context and were intrinsically linked and caught in those very contexts. This not only had an impact on the research process but on the researcher as well. Due to phenomenological hermeneutics as a methodology, the presence of historical prejudices and tacit knowledge were taken into account in how the subject interacted with the object and generated reflexive knowledge.

Having a reflexive position meant not simply reporting facts about local SMEs and their pro-social behaviour activities but providing meanings behind data and issues. In short why and how did SMEs engage in socially responsible behaviour and what were the drivers and obstacles behind such actions. Thus, the outcome of such reflexive practice was reflexive knowledge- interpretations that provided insight on workings of the social world –SMEs in Pakistan, and how such knowledge came into existence. Reflexive action involves three conceptualizations of the '*selves*'- *self* as a researcher, *self* formed through socio-historic existence; and *self* determined by the research environment (Reinharz, 1997). The self that was brought to the research process, was at the same time developed through the research process.

The most significant change in the self was the rising awareness as a critical

'qualitative' researcher via self-interpretation of researcher undertaking the

interpretation. Involvement with data in terms of interviews and focus groups,

interpretation of materials through emerging meanings, and identifying linkages

between theory and practice, led to multiple self-interpretations of the subject. Such

self-analysis -underlined by scholarly endeavour enabled the researcher to develop a

critical view (research imagination) in studying social structures and its relationships

with biography and history. With such a *'sociological imagination'* (Wright Mills,

2000) the researcher was able to locate personal troubles of milieu (obstacles facing

SME owners) within the wider context of the public issues of social structure (lack of

institutional infrastructure and effects of globalization). The self, which is formed

through socio-historic existence played a role- being of Pakistani origin the

researcher was able to situate the self into the social context during data collection.

The inclusion of past experiences and personal bias came into play during data

collection, where such perspectives were challenged and reconstructed by the data.

Specifics such as issue of survival, dominant role of SME owner-manager and specific

challenges facing Pakistani small industries not only changed prior theoretical

assumptions but also the researcher. The knowledge of multiple theoretical

perspectives (culture, ethics and ideology) enabled multiple interpretations and

enhanced reflective capability. Furthermore, the subject's social standing was

important in how they viewed themselves within the research in terms of getting

access to participants and how that directed the research. The subject's gender also influenced in how the respondents viewed the researcher and provided data.

As for the last category of the self-determined by the research environment, the conception of self was altered by acknowledging that researcher was part of the research process. As a native and a researcher, their own personal bias towards small industries and towards Pakistan was challenged and reconstructed. The end result was that the self had a changed perspective of situation and problem being investigated. Personal investment in the research, as well juxta positioning of selves, situation and subject led to not only a new understanding towards the research situation but also a new interpretation of self's identity that enriched data interpretation and eventually became part of the analysis. Thus, through *critical subjectivity* the researcher came to an understanding of selves through the research process (ibid).

Charmaz (2000) emphasizes the influence of previous work on individual perspectives during reflexive practice. This awareness can be realized by keeping a reflexive journal which helps in self-awareness of one's own preconceived assumptions about the research process, as well as providing a continuous discourse between oneself and data. Additionally, Lincoln and Guba (1985) declare there is a need for checks and balances in order to establish and enhance trustworthiness of qualitative findings and suggest the use of reflexive journals. To this end the

researcher kept a diary during data collection procedure, which enabled to break

away from the existing frame of reality (overt meaning) and look closely what

framed their own reality (uncover tacit meanings). This '*seeing what our frames are*

seeing' was achieved through '*messy texts'* where these writings reflected one's own

narrative apparatuses' '*that are sensitive to how reality is socially constructed*'

(Lather, 1993). The reflexive journal helped to subjectify and conceptualize in part

who the researcher (by immersing into the setting) was and made them aware of

their own potential effects on the data. The journal not only helped in getting ideas

down when they occurred (which became part of the analysis) but also permitted

the researcher to discover things in their head they did not know were there (Huff,

1999).

It also helped in drawing critical comparison between the findings of the

researcher's (Syeddah, 2010) previous study and previous notable works on the

topic with the gathered data. Thus, the data analysis chapter can be likened to a

continuous discussion between the data, the researcher, the journal and the

constructed model (Backman & Kyngas, 1999). Finally, such reflexive accounts

enhance rigour/trustworthiness of the research as it attempts to establish

transparency and credibility in qualitative findings. The journal not only established

dialogue with the reader but also displayed the investigator's mind processes,

philosophical position, and bases of decisions made about the inquiry (Cutcliffe, 2003)[156].

9.4 Contributions of the Study

In the literature review section of this thesis (Chapters 2&3) a body of knowledge was introduced highlighting key issues and assumptions surrounding the debate around CSR and SMEs. Evidence was presented of a lack of research addressing the phenomenon of CSR in emerging markets in relation to SMEs. The extant literature identified the inadequate attention given to small industries and their role in socially responsible behaviour due to external and internal factors, as well as their unique characteristics and resource capabilities. This study has produced a number of contributions to knowledge, as discussed below.

9.4.1 Practical Contributions

This research has a number of practical implications for policy makers dealing with issues of small industries in Pakistan. The research and subsequent A.R.T model narrows down and pinpoints the challenges facing SMEs that hamper not only their growth but also hinder them from displaying socially responsible behaviour, denying

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[156] In terms of validity it asks the reader to take the interpretations at face value as an '*authentic attempt*' that explores selves in relation to the other, and be truthful about the narrative accounts given (Howell, 2013). It strives for a type of '*authentic*' account of human experience where the investigator not only became the legitimate ground of exploration but also as the explorers of that ground (Denzin, 1988). As authenticity is a criterion of trustworthiness, reflexivity once again facilitates rigour during the research process.

them a prominent role in national economic policy. Issues of access to formal finance, energy shortages, currency devaluation and lack of training for skilled labour among other constraints need to be addressed in developing a robust support system for small industry. Only then can SMEs fully engage in socially responsible behaviour and contribute to sustainable economic development. The various regulatory and legal mechanisms in place for SMEs such as SME Policy 2007 and SMEDA, are not properly equipped and fully aware of obstacles facing small industries due to lack of communication between the two parties. This research emphasizes that open and transparent dialogue is necessary between government and SME leaders; to facilitate and guide policy makers in formulating policies specifically for SMEs. If policy makers will ignore the 'voices' of SME owner-managers, any sector specific economic policies will be one sided devoid of actual SMEs concerns and not representative of the ground reality. Successful expansion and sustainable growth of this sector can only be achieved if 'voices 'of SMEs will be taken into consideration.

The research also indicates the crucial role played by SME owner-managers in managing and running enterprises. It provides a deep insight into the mind frames and concerns of small industry owners. And how ideas of accountability, responsibility and trust originate from personal Habitus, and are reflected in managerial skills. Therefore, aspects of leadership and inner culture workings need to be understood to explain responsible entrepreneurship on a national level.

9.4.2 Methodological Contributions

The majority of studies on CSR are theoretical in nature but the ones who focus on companies tend to utilize both quantitative measures (Vives, 2006, Ramasamy & Ting, 2004; Baskin, 2006) and qualitative methods (Quazi & O' Brien, 2000). Due to specific organizational traits of small business, studies have tended to use ethnographic measures for SME research (Spence & Schmidpeter, 2003; Sen & Cowley, 2013; Jenkins, 2006; Fassin, 2008) but even understanding for that is not fully developed. In terms of hermeneutics, some academics have applied it to explain and link CSR with theological foundations (Raim, et al, 2014; Brammer et al, 2007). By attempting to recognise the nature of socially responsible behaviour practiced by SMEs, and to interpret and construct it through the use of PH, this thesis has generated a model of social responsibility and business ethics for SMEs in Pakistan. Primarily, this research has shown the applicability of PH in explaining aspects of CSR within a) emerging markets and b) in small industries, for the first time. Employing this methodology uncovered the dialogic and dialectical process at work in the progression of CSR from a narrow shareholder view to a more inclusive stakeholder view. Furthermore, the study has extended the application of PH based on the critical theory paradigm of inquiry, leading to an original and faithful understanding of social responsible business practices in a new area.

9.4.3 Theoretical Contributions

This study makes a distinct contribution by applying Bourdieu's (1990) Theory of

Logic of Practice in the context of business and social responsibility. His ideas have

been used across a broad spectrum of disciplines and ideas but have not been used

to explain how concepts such as Habitus, Field, and Capital come into focus when

looking at personal values of SME owner-managers. The idea of inner culture or

Habitus provides another theoretical outlet to explain the role of SME leaders,

where necessarily not ethics but childhood socialization techniques and cultural

influences take precedence. Theory of Logic of Practice not only looks at how

Habitus is important in forming personal values of SME leaders but is valuable in

determining relationships between social structures and individuals. Previous

studies have attempted to approach from a personal ethics (Trevino, 1986, Quinn,

1997) point of view, to applying both Adam Smith's (Bragues, 2009) and Kant's

(Bowie, 1999) ideas of an ethical manager. This research stands apart because by

using the Habitus concept, it provides an original and new take on studying personal

values of SME leaders in the context of business ethics. Finally, it justifies the link

between Habitus of business managers and their motivation for socially responsible

practices, as proposed by Van Aaken et al (2013).

This thesis was also ambitious enough to do a contrast between stakeholder theory and social capital, as the best model to explain relationship of small industries with their stakeholders. Unlike Fuller & Tian (2006) who argued that social capital was the only theory to explain the embeddedness of small firms in their stakeholder community (and socially responsible behaviour), this research has compared the relevance of both approaches. The study has indicated that both theoretical frameworks are relevant in illustrating SME pro-social behaviour. Normative and instrumental stakeholdership helped to identify stakeholders that are important to SMEs; and how they engage and manage their concerns. Social Capital construct indicated the deep and salient interpersonal relationships existing between stakeholders and SMEs built on ideas of reciprocity, trust and mutual respect. Thus, this research indicates that the two concepts complement each other in understanding responsible entrepreneurship among SMEs; and justifies utilizing both approaches when investigating such behaviour as proposed by Perrini (2006). This comparative exercise has added to the theoretical relevance of each theory, for understanding small industries and how they are managed. Lastly, these findings can be considered a starting point for other researchers looking at importance of SMEs from a sociological stance, particularly in emerging markets.

9.5 Implications of A.R.T Model for Theory & Practice

The A.R.T model is an encompassing model (bringing together business ethics and business responsibility) and serves numerous purposes when it comes to studying SMEs in Pakistan. Reflective of ontological and epistemological stances of the researcher, the model is inherently dialogic and dialectical in nature. In order to understand the current situation of SMEs and CSR, dialogue with the past and present (researcher and phenomenon) is required about how historical and social processes have shaped business. The constraints faced by small industries are result of historical and cultural circumstance which helps to explain the current '*survival aspect'* found in SMEs. Dialogue with the past makes understanding and derived meanings inherently dialectical, where one must understand the past to comprehend the present state of SMEs and think of future possibilities. Secondly, the A.R.T model reflects local realities and priority issues facing Pakistan and how SMEs react and respond to them in forms of socially responsible behaviour; thanks to the linkages between responsibility, trust and accountability. Thirdly the model depicts and defines the ethical and religious motivations of SMEs to engage in responsible entrepreneurship. Lastly, the model shows the complex interaction between different stakeholders with small business and how that determines links between the three concepts. In short, the A.R.T model illustrates how SMEs can be viewed as socially responsible agents within society, taking into account their specific characteristics and resource capabilities. Apart from theoretical

connotations, findings of the A.R.T model have some practical implications to achieve a better understanding of SME activities, as discussed below:

I.   The model showed a piercing gap of trust existing between the government/national institutions and small industry sector. The government needs to take further concrete steps and show overt support for this sector, acknowledging the dominant role of SMEs in the economic landscape. Fixing their attention solely to big corporate actors might seem a wise strategy in the short term, but for sustainable economic growth and social inclusion long term policy planning has to include building vertical trusting links with SMEs. A climate of trust is essential as it will not only ensure open communication between the two sides, but also provide collaborative opportunities to tackle obstacles such as access to formal channels of finance- which is a persistent hindrance in SMEs being socially responsible actors.

II. The building of trust can be achieved not only by creating SMEs tailor specific policies but also placing accountability measures in place. Rule of law and enforceability measures should be established and encouraged by raising awareness. One of the ways this can be done is to provide training to SME leaders in legal and institutional measures relevant to their sector and how to deal with them. The government should disseminate such

knowledge in collaboration with trade associations such as LCCI and SCCI that serve as focal points for SMEs. This will not only build a climate of accountability among all corporate players and diminish spaces for self-opportunism but also grant legitimacy to the government appearing 'responsible' in addressing these ethical challenges.

III.   Characteristic of EMEs, Pakistan also suffers from deficiency of up to date and precise data on SMEs. The biggest challenge is deficiency of mechanisms to collect the required data; and lack of expertise to analyse it for developing policies and projects. In short, Pakistan lacks a strong research culture on SMEs. There is relative neglect in academic and research institutions in studying the unique features and constraints of the SME sector; and subsequently devise solutions for the stakeholders involved. Hence SME focused research is a key step towards this goal, and opportunities should be created for various stakeholders- industry, academia, government, and development agencies- to collaborate and contribute to urgently needed SME research in Pakistan.

9.6 Limitations of the Study

The core limitations of this study covers five areas: generalization, research sites, translation issues, sample size and application of A.R.T. model. These are highlighted in the paragraphs below.

a) Generalization of the Findings

In any interpretative study, generalization of theory/model is not of big concern as emphasize is placed on understanding and the relationship between interpretation and phenomenon under investigation (Howell, 2013; 25). Keeping this in mind, the study has offered a deep and insightful understanding of the progression of social responsibility in emerging markets. Yet it does not aim to encourage any wide-ranging generalization, due to the contested and context bound nature of CSR process. Even though emerging markets share many similar features and traits in the business sphere, it is unwise to overlook the specific differences in each economy that gives rise to specific local realities. Hence, wider application of the created model maybe somewhat limited as no two social realities of EMEs are quite the same.

b) Translation Issues.

The transcribing of the data gathered was carried out, keeping in mind that some of the it would be lost due to translation (from Urdu to English). It was ensured every

step of the way that the responses were translated word to word with the aim of minimizing as little of the data loss as possible. In some instances where the word in Urdu did not fully match or translate in English, the best viable option was chosen so that the flow and richness of the responses was not lost. Further measures taken, included tallying the transcriptions with detailed field notes of the interviews, along with researcher's reflections and thoughts in the reflexive journal; to provide insight into the thought processes of the participants.

c) Research Sites

The research sites included the offices of SME leaders and experts (SMEDA and LCCI) involved in policy making and implementation of national SME policy. A more in-depth investigation would have included social actors such as local academics and think tanks who are researching on SMEs issues in Pakistan. Additionally, the inclusion of SMEs from Gujrat would have been helpful as the city constitutes part of the Golden Export Triangle in Pakistan. It would have provided a holistic overview of the SMEs regional hub in Punjab. This was not feasible owing to the time period in which the study had to be completed as well as issue of gaining research access.

d) Sample Size

For this particular study, the sample size (10 companies) was more than adequate in order to carry out in depth data interpretation. Attempts were made to include more companies led by female SME owner-managers but this was unsuccessful due

to time span of research and difficulty in gaining access. The addition of 'gendered voices' in the sample size would have enriched the data, and provided a rounded view of the SME sector.

e) A.R.T Model Application

In conclusion, any assumptions reached in the A.R.T model should not be assumed to constitute an objective reality but should viewed as a subjective interpretation, a constructed and precise description of reality at a given point in time (Howell, 2013:22). The model was mediated and created by the researcher through interaction with the object and systemic analysis. From a critical theory perspective, PH generated theory has been developed in relation to historical change incorporating ethical challenges and issues to existing state of affairs (ibid, 26). Nonetheless, this study should be seen as primarily exploratory in nature that has replied adequately and truthfully as possible to the research questions and main aims of the study. As such, issues for future possible research that might expand and encompass upon these findings are suggested in the following section.

9.7 Areas for Further Research

This thesis has explored the literature relating to the main concepts, theories and frameworks of CSR, in EMEs in an effort to gain a greater understanding of its

perception and adoption among SMEs. Through the application of PH procedures, within a critical theory paradigm, a theoretical-model was developed. Theory of this sort considers social reality to be subjective and constructed by the interaction between the researcher and researched with historical values influencing the analysis. The objective of this work has been to provide an understanding of CSR within Pakistani SMEs, in the context of a culture and business ethics 'normative' construct. This stance has allowed the author to identify gaps for future areas of research within the discipline of business ethics and role of small industries.

Recent years has seen the emergence of an alternative theoretical perspective-Social Capital- to explain the intricacies of SMEs and their relationship with their respective stakeholders. The model has shown potential in studying responsible entrepreneurship, and this research has ambitiously attempted to justify that relevance. Studies have mostly been confined to developed economies with established SME sectors (Perrini, 2006; Spence et al, 2003). This thesis and its application of social capital in explaining ethical behaviour of SMEs towards stakeholders is only a starting point. Further research should be carried out looking at how various strands of social capital will assist in understanding SMEs within EMEs. The author believes application of social capital in emerging markets with its distinctive local realities will deliver equally distinctive data.

Secondly, there is lots of scope for Bourdieu's Theory of Logic of Practice on the

impact of different organizational forms on responsible business practice. Typically,

SMEs are family enterprises and future study should closely look at how Habitus

comes into play. This research has scratched the surface on this idea and further

research should be done to fully comprehend the influence of 'inner culture' on

family owned SMEs. Furthermore, the medium of Habitus can be used to investigate

the practices of female SME leaders and whether the inclusion of gender produces

different results for SMEs. Bourdieu's work has been applied widely across social

sciences and there is big potential for it to be applied in business studies. Finally,

Bourdieu's ideas of '*symbolic violence'* can be used to study the issue of child labour

and SMEs sector in Pakistan (2000: 142-3). As the data showed, thinking still exists in

cities such as Sialkot that shortage labour is due to elimination of child labour. This

type of misrecognition, where the social agent (child workers) is complicit in the

violence exercised upon them by structures (SMEs). Future research can look at how

child workers and their families consider and accept this kind of violence but

perceive it as the '*natural order of things'* (ibid).

Thirdly, a research gap that requires attention is issue of networking i.e.

relationships between small firms and their competitors. The data analysis brought

to light the interactions between SMEs as competitors and what effect it has on the

overall sector and specific industry. Spence et al.'s (2001) study is a notable

exception, and can be used as a starting point to study the impact of networking on pro-social behaviour.

Fourthly, the model developed here is only a construction of the opinions of the participants drawn from the SME sector. Nevertheless, the A.R.T model should not be taken as the final result but further investigation is needed to see if it is applicable for all parts of Pakistan and not just the province of Punjab. Additionally, issues of transferability should be studied to see if the model can be transferred to other emerging economies with similar socio-cultural traits and motivations; and what kind of comparable results the model will yield. Idea to consider for future research is if the A.R.T model can be improved to a formal framework of business ethics within SMEs; and viewed as an example of native expression of CSR representing emerging markets in general. In short it should be investigated whether the model can be used as a foundation to build a CSR paradigm for EMEs much like the Anglo-Saxon model in developed economies. Fifthly, the findings of this thesis are based on a qualitative research design- phenomenological hermeneutics, which opens up the possibility of other researchers to expand on this methodology, rather than being confined to the commonly used ethnography. Hermeneutics focuses on necessitating dialogue with the text to derive meanings by including historical situation and tradition. This is pertinent for CSR since it is an evolving phenomenon and historical circumstance will be critical in governing our interpretation about the process.

Finally, the original premise of the thesis was to study and undercover motivations and factors driving SMEs in being socially responsible agents in EMEs. This helped in understanding how CSR differed from the widely known Anglo-Saxon model and confirmed the presence of indigenous CSR models. Moreover, the study became about questioning the notion of 'responsibility' and how did that apply to the business agents –SMEs within a society. The result was the constructed model that redefined small industries not just as economic but moral agents in society. It is our understanding that research findings are more meaningful if they are used in the area concerned and we hope that the findings will be used by policy makers and academics alike to acknowledge and listen to the voice of SMEs.

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APPENDIX A: Focus Group and Interview Protocol

Focus Group Outline:

- Welcome:

  Hello and welcome to our session. Thank you for agreeing to be part of the focus

  group. We appreciate your willingness to participate.

- INTRODUCTIONS: moderator; assistant Moderator

  My name is Arzoo Syeddah and I am a doctorate student in Business Administration

  at University of Plymouth in UK.

- PURPOSE OF FOCUS GROUPS:

  The reason we are having this focus group is to find out about Corporate Social

  Responsibility (CSR) is viewed and practiced by Small Medium Enterprises in the

  context of Pakistan. We need your valuable input and would like you to share your

  thoughts with us.

- GROUND RULES:

  1. **WE WANT YOU TO DO THE TALKING**. We would like everyone to participate.

  2. **THERE ARE NO RIGHT OR WRONG ANSWERS**. Every person's experiences and opinions are important. Please do speak up whether you agree or disagree. We want to hear a wide range of your opinions.

  3. **WE WILL BE TAPE RECORDING AND TAKING NOTES OF THE SESSION**. We want to capture everything you have to say. It will be easier if one person speaks at time in the group.

  4. **PRIVACY IS UTMOST IMPORTANT**. We don't identify anyone by name in our report. You may be assured of our full confidentiality. We want you to feel comfortable sharing when sensitive issues come up. Your anonymity will be fully respected.

5. **RIGHT TO WITHDRAW:** The participant has the right to withdraw anytime be that before, during or after the focus group. And if the participant does not agree with what data has been gathered or should choose to withdraw, the data will be destroyed and not published. The omission will be recorded in the transcript as well. The wishes of the participants will be respected fully.

6. **MODERATOR ROLE**. I will be here to facilitate the discussion.

Let us find out some more about each other by introducing yourselves (Opening question). The questions will proceed onto introductory questions, followed on by transitionary questions which will lead to key questions to be discussed by you. The aim is conclude with a few ending questions that will finish off the rich and diverse discussion. Well, let us begin.

Owner- Manager Interview Protocol

Subject: The challenges and motivations of SMEs in response to Corporate Social Responsibility (CSR) in the context of an emerging economy.

Object: The research objective is to identify and explore the shifting CSR discourse in Pakistan. The aim is to develop a theoretical framework describing how SMEs react to CSR as a process and concept; and what are the factors that lead to the emergence of localized expressions of CSR.

Method: Semi-structured interview technique will be used in this research. If the interviewee accepts, the discussion will be recorded with digital voice recorder. All personal information and answers given, will be kept confidential. The privacy of the interviewee will be fully respected and their name will not be published in the report. The value and accomplishment of this research completely depends on the participation of interviewees.

Right to withdraw: The interviewee has the right to withdraw anytime be that before, during or after the interview. And if the participant does not agree with what data has been gathered or should choose to withdraw, the data will be destroyed and not published. The wishes of the participants will be respected fully.

Time of Interview: approx. 45- 60 minutes.

Definitions of key terms:

1. **Stakeholder:** A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives' (Freeman, 1984).

2. **Types of Stakeholders:** There are five major stakeholder groups that are recognized: owners (shareholders), employees, customers, local communities and the society at large (Carroll, 1991: 46).

3. **Responsibility:** A duty or obligation to satisfactorily perform or complete a task (assigned by someone, or created by one's own promise or circumstances) that one must fulfill, and which has a consequent penalty for failure. (http://www.businessdictionary.com/definition/responsibility.html)

4. **Accountability:** The obligation of an individual or organization to account for its activities (be answerable), accept responsibility for them, and to disclose the results in a transparent manner. http://www.businessdictionary.com/definition/responsibility.html

5. **Trust:** The belief or confidence that you can trust someone or something. (http://dictionary.cambridge.org/dictionary/english/trust).

6. **Carroll CSR Pyramid:** It is a theory coined by Archie Carroll that looks at business conduct in society in a form of a 4 level responsibility pyramid. For Carroll (1983), "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive'. This translates into four distinct responsibilities -economic, legal, ethical and philanthropic- for businesses to carry out.

7. **Economic Responsibility:** Firms being good corporate citizens by being economically profitable (Carroll, 2000). This is the foundation of the pyramid, on which all other responsibilities rest.

8. **Legal Responsibility:** Corporations need to be good law abiding citizens by following society's codified ethics (Carroll, 2000). This responsibility of demands that businesses abide by the law and play by the rules of the game.

9. **Ethical Responsibility:** This responsibility consists of what is generally expected by society over and above economic and legal expectations. It contains 'those activities, practices, policies or behaviours that are expected or prohibited by society, even thou they are not codified into law' (Carroll, 2000).

10. **Philanthropic Responsibility:** This responsibility is on the top. It contains 'those corporate actions that are in response to society's expectation that businesses be good corporate citizens' (Carroll, 2000).

11. **Personal Values & Beliefs:** Code of ethics and belief system of an individual. (http://www.businessdictionary.com/definition/personal-value.html)

APPENDIX B: Focus Group Consensus Analysis Matrix

A- Indicated agreement

D- Indicated dissent

SE- Provided significant statement or example suggesting agreement

SD- Provided significant statement or example suggesting dissent

NR- Did not indicate agreement or dissent.

NP- No response

R-ramble

Table 1 LCCI Focus Group

Question	P1	P2	P3	P4	P5
1	A	A	A	A	A
2	SE	SE	SE	SE	SE
3	SE	A	A	SE	A
4	SD	SD	SD	SD	SD
5	NP	NP	A	A	A
6	A	A	A	A	A
7	SE	SE	SE	SE	SE
8	NP	A	NP	SE	SE

Table 2: SMEDA Focus group.

Question	P1	P2	P3	P4	P5
1	A	A	A	A	A
2	A	A	A	A	A
3	A	A	A	A & SE	A
4	A	A	A & SE	A	A & SE
5	A	A	A	A	A
6	A & SE	A	A & SE	A & SE	A & SE
7	A	A & SE	A	A	A
8	A/SE	A & SE	NR & R	A & R	R

APPENDIX C: SME DEFINITIONS BY EU, SMEs National Policy 2007, and various institutions in Pakistan.

- **SMEs as defined under the <u>EU recommendation 2003/361</u>.**

Company category	Staff headcount	Turnover	or	Balance sheet total
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Source: http://ec.europa.eu/growth/smes/business-friendly-environment/sme-definition_en

- **Small & Medium Enterprises defined, as approved in SME Policy 2007 and followed by SMEDA.**

Enterprise Category	Employment Size (a)	Paid Up Capital (b)	Annual Sales (c)
Small & Medium Enterprise (SME)	Up to 250	Up to Rs. 25 Million	Up to Rs. 250 Million

The Federal Government, in line with the economic development of Pakistan may, from time to time modify the eligibility criteria as it sees fit. All providers of services receiving funding from the Government may define more narrow scopes for specific targeting purposes.

Source: SMEDA, 2007[157]

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[157] Rs. stands for the national currency of Pakistan Rupees.

- **SME Definitions used by various institutions in Pakistan**

Institution	Small	Medium
SME Bank	Total Assets of Rs. 20 million	Total Assets of Rs. 100 million.
Federal Bureau of Statistics	Less than 10 employees	N/A
Punjab Small Industries Corporation	Fixed investment. up to Rs. 20 million excluding land and building	N/A
Punjab Industries Department	Fixed assets with Rs. 10 million excluding cost of land	
Sindh Industries Department	Entity engaged in handicrafts or manufacturing of consumer or producer goods with Industries fixed capital investment up to Rs.10 million including land & building	
State Bank of Pakistan (SME Prudential Regulations)	An entity, ideally not being a public limited company, which does not employee more than 250 persons (manufacturing) and 50 persons (trade / services) and also fulfills one of the following criteria: (i) A trade / services concern with total assets at cost excluding land and buildings up to Rs 50 million. (ii) A manufacturing concern with total assets at cost excluding land and building up to Rs 100 million. Any concern (trade, services or manufacturing) with net sales not exceeding Rs 300 million as per latest financial statements.	

Source: SMEDA, 2007

APPENDIX D: Proposed definition by LCCI

Size	Total Annual Sales (Rs. Million)	No' of Employees	Ownership Structure
Large	Above Rs.3.0 Billion	-	Stable, Professional, Tax Payer organization.
Medium	Unto 3.0 Billion	1000	Organized, Tax Payer. Flexing to become large.
Small	Unto 500 Million	100	Owner manager run
Micro	10 Million	1-10	Beginner Entrepreneurs
Cottage Industry	10 Million		Family Income Unit

Source: LCCI, 2016

APPENDIX E: FOCUS GROUPS AND INTERVIEW TRANSCRIPTS

Two of the interviews (**Owners C and Owner F**) could not be transcribed properly as due to the high level of back ground noise the responses of the SMEs owner-mangers could not be deciphered properly. Both the participants had also submitted written responses to the interview questions beforehand. Therefore, keeping in mind the quality of the recordings, the written responses of these two participants were analyzed (to familiarize with the data) as transcripts along with detailed notes taken during the interviews by the researcher.

Key terms for transcribing:

CT- Cross talk
I- Incomplete sentences
(....)- Fillers
[...] unsure of accuracy of statement

SMEDA FOCUS GROUP

Location: SMEDA offices.

Date: 1.04.2016

No: 5 participants.

Moderator: Good Afternoon everyone. Thank you so much for being here today and agreeing to do this Focus Group. If you have any questions prior to the discussion please start. We want you to do the talking. I will just guide the discussion once in a while, what I am really interested is to hear your views and your discussion on corporate social responsibility in small and medium enterprises. That for me is very important.

They are no right or wrong answers. Every person's experience and opinions are very important. So please do speak up even if you agree or disagree with something that is what I am looking especially for. And we want to hear a wide range of your opinions. We will be tape recording the entire session, as it was outlined in the consent form. And it will be easier if one person speaks at time in terms of recording and note taking.

Privacy I will repeat again. We won't identify anyone by their names in the research, so you will remain anonymous. You maybe be assured of my full confidentiality in terms of my analysis... (Your names won't be mentioned)

Once again, I am just here to facilitate the discussion. What I want to hear is you just interacting with each other and your discussion.

So, let's begin with the first question.

Moderator: Please tell us who you are, about your background and education.

P1: My background in education...I have a master's degree in economics from Government College University. Lahore. And after that I obtained another master's degree in development - management development- from Italy. My experience...have been with this organization for 14 years now and naturally my area of interest is development and small and medium enterprises in particular.

P2: My educational background is concerned. I did MBA from Quaid-e-Azzam University, Islamabad. And then afterwards I have completed MS in entrepreneurship and SME management from Govern College University Lahore. I have been working in SMEDA from around last 11 years and mainly involved in cluster development, public sector programmes and development of small and medium enterprises currently on business development services. These are my core areas of experience within SMEDA.

P3: My name is **** I have an MBA in management and finance. And I am working in SMEDA as provincial chief. And the activities of SMEDA they span from policy to direct service delivery to small and medium enterprises. And we try to manage that as best as possible.

Moderator: Thank you.

P4: I've been with SMEDA quite a while...about 16 odd years. I think 15-16 years. I have done my master/MBA in finance. And I have been working with the business and sector services ever since I joined. However, there are a couple of projects...independent projects, donor funded projects which I sort of was involved in. One of them was Ahan- which is a one village one product pay sort of project. So, I think the title of your focus group corporate social responsibility was a major role player in that project. And we can talk about it later when we progress with the discussion.

P3: Tea, coffee anything for the participants.

Moderator: I am good thank you.

P5. My name is ***. I have a master's in public administration and other masters in Intl development employment relations and Human resources management from LSE. I have been with SMEDA since 2001, and I have nearly served most of the divisions, mostly in the central support division. Currently I am a deputy general manager in outreach division. The outreach division basically looks after the activities of the provinces which are there. As well as the public-sector development prog projects which are funded by the government. So, I am looking after them.

[00:04:58]

Moderator: Question number 2. You have covered to a certain extent but I would like to ask you again, what made you join SMEDA. If I could start with you again P5.

P5: Well how many years it be from 2001 to now?

P1 and 4 (together): A very long time!

P5: Normally what happens is...at the beginning of your career you tend to move from one area to another to find...bright career for yourself. So, I worked in private sector before also but my main aim was to work in the public sector because there you are given an opportunity to deal on a macro level and better opportunity to implement few areas for the development of the economy. So that was the main motivation.

P3: I think if I try to keep it short everything and anything that I learnt during my MBA, this job provides me an opportunity to actually implement that. And this is something which is not available mostly, particularly in Pakistan.

P4: I go with his reasoning but the reason why I joined in the first place was because this is the first job opportunity I got and I took it. And I have stuck to it. The reason why I have stuck to it is because precisely due to the same reason, that everything we learnt generally as far as specifically as MBA is concerned and....I could maybe point it down further to finance. It's something, I mean you can get investment houses, and you can get banks and you can get all that kind of stuff but you know the kind of finance versus business...and all of that is concerned that, within Pakistan, SMEDA...there is no other place like SMEDA.

Moderator: So, you mean from the PPP aspect, it's the public private partnership aspect...does that play into this?

P4: No, no. Just the nature of our work as far...you know as what we do is concerned.

Moderator: Thankyou

P2: I think starting job within SMEDA is.... once you start your career...that was the first option that I have got. So, I persuaded my long-term association with SMEDA is mainly due to...I like the diversification nature of the work at SMEDA. Because one day you are working for a different sector and then another day you are working for another entirely different sector. This diversified nature of work keeps me to persuade with SMEDA.

P1: In terms of my joining SMEDA, right after graduating I was teaching for a while and actually I didn't even know the organization. A friend of mine introduced me, that why don't you...you have done your masters in economics...why don't you try out this new organization. And I applied and got the job. The reason why I have, you know remained with SMEDA has probably been because just as Asif said the diversity of work that one gets to do, the interaction with the public sector, with the private sector, the opportunity, the exposure that this organization offers. I don't think any organization probably gives you that kind of opportunity.

Moderator: OK. We move to question no. 3 I would like to hear your views on this famous quotation by Milton Friedman, from his publication in 1970 where he talks about the responsibility of business. And it's almost become a mantra when you talk about corporate social responsibility. Everyone in academia loves to quote Milton Friedman, so I just wanted to get your views as to what you think about the quotation.

The interesting this is, when you talk about the narrow definition of corporate social responsibility they only use half of that quotation. But if you read the full quotation it mentions a wider notion of obligation and responsibility to society (looks around at the Participants). What are your thoughts on this?

P3: I think...uuuhhh we have a very different context in Pakistan largely due to the presence of small and medium enterprises in this country. Small and medium enterprises generally are very close to the basic value of any society, anywhere. They are more fundamental, and they are very closely knit when it comes to…the surroundings and the environment in which they operate. In the structured economies where there are ways and means available for business promotion through advertisement and through telling other people that they are doing good, and earn a good name...and they can use that as an image builder and get more business. This is what this definition refers too. If we divide Pakistan in terms of enterprises--into large corporate sector and small and medium enterprises, this maybe be true to some extent to the very large corporates in Pakistan. But for small and medium enterprises it is mostly social, religious, ethnic compulsions that bring them closer to what we call corporate social responsibility. corporate social responsibility term cannot be used for small and medium enterprises, one because one they are not corporate, they don't have the corporate culture, they are informal businesses mostly, they are not documented...they don't pay taxes. If you think they are going to do corporate social responsibility so that they can get some tax rebate or they get some mileage which will help them in enhancing their image and getting more customers, this is something which are a vast majority of small and medium enterprises would not engage in.

They will do it on philanthropy yes...

P4: Yeah...absolutely.

P3: Religious philanthropy...one. Ethnic yes because we have certain communities which can be termed as minorities. They are more closely knit than rest of us and they take care of their needy better than the majority of Pakistanis do. I think, for me these are the two basic reasons. Legal, we don't have a legal system or corporate system (laughs) in which they can get the required benefit. And economic...I don't think so.

P1: I think I agree with what P3 is saying. It's got to more with our culture, ethnicity and the value system. Especially in terms of the kind small and medium enterprises as he mentioned, most of them actually are operating in the informal sector and there is no other grassroots level so that community...importance, or the linkage that they have with each other, their personal relationships whether it is because of religious...you know religion or their ethnic backgrounds. That's how let's say within their businesses the kind of, if you were to use the term corporate social responsibility activities that they undertake. Whether that is paying for the education of their labour, that they employ or providing some kind of healthcare benefits to their employees. That's more to do with the culture and the value system of these businesses than you know corporate social responsibility so to speak.

[00:12:57]

P4: I'd just like to highlight upon this project that I just mentioned. It was a donor funded project by the name Ahan- aik hunar, air nagar. It was based on the one village, one product concept. And what we were basically doing through that was we were identifying clusters geographic or product and... working with the sort of.... the artisans or the craftspeople from within that cluster. And what we would do was would identify their needs and requirements-- technical skills expertise obviously and then we would look for...so to speak famous well off business persons from within that sector and try to link the two. In effect trying to transfer certain know how, technology and even a little bit of assistance in terms of guidance for a better designed product or for a better marketing linkage...and...so yeah that was the whole idea.

For example, when we were looking...there is a form of embroidery called Shadow work. It is Bahawalpur, and is obviously an area where it's really famous at. So, we spoke to this designer, I think by the name of Rizwan Baig. And he is from within the fashion industry and textiles and he is a big name. So, what he wanted to do what, he wanted to get access to crafts people who knew about the craft but needed certain design guidance. He wanted cheap labour and also, he wanted to attach the corporate social responsibility component to his campaign so to speak.

We got in touch with both parties, he would give his designs, he would give them training, he would...give certain little bit of financial assistance. Sort of obviously it was temporary, it was more based upon their raw material working capital requirements. He would get the designs made, he would approve them and then he got an entire line made or produced by them [craftsmen] which was

displayed. Obviously, you know it was done on the ramp, it was sold off to big names. And he attached the name Ahan to his own line.... and that's how he sold it well.

Likewise, we had Deepak Parwani, we had Nilofer in blue pottery. Sorry NoorJahan Bilgrami for blue pottery. So, the corporate social responsibility element was used being used by big designers to assist and help obviously, the crafts people. I think there is a general perception that corporate social responsibility is a component...which is sort of a luxury component for a business person. And not many can afford that luxury. Due to cultural reasons, due to religious reasons...a lot of us obviously pay our own dues back to the society one way or the other...be it a business or be it an individual. But as far as a business is concerned, it is I think one of the more successful business models which sort of think on these lines. And try to cash upon it as per the bookish definition or the methodologies described.

[00:16:15]

P5: before we start with I think, we have to look at the background context like you just said when you opened the discussion. That the CSR concept.... how much is being implemented in the SMEs at the moment. First of all, the SMEs in Pakistan...the definition of SMEs versus the definition of SMEs in developed countries--there is a huge difference. Secondly, if you look at the SMEs...or let's talk about CSR. CSR in my opinion is a concept which is to be implemented when the business like in this defintion also is economically viable. So, basic requirements need to be met before we move onto the CSR thing. Like in the Maslow's hierarchy of needs...

Moderator: Yeah.(nods head)

P5: If you are at the base level, if your safety needs are not even met. You can't go to the next level and think about others…what to do. And CSR in my opinion would be in/can be divided into three areas. One is the internal CSR for the SME…that would be the labour i.e. benefits of labour welfare. Second would be the community and third would be to the society in general. So..another thing I would like to mention is, this concept in theory is there and in practicality is applicable in the small medium enterprises across the world. But in Pakistan also this concept needs to be introduced after the basic needs are met or the business is economically viable.

P2: I agree that CSR in local small medium enterprises are not taken up as seriously or not understood as the concept is understood in the West. Because majority of the small medium enterprises do socially responsible activities in an informal way due to their more religious obligations instead of their corporate necessities. Because, majority of small medium enterprises are involved in informal sector, that's why they have not developed as corporate entities. So, they do the things which are good for the society due to their religious obligations instead of fulfilling the corporate things.

P3: Yes, but there is one dimension...the people or businesses that are more connected to the world like exporters, local manufacturers who are exporting, who are dealing with international buyers. They need to comply with certain instructions and specifications and requirements when it comes to dealing with the labour, dealing with the community, child labour, providing assistance to the other

communities/groups which are marginalized. They also do that and that initiative or action; it is closer to the western definition of CSR because they are doing it because the customer is saying so. And they are getting more orders and business and revenues from...by fulfilling the buyer's requirements and getting a good image and impression in the eyes of the buyer.

Moderator: This brings in the concept of small medium enterprises role in global supply chain...and compliance issue.

P1: but it's a smaller percentage of small medium enterprises...right?

P3: Yes... small

P5: But in my opinion those are not the small medium enterprises as per our definition.

P2: smaller percentage...of course. even than they do this thing because of the obligations of the buyers. Like in the textile sector, they are many entrepreneurs what they do they just train their employees for a specific interview of getting certain certifications just for fulfilling that particular requirement. They do these types of things. But it's true that large corporate firms are taking up this matter more seriously but majority of SME sector is doing in it in an informal way.

[00:20:42]

P5: Like I said and my colleague is saying...that if small medium enterprises get to do ISO certification or compliance to other international requirements than CSR is a part of them. How much is it implemented, to what extent is it implemented that's a different thing. But then again, my point of view is that if we are focusing on the SME as per the definition that we are thinking...that these are SMEs-- they don't even have the concept of CSR at the moment in my opinion.

Moderator: Would you say just picking up...that they don't have an understanding, would you say the awareness is low, do you think it's growing? Ok...instead of using CSR because I agree with you that it's a very big company terminology. Can we use to be socially responsible or responsible entrepreneurship? And do you think the awareness level is it still low among small medium enterprises or its growing?

P5: when you're talking about a competitive environment, you need to see that still what sort of small medium enterprises are operating in Pakistan. And what level if they are getting orders or manufacturing because of low labour costs, and low production costs. These things are there because of the systems or the policies are not there to actually bring them at par or benchmark them to a level so that they can further get involved in the CSR activities. As far as the responsibilities are concerned, that is what I am trying to tell you. The responsibility maybe there but there is a cost associated to it as well. So, if the govern or they as a group or a cluster are willing to collect funds and implement something, that's a different thing. But everything that you want to do or you want to do for the improvement for your business or for the social environment...cost is related to it. And that in my

opinion, in the current scenario, people are not willing to go for that. Again, I am trying to say this is for the particular definition that we have for SMEs.

Moderator: Through our discussion, we have already covered question 4 somewhat. Going back to the same issue of responsibility, do you think the question of responsibility differs or is different in emerging markets keeping in the context of Pakistan?

If you have any other examples with other emerging markets that you perhaps interact with through your work, maybe with India? Can you give an example?

P3: I think our organization is...we work with international counterparts, governments and donors. But this organization is very much internally focused. We are more focused about small medium enterprises in PK. Like Mansoor said, this is not one of our priorities to go into CSR component, because there are so much other issues regarding small medium enterprises to deal with...such as bringing small medium enterprises up to the mark and addressing their problems. And this is something which is an internal decision by a businessman/owner. When it comes to going into CSR, I think...unlike other Western countries our people, or the communities they have a mandatory philanthropic requirement when it comes to religion (zakat). It is to be paid irrespective of the state of the business, or the economy or your income because it is on the savings. So even if for one month or two or three or a year, the business cycle is not very good, that 2.5% has to be paid. And it is paid. In a country like Pakistan there are around 3.5 million students of religious schools, who are 100% financed by this community, which includes businessmen for their education, livelihood, their clothing, their food, boarding, lodging everything. For one student, at least from 7-10 years. I think...for instance if you go to Sialkot and Faisalabad-- these are predominantly small medium enterprises centred economies. And they are famous for their philanthropy and religious impact. They do it for the social...if we don't want to use the word religious or religion...it's their social values and ethnic relations. I think these are the two strong reasons for small medium enterprises to go into these socially responsible activities.

P1: I think...

P5: I believe…. (CT)

P1: Oh, sorry go ahead. No no go ahead (looks at P5)

P5: Like he said, if we do not use this term specifically...this CSR, the socially responsible they are taking care off at their own level. Like for example if there is a small medium enterprise and the labour working there, probably the labour laws are not being implemented as such. But in case of an incident or an accident on the job, his medical insurance and his family will be taken care off. This just one example and same is the case whether there is a cluster where they are working and that there is some development requirement. They will pool and get it down. Like as my colleague was saying, in the case of Sialkot, the airport has been self-financed by the local businessmen. So, from that point of view [CSR] exists but if you are talking theoretically about the CSR or the implementation of it or reflection of it that does not exist I think.

P1: I mean...we are talking about small medium enterprises but even for large enterprises only until very recently there is a framework now in place of CSR that been developed by the...

P5: That's for MNCs (**CT)**

P1: by SBB...and that is also for larger multinational firms. There is no... It's not mandatory but and it doesn't come with an incentive structure either actually but they have just sort of put down a list of things that you know these larger firms should look into this. So, when it comes to the SME sector I think most of it has to do it with the value system of the people of this country.

P3: And one of the thing that is amazing is, if we look at the same words CSR in an economy or in a country where there are rules and regulations and that are also imposed. Certain things which are mandatory in those countries, they become CSR in our country.

P4: Very true

P1: Yes absolutely.

P3: Because there is no compulsion or there is no enforcement of the laws, if you do it you do it as a socially responsible person. If you don't do it, you don't do it. So, when it comes to this undocumented economy and the contract enforcement at its lowest, the thing that others do for CSR or they are mandatory things to do like insurance for labour or better environment for workers or child labour

P1: clean drinking water in certain cases as well.

P3: This is all CSR in Pakistan because nobody can force do it.

P1: yeah

Moderator: This takes me very conveniently to the next question. I hope some of you are aware of the pyramid by Dr Carroll concerning the responsibilities of business. This is necessarily not from a CSR point of view, but he talks about four responsibilities. Now keeping in mind...what you have been talking about, some of you said that for businesses the religious and philanthropic aspect is important. What I would like to emphasise, does that mean that the first responsibility has to be economic responsibility...implying until and unless there won't be profit generation you won't be able to do philanthropic responsibility. This is where I would like to know your views.

[00:29:58]

P5: This in my opinion...in PK it works differently. The religion is not compared with the economic activity as such. What you have to do religiously, you will do it irrespective of the fact that you derate profit and you decide that this percentage of the profit you need to share on these activities. So, this is in my opinion...not that much inter related.

P4: But I think there is a difference between the zakat element as far as the personal self is concerned and the business is concerned. An individual maybe paying his zakat and fulfilling those duties absolutely adequately and the business may or may not be doing well and he may not be that aware of incorporating corporate social responsibility into the business activities itself. So yes, I think that primarily it has to be economically sort of profitable. For an individual to separate the business from the self a and b to separate the corporate social responsibility component from the personal obligatory zakat that...you can't just sort of escape.

P1: I think...

P3: Yeah but we need to keep in mind that in Pakistan there is rarely a difference between an entrepreneur and his business.

P1: ...and his business. Yes, that what I was just going to say.

P3: …. they are one in the same **(CT)**

P5: Sole proprietorship

P3: no distinction between them. Their personal assets are their business assets and their business assets are their personal assets. This is due to the lack of corporatization culture that we have. Theoretically yes...

P4: But perhaps we are mixing the two, in the sense that I agree that the self and the business is the one and the same. But when you talk about being ethical within the business that has nothing to do in giving out alms to the needy and the poor. I mean, you know...the simplest example I can give you is that of poultry business maybe. The kind of practices that are being used in the poultry business are absolutely unethical on so many levels. However, the business owner maybe absolutely ethical...by making sure that he is giving out the requisite amount of money but what exactly is happening in the business itself...that is a separate story.

P1: Hummmmm...very true.

Moderator: Hummmmm, I see.

P4:...So it's kinda of a grey area really, you know.

Moderator: But for you the economic responsibility that's paramount and then you can...profit generation and than you can think about venturing into?

P3: Yes...yes you have to make profits. You have to make profits...than you obviously, you can give out what…a portion of what you have. So profits, profitability, economic activity it is to be there.

P2: economic sustainability has to be foremost...if you can earn only than you can pay.

Moderator: P3 you said that the ownership structure it plays a role... and sole proprietorship? Can you please elaborate?

P3: Look...we should ask why is ownership structure important? What role does it play? It plays a role bc your economy is not documented. Your business cannot be separated from your personality...it's impossible to do so legally. Because you are not registered as a business owner, if you have not done so your company is not a private limited company, it's a sole proprietorship, and it's a single owner company. Furthermore , your business assets are your personal assets. Such personal assets can also be used for business stability for pay off. So, when you see this pyramid in the context of Pakistan, I believe when talking about corporate social responsibility economic has to be there. Until and unless you won't have profits economic activity won't happen. And that also impacts your personal or business philanthropy. But the legal responsibility in our context will go slightly higher up..

Moderator: If I can draw a picture, so it would be economic responsibility for you guys first than it would be...?

P3: Philanthropic...

Moderator: and then legal?

P3: Than ethical and then legal.

P5: I agree

Moderator: Interesting. That is interesting. This is a reflection of an emerging economy. This is exactly what I wanted to know. This insight into how notions of responsibility are viewed by an EME like Pakistan.

P2: I would like to emphasise that economic element is very important for any business.

Moderator (asking P1 and P4): Would you agree with this ranking or do you have a different thinking of it in terms of how you would rank them?

P4: We had legal as the, least right?

Moderator: Uhhhh yes you did…on top.

P1: definitely legal would be least for me

P2: Yeah I agree.

P4: least for me...yes. Totally agree with

P1:...based on my interaction with small medium enterprises yes legal would be least.

P3: because we don't have to.

P4: Because there is a reason you see, I mean we don't have enforcement, there is not accountability that way so when you're and you can get away with it. And you can make some good money out of it, and there is nobody who is going to judge you for it morally. So, I mean really what's the need than?

Moderator: This is what I was hoping to emerge from your discussion. This is a reflection...of what you all think and links with what I have come across in the literature.

[00:36:02]

P3: In my view a socially responsible enterprise in Pakistan is that which delivers what it promises.

Rest of the participants: Yes we agree (nodding of heads). That is a good summary of CSR in Pakistan.

P3: ...because nobody forces a company to do that. Maybe it be a freshly cut chicken they give you to cook or has been stored for a few days... this shows that there is a lack of enforcement issues.

P1 and P4: *laugh in the background*

P3: Our administration lacks capacity and there is a no will to address these issues at this point in time. Where it is possible to enforce rules, it is carried out. For example, in the food sector, we have enforced a lot of rules regarding hygiene and security here in Pakistan specially in Punjab - where the formation of the food authority has led to awareness among the people and some people have been penalized. This has led to people realizing that enforcement rules should be put in place, otherwise from your tailor to your elite educational institutes, the expensive ones where you send your kids...if they deliver what they promise to us. Then I think they are acting responsibly. To go beyond that, at this point in time I think, it's not a requirement for us.

P4: Yeah...Yeah

Moderator: Do you have any examples of the lack of legal responsibility that you could share?

P3: Legal responsibility in this context means that you can be held legally responsible but you won't bc the enforcement mechanism is not there.

P1 and P2: *chime in*

P5: No...they are there but they are but the implementation.. **(CT)**

P3: No, they are not there..

P2: So, it becomes more personal choice instead of by law.

P4: In a few instances, even the laws are not there...like the educational institutes you are talking about. This is quite a pressing issue these days and a lot of people are talking about it. Obviously concerned parents and whatnot. Private educational institutes are wreaking havoc as far as the fees structure is concerned. Apparently, they didn't even have the law on the bar....

P5: The issue is it happens everywhere in the world. Private schools charge their own fee; the problem is that the public schools are not that level...

P4: Yeah that's another debate. But what I am trying get at, trying to highlight is that in a few cases there are no laws. Most of the cases there are laws but there is no enforcement.

P1: Like the labour laws that Anwar was mentioning. I mean there are so many labour laws applicable on small medium enterprises as well. How many of them go and register with EUBI, with SSI and pay the provincial SEES and whatnot?

P2: It's more personal choice instead of...

P3: Even if you go on the road, stopping your vehicle at the signal is your personal choice.

Participants: *laugh in agreement*

P1: you try your luck!

P3: If nobody is standing there ...or even if something is standing there and you have a big car you will not be stopped. Even if you go against the traffic direction...you will still reach home safe and sound. People will take care of themselves but nobody will ask. You have no reason to be afraid of...even if you are stopped. You will pay some money--legally say Rs. 500 for one way violation and you can go home. Rs. 500 in today's time is nothing. But even than you will not see people going against the traffic rules most of the time. So, when it comes to abiding laws...yes we do. But when it comes to **paying extra** for abiding laws...we don't.

Moderator: This leads us to question 5. That this is one of the internal drivers that influences how people view to be socially responsible in PK. For instance, if there are laws...it leads to weak compliance but still compliance. If there are no laws there is no compliance, has that led to...

P5: This in my opinion is not in Pakistan...it's everywhere in the world. Its human psychology that systems run the organization. Systems run people and system run countries. People don't, if you give an opportunity to someone. Probably I have a different opinion about approaching something, he has a different opinion. If there is a system or there is a SOP to follow, then you have to follow it. So, laws when they are, their enforcement is there, things will move in the right direction. So, it's not in Pakistan only, its everywhere in the world. Outside they have systems in place...and they have enforcement for that system. Things are ok. Like in London why don't you cross a red light because there is a camera there and you will get a ticket for that. If there is no camera, and that happens...you

would agree with me? If there are no enforcement mechanisms in place, people would break the rules.

P1: You can give the example of driving on the motorway. On the motorway, there is enforcement that if you are caught speeding you will get a ticket. But then again people have come up with ingenious ways to escape that...near the speed camera they slow down or hide behind the car in front of you. Yet there is a general thinking that it's going to be enforced...the fine will be enforced. Here those same people driving in town, in the city will not be so careful about it. For example, not wearing the seat belt. Everyone on the motorway wear seatbelts while driving, within the city only recently since they have started to sort of enforce this with a fine (if you are not wearing your seatbelt) only than have people started wearing their seatbelts when they are driving.

P5: This is what I am saying as well….

Moderator: So it's almost a question of forced responsibility that if you will not..?

P1: You could say in a way yes.

Moderator: if you will not do it than you'll have to... **(CT)**

P3: you see if there is not much compulsion by the economy or the greater business that you are going to get through philanthropy or corporate social responsibility activities than it is a personal choice. And if there is not legal compulsion number 1. And no reward for CSR, no tax rebates, no recognition than I think in Pakistan it is the pure will of an individual...mostly driven by its social and religious responsibilities when it comes to being socially responsible, in terms of business.

Moderator: Would any other of you like to add anything else to this before I move on to the next question? (looks around the focus group)

P5: We can deal with the next question.

Moderator: I think we have somewhat covered question 6 in terms of relationship between small medium enterprises and CSR. We can move onto question 7. What particular features such as size, ownership structure, management style, resources and personal relationships, in your view play a part when it comes to being socially responsible in the context of small medium enterprises? Please give particular emphasis in your interactions with business owners or managers?

P1: I think, if you look at the business structures within Pakistan, typically within the small medium enterprises sector as my colleagues mentioned mostly they are sole propriety concerns or then there is this large number of family businesses. So...in terms of being more educated I think they will be more conscious perhaps of you know…doing something for which you could sort of term as corporate social responsibility activity. So that background will perhaps help. And size has a direct relationship in a way with your profitability or economics of the business as well. The larger it is, the more one would assume...they would be more socially responsible or will have more to give to society. So, I think size

yes matters. The management size, mostly, the businesses at least I have come across have been mostly in the Golden Triangle Area of Gujranwala, Sialkot and Gujrat. And most of those businesses are family owned business. You have the father, the uncles, now the children, the boys joining in so mostly...

P3: Mostly Haji Sahib pulling the strings...

P1: Yes exactly...I was going to say that.

Moderator: Can you clarify that?

P3: Hajji Sahib as the head of the family making the decisions and rest is implementation.

P2: I think size of business is particularly important for the corporate social responsibility. Size and then the family set up and the upbringing in which family you have been brought up. What family values you carry within your businesses. As already mentioned, the majority of Enterprises are sole owned or family orientated businesses. So largely depend on the size as well as the family in which your upbringing has been done. If your family has strong values-ethical and social values than obviously, you will more comply towards the CSR. Otherwise you are not so much.

P1: On a lighter note...concerning family background and of all that there is little bit issue of recognition also which is quite important and a factor when it comes to CSR. Because we like to as a nation show off that I have build a school and did this and that for the community. Recognition as an element- the feel good factor.

Moderator: It's almost its personal recognition would you agree?

P1: Of course, that's personal recognition. That may not be as much as to do with I want to be socially responsible or I feel for these people or I want to give back to society. It's more like you know I am the person within the community that everybody is turning to...that kind of recognition.

Moderator: Would any of you like to add anything to this. (looks at P4)

P4: I have nothing different to add. I agree with the general view here.

Moderator: Question number 8...if you could briefly describe the small medium enterprises **field** for me in emerging markets from your particular viewpoints. Specially because all of you are working in different sectors of SMEDA.

P1: It's very diverse. It's a cross-cutting in nature. All sectors, actually in Pakistan's context, most economic establishments in the country if you are going to go strictly by definition are small medium enterprises. 99% of Enterprises in this country are small medium enterprises.

P2: But major difference will come from the entrepreneurs who are engaged in the export market and the local market. Like the sports good sector or the surgical goods sector working in Sialkot, the majority of the entrepreneurs are the export orientated. So, they have very different organizational set ups as well as business entities, instead of some other sectors such as fan making **cluster** or cutlery sector or the hand looms **cluster**. Because, they do not have interaction with the international buyers or the export orientated businesses because they deal in the local market. Their dynamics are much different than the small medium enterprises who are dealing in the export market.

Moderator: What you are saying is that within small medium enterprises cluster there is some sort of segmentation, I f I can clarify?

P2: Yes, exactly that was my point.

Moderator: With Enterprises who have customers abroad they would HAVE bit more awareness when it comes to being socially responsible? Would you agree?

P2: Bit more awareness as well as more sophisticated business set ups as compared to the entrepreneurs who are working in the local market.

P4: I agree with what he said.

P3: I think very rightly said...all of them are experts in their own field. The only dimension I would like to add is that the amount if we call it, amount of exposure you have: local versus international makes a difference in Pakistani context. Things have been done traditionally. It is assumed that if you are not harsh to your labour they will not perform well. But people who have had exposure, who have worked in good environment, they know that there are other motivational factors that can be used to get maximum out of your human resource. And instead of only using the stick policy they use some carrot as well. Similarly, when people see businesses doing good for others, they tend to copy them. Or they tend to realize that this is something which businesses do. And in Pakistan without compulsion they try to replicate that. Awareness and exposure both **interrelated**. And they both play a part in how the **tone o**f the management of the business is set. And that also includes philanthropy and corporate social responsibility...they are also influenced by this.

P4: I think a common view point as far as this is concerned that it has to be all finance and money orientated. And small medium enterprises generally in Pakistan especially those which are new small medium enterprises face finance issues in their businesses. And the idea that corporate social responsibility can be in kind as well as and can be through ways and means other than just only financial. That is an awareness which is obviously greatly lacking overall.

Moderator: This leads me to my next question...what are some of the challenges facing small medium enterprises in Pakistan at the moment? How does these factors affect in how SMEs react to SMEs? This is the last question.

P3: Any challenge you can name... (looks around at other participants)

Moderator: I would like you to name a few please so to make a list in order of importance.

P4: Finance is top for me, facing SMEs at present.

P3: No no to begin with I think it would be safety of themselves and family. Terrorism plays a big part here in Pakistan. For the past decade, now it has been reduced to a level but has been minimized. These small medium enterprises the past 14 and 15 years have gone through which Syria and Turkey is going through right now. And they have survived that. That was the basic problem. Than when there is safety and security, electricity is not there, energy is not there, law and order is not in their favour. Rules and regulations are not in their favour, if we draw a comparison they are more likely to benefit larger Enterprises rather than small medium enterprises. In the face of all these adversities Pakistani small medium enterprises are atleast sustaining their 40% share in the exports of this country.

Moderator: Thank you for listing those for me. Would any of you before we wrap up like to add anything else to the challenges facing SMEs? Just to repeat, they are access to finance, electricity, energy shortage, rules and regulations, safety of family and business...

P2: Productivity is also a major an issue because we our output is not up to the level of their foreign counterparts that is small medium enterprises of the world.

Moderator: OK. I think before we finish I will quickly do a brief summary of the discussion. The things that have stood out for me is...one is the issue of definition. What is the definition of small medium enterprises, what is the definition of corporate social responsibility? And how you cannot apply the same terminology in the context of Pakistan or any emerging markets. Another thing that stood out for me was the cultural and religious motivations of small medium enterprises to be socially responsible...when and if they can. We talked about legal responsibility being on top of the pyramid...that was really interesting. And economic responsibility being the foremost one. And ethical and philanthropic coming in between. One of you talked about the linkage between awareness and exposure and how that links up to if you want to be socially responsible or not. And then we briefly talked about the various challenges faced by small medium enterprises. Before I finish the focus group...is there anything else you would like to add about Pakistani SMEs?

P3: I think most of it has been covered.

P1: Yes, that is an accurate summary. It seems we discussed all of them.

P2, P4, P5 **nod and murmur in agreement***

Moderator: Thank you very much for all your time and views. I really appreciate it. Thank you once again. The focus group has ended now.

[00:53:17]

Date: 26.03.2016

Location: LCOC Offices

No: 5 Participants

Assistant Moderator: Do keep the recorder next to you so the recording is clear.

Moderator: Thank you for taking the time out of your busy schedules to join me here today for this focus group discussion on SMEs and CSR link. I really appreciate your cooperation in this. I understand some participants are running late and will be joining us later. The rules have already been presented to you and distributed in the consent form sheet. While maintaining strict confidentiality the aim is to encourage an open and rich discussion among you on the topic. Please have a look through them and sign the form before we can begin.

Participants sign the consent form

Moderator: Thank you for that. Right we can get started now. The first question, if you could briefly tell me about your background, education and your company and how did you get into the business?

Participant 1: I guess I will start this question. I started in 1986 working for the government. At that time it was called WAPDA, now it's been divided into numerous distribution companies such as NDC, dispatch company, CPP. Then I resigned from my WAPDA service in 2000 and I joined my family company which is called Vital Management Services Private Limited. The work is power sector centric, which I was doing in WAPDA. It includes mostly capacity building of organizations and ICT frameworks and regulations....

Participant 2 enters the rooms: Hello everyone, sorry for being late. I had promised I would be here!!

(General laughter among the participants)

Participant 1: Going back to what I was saying, my degree was in statistics with a specialization operational research and computer science.

Moderator: Yes.

Participant 1: Than in 2002 I did an MSc in ICT.

Moderator: Ok.

Participant 1: And then I did some trainings. As a consultant if you want to have dealings with ADB and USAIDS than you need you to have three required trainings. Most of my career evolved IT and with the passage of time being an entrepreneur, now involves small and medium enterprises and institutional capacity development and its frameworks, along with model development concerning the power sector. This includes low cost power plant. After that, the real thing is your bankable proposal that you have to build for the donors. In this regard recently, ADB has an activity going on which has the companies of Lahore and Islamabad, one is called LASCO and other is IASCO. There automation is taking place of these companies which will show productivity through technology enablement. For this one needs to start with feasibility and PC1. PC1 you can say is a control book to make a project go...it is the first guideline. It for example tells you how to do an exhibition. Is this sufficient?

Moderator: Yes for now this is good. Thank you so much

Participant 1: *laughs*

[00:02:43]

Moderator: Please can you briefly tell me about your background and how did you get involved with your business and small and medium enterprises in general?

Participant 1: You have to start from a long time away...*laughs*

(General laughter).

Participant 2: In fact, academically speaking. I was in fact I came from India I told you. There I was studying in Convent Jesus and Mary. Here I was in a corporation school and did my matriculation from Khazana Gate High School. Then I went to Dyal Singh College, there I did my graduation. Than afterwards I had the chance to go to various top universities of the world. Like Washington University, there I was for about six months. There in the economic sector I did a short course for six months. That was there. Then I went to London School of Economics (LSE), where I...

Moderator: Same alumni.

A Moderator: *laughs* It where I went as well.

Participant 2: *laughs* for a year. But I was responsible for my company, as I was eldest I had to return. My parents were like what is the point of studying so much, you have studied enough...just come back. But I still love to learn and study. Yesterday I wrote another article on the opportunities of business partnerships with Iran. After that I went to Germany for my technical training education programs. There I was for three months, and they gave me scholarship further to stay another year and do my practical training programme. So it was a long stay in Germany. Also there was Grand Battery Company as you all know, in 1964 that was first one. Real first one..

(phone ringing in background)

Participant 2: ...went to Germany..Hanover. Than went to Rastede, there I lived in South of France for one year to make batteries. I gained my diploma in technical expertise. After that naturally I went to London, went to school there as well. I returned home and opened two offices here. I am proud to be first Pakistani driving Rolls Royce in early 1968. I opened three offices back then. This is the sequence. Than I have been working almost like 25 plus years, on small and medium enterprises sector. And 25 plus years on technical training, education and skill development prog. In this I have mastered quite a bit, as I mentioned I went to Germany as well, which has led to Govt of Pakistan posting me to high profile assignments. Like the Skilled Dev council, some other participants here also executive board members (points at P1). He is all time executive board member of every company!

Participant 1: *laughs*

Participant 2: And then I remained the chairman of Skilled Dev Council of Pakistan. Then I remained the board member of the Punjab small industries corporation. Than I was board of governors of PITAC (Pakistan Industrial Technical Assistance Centre). Than I was board member of PCSIR.- scientific research board member. I am the founder chairman of the Lahore Drypot. And I am also the founder of the Tefta. Than I am only the Pakistani private sector person who was the member of the taskforce to formulate SMEDA. And we have worked very closely with SMEDA on capacity building progs. In total, we have done 1500 jointly, than I can say almost 500 plus have been done here in LCOC in the past dozen years. So there is a long history of my services. Then I got a gold medal from LCOC, gold medal by the Federation of Pakistan, than a reward from the President from Germany who gave it to me. Then also there was a Canadian reward in the past. I will give you my book which has all my detailed profile but this is something brief for the discussion here.

Moderator: Yes, Yes.

Participant 2: I had started to write my life history one day and after seven pages I got tired and left it *laughs*. This is all about it. I will say educated people are my strength.

[00:08:04]

Participant 2: *points at P1* he is the guru of IT. They are now working in the Northern Province at the moment. They are also family friends.

Moderator: How long have been involved with LCOC?

Participant 2: Oh fifty years. I found my income registration, I found that it was 5th Feb 1950. That is when I registered. I think my LCOC membership that was around 1960. I am not sure exactly but I have a very early number 285. My father's number was one of the first ones! His was in the first 20 or so with his number being 18 for the Grand Group. And then after when more subsidiaries started forming, I still represented Grand Group. I was again the executive director of the company, representing Grand Battery at LCOC. But there were two classes. One is chamber class and the other is known as associate

class. In the associate class around the 1960's there was an emergence of pressure from all the traders. That this, LORD CLASS discriminates and marginalizes the common traders from entering the Chamber. And hence the voice and concerns of small traders and firms are not heard. Consequently in response there was a movement for this. And when Bhutto came to power, the national government changed, and the provincial govern aligned its views to the new government. And then there was representation for small traders. The DTO was ordered to also represent the small traders in the LCOC. And you know, what we did to get control? All of our big companies, all their directors we started companies under their names. That way we got some power as well. That was the fact.

Participant 2: Please can you turn on the fan. That one. It's very hot on this side of the room!

[00:10:24]

(CT)

Participant 2: So, what happened was that in 1974. for the first time in the history of Pakistan, from Karachi to Kyber LCOC had the permission to take on 4 new board members. And for these 4 board members there was an election in 1973. I was also a candidate and I was the person who obtained the maximum number of votes. I received 313, the other contender got 311 and they were others. By virtue of my...that and competence and success I became ever the first associate class executive committee member of Pakistan. The associate class' executive committee..I am the first member of that. Everyone keeps coming to me. I am also the founder of the charter of the chambers of commerce in Sialkot, Gujranwala and Faisalabad. At that time when I was a board member there was no chamber at Gujranwala, there was no chamber at Sialkot and there was no chamber at Faisalabad. From Faisalabad Sheikh Abdul Bari used to come here for meetings, A.D Bhutta used to come from Sialkot and Khan Dastagir used to come from Gujranwala. And all three individuals are my oldest colleagues. So I am also the...in a way founder of those (three chambers). I am a signatory, when this was decided and LCOC recommended to create these three chambers. And then I had the pleasure of having Mr Nawaz Sharif my colleague, on next table. He used to sit with me, he was here for six months and then he became Minister of Treasury and never looked back. It's his kindness that he still recognizes me in public.

Moderator: I want to move to the substantive questions, after the brief introduction with other participants. That will set the mood of the focus group discussion.

Participant 3: My introduction is very very brief in comparison.

Moderator *laughs*

Participant 3: I have done my MBA in finance....

(CT)

Participant 2: So, am I finished here or would you like me to tell you more?

Moderator: It is more than enough for now....

Participant 2: I would like to tell you a little bit about my travelling experience.

Moderator: Ok.

Participant 2: I have represented Pakistan almost into 80 countries of the world. And travelled as the Chairman of the missions. And the most important thing that I have not mentioned, I am the founder Secretary General of SAARC Chamber of Commerce and Industry. With the status of Ambassador. And, I am the founder Secretary General of the SAARC Chamber with status of Ambassador. And have travelled to SAARC countries almost like 70-80 times plus. After this Federation of Pakistan Chamber and Commerce I have been board member all the time. Board member of the Federation of Pakistan chamber of commerce and industries. And I have represented Federation, travelled all over the world as a Sec General or Chairman of delegations. And this is a very big honour.

Moderator: I see.

Participant 2: And keeping in mind, when Pakistan, when Central Asia was created I am the founder executive committee member of the ECO Chamber of Commerce and Industry. This chamber comprises of ten countries and in this you have top ten people selected. This included businessmen like Iftekhar Ali Malik, Munir Sahib, Jamil Magoo, Qaiser Bhola, Tariq Shafih among others. I am the founder executive committee member of the ECO chamber of commerce which is for ten countries. In that I was for ten years the chairman of the Transit Committee which deals with all the rules and regulations of trade passageways. You also know them as TIR.

Moderator: Sure.

Participant 2: I created the ECO de passage. ECO de Passage. I designed it and send it to the ten member countries. Now if it was implemented there or not, that was their issues. But I had did my job. That was again very very hard work. Than I am the V.Chairman of the SME for Asia Pacific Chamber of Commerce and Industries.

Moderator: SMEs...can you please clarify?

Participant 2: Asia Pacific Chamber of Commerce...you also called it CACCI. C. A.C.C.I.*spells it out*. And now I am the....this is Zahid Javed Sahib.

(Participant 5 enters the room to join the focus group).

Assistant Moderator: Hello

Participant 2: This is Dr Arzoo. She is from Switzerland doing research...

Moderator: Not a Doctor yet! Hello and welcome.

Participant 2: Please write the last few remaining details otherwise I will forget.

Moderator: Ok sure.

Participant 2: I am the co-Chairman of the SME Taskforce Pakistan and India.

[00:15:40]

Moderator: That is interesting.

Participant 2 : I have so many designations that sometimes I forget. I think that is enough.

Moderator: Ok back to you P3. Can you please tell us briefly about yourself?

Participant 3: Yes I have a MBA in finance. I am associated with LCOC since last 13 years. Currently I am a joint director in the standing committee department.

(background noise as other participants talk among themselves).

Participant 3: And I am looking after the SME sector in LCOC since 2008. And I am also coordinating the activities of standing committee on SME we have at LCOC.

Moderator: That is great. Please Participant 4 can you tell about your background?

Participant 4: I am an MBA from Punjab University. That was the first batch that was started in 1972 and I passed during 1974. After that I started my career with National Investment Trust as an investment officer. I worked there at least one and half years. Then I went to Saudia Arabia, there I started my job with Saudi Basic Industries Corporations. That is called SABIC. That was

[00:17:03]

Moderator: Saudi Basic....I did not catch that?

Participant 4: Saudi Basic Industries Corporation. That was started on 1st Jan 1977 with 9 people and with a paid up capital of 10,000 million riyal. That was an autonomous body, so I worked with that company for 11 years. The basic work of that industry was that company was to establish and to start petrochemical projects in Saudi Arabia. The basic industry of Saudi Arabia. Petrochemical, iron steel fertilizer, aluminium. And they worked very hard and they were very successful in establishing all these projects in Saudi Arabia. I left after 11 years. The day it was started on 1st Jan 1977, they were 9 people including myself. The day I left after 11 years the total personal of that company was 17,000. And (pause)...that time that was the second largest in Saudi Arabia after Aramco. Aramco is joint venture with America and Saudi. They are mainly doing oil business, exploration, refining and then marketing of oil. But this company was established to (pause)...uh produce a petrochemical item from those gases which were, before that which were, burnt after exploring oil. So raw material was a

not a big deal, not a big problem for that. Raw material was very easily available in that form. So...that company has gone tremendously and right now that company is perhaps second the largest in the world.

[00:19:12]

Participant 4: So, I left after 11 years, repatriated in Pakistan. and I cannot tell you how I was treated in Pakistan by the people.

Participant 3: Everyone can imagine *laughs*

Participant 4: *laughs as well* That is a normal routine how people of Pakistan behave with those people who normally come from the outside. So that is a different society outside of Pakistan and here it is a different. Anyhow here I started a manufacturing concern of producing steel manufacturing unit. I started a steel manufacturing unit with some partners in Pakistan. Project was excellent, it was mature, we started our..(pause)..uuuhhh the sale of our project products almost was 2 Krore, how much is that in million? 2O million?

looks around at participants

Participant 4: 20 million in 1995. The first year of operation without having trial runs we sold out our items for 20 million. But later on due to differences between the partners that project was liquidated. *laughs* Right now I am running a business of Bareeze franchise shop at Liberty Market. And I am also an executive committee member here in LCOC. Also chairman Liberty Market Traders Association at Liberty Market. Have you see, have you visited Liberty Market?

Moderator: Yes I have.

Participant 4: When was the last time you were there? Recently?

Moderator: I went there when I was here in Lahore in January. I just came to Lahore two days ago.

Participant 4: Did you see it ten years ago perhaps?

Moderator: Yes I had seen it ten years ago.

Participant 4: All the development and reconstruction of Liberty Market, I did it under my tenure with the Grace of Allah. With the previous govern regime by the Grace of Allah. Anyhow this is a brief introduction. Right now I am also working with the Rotary club and I am assistant governor of Rotary Club district Pakistan.

Moderator: This is perfect. Thank you so much for sharing.

Participant 4: Today we are having our district conference, but I am especially here for this focus group.

Moderator: We really appreciate that. Thank you so much.

Participant 4: So any questions you want to ask please do so as I have to leave early. Have you prepared any questionnaire?

Moderator: Yes I have. Here is your copy. I had distributed it before *hands copy of questions*

Participant 4: He is your? *points at the assistant Moderator*

Moderator: He is my father and he is helping with the focus group today.

[00:21:49]

Assistant Moderator: I would like to introduce myself. I am the father of the moderator today and I am helping her today to moderate the focus group discussion.

Moderator: I will show you all a video on the concept of Habitus to kickstart the questions.

the video of habitus is shown to the participants

Moderator (explains the video to the participants): I would like to know these concepts of fields and capital relate to you as businessman. When they are talking about fields what they mean is what is relationship between you and fellow small medium enterprises owners? When Bourdieu talks about capitals...there is one called economic capital which deals with company profit. Second form of capital is social capital which is your networking with fellow SME owners and managers. And then the last one is cultural capital which deals with your education, background, and your family connections. If you had a family business and that is what made you join the business as well? So that...uhhhh...is the concept Habitus in brief. And from this question I want to ask all of you is 'What particular features such as ownership structure, size, management style, and personal relationships within small medium enterprises, how much of these play a part from your point of view? In terms of running a small medium company?

Participants discuss among themselves (background noise)

Participant 4: Can think over the question on paper again?

Moderator: Sure, take your time.

Participant 1: Bottom line, let me share that with you.

Participant 3: *interrupts* Another executive committee member has just joined us..she was running a bit late.

Participant 5 enters the room and takes a seat.

Moderator: Hello and welcome. Please take a seat.

(CT)

Participant 5: Hello and thank you for having me. Sorry I am late, I had a meeting across town.

Participant 5 exchanges greetings with rest of the participants.

Participant 1: What you are talking about, deals with how you cannot separate sociology from business.

Moderator: Yes, please continue the point you were making.

Participant 1: You are talking about human capital. We are talking about human capital because we are throughout looking at the development cycle of incubation. We incubate new entrepreneur in this cycle. Now this incubation can happen through community, through family background or you can say the incubation which starts at home. Right?

Moderator: Yes.

Participant 1: And the associations you have at your disposal like LCOC. What is the main purpose of these kind of associations? To give you accessibility for new opportunities. They have to teach you the norms, they have to teach to how to do business, also how to develop partnership. Whether they are relationship based or partnership based. This in my view is the core role of the LCOC. And this ties in with CSR that you provide a platform for those who do not have market access as yet. And who do they sit with? They sit with business tycoons, who have life time experiences like some of my colleagues are. By sitting with them you are indirectly making the incubation process happen. Right?

[00:25:11]

Moderator: Yes. I see what you mean.

Participant 1: So what does this all mean? That sociology plus business needs to be carried together. And the community development- whether that is business dev or individual dev, for that these two factors need to go side by side. It cannot be one or the other. And then when you are building an organization, that organization is doing incubation for its own benefits. It needs to do that to cover its own risks by having small medium enterprises underneath it. Because chances of failure for small medium enterprises are less, they have smaller overheads. We also have this thing called competitiveness.

Moderator: Yes

Participant 1: When you need to achieve that competitiveness than you need some good partners with you. And who are those partners? It's not like they are entrepreneurs from day 1. You as a company owner are incubating them from beginning, and you are choosing them on their skillset and then slowly and steadily you teach them the ways on how to do business. For example, if you work with a Multinational, than your culture and norms mould and build in line with the company. And that is the difference in my view. The entrepreneur who is working with a multinational or mature organization, action or way of doing things will be different. Otherwise it's like spring flowers...they learn as they go along. They fall down, get back up and learn each step of the way. But that first success, for that first time success, the whole process where contribution of every stakeholder is required. And then availability of data base. The knowledge centres for instance...in reality LCOC is also a knowledge centre. If you need any kind of information regarding local businesses, you will get it here. Their R&D's, because they have their own research and other people's research, it is all available here in one knowledge centre. If you want to research any particular vertical, any line of area or issue if you go into our R&D dept. you will get access to lessons learnt and previous experiences. In my view this all comes under CSR right? For this the good thing is that, you incubate associations, chambers, Federations and NGO's. As my colleague mentioned before how LCOC led to the formation of three more chambers, in reality LCOC incubated it, facilitated it, in other areas and in other parts of the country that they should also replicate the same business norms and rules.

[00:28:24]

Participant 1: For them this was CSR...that they build organizations similar to LCOC around Punjab. When they built more organizations than you got the creation of FPCCI (The Federation of Pakistan Chambers of Commerce & Industry) on top of it.

(background noise participants 2 and 4 talking)

Participant 2: Thank you very much so much for coming.

Participant 4: I could not say no.

Participant 1: Now you see this is the process of incubation taking place. If LCOC had not shared its model, than more than one chamber could not be formed. If more than chamber did not form than that would not have led to the creation of the umbrella organization (FPCCI). So we are today sitting in a good place, in this place if you go on their website and the work they are doing...this is CSR in my eyes. That instead of hiding your knowledge you decided to share it with others.

Moderator: I would like elaborate on one of the things you mentioned. You discussed the norms and rules in regards to business. Do you believe, at present within Pakistan and Punjab, if there is a trend....uhhh that such kinds of norms or frameworks are emerging in SMEs?

Participant 1: Definitely there is. If you want to sustain a business, without frameworks and norms you will be unable to do it. See, if you look at the current economic recession, it is also an opportunity I believe. People are making more of an effort. What is the effort? They are building norms and rules. And one more thing I will share with you Moderator is that, Pakistan currently is no.5 in terms of population. And if it by next year...sorry it is on 6th place and by next number it will go up to 5th place. So especially in this recession in regards to consumer market, consumer market that is why brands and businesses are still coming in. For consumer market access, Pakistan is still a very attractive market. Because of the rising population we have. So the consumer market is developing rapidly. As it is developing who is going to get its share?

[00:30:28]

Participant 1: Those companies who try to make their internal processes and their way of doing business better and adaptable. Meaning the old meaning, because you need act intelligently within a recession. You need to evolve '**how to do business**' intelligently. And then...than you need to this within the community as you because you learn from others around you.

Moderator: Do you have any example highlighting this '**how do business intelligently**' in regards to Pakistan?

Participant 1: Yes I can. Look right now in Pakistan, have you visited the IT board of Punjab? They are incubating at the moment and call this Plan 9 or Plan 6 I think. Just like that LCOC also has....

(interruption)

Participant 2: I was actually Guest of the day for the Plan 9 Incubator Conference yesterday. I gave them so much homework, that they were just out of their mind as to what to do. **(CT)**

Moderator: So it is called Plan 9.

Participant 2: I told them you exist nowhere in the industry of Pakistan! You are still in isolation and you are not networking anything! And they agreed with me and they said they will definitely work with LCOC on this as soon as possible. So...this is...

Participant 1: This is also community focused development... **(CT)**

Participant 2: ....this is also all under CSR..

Participant 1: ..CSR definitely. *nods head*   **(CT)**

Participant 4: I would like to add something here.

Moderator: Please do.

Participant 4: Small Medium Enterprises provides fresh blood to the large industry as well. Small Medium Enterprises has two sides to it. One is the...uuhhhh start of the business and other is the already existing businesses. In Pakistan, right there is not a single institution besides LCOC as my colleague has mentioned who provides, who helps them, who assists them, who guides them. **What do to, how to do and where to do.** It all depends on the opportunities..meaning how to do- what is the market at the moment. What to do- meaning what can you do with your resources and capabilities. Where to do- where should you establish your industry so you have easy access to raw material, have no problem of manpower, easy access to transportation and have access to other utilities. Before In Pakistan, there were certain financial institutions that you might have heard. There was PICIC, NDFC, RDFC, ICP and there was IDBP...

(phone ringing)

Participant 4: During that period, in our country there was just great industrialization was taking place. Because all those financial institutions were providing them all sort of help from A up to the start of the project. From the scratch up to the start of the Project.

Moderator: Yes.

Participant 4: Plus short term loan, long term loans in financial shapes. And working capital! Right now there is a not a single institution who is providing these facilities to those investors who are going to start their new business.

(background noise of Participant 2 talking on phone)

Participant 4: Banks are providing financial assistance to existing investors on the basis of their previous experience..

Moderator: the experiences yes...

Participant 4:.... plus on the basis of personal contacts. Till then this does not happen the new industry cannot start and thrive here. Now we move to the second factor...

[00:34:17]

Moderator: So, this means that start-ups have do not easy access to finance?

Participant 4: Yes starts up are facing a lot of difficulty here. For the entrepreneurs ....their financial resources are limited. And for that they look for partners to start their businesses. When they find partners, do partnerships...partnerships after a certain period of time because they are from two different meaning....(pause)...level...playing...how do you say it...there is different playing field.

Moderator: Yes.

Participant 4: So that is why they are not very successful in start-ups. I am speaking from my own personal experience by the way. And so the new companies get dissolved. When it dissolves, the projects also ends. That is why the small investors that are here, they should have some kind of support. Someone should facilitate them, motivate them, guide them, and assist them in every step and any kind of way.

[00:35:12]

Participant 4: Let me tell you an example...it just came into my mind. During the time when Pakistan was making the nuclear bomb, Dr Abdul Qadeer Khan was responsible for that project. I had a friend who was posted at Gujranwala. He received a phone call from some Kernal from GHQ saying certain VIPs are coming for a visit. And you have to give them VIP protocol. He told me that two helicopters arrived; one of them had Dr Qadeer in them. We gave them as usual protocol. He guided us to take him to a local blacksmith...you know. They had certain parts in his brief case and he gave it to the blacksmith to make. This is first-hand information I am telling you. That person within 2-3 hours he made the same parts for him. This shows there is skill present in our country. By the Grace of Allah, there is no shortage of skill here in Pakistan, there is no shortage of manpower, and there is no shortage of labour. And every kind of labour is available here; cheap labour is available as compared to other countries. Only thing we have to do is manure this labour...in a proper way, in a right direction. Only then we can have a lot more industrialization. Now the person who wants to start his project. He has to see what is his mind set up, what is his experience, what are the resources available to him? What facilities are at his disposal? Where can he start his project in a sound way...some where he has access to raw material plus his finished product should have access to transportation in an easy manner. And where he needs to send his products they should get there. Bc if you look at the big industries here, for example look at the auto industry, the tractor industry and other big ones, they are not producing...they are rather producing 5-10% of their total parts. The remaining 80-90%, they are gathering, those things are being manufactured in the suburban areas. That is small medium enterprises industry...where small parts are being made, car seats are being made, brakes are being made..different items. 2000 small medium enterprises they are. So it all depends on guiding them the right way.

Assistant Moderator: It is upstream industries if I may add for example in the auto parts industry. Than these parts go to various assemblers to be put together. It seems the problem of finance that is universal among the developing countries. Access to finance is a chronic problem, would you agree?.

[00:37:58]

Participant 4: Absolutely. It's chronic and pressing. But ok...I see where you are coming from. But we have to see within those resources, what to do, how to, how can we utilize them in the better way, the best way?

Moderator: I see your point.

(turns to P5)

Moderator: you had nodded your head in agreement when access to finance was mentioned. Would you like to add anything else on it in the discussion?

Participant 5: Thankyou...but for now no. I do agree that access to finance is the biggest challenge facing SMEs in my view point. By profession I am a pharmacist but my passion is jewellery manufacturing. And that is the business I am in now. I used to design jewellery since my younger days and I decided...it clicked with the customers. So I am in this business now. Now the thing is that I would like to speak here my views from a women entrepreneur's point of view, as I am aware of the problems we face in our day to day business. So access to finance for businesswoman is a hard core problem.

(background noise of other participants talking to each other)

Participant 5: SMEDA for instance is not helpful at all towards the woman folk who are in business.

(background noise very loud)

Participant 5: If we talk to them about ease of getting loans or some financial support, they do not listen. We face so many problems in jewellery manufacturing...we have to go to the skilled labour's workshop. They do not come to us. If they come to us than they charge us ten times more. So for us women entrepreneurs there are a lot of problems and challenges. So I will try to give you my views in that respect.

(Participant 1 leaves as he has to go to another meeting)

Participant 1: Thank you for inviting me. I have an urgent meeting and must leave. Great work you are doing here.

Moderator: Definitely. Please go ahead. Thank you for participating. We would love to hear your views. Normally when we talk about the small medium enterprises here in Pakistan we hardly mention the women entrepreneurs.

Participant 4: Women entrepreneurs (says in unison). They have several problems. And secondly as stated in the consent form I would like a summary of your research findings once you are done.

Moderator: Of course. I will share them with you as requested.

Participant 5: Please email me a copy so I can share them with other businesswoman in my network, who might have need of them. Now, can you please tell me again, as I arrived late what exactly is your research and how you are doing it?

Moderator: Sure. I will do so.

Participant 4: Excuse me Moderator. Sorry I have to rush to another meeting in a few minutes. If you would like to ask us any other substantive question before I leave that would be great. Is there any?

Moderator: Ok sure I understand. I will ask you all one more question to generate discussion. Then I will come back to Participant 5 if that is alright with you?

Assistant Moderator: We can ask the other substantive questions.

Participant 4: I apologize as I cannot miss this meeting. **(CT)**

Participant 2: Yes it is a very important meeting that we have to attend.

Moderator: I understand.

Participant 5: Yes of course I understand. Please go ahead.

Assistant Moderator: Once again we would like to thank all of you for taking time out of your busy schedules to be here.

Participant 2: Normally we have no work on Saturdays but this weekend it's busy.

[00:40:40]

Moderator: Briefly can you please describe to me the field of small medium enterprises in Pakistan in a few key words? And in what ways do you think small medium enterprises react to corporate social responsibility? What are the other challenges faced by them apart from access to finance for them to be more socially responsible?

Participant 4: (pause)...well in a general sense socially all of our small medium enterprises, industries they are providing jobs to the public, to the people. In this you also have to look at the issue of what kind of people are being trained? What are they producing? That they are not producing an item which is harmful to the society. Or they are training people in these places who copy brands. or they are making items...like that. Right now we have been having raids on food items to seize unhygienic stuff. We do not know what they serve to people to eat in hotels. They are really....really culprit to the society. They are really doing harmfully against the social sector.

[00:42:14]

Participant 4: Because we are unaware of what we eat outside in hotels or restaurants. They have to be very careful when it comes to the public's welfare. Profit....

Moderator: There should be accountability then?

Participant 4: Accountability is the next chapter. First is it about their social responsibility. That is socially responsibility that what am I doing as a businessman. That I am not making counterfeit medicines or drinks. Or I am not doing anything legal like replicating fake brands. Let me give you an example from my industry sector (textile). Right now we have had the new collection of summer lawn (cotton) by Sana & Safinaz. Each suits costs 6-6.500 Rupees. But you can it in the bazaar for 1800 Rupees as a fake copy. That is the socially responsibility of the person! The person who has spent so much R&D, research work and done efforts on it....and now using their name you are selling fake stuff. If I go to the Bazaar, and I buy it I will it thinking it is by the same company not knowing the truth. And after that, the quality of the cloth will feel different to you. You will than curse the manufacturer thinking they have made a bad quality product to sell.

Participant 5: That is a norm in my view, to do this.

Participant 4: Yes?

Participant 5: It's become norm here now...

Participant 4: Yes of course it has now... become normally a trend now. **(CT)**

Participant 5: It has become acceptable right.

Participant 2: normal way of doing business...

Participant 5:...deceitful **(CT)**

Participant 4:...now secondly if you look at cosmetics. Look at the health products.

Participant 5: Yes health products...

Participant 4:....Soft drinks even. All of these sectors have it. Now, for example I went get my car repaired. They installed something in it which was second hand. I paid him the full price. On my way to Islamabad my car stopped. This is the social responsibility of the mechanic to give me the right product. I was willing to give him the full profit. He should take the normal profit but in the process he should not harm the other person. We have many examples like this in every area, everywhere...In our country especially sorry to say, here among people it has become a trend as my colleague said as well. This has become our **normal norms** unfortunately. That they have do fraud, do unethical stuff and sell fake products just to earn more profits.

[00:44:26]

Participant 5: Look individuals will do this until and unless your system allows you.... (CT)

Participant 4: No individuals will also... Look P5 sorry, individuals need to make themselves better only then will be system get better. System is not only from top down but also from bottom up. I will not

make myself better....I will not tell my friends to work ethically in their businesses. By Grace of Allah, where I am I am blessed. My brother has his medical store next my shop. Yeah and one more thing, you have a medical store. I am giving you personal examples here.

Moderator: Yes they are great. They will be useful.

Participant 5: He has some great examples.

Participant 4: A patient is admitted in the hospital that will prescribe medicine say of 5-600 rupees to the patient. Whereas out of that only one or two medicine will be used in reality. Afterwards they will come to us and sell it to us.

Participant 5: Exactly!

Participant 4: And sell it for how much? If for instance a medicine is Rs 5,000 they will say you can buy it for Rs 500. But we will not buy it. That is our social responsibility. Why we will not buy it? Number 1...

phone ringing

 Participant 4: It is a crime pure and simple in my view. If you steal someone's medicines. Number 2 those medicines have become hazardous. Maybe that medicine was left for too long in the sun, or maybe its seal was broken...

Moderator: Has expired...

Participant 4. Yes has expired. This kind of ethical issues also comes under our social responsibility. This way if you look around, you have many many instances and examples here.

Participant 5: Yeah there are many cases around us.

Moderator: I would like to point out to a few good points that were raised here. Participant 5 said that any kind of reform starts from yourself. On the other hand, what Participant 5 was saying that it is the state's responsiblity to draw proper guidelines. Correct?

Participant 5: It's a question of law and order.

Moderator: And then they should implement it. Enforce it.

Participant 5: Absolutely.

Moderator: Now Participant 4 spoke about branding, copying product design, selling a lesser quality of summer lawn. These are intellectual property rights. Which seems to be a serious issues here. It is also the responsibility of the IPO...to catch these kind of people.

Participant 5: Nobody cares here.

Participant 4: I absolutely agree with you. There should be guidelines by the state. But there are certain items, certain things that will come from me. It is my personal responsibility.

Moderator: Naturally.

Participant 4: Our own religion has taught us that we should not do this. Our society has told us that we should not do actions that harm others. Government cannot do everything. Now all these examples of unethical practices we have discussed here today, how many will be the government be able to catch? It will catch one, or two. Out of a hundred maybe 1 or 2 and the rest 98 will carry on doing mal practices. It is our own social responsibility of the society, of the tribe, of the....

Assistant Moderator: And religious as well...

Participant 5: Absolutely.

Participant 4: Well religious is given already.

Moderator: I have one last question that links up with what you are discussing now. It refers to the concept of responsibility. It is in the form of a pyramid by an academic called Archie Carroll. He says in his pyramid the most important responsibility is economic. Than is legal, followed by ethical and finally philanthropic. *passes sheets with CSR pyramid model*.

This is what the model looks like **holds up a sheet for everyone**

Participant 4: Humm.

Moderator: ...after that comes ethical and then last is philanthropic which are charitable activities. Which responsibility do you believe is important for Small Medium Enterprises in Pakistan?

Participant 5: Ethical.

[00:47:53]

Participant 4: On this...ok. It's a pyramid...you can say these are the four pillars for the success.

Moderator: Sure you can see it that way.

Participant 4: So if you view them as four pillars instead a pyramid, than every pillar is very important. Than without any one pillar it cannot function. Anyhow..

(general laughter among participants)

Participant 4: But the priority... **(CT)**

Moderator: Yes I would to know which one is priority for you.

Participant 4: Anyhow...

Participant 5: For me ethical will come first. **(CT)**

Participant 4: Anyhow, economically the responsibility is crucial as you will start the business from that. That is a basic foundation.

Moderator: OK.

Participant 2: Let me tell you about responsibilities. *laughs*

Participant 4: That is... (pause) after that..

Moderator: So for you economic is most important?

Participant 4: No I would say all are very important. But in this the mind-set of the person...that is the most important. That includes ethical, social, everything is covered in it if the mental mind-set is satisfied in what they are doing is morally right.

Moderator: OK. Right and Participant 5 you said for you the ethical responsibility is most important?

Participant 5: Yes for me that is utmost.

Participant 4: I will give you another example here. In 1972 when President Bhutto, no sorry in 1976 when he nationalized a lot of the businesses. Sorry I forgot your name..?

Moderator: It's Arzoo.

Participant 4: In 1976 the 100,000 (1 lakh) now that is equivalent to 10 million (Crore) today. What he did was that he ..uuuhhhh...nationalized a lot of the textiles industries. Some of them he declared them as sick textiles mills. And he appointed administrator to handle them. Can you imagine this was in a big room, at that room I was working as investment officer at National Investment Trust Karachi. I had a friend from Peshawar. He was senior to me and he became....he was appointed as an administrator of one of the textile mills. In front of my own eyes, the textile mill people came to him. They said to him that we need take this and that from the mill. Take the 1.5 Lakh and look the other way.

phone ringing in background

Participant 4: He refused to that 1.5 Lakh. At that time 1.5 Lakh today would be equal to 15 Crore. So it all depends on the person to person..

Participant 5: Its depends on the individual.

Participant 4: How he behaves. How he...it depends on his liking and disliking. And then we also remember God in all this.

Moderator: This ties in one's religious duty, their personal faith and all?

Participant 4: Absolutely. Absolutely.

[00:50:12]

Assistant Moderator: I remember a phrase by Baba Farid at this point. I would like to share with you all.

Participant 4 and Participant 5: Please do.

Participant 2: Yes..

Assistant Moderator: He says that 5 pillars of faith. And the sixth one..food. And if you do not get food than the rest do not matter.

Participant 2: Do not matter. So very right.

Participant 4: That is good. *laughs*

Participant 2: In English they say that Poverty is a sin. Poverty is a sin. In this world the foundation of all evil is poverty.

Participant 4: Anymore questions to discuss?

Moderator: That was all. Thank you.

Participant 4: If you need to ask me anything else or go in detail I am ready. If need be..

Moderator: We would like to interview you individually if possible?

Participant 4: Yes take my card. And do contact me. I will give you my personal number to arrange the meeting not the shop one.

(general laughter)

Moderator: Thank you very much. I will be in touch.

(background noise)

Participant 5: here is my card as well.

Moderator: Thank you.

(background laughter)

[00:51:29]

pause in focus group

Participant 2: ...For me if two people came today that is great. For me this enough that I called these people and they showed up for me. That way I could help you.

Moderator: Yes I am very thankful.

Participant 2: Plus two persons from our staff here at LCOC could also join us which was great. They have so much working experience; they have their own first-hand information. They are not ordinary people and very well educated...well-travelled...

(background noise as other participants talk)

Participant 2: We have sent them on trainings for example in USA three months on a time. They are an asset to us. I always encourage people in my team to go on trainings instead of me. They are the future of LCOC tomorrow. They should be prepared and when the time comes I can ask them.

Moderator: Yes I understand.

(background chatter)

 phone ringing

Participant 4: We should continue our discussion.

Moderator: I would love the opportunity to interview you one on one.

Participant 4: Definitely. Do contact me. I would love to discuss more. *laugh*

[00:52:49]

focus group commence

Moderator: I would like to clarify a few things with you. If you do not mind?

Participant 2: Sure sure.

Moderator: Which responsibility is important in your eyes? Economic, legal, ethical....or philanthropic?

Participant 2: Yeah I wanted to talk generally. Rule of law for everyone. When there is one law for every person. That I believe my country will be prosperous. What is prosperity? What is economic prosperity? Prosperity can be seen at a glance in UK...when you see the PM is travelling in a tube and he is standing and reading his newspaper. Bc he could not find a seat. One of side this means there is rule for everyone. Secondly when you think of yourself equal to the PM there, I am getting food, I have access to housing, water electricity. For me that is prosperity...which we see in other countries. Here the notion of prosperity is completely different. And to achieve it, the parameters are varied. Someone is doing this, other person is doing that. That is not prosperity...it is s sort of snatching. We do an unethical action, we do adulteration...

Participant 4: Definitely.

Participant 2: We make fake things. You understand? We do violence against intellectual property rights. All of this, I believe, if we follow the law and we can only follow the law when everything in society is accessible and equal to all. This is the fundamental rule of the life and...social factor of the....uuhhh those nations that are alive. Or those countries who have worked hard and made themselves capable. The thing is...uhhhh Korea and Japan did not come before us. They are about the same times. Japan's doll, which we remember from our childhood, we never used to buy that saying it was from Japan and not of good quality. And today that country is a mega economic superpower. And then Pakistan got a chance to take over, in the SME sector, which we did not over take. Korea jumped in and they adopted everything and they became SME country. And then they became a mega economic power.

[00:55:42]

Participant 2: They were the winners! So all these things...

Moderator: Rule of law..

Participant 2: Are part of social factor is because the opportunities you are getting. Are you utilizing them as a nation? Are you taking over them? Do you have a wish to change your life? If you have a wish, is it right or wrong? If look behind any big business, if you life the cover you will find something wrong. Hard work, hard work, hard work...there is no doubt that with it you can achieve anything and attain success. But there is a short cut available too. Of course there is.

Moderator: So in your experience, do you think the concept of CSR here in comparison to CSR in western countries, is it different. There economic responsibility is foremost and then...

Participant 2: Yes, economic responsibility is paramount. When there is a transformation of rules and regulations or when for instance countries are created. You have to take all the steps. When we compare ourselves with a developed country....uuuhhhh.... we forget one main thing. That there are many things over there, that to adopt them is a national responsibility. That national responsibility....word to word, we do not adopt here unfortunately. We according to our own selective needs have made priorities and to fulfil them we do whatever it takes. Meanwhile in other countries, if you have membership to the chamber...it is equally for everyone. If there is tax payment, it is for everyone. If you go to UK today...your tax is deducted automatically. You do not have worry about it. It happens.

[00:58:11]

Participant 2: Just yesterday we were talking about indirect taxation. Progressive or regressive taxation. Now the thing...you can have progressive taxes or...

phone rings

Participant 2: But there are procedures for it. And once you have procedures than you get a permanent structure in the country. That is very important. Excuse me I must answer this.

breaks sentence to answer phone

Moderator: Right coming back to you P5 and P3. You had mentioned that for you ethical responsibility is very important. Can you please elaborate as to what do you exactly mean by ethical responsibility? What should businesses do in this regard?

Participant 5: In regards to ethical....in that if you see everything is included. *coughs* If you will have ethical values, if you will understand them and give them priority and…that is your basic thing. It is foundational. In my view, maybe people will differ but in my own view, if inside of you there comes an understanding, a maturity that there is difference between right and wrong. That we have to do this and not do this..than..

Moderator: right and wrong concept in a person you mean.

Participant 5: Absolutely. And from there you can sort your road out. Exactly. From there you can straighten your path in my view.

Moderator: So what are your views, on the challenges faced by Small Medium Enterprises today in Pakistan. We identified access to finance already. From a women entrepreneur perspective can you specifically tell me...if they want to do start-ups for example?

(background noise)

[01:00:03]

Participant 5: For them, due to their respective industry sectors, they each have different and unique problems.

Moderator: Sector related..

Participant 5: Yes sector wise. For example my business involves manufacturing- gem studded jewellery. And I face a lot of difficulties in manufacturing. And till now no one has helped...We have gone to SMEDA many times. We have had several meetings with them regarding the difficulties faced by the jewellery sector. They have no solution to any problem of the jewellery sector.

Moderator: Do you have any examples of manufacturing problems that you could share?

Participant 4: For example, in manufacturing and jewellery you cannot call skilled people to your house. They have their own places and uddaas (workshop). You have to go over there...

Moderator: So, transport is an issue in our industrial sector.

Participant 5: Yes. You have to sit over there. The colours you want, the specific beads you wants, the design you have to sit there and tell them. It takes sometimes all day. Many times you have to make a small sample to show them. And you tell them to just follow this. So we face a lot of problems. And to go to their workshop in old town of Lahore...it's hard to go there by normal transport. So....this Junjen Jewellery Design company, which is a govern organization...we have approached them many times. We asked them to address these small small problems of ours. And do something about it urgently. That they get a place or building where all these skilled labours can set up their workshops...and making easy access for all of us. Even you know, rickshaws do not even to inner parts of Old Lahore. Even they refuse because of they say its traffic and congestion. We have a lot of problems as you can see. (pause) But nobody is here to solve them or no body there is to listen to any problem..Specially of women entrepreneurs *laughs*

Moderator: So you would agree that women entrepreneurs face a lot more challenges than men here?

Participant 5: A lot lot more! Bc no body is willing to listen to us or handle our solution! So many people come here to LCOC, many high profile politicians come. We have met so many of them including ministers, but as my colleague (P4) was saying that business that are already existing they only help or promote them. The traders at the grassroots level, or those who face problems...with Small Medium Enterprises it's usually ladies who face challenges…which makes it problematic…you know what I mean? To address their problems there is no one there in my view. Which is unfortunate.

Moderator: I will ask you another question for clarification as I did not get your view during the discussion. It will be the second last question.

Participant 4: Sure.

Moderator: Do you think Small Medium Enterprises should be socially responsible?

Participant 4: Definitely they should be. I had mentioned before that if they are ethically aware...

P3: *nods her head* For me it legal responsibility first personally.

Moderator: Ethical awareness should be present...

Participant 5: Yes of course. If they are aware than they would know the difference between right and wrong. Islam also emphasizes this. Our religion also presses on it...that this should be done. It should be a priority.

 Moderator: So you can say there is no accountability?

Participant 5: None at all. Yes.

P3: Accountability is absent here. Responsibility is also misguided.

Participant 5: Definitely. I am sure you have observed yourself that the biggest tragedy we are seeing here in our country is that our young class is in a state of exodus. Everybody wants to....

Moderator: Brain drain?

Participant 5: Everybody wants to leave this country. They just fed up. They have no hope!!! If they had hope...I will tell you my own three sons left the country for jobs. They do not want to live here. I am living all by myself *laughs*.

P3: *nods head in agreement*

Moderator: So, this doesn't give you any hope for the future of business in Pakistan. As we are losing the skilled and educated entrepreneurs as they do not want to live here.

Participant 4: Listen when you will have an intellectual brain drain, than how can you do it. And especially when you have your hope invested in the young generation and they themselves are hopeless. And no they have no hopes and they see no future for themselves here...that is a big problem for this country.

Moderator: Thank you for all your comments. This is very rich and interesting data. I think we are done with all the questions.

(background noise)

End focus group

 INTERVIEWS :

Participant: Expert A
Location: LCOC

Date: 1.04.2016

Researcher: Thank you for agreeing to do another interview with me.

Expert A: I hope I would be able to answer your questions.

Researcher: Let us dive straight into it. You had already told me, in regards to Q5 about your background and education during the focus group on Sat. I will look through my notes just to remind what you had told me exactly.

Expert A: Sure sure.

Researcher: MBA finance, 13 years at LCOC, joint director…looking after small and medium enterprises since 2008 and you are also part of the standing committee on small and medium enterprises.

Expert A: Yes.

Researcher: Is there anything else you would like to add to that?

Expert A: Basically, I am part of the standing committee department. I am also supervising 12-14 standing committees on international affairs like on regional affairs...looking after the standing committee on Pakistan-Italy, Pakistan-India or Japan. And other OIC related matters. So, in a nutshell I'm supervising the standing committees dealing with international affairs. Right. And other than those committees I am also looking after the standing committee on small and medium enterprises.

Researcher: Good. If you could briefly describe for me, you can look at the questions in detail here, how would you describe the small and medium enterprises landscape presently in Pakistan?

Expert A: What does that mean…landscape? In what context, would you like to know?

Researcher: From a business point of view…is there a potential for growth? Since last few years have you seen an increase in small and medium enterprises? Their characteristics how you would you..?

Expert A: Actually, you know like large part of our industry is comprising of small and medium enterprises.

Researcher: Do you know the exact percentage by any chance?

Expert A: Actually, you know according to the books it is 3.2 million in Pakistan. According to the SME policy. We have around 3.2 million small and medium enterprises working in Pakistan. And in Punjab large part comprises of small and medium enterprises.

Researcher: Would you say more than 70%?

Expert A: Yes, more than 70%.

Researcher: In Punjab?

Expert A: Yes, in Punjab. And you know the bad thing is that we don't have such policy yet which differentiates the small industry with the medium sized industries.

Researcher: There is no exact definition would you say?

Expert A: Yes there is no exact definition because it is a merger...we say small and medium. And we don't know how much small and how to differentiate small from the medium. And there is an obvious difference between the small and medium enterprises and the large industry.

Researcher: Yes, yes.

Expert A: So there is a total merge that has been segregated as yet, as in how many percentage is small industries and how many percentage is medium industries here. In my view, this is a part of the policy makers a loophole and also a flaw.

Researcher: Right.

Expert A: Because when you are not aware of your target market, naturally you are not capable of addressing issues related to it.

Researcher: You have highlighted that there should be segmentation, or there should be differentiation in terms of micro industries and medium industries?

Expert A: Absolutely. Look let me give you an example...if the doctor does not know what problem the patient has and Panadol and aspirin is not the only treatment ok? Until and unless you will not identify your targeted area, then you cannot address the issue. Naturally at the policy making level the policies being made, there is no trickledown effect taking place.

Researcher: It will not have the same impact you mean?

Expert A: Absolutely no impact will take place.

Researcher: Right I see.

Expert A: You can expect growth, when actually you are really addressing an issue. If that issue is not identified that what is your target market and how much is it, this will lead to a certain degree of ambiguity firstly. Than what happens is that in a larger context, when you are making policies you treat small, medium and big the same. There is no target. Your policy has no impact or effect on the common man who for instance is a shopkeeper.

Researcher: So you believe there should be segmentation?

Expert A: I believe there should be proper segmentation when it comes to small and medium enterprises.

Researcher: For that, what would you need for people to agree on different types of definition because every person has a different view on this? That is another issue.

Expert A: Look, you are absolutely right but the basic framework of this has to come from the government. Meaning the government has made the SME policy but within that policy there exist a lot of ambiguities. There is an upper limit we are supposed to have 250 employees for the small and medium enterprises. If you are considering a small and medium enterprises in a category they should ideally have 250 employees. There is no range for minimum employees. Yes verbally 10 is the maximum the company than will be considered small. If it exceeds that than it will come under medium. But there is no category and has not been addressed at the policy level.

Researcher: If it's more than 250 employees than it's a big company in your eyes?

Expert A: Than it's a big indeed.

Researcher: And this is something I have come across in my previous interviews where if you look at the EU definition than some will be considered small and medium enterprises but if you take the SMEDA definition it's a big definition.

Expert A: I agree.

Researcher: And this is something I have come across in another interview I conducted where the participant asked me what definition I will be using. And I have not made up my mind...but I realize I will have to take a decision where either I use the EU which actually covers a lot of the companies I have interviewed. But if I use the SMEDA one, it seems very narrow

Expert A: Yeah I see your point.

Researcher: In terms of my humble view, but this is definitely… (**CT)**

Expert A: Look these issues can be addressed when the government has done its homework. Meaning for example if you look at the industry of Punjab or overall Pakistan…where industries are located. You will not be able to find mapping for that. If today I ask them if in a certain area which industry is most concentrated...they would not know.

Researcher: They would not know.

Expert A: You cannot make a policy until and unless you have done your proper homework. If the policymakers are not exactly aware who they are making the policy for and who it will impact, than I am sure you can understand there would be no trickledown effect. It will be zero. I am sure all the small and medium enterprises entrepreneurs you spoke too, they all are confused.

Researcher: As to where exactly they fit.

Expert A: They fit nowhere because of the ambiguities existing in policies.

Researcher: You had mentioned the vague policy making on small and medium enterprises by the government and how they have not done their homework. Do you believe this is because there is no open communication between small and medium enterprises and govern? Or is there is a lack of interest by the government? Or they do not take small and medium enterprises seriously? This is one of the things that was highlighted by participant from Sialkot. He said the government, they have no interest in us. They tell us that if you want to do a start-up you use your own money and if you have started it than it's really up to you to make the business successful. And they are not helpful at all.

Expert A: Let me tell you, when have a you a shopkeeper for instance and he has to go…to a govern department he becomes worried. One thing, he has no awareness level. He lacks education level. First and foremost, the hesitation arrives that will be able to get through the door of any govern dept. And if he does make it past the door, for some reason, ahead there are many people waiting to exploit him. Right. So, at first place communication linkage can be only be smooth when it has been developed. But when it has not been properly developed than how can you talk about it being smooth?

Researcher: Absolutely. In this way it is really hard for SMEs, I imagine.

Expert A: Look when you see at the shopkeeper or trader level, it is a class which is not very literate. They cannot do basic accounting. Their systems are very manual with registers and ledgers being used still. Right.

Researcher: Right, right.

[00:09:38]

Expert A: Even though govern has started all these initiatives, they lack that level.

Researcher: You had mentioned during the focus group about the three classes of small and medium enterprises- shopkeepers, traders and industrialists.

Expert A: Yes. Right. And it comes down to the fact that each category should be treated according to its requirement. If you're upper level, small and medium enterprises can be compared in my view to the middleclass of Pakistan. Middleclass is the well-educated class and in it there is a balance of money and education. So, you treat that class differently. In the case of medium enterprises, their requirement, their systems are somewhat different to small enterprises. They are the upgraded version of the small enterprises and so you would treat them accordingly. This is class is a class that is not all influenced and still are doing business in this country where everything is done on the basis of reference. Here if you need to speak with a higher-level office in a govern dept. or even the lower staff, that door will only be opened for you if you know somebody. See these things as you mentioned, this is obvious that there has to be a communication gap, there has to be like a linkage problem….where these things are not being linked up. There is no open-door policy. We talk about that there has to be a one window operation and in many areas there has been efforts by govern in regards to this one window operation. But there also exist flaws...let me give you an example. Here we introduced the system of POS. POS is a physical one stop shop and it is initiated by the government of Pakistan. The basic purpose of it was to give you a virtual online portal - based here at the Lahore Chamber of Commerce Ok. And the benefit of this portal is that any business entity if they go to that and they register on it, then simultaneously they register with three different govern departments. You don't need to go to different department. For example, a company registers itself through POS, and then it will register with EOBI dept., FPR and SSCP. With all three, one time in one go they register and the data goes automatically to all three.

Researcher: So, its ease of communication on one level?

Expert A: But this also has problem. When the data gets to FPR than they don't accept it. Why? They don't accept it because FPR has a requirement that the person has to be physically present at the office to register, give thumb impressions and give verifications. In any case the person has to go to the FPR office.

Researcher: Regardless of doing it online or not.

Expert A: Secondly on the other side there are more problems. What are those problems? One of those is that many of the businesses they are hesitant of registering themselves to FPR. Even though the systems of FPR are improving and they are including businesses in the text net. There are many people who will register SSCP AND EOBI but are not very keen to go to FPR. It comes down to this...different businesses have different requirements. And why are they hesitant? The chances are high that once they get registered with FPR, they will be most probably exploited. And the second concern is that they want to avoid tax. So it's both ways.

Researcher: What were the three depts. you mentioned just now?

Expert A: One is FPR, SSCP- security exchange commission of Pakistan, and EOBI- the employee fund. Going back to my earlier comment, the issue is that system is being implemented but there is a difference in requirement. It's not working out. What is the best solution to this? The govern needs to make an effort to bring the industry on board. And in my view, in the past few years the government has made and is making effort to address this. And these things cannot be worked out in one day...it takes times.

Researcher: Yes, I can see it takes time.

Expert A: Yes...it will take time. In my view, you can also say that this is a sign of progress that at least govern is making effort and at least govern is developing programs that is...obviously not each of your programs will be success guaranteed. You will launch a program, and then you will study its effect or impact. Then you will aim to improve it. So, it's not a one day process but the most important thing that the government is at least making an effort.

[00:14:58]

Researcher: Ok, just an offshoot from that question. In what way, small enterprises can be socially responsible and what are the factors that determine them to be socially responsible? For example, some of the factors include strategic CSR, religious duty and regulated tax called zakat, some do it for reputation, and some do it to get a competitive edge within their industry sector. What are your views on it?

Expert A: When you talk about facilitating the industry, there is a growth in the industry than definitely they will have enough margins for them to think about corporate social responsibility. If my factory unit is closed, I have not energy access and representatives of FPR are bothering me...questioning me. Day to day basis I feel trapped. I feel so trapped. Govern regulation is such that I get gas one day and next ten days there is none. I do not have enough funds to pay my employees. So, do you really think that the company owner can think of corporate social responsibility?

Researcher: Hummmm….

Expert A: The answer is no.

Researcher: Because for them it's their day to day survival.

Expert A: Exactly! And when his overheads are not being met what will ultimately happen? The first impact will be staff being layoff. Downsizing will start in that enterprise, people will be jobless. Right. Because the owner is unable to afford. Right. And in terms of trickledown effect, the people who are jobless...they will go hungry. This is because small and medium enterprises here are surviving right on the margin. They do not have extra finances to cover such short falls. The issue is if the govern does not give them a helping hand or there is supporting environment for that industry, so ultimately those companies cannot think of getting into such activities.

[00:17:11]

Researcher: From what I have understood, in response to this question is, the challenges facing small and medium enterprises range from logistical, access to finance, bureaucracy challenges. It's sort of…. it doesn't demotivate them from being socially responsible but it doesn't...?

Expert A: It doesn't allow them actually because there is so much pressure on small and medium enterprises due to their environment. Let me tell you something, when I went to Europe, one of my first observations was that, when you leave the airport. People are so well dressed! I was like amazed...I mean I tried looking for someone who was not so well dressed but I could not find any.

Researcher: Could you find any?

Expert A: You will not find anyone like that; everyone is so up to date and trendy. Fashionable, wearing good clothes and having a smile on their face. Why do you see people like that in Europe? bc their living standards are comfortable. They are comfortable in their home. When you are comfortable in your home, then that thing is definitely reflected in your surrounding environment.

Researcher: Absolutely.

Expert A: Right you see my point? So, when you look at small and medium enterprises so all these things, these attributes from which an industry grows, if they do not get that blood than they will certainly be reflected in your society.

Researcher: Where in Europe did you see well-dressed people?

Expert A: I went to Sweden and Denmark. They are so well dressed. Beautiful people!

Researcher: I have been to Stockholm 4-5 times myself.

Expert A: The interesting thing is that they are so pro-Asian. You don't feel uncomfortable. When I went to USA, I had the obvious feeling that people were not so welcoming.

Researcher: Where did you go in USA?

Expert A: I went for training...for about three months through my work in Michigan. I went to Detroit, Chicago and Washington. But they were so good on face. The feeling was obvious that there was not underlying comfort. They had at time sarcastic approaches but Americans are not so pro-Asian. When you go to Europe, it's completely opposite.

Researcher: Interesting view point that you feel that you feel this way coming from another culture.

Expert A: So this very situation if you incorporate into your country, what happens exactly is that the bureaucratic culture which exists here. It does not allow you as a small medium enterprise to thrive.

Researcher: So there is existence of discrimination against small medium enterprises?

Expert A: Exactly. That culture does not allow you to develop a comfort level with the government. And these sorts of issues generate corruption. If the culture is that for my work to be done I have to go the other way, then I will be prepared for that before I enter the govern dept. Say by carrying money with me for that very purpose. Did you get my point?

Researcher: Absolutely. Because the government knows small medium enterprises cannot fulfil their demands as their work or mission cannot be fulfilled in comparison to big companies.

Expert A: Yeah. The thing is, you cannot incorporate this situation 100 percent, there are like some good cops and there are some bad cops. On the other hand, there are some good business men and there are some bad business men. Right. That fight between good and bad is everywhere. How do you deal with it? In Pakistan, the problem is that we have not built our institutions. There has been no capacity building. When you go abroad, they... are not people who follow the rules. Those are the institutions that make them follow the rules. The institutional capacity and strength is so strong, the systems are so strong plus the SOPs are so well developed that you if you would send President of America...than he has to follow the rules! He is not the one with the authority who tells the people what the rules. The system will tell him, that you are supposed to do this, this this and this. The issue is in the private sector, institutional development, is one area which has been neglected for so many years.

[00:23:13]

Researcher: So how can you expect...?

Expert A: You cannot expect anything.

Researcher: So taking from lack of institutional structure that you mentioned....I had raised this issue in the focus group about the different type of responsibility. You had said for you the most important responsibility was the legal responsibility if I am correct?

Expert A: Yeah.

Researcher: In the focus group, I had identified four responsibilities. One was profit generation-economic responsibility. Then comes the legal. Following that is ethical and then philanthropic. For a lot of the people I have interviewed up till now, the small medium enterprises owners, for them the basic responsibility is profit generation.

Expert A: Yeah I can see that why.

Researcher: Only after that any other responsibility can be given attention to. You had highlighted the legal responsibility and in connection with this lack of institutional structure. If I am correct in assuming, it also results in not only having weak regulatory structure but also it doesn't really give a clear path to small medium enterprises in regards to legal responsibility?

Expert A: Look, I am not a businesswoman as you can see. The organization I represent, from that position I do not see the business interest but see the larger context in terms of what needs to be done. Obviously, the priority for me is that the government has to have a very strong hand in terms of making good policies. Than in terms of implementing those policies in a right manner. In this way, they would be able to facilitate the businesses to follow the right path. See, a lot of our industry is suffering why? If you look at a small issue- such as under invoicing and over invoicing issue. A of our industry is suffering from that. Where there is under invoicing taking place, the other industry sectors are benefitting. So, these are the small things.

Researcher: What do you mean by under invoicing? Can you please elaborate more on that?

Expert A: Under invoicing deals with clearance issues. Over voicing also deals with clearance. For example, a product is coming into the country and by giving money and under invoicing it you import at the lower rate right. So definitely your local industry would be hurt by that move. Right? Because the product you cleared at a cheap rate obviously to you it is cheap but in reality, its market rate is high.to you in the market it was cheap and now you are selling it at a cheap rate as well but for the next person it's a different story. For him, he has used his money and so his unit cost won't match yours.

Researcher: Right I see.

Expert A: These small small issues are where the government needs to intervene and make sure that anyone's business interests are not at stake. Another issue is the certification issue we deal with a lot of cases concerning that. A lot of our perishable goods have certification issues. Recently in regards to India we were dealing with certification issues concerning a large amount of goods they have detained at the Wagah border. There are issues of testing not being cleared among other things. Some businesses gave money to get it cleared while others are stuck. So, a lot of things are going on. Until and unless you will not have a strong grip your industry will not grow. Another example is the issue of smuggling which is not properly handled.

Researcher: You believe that the intervention of the government should be strong and persistent?

Expert A: very strong and persistent yes. Look you cannot tell businesses to not do corruption. See! but you can tell the government to make rules where there is no room for corruption.

[00:27:32]

Researcher: To have some sort of accountability right?

Expert A: Yes correct.

Researcher: Going back to the issue of responsibility you had also mentioned in the focus group that for you accountability is a lot more important than responsibility.

Expert A: Yes it is indeed.

Researcher For you if only there is accountability this will lead to...?

Expert A: If you take it step by step. First making a policy. Making the right policies, then make sure those have been implemented. Implementation is the key factor. And there comes the accountability. These are the three steps. And if you carry forward these three steps with honesty and sincerity, then I believe you would not face any obstacles in my view.

Researcher: And then this would lead to businesses being responsible?

Expert A: Business being responsible. There is not much of a culture here to wear the seatbelt. In the past one year I have been fined thrice and now I wear my seat belt. Even before I start my car, I wear first the seatbelt. What is that? Because I know if I drive without it I will get a ticket again. So, it's not me, it's the government who changed my attitude. The thing is you cannot totally blame the government for everything but yes which is its responsibility it should carry it out.

Researcher: Just going back to the four responsibilities I had mentioned, what do you believe is the most important responsibility is for small medium enterprises here? The impression I have gotten is that it is economic generation that comes on top, after conducting the focus group.

Expert A: Hummm.

Researcher: Do you think is there any other responsibility that is important for them, apart from economic responsibility?

Expert A: Look if I think like business women, then obviously, my primary interest is profit making. So foremost priority for me would be profit making. If I am making profit than definitely I am contributing to economic development. Than the trickledown effect is very good. Look as the company grows, its requirements grow as well. Today if the company has sound profits than its expansion opportunities will expand for the future. Where there are expansion opportunities, there are job creation opportunities. This is a whole chain which is in motion. If a company is making profit than definitely the

country is going towards progress. How does a company can generate that said profit? There has to be something behind it. If it is getting the proper inputs...from the government in this case. See?

Researcher: There is a linkage there.

Expert A: If I am baking a cake and I have not added the right ingredients, then how can I expect for the cake to be tasty. It's a circle.

Researcher: Yes, I see that what you mean. That is a good linkage. So, in some ways they have to meet half way through?

Expert A: Yeah they do.

Researcher: I will ask you just one more question and then we will be done.

Expert A: Sure go ahead.

Researcher: From my understanding, any potential of CSR, being socially responsible or responsible entrepreneurship that does occur is in SMEs. My impression has been that it is informal, its voluntary and it depends according to the situation? Would you agree with that and would you like to add something to it?

[00:32:00]

Expert A: See, the regulatory framework does not exist per se here. I had told you that here donations, CSR happens in two conditions. One is the religious factor which is very strong here in Pakistan. Our concept of the Zakat system...and it's an inbuilt system. If you look on the individual level, we say let's give some charity each month here and there. We do that. Being a Muslim we do that. It's incorporated in our system, so religion is a big factor number one. Number two why companies come into CSR? Because it's a good strategy of promoting themselves. If a company is into CSR indirectly they are promoting their company. A branding strategy. If you go into Shaukat Khannam cancer hospital, when you enter the lobby you will find a big list of companies who have donated generously to Shaukat Khanum.

Researcher: Shaukat Khanum is known worldwide. And has now become into a brand name as to what they do.

Expert A: Exactly. And you will come across a lot of products that have mentioned on them, that one percent will be donated to this charity or this cause.

Researcher: For enterprises in Pakistan they have 2.5 tax cut annually?

Expert A: Yes they do. And that in turn is indeed a regulatory aspect.

Researcher: And the strategic aspect would play how?

Expert A: This depends on them if they want to help during floods or build schools for people. And regulation is there, for example from my salary the zakat is deducted whether I want to give or not. That is a regulatory mechanism there.

Researcher: From a small medium enterprises perspective, for them do you think this constitutes enough to be socially responsible? Do you think for them that is more than enough, that they are contributing to society?

Expert A: Enough is never enough. See, whatever each company is doing it is doing according to its capacity. You cannot say this is enough, we are doing enough. Again, in our system, if things are incorporated that will motivate enterprises to be socially responsible. In my view the good thing in our system, is that we have religious awareness. That we have to give and that is why during natural calamities the private sector has contributed significantly. On each occasion the private sector is involved. I think in our capacity we are doing quite a lot.

Researcher: This ties in with the mandatory concept of Zakat and religious responsibility and they can combine that with their business objectives. To show that at least we are doing some sort of contribution towards that. That is a strong motivation.

Expert A: Yes exactly.

Researcher: Another motivation, you had mentioned is strategic CSR. Do you think there should be any other motivation for businesses? Actually, I think these are more than enough motivations from a small medium enterprise point of view?

Expert A: Yeah. One thing I would like to add is that when I travelled abroad. We are lucky we have a religious aspect to give back to society. There, whether it's on the government level or whether society has a system installed...every second person is volunteering for something...on community level. The majority of the people I met, they always had one day during the week where they would volunteer. It's become a life pattern.

Researcher: It's almost...it's a philanthropic culture where they are not driven by religious duty but by their own...

Expert A: You develop a culture of philanthropy. That was something new for me that I saw in USA. I was sitting in a meeting and my colleague said to me that no I have to go today...because I have volunteer at my local community group. They had designated days between them where they would volunteer. Every second person is volunteering there. In our context, this is installed on the school level. When you generate such activities among children, for them to engage with the community. You take the children to interact with community, cleaning roads, helping the homeless. I believe on our government level, this should be promoted. That children should be encouraged to engage themselves in community, which we don't do. This is not only on the individual level in the US, it is also being

promoted by the companies. They send their employees to be involved in CSR activities. I remember one company had done this by cleaning people's gardens…voluntarily. This way the company are involved in the community work, and that's another way of promoting their company. See. If it's my company, and my staff are going around wearing company shirts and offer to clean your lawn. People will love them. Definitely there will lead to awareness that this company does this. This way the company not only promotes itself but also facilitates the community.

Researcher: There is a strong promotion of that charitable culture in USA it seems to me.

Expert A: Yes, there is a promotion of that. And that is what we need as well.

Researcher: From a young age. And if among those kids, if one them wants to start their company, it will be inbuilt in them that you have to give back one way or the other towards the community. And this is not present here you say?

Expert A: And it's not only individuals. Companies also promote this, that their employees should volunteer. Although they are doing on the direction of their company, one way of promoting their company as well but at least...

Researcher: You don't find that in Pakistan?

Expert A: Not much, not much. If you observe yourself this culture has not emerged here. MNC's do this kind of thing here but it is the culture of their parent company, branches and other subsidiaries. That if they do it than we should it here as well.

Researcher: But this is lacking in local companies correct?

Expert A: Yes, they lack that kind of awareness at the moment. This is something the government can promote. If there are such kind of motivations are encouraged by the government on the school level, university level and industry/private sector level that would be good. That you should encourage your students, your employees for community work, plus government can initiate such projects where people get involved in community service. It makes me really happy, that the local municipal committee here in Lahore started an initiative. Where they used to take in university students as interns and then engage them in community work. These included reporting the garbage situation in a certain neighbourhood or check the conditions of streets. So, this is definitely engagement but it's not on a large level, just at the local small dept. level which is not enough.

Researcher: These are all very good points you have given me. I think we are done with all the questions I wanted to ask you.

Expert A: Oh so quickly! Hopefully what I said will be useful to you.

Researcher: Definitely every sort of information counts. This is really good the perspective you have given me, it is different from the perspective of the small medium enterprises owner. Because you have focused on policy making and need for legal responsibility.

Expert A: It is because their background is different from mine. Their background is business, mine is policy making.

Researcher: That is why I wanted to a get a different view because I also wanted to shed light on the lack of institutional structure and the almost blurred regulatory framework in Pakistan. Because when you talk about business you have to talk about the public and private partnerships. That is also why I wanted to interview you, because you have shed light on the fact that the government should do a lot more.

Expert A: Indeed, a lot more. Let me tell you before we finish, it's not like there is no work being done concerning socially responsible enterprises. Recently govern of Punjab introduced a youth prog, which is very good. It has two aspects. Number one they are hiring students, after they hire them they are allocated in the industry. On job training and secondly the entire stipend is paid by the government not the industry. I think it is such a good programme but it has not been fully implemented as yet. Lahore Chamber of Commerce is involved in this project by the Punjab govern of allocating students in the industry. But I would like to emphasis, that implementation does not happen in two to three days. It takes time. Right.

Researcher: Right.

Expert A: There is another new scheme that has been introduced through SMEDA. According to that program, any new businessman or new comer, aged from 30-45, no sorry from 20 till 45. He or she can apply for a small loan and the government will help them to start their business without collateral. He or she just needs a guarantee, from any person who can guarantee on their behalf.

Researcher: Without collateral?

Expert A: Without collateral. But they have to give a guarantee. Somebody on their behalf have to give that guarantee. It can be a govern servant (15th grade or above) or any well-established businessman or anyone who is in the position to give that guarantee.

Researcher: Do you know the name of this initiative?

Expert A: It's under the government youth prog. I would suggest that you ask SMEDA who launched it on behalf of the government. So, you see these kinds of programs being launched but let me tell you ultimately what matters? Their proper implementation is what mattes. Every other day we see promising programs being launched but there is no implementation.

Researcher: It seems that implementation is missing.

Expert A: The thing is that until and unless you will not have a proper channel in place, there will be no effect to follow after. You launch a program but there are no end results for it.

Researcher: That's good. This is interesting data. You have given me some really good ideas. Thank you so much.

Expert A: No problem, my pleasure. I am happy I could help you in your research.

[00:45:06]

Participant: Expert B

Location: SMEDA offices, Lahore

Date: 1.04.206

Researcher: Thank you so much for your time to sit for this interview. I will ask you five questions (substantive questions) regarding the research area- CSR and SMEs. Let us begin. Can you first please tell me your about family background and education?

Expert: I belong to a Janjua Rajput family and my ancestors are from Rawalpindi district. I have done my MBA from Lahore.

Researcher: How long have you worked at SMEDA?

Expert: Nearly 17 years at SMEDA.

Researcher: I will ask you straight away a substantive question as I know you are quite busy today. How would you describe the SME field presently in Pakistan?

Expert: Field as in terms of profession?

Researcher: I meant...Field in terms of sector.

E: SMEs like any economy in the country, in the world, they are very important sector of Pakistan's economy. Pakistan is a developing economy therefore the issues faced by SMEs in PK are very basic- HR, technology, entrepreneurial capability. These are the issues..and main one is access to finance. These are the issues that need to be taken care of but given these limitations, SMEs sector contributes in the national economy, around 35%in GDP, 40% in the exports. And a major chunk of the population of PK is employed within SMEs. They are estimated to be around 3.2 million enterprises in PK. And given the size of the economy and the pop of the country this figure is not very exciting. The number of small and medium enterprises needs to be increased, their efficiencies are to be improved if Pakistan needs to develop its economy. And get employment opportunities for its ever increasing youth population.

Researcher: You had mentioned other factors…issues faced by small and medium enterprises are HR concerns, access to finance, entrepreneurial ability

Expert: And last one was technology.

Researcher: Could you please tell me, how many, what's the number of small and medium enterprises operating in Punjab at the moment?

Expert: They are around, as I said 3.2 million SMEs, around 65% of them are operating in Punjab.

Researcher: I see. Let's proceed onto the next question. In what ways do you believe can small and medium enterprises can be socially responsible?

Expert: I think small and medium enterprises, in Pakistan cannot be compared in terms of size and efficiency with any developed country. The enterprises who want to be socially responsible, they have to be at least aware of the effect that they are making on the environment number 1. Number 2 they can...provide employment opportunity or outsource their businesses in order to engage vendor industry so that the effect or the trickledown effect can also take place from these SMEs. And number 3 is that they can...is that small and medium enterprises not existing ones; but potential small and medium enterprises or entrepreneurs can go into sectors which are requirements of the society and they maintain a good quality....and also provide or extend affordable services to that community. For example, education, medical facilities, health sector. These are the sectors which can be categorized as potential sectors for social enterprises. In Pakistan the concept of corporate social responsibility is at times very limited to providing grants or donation to schools or religious education centers or health care facilities for poor. But I think if they act responsibly, leave little mark on the environment, and provide the quality they are required to produce without any adulteration, or mismatch to the international standards. These are the things, I think that they can call themselves Socially Responsible if they do that in Pakistan.

Researcher. You had a third sector, one was education, health sector and the last one was...that is a potential for social enterprises?

Expert: Yes.

Researcher. What was the third one?

Expert: Social enterprises include any enterprises that provide social services.

Researcher: In education…health sector and..?

Expert: education, health or maybe any other sector which is required by society and there is a demand and supply gap. And they go and provide these services there...on sustainable basis. So the society receives these services which they are not receiving currently.

Researcher. Ok.. just an extension of that question. What factors, in your view determine small and medium enterprises to be willing to engage in such socially responsible behaviour? They are factors like strategic CSR, or to have a competitive edge, for reputation, for the sake of religious duty. In your view, what are the main factors that motivate small and medium enterprises to be socially responsible?

Expert: I think our cultural and religious values are more influential when it comes to CSR. The marketing or recognition or corporate culture they do not exist per se in the SME sector.

Researcher: Do you have an example which could elaborate that?

Expert: Most of the enterprises that we come across they provide support to children who are getting education in institutes who are not charging much for less privileged individuals or segments to society. This is one. Providing free of cost of food, maintaining kitchens who are providing food to the poor of Pakistan. These are two basic major examples and other than that providing regular contribution which is a religiously, mandatory zakat to the madrassahs and the mosques. This is how they operate; this is how they understand that they are responsible to the society.

Researcher: Last question and then we can start the focus group. In your view what is the definition of a socially responsible firm? Keeping in mind the role of CSR. How would you describe it?

Expert: I think in our local context if an enterprise is doing what is required to be done, it is SR. Be it in the context of the environment, or the quality of the product they produce or the quality of the product they promise to deliver. If they comply these...standards I think they are SR. This is a definition which is very different from any other definition but in our local context if the people are delivering what they promise to deliver, I think... in my opinion they can be termed as SR.

Researcher: So its compliance and...the good quality of the product?

Expert: Yes. In the type of regulatory environment and contract enforcement that we have, in our country, if somebody is doing this...I think they are responsible citizens.

Researcher: Good. Thank you so much. I see our time is up and other participants have arrived. Let's us proceed to start the focus group now.

Expert: I am glad I could give you some insight into the small business sector of Pakistan. I hope it was helpful!

[09:47:00]

Participant: Owner A

Location: LCOC.

Date of Interview: 28.03.2016

Sector: Gems and Jewellery

Researcher: Thank you so much for giving me the time for this interview. If you could briefly tell me about your company in terms of your sector area, location of your company and the number of employees if possible?

Participant: Yes of course. My work involves manufacturing of gem studded jewellery. And in this kind of sector you do not necessarily need a factory. It involves different setups where I we have to go and get our work done. It's quite a tedious and difficult work and not many woman do not get into it. If they are dealing in jewellery, they are just you know retailers or are traders. They buy it from Bangkok and bring it here, or bring it from India and sell it here. Manufacturing is more a man's work as it is quite difficult.

Researcher: A lot of your workers, are they based around Lahore?

Participant: Yes, they are all in Lahore...my sellers.

Researcher: Number of employees?

Participant: Around you can say 70-80. The jewellery sector is different as it includes people who do beading of the gem stones, people who stone set the gem stones together and then there are people who are involved in the die forming process. These people are not situated in the same place. Then you have people who do electro platting, they each have their own set up. You cannot have them come together in one place like your factory. This makes a difference.

Researcher: It is spread out?

Participant: Yes you have to go to them and get your work done.

Researcher: I am going to start with the first question. There is a concept of stakeholders. Are you familiar with this concept?

Participant: Yes of course I know what the idea is.

Researcher: Stakeholders includes people who you have a relationship with concerning your business activities. They are usually affected or influenced by the activities of the firm. My first question is to do with Stakeholders. Who are the individuals and communities that are affected by the activities of your company? And do you consider them to be stakeholders?

Participant: I think I will be unable to elaborate on this question. Perhaps you can be more specific in terms of content?

Researcher: You have stakeholders on one side who work for you.

Participant: OK I see.

Researcher: Than another type of stakeholders are your customers' right. Are there any other people who you have dealings with in terms of your business?

Participant: Hummmmm somehow to a little extent you can also include retailers in this mix.

Researcher: OK good. What kind of relationship do you have with them? Is there a personal relationship, is it include face to face?

Participant: Yes absolutely it's face to face with retailers. Another group in this are exhibitors as well.

Researcher: OK. In this list you have identified to me four types of stakeholders. First are the workers, next are your customers, than it's the retailers and then the exhibitors. For you, among them who are the most important stakeholders?

Participant: Exhibitors.

Researcher: Right. Have you known them for a long time?

Participant: Yes I have known and worked with them for a long time. Nearly 15 years, since I started this business.

Researcher: Would you consider your working relationship to be close with them?

Participant: Yes very close with most of them, not all. I also consider LCOC and TDAP- trade dev authority also as one of the stakeholders for us small medium enterprises owners.

Researcher: I see. Right.

Participant: Specially, TDAP in regards to women entrepreneurs has really uplifted them and helped them.

Researcher: Can you give me any examples in the way they have helped women entrepreneurs?

Participant: For example they have a lot of times have held exhibits where women entrepreneurs participated. They have an annual event, it just happened in Dec 2014. It is called Women Exporters Network also known as Wexnet...this annual event. Ever since they conceived this, I have been involved with them in every exhibition. What they do is that at the exhibits they observe the trader stalls, the setup, and their work and then they select a few of the women traders from that to be promoted by TDAP. And then they fully support them. For example they took us to New York, a delegation comprising of 15 ladies. It was very good opportunity and coverage for us women traders.

Researcher: In terms of business expansion opportunities, these kind of things like you went to New York with the delegation that led to more networking with others am I correct?

Participant: Yes absolutely. This way you get an opportunity, people get to know you as a woman trader, know about your business and then this leads to different people approaching you. This is very helpful especially for us. We also went to Italy few years back.

Researcher: Especially for the women entrepreneurs it's a great opportunity.

Participant: Certainly it's a great chance.

Researcher: You mentioned the customers, if you don't mind me asking are they mostly local or they are abroad?

Participant: Majority of them are abroad.

Researcher: Good.

Participant: Bc its manufacturing we get customers from outside.

Researcher: Going back to this issue...how do you engage with them? You gave an example of having a good relationship with TDAP. Same can be said with exhibitors In terms of your customers, how you interact with them? Through email, via phone?

Participant: We use all kinds of channels...all of them. In my visiting card, everything is there. They approach us via email or phone.

Researcher: How do you send your orders abroad once they are ready?

Participant: My products are very niche, they cannot be sent in bulk. The maximum weight is 1-1.5 kg and what we do is if anyone is travelling we send it with them. Or in some cases we use DHL.

Researcher: In terms of the skilled workers, what kind of interaction do have with them?

Participant: I have a very good working relationship with those people *laughs*.

Researcher: I am sure it is a very close one?

Participant: They respect me a lot. And being a woman entrepreneur they are very respectful towards me.

Researcher: OK. Do you think in this kind of relationship there is an element of trust perhaps?

Participant: Certainly that is case as they have known me for so long, have worked with me for so long. For example if I need an order quickly, they prioritize my order.

Researcher: How many times do you meet them say perhaps in a week? You had mentioned in the focus group that sometimes you have physically go to their workshops.

Participant: Yes absolutely. And sometimes it's hard to get to their workshops and sometimes the rickshaw doesn't even go there bc of traffic in that area. I do not go weekly to see him, it depends when I need it to. It's more once a month and if I am unable to go see them I ask them to come here to my office to pick or drop the order.

Researcher: Perfect. Another question is how did these relationships form between you and your stakeholders? And what is the impact on your business in your view?

Participant: My business thrives because of them to put it simply. And the relationship with them is respectful, motherly and sisterly...you can say.

Researcher: May I ask how did you find these stakeholders when you started your business?

Participant: Well once you get involved in this work you slowly find your way and learn the ropes.

Researcher: Good. Good. Do you think the four stakeholders you discussed, have any expectations from you? Any concerns they bring to you?

Participant: Including my workers?

Researcher: Yes I mean all the stakeholders in this sense.

Participant: In regards to the workers, what they do is that after every few months they increase their making charges.

Researcher: the workers you mean?

Participant: Yes it's the workers. They increase them quite rapidly and there is nothing you can do. You cannot change their mind, they say it's their labour cost etc. So you have no choice but to cooperate with them.

Researcher: negotiate with them?

Participant: There is no room for negotiation, all you had to do is cooperate with them. What they demand you have to give it to them.

Researcher: No choice but cooperate.

Participant: Yes absolutely. For example the electro plating and gold plating is becoming very expensive day by day. Which results in workers increasing their production costs.

Researcher: Why is it becoming expensive?

Participant: This is because of the rising price of gold. Metal, silver, copper all are increasing in price.

Researcher: So the workers have to increase their price in response to this?

Participant: Yes. They charge us according to the metal they work in, whether that is gold or silver. They say its metal and whatever you make it in, the labour cost will remain the same. So they do not compromise.

[00:12:04]

Researcher: Do your retailers have any concerns?

Participant: Expectations yes. They regularly keep giving us feedback. It's very useful for us as to what the trends are and what the demands of the consumers are.

Researcher: Do customers have any expectations?

Participant: Of course the costumers have expectations as well. They want perfection in the products.

Researcher: Such as high quality and precision?

Participant: Yes of course.

Researcher: You have already given me an example of what are the expectations and concerns of the stakeholders. We were unable to cover this on Sat during the focus group, as you had arrived when it had already started. Can you please briefly tell me about your family background, your education and also how did you enter this business industry?

Participant: How I started this business *laughs*.

Researcher: This is very important bc I was unable to get these details from you on Sat.

Participant: Yes of course I understand. This is my life story. *laugh*.

Researcher: Absolutely.

Participant: I graduated from Punjab University in Pharmacy. After that my plan was to do an internship, and I started it as well. At a drug testing labs here in Lahore. But you know how it is with your traditions and norms. During that time I got married. My husband used to work in Pakistan Airlines, he was an engineer. And due to his job we lived all over the world. I wanted continue working but he insisted it would be impossible to do so due to us moving around so much.

Researcher: So due to your husband's job where did you live?

Participant: Nearly all over. He worked first for Pakistan Airlines about 7-8 years. And than he joined Kuwait Airways so we lived there for nearly 10 years. We also lived for three years in Malaysia in K.L. After he died of a heart attack, we were in Malaysia at the time, than I moved back. We had this house built in Lahore so I moved back here.

Researcher: So how did you start your business?

Participant: I had three small boys at that time and in order to support the family I started this business. I realized I was educated and started this business. My kids were studying at the International School in K.L as they did not have the O'Level and A 'level system back in Pakistan than. I also taught at the school, two of my elder kids finished their A 'levels and then the third one. Once my boys reached college level I started looking to do something else. There was a workshop in Avari Hotel, it was organised by TDAP. I attended that workshop out of my own interest. The organisers said to us ladies that if we wanted to start your own businesses they would provide support to us. They encouraged us to do this saying starting your own business gives you the flexibility to have your own working hours etc. So they encouraged us to do and that is how I started my own business. Because you know it is difficult for every woman to have a 9-5 set job. And if you have a family and kids you have to give them time...it's difficult

Researcher: Yes of course. It gives you the option to do it on the side.

Participant: absolutely if you do not have the time to do it you don't have to do it.

Researcher: when did you start your company?

Participant: in 1996.

Researcher: can you please tell me the name of your company?

Participant: it is called Aiwa Apparel and Jewellery. I initially started with apparel but found it challenging to do so than I just focused on jewellery.

Researcher: That's great. I will ask you some questions that I asked during the focus group so they might seem repetitive to you. Bc now we are doing a one-on-one interview, I would like to specifically get your view now. To give you the opportunity to go in detail and answer freely. So I will start with the question that I also asked in the focus group. In your view what are the personal values, characteristics of SMEs owner that influence in how they run their business?

[00:17:39]

Participant: This is very important issue. I think foremost for me it is dedication.

Researcher: Are there any other values or characteristics that are important in your view?

Participant: Another one is finances in my view.

Researcher: You had mentioned access to finance during the focus group.

Participant: Access to finance is very vital. Especially for us business women it is a huge problem.

Researcher: Can you please elaborate on this access to finance from a business woman perspective? In a previous interview the participant said the same thing but he was a male business owner. So specifically what obstacles do you face? Is there any discrimination?

Participant: No no that is not so much the case. They have these set rules and law that do not really support women traders. That is how it is. What we tried to do, many times when the Minister for Women Development when she has visited Lahore, is ask her and encourage her to start a new and better initiative to help women traders. The First Women Bank here has not been very supportive. Let me give you an example, we went to Colombo for a single country exhibition organized by TDAP. A lot of us women entrepreneurs participated in it and lot of were selling their products. We had a great exhibition but they were handicapped in terms of finance. They were worried that they would need to use 200,000 to 250.000 (2-2.5 Lakh) from themselves. A lot of them did not have enough in their business. They required short term business loans, once they would sell their products they would be able to pay the loans back. But unfortunately no one trusts them to give the loan. There is not structure in response to these issues. So we need the govern need to take initiatives in access to finance and it would be very beneficial to women entrepreneurs. We need initiatives on getting access to short term loans for women traders for these kind of solid reasons.

Researcher: Short term loans is important to women traders it seems?

Participant: Yes absolutely. Short term loans would solve a lot of reasons to enable us to go to these exhibition and market out products. We have the travel documents, invitation to participate in the exhibition, we are eligible to attend but there is due to access to finance we lose out. That is why I say there is a need to have access to short term funds to the rightful people and you can get a bond written as a guarantee for payback. There has to be something like this for us.

Researcher: You had mentioned you brought up this issue with the Women Devoplement Minister?

Pariticipant: Several times when she has come here. She does not do anything, she only listen and then nothing. Not helpful at all. Like any politician she comes, to show she met us, took photos this and that. There is no follow-up after that...nothing solid comes from that.

Researcher: So do you believe they listen to your concerns and also understand them?

Participant: It's purely for their own self-interest you know. To show others and govern that she is doing their job. But the where real work is needed, she does not do it.

Researcher: Being a woman herself?

Researcher: Yes she is.

Researcher: I had asked you this before but would like to ask again for further detail.

Partipant: Can I also send your driver a cold drink while we talk? It's very hot today, I feel bad he is sitting outside in this heat.

Researcher: That is very kind of you. I will call him inside to get it.

Researcher: You had mentioned differentiation between the small medium enterprises sectors. Can you please briefly tell me about your sector which is apparel and jewellery? In terms of fellow competitors etc.?

[00:22:04]

Participant: Let me tell you what is the most difficult thing here specially in Pakistan. It is a rat race sort of. No one has any innovative or creative ideas in my industry sector. A lot of women ask me how they should start their business, they have the money. I tell them to be innovative and think outside the box. They start designing clothes...it's the easiest option. And now everyone is doing it. I was the only one back then to start my jewellery business. And everyone said to me 'why are you doing jewellery...what will you get out of it?' And now everywhere you will find is doing business in jewellery.

Researcher: So you are saying that the market has been saturated?

Participant: Absolutely. Like I said it's a rat race in this sector...everyone is doing it and trying to excel in this sector.

Researcher: But there is a lack of creativity?

Participant: Yes there is a lack of it. You need a certain mind set for it.

Researcher: In what ways do you think can small medium enterprises can be socially responsible? (Q7). We had discussed it during the focus group, as how a firm -whether big or small- have a certain responsibility towards society.

Participant: I agree on this. It depends on each individual as to what do they understand by what their responsibility is. You cannot teach this to anyone nor can you impose it on anyone.

Researcher: In what ways, do you think, can small medium enterprises be socially responsible?

Participant: can you give me an example of the factor.

Researcher: For example, small medium enterprises lead to job creation within the community.

Participant: Yes that is a huge factor.

Researcher: Personally in your view as a business owner, what do you perceive is/should be the socially responsible behaviour of a business?

Participant: From a business women point of view?

Researcher: Yes specifically from that point of view.

Participant: I will say that as a business owner, one should have social responsibility towards everything she does. For instance towards her clientele. That they should give them the correct information..rightfully. People ask me before in your products you used to use metals such as silver and what do I use now. I tell them we now use an amalgam of copper and silver. So there is **fair dealing**.

Researcher: Can you say that transparency is present?

Participant: Yes of course. Specially, when the workers you also have to be honest and open with them. What do I require from my products and how I want it to made. Dishonesty in my view is a short term concept as it results both in your workers and clients not being happy with you in the long term.

Researcher: Absolutely. In regards to economic recession, has that affected your business dealings? Has there been a fluctuation in terms of orders?

Participant: Luckily for us it has benefited us due to the rise in the price of gold! Now people buy gold as a sort of an investment to give to their kids. Before it was all about showing off the jewellery for the brides but now all of them ornaments are made in the copper silver metal. And the products turn out very beautiful and look like the real thing!

Researcher: So as a result customer demand in your sector has gone up?

Participant: Yes very much. It has been very positive for us.

Researcher: In your view, what factors matter to a small medium enterprises (like yours in this case) when it thinks about being socially responsible? Factors include being competitive, firm's reputation, your religious duty? In your view what factors are most important?

Participant: I guess... (pauses)...look if you are socially responsible in your business and your dealings, than only will you able to make a name for yourself in the industry. Otherwise people will back away. People are not blind, they see and understand. There are so many companies in my sector who are doing business but only clients who know me thoroughly well come to me for orders. They are my oldest customers. Also I do not meet anyone without an appointment.

Researcher: This means that your customers and clients, they have a huge degree of trust in you. They know whatever you will deliver will be of the highest quality.

Participant: Without a doubt. They know I will give them what I have promised them. And that I will deliver on time.

Researcher: Your reputation and name speaks for you.

Participant: Of course! I am honest with them, if there is a cheaper product I disclose fully to them what it is. If they want to buy and fit in with their budget I am open with them. But I tell them it will be purely ornamental and the quality is different.

Researcher: So trust is a big factor here as they have have known you for so many years?

Participant: Everything runs on trust between me and my customers. Moreover a lot of the ladies also come to me, I believe, with their precious stones bc they are hesitant to go to a jeweller. They prefer to come to me and tell me to re set them in a new way or something like that. I do not work with gold, just silver and copper. So this is also an edge...your strong name which leads to having a strong clientele.

Researcher: The next question is within your apparel & jewellery sector, is your relationship with fellow competitors? Do you know them well?

Participant: I would say it's a healthy relationship. I would describe it as formal and cordial.

Researcher: Is there any competition between you and your competitors in regards to customers?

Participant: No, I mean naturally when we participate in exhibitions we all try to get as many customers we can. But the thing is, customers know who to go to and who they know from beforehand.

Researcher: So it depends on the customer's relationship with you?

Participant: Yes I would say that is extremely important. It is a relationship based business sector.

Researcher: Right we are moving on to the next three questions that deal with the concept of responsibility. You had mentioned during the focus group that for the most important one is ethical responsibility. You said, let me paraphrase that if you are ethical, than it covers all the other responsibilities.

Participant: Yes I agree on that.

Researcher: Can you please give me an example of ethical responsibility in your view?

Participant: To me it relates to how you have some one's deposit..you will not meddle with that. Try to be transparent with it, not to malpractice and give it back in the same condition as you got it. If some brings me expensive rare sapphires, I will use them and not change them for fake one. Jewellers do this here you know and very frequently, which affects our sector reputation.

Researcher: Really? Can you elaborate more on that please?

Participant: Yes they change them. People bring their semi-precious stones to them and they replacement them with fakes one. And the customer never find out unfortunately. I have never had such kind of semi-precious stones but I have heard this happens a lot these days. Everything should be ethically sound, and in my view it will cover the rest in your business activities.

Researcher: What do you think as a successful business owner, in your sector among your fellow competitors, is the most important responsibility? I had outlined 4 types of responsibilities in the focus group. One is the ethical, the other one was economic looking at profit generation, and the next one is legal...norm and frameworks that should be followed. And last one looks at charitable actions such as helping to build a school or hospital.

Participant: For them the most important responsibility is the protection and support of the environment. Look around, observe, keep an eye and see if you can help anyone or a community by all means. You know what they say if your intentions are good, even small help goes a long way. Sometimes small medium enterprises are unable to do it but it should be done.

Researcher: Would you agree that community driven responsibility plays a role here.

Participant: Yes of course. It certainly does play a big role.

[00:32:28]

Researcher: I have come across my studies that MNCs do it as a way of strategic corporate social responsibility to show in their annual reports.

Participant: Yes to show people and society they have done something.

Researcher: And with small medium enterprises it seems to me, that they genuinely want to help people. Such as helping their workers and the community, even though they lack in resources or funds in comparison to big companies. But they appear to have that passion to help the wider community bc they seem to have a better understanding of what the community needs and there is a trust based relationship. Would you agree to that assessment?

Participant: Yes that is accurate picture in my view. It's a close relationship between small medium enterprises and the community. It comes to what we discussed earlier...community driven responsibility.

Researcher: We had briefly discussed during the focus group, the important part played by traditions and religious beliefs. You had mentioned zakat and helping people etc. Would you like to add anything else to that.

Participant: Hummm....(pauses). I would like to add whatever are your means you should try to help within those means. It does not necessarily have to be monetary; it can be also listening to someone's worries or their family problems. You can lend them a 'good ear' so to say...that also means a lot to them.

Researcher: That is a great thing you said. It's sort of a support system to lighten their emotional load.

Participant: Yes absolutely. Just talk to them, listen to them. Tell them your side, and they share their stories with you.

Researcher: Do your workers do that with you?

Participant: Yes openly. My workers share with me about their kids, their education, if someone is ill. Or someone's daughter is getting married. They ask me if anyone I know is willing to help them and so I spread the word and also I help them where and when I can.

Researcher: As a summary of today's interview, do you believe people within your sector do a lot of these sort of philanthropic activities?

Participant: They should do it!

Researcher: They don't do as much would you say?

Participant: Unfortunately they do not. Most of the business ladies I know, they are capable of doing so, they have the resources. But there is no trend do such responsible activities.

Researcher: Why do you think that is if I may ask?

Participant: In my experience as a SME owner for several years, it's not only in my sector. I mean among all the business women I know in all other sectors. Ladies that I know through the Chamber and through our ladies network. They can do it, we should do more. There is potential and also we are not very organized. It's a wayward sort of attitude. They do not listen very carefully when someone wants to take an initiative.

Researcher: Especially in women business owners would you say or all SMEs?

Participant: I mostly deal and network with women business owners so I meant the women specifically.

Researcher: We are on the last question now. I had asked you earlier what in your view is the definition of a socially responsible firm. You had said a firm that is community driven and helps people.

Participant: Yes that is accurate.

Researcher: So what role does an owner's personal values and motivation play in their company being socially responsible? It is driven by religious motivation, or does the owner's personality or personal background play a big role in this?

Participant: Yes it does...it plays a big role. But it varies person to person. You cannot force it on anyone; it has to come from within that individual.

Researcher: Personal values and motivations vary among people.

Participant: I believe it depends from individual to individual.

Researcher: That's was the final question We are done with our interview. Thank you so much. It was quite short as we had covered most of it during the focus group.

Participant: Yes, we had covered lots of it yesterday.

Researcher: Thank you so much for giving me the time. I was very much interested in your views especially from a woman entrepreneur point of view.

Participant: I am happy that someone was interested in doing research on us! So thank you for giving us small businesses a platform to express our views.

[00:38:34]

interview ends

Participant: Owner B

Location: LCOC

Date: 1.04.2016

Sector: Pharmaceutical Industry

Researcher: OK let's start. Thank you so much once again for giving me the time. I know you are very

busy and I really appreciate you being here.

Participant: OK. Thanks for that.

Researcher: If you do mind telling me the name of your company?

Participant: It is called Pacific Pharma.

Researcher: Could you please tell me the number of employees in your company?

Participant: The total numbers of employees are around 526. Out of which 200 work in the facility and the rest 226 about work in the marketing department. (pause) So we are a middle sized company.

Researcher: Yes. Could you please tell me the location of your plant?

Participant: 30km outside of Lahore on Multan Road.

Researcher: If I am correct is that Kot Lakhpat?

Participant: No it's not. It's main Multan Road.

Researcher: Good. Thank you so much for that. We will get started with our interview now. hummm....if you could, I will start with Q5. That will be easier.

Participant: Ok.

Researcher: If you could describe your family background and your education briefly for me.

Participant. Ok... my family background. My father was a lawyer. Then I got my medical education from Fatima Jinnah Medical College, University Lahore in 1986. And afterwards I got married and worked in the same university. Teaching in the pharma college university dept. I worked there for 3 to 4 years and then my husband wanted me to join his company. So for the last 22 years I am working as a director, quality assurance director, V.P, different...taking up different responsibilities in my company. Successfully we have achieved many milestones. Out of which one is getting the EU certification, from Germany and it is there for the last 9 years. And we are the only company which is exporting to UK and Germany..finished pharmaceuticals form from Pakistan. I have three children. My eldest daughter is a pharmacist. And she also joined me last year in the organization. And she is looking after, now procurement and HR, just to start with. My son is going to be computer engineer, this year. He is graduating in May. And my youngest daughter..again becoming a pharmacist. And...(pause) at Reading University UK.

Researcher: Ah Ok.

Participant: It's her first year. So

[00:02:56]

Researcher: Does she want to join the company as well?

Participant: Yes yes. she wants to *laughs*. Actually she is a very accomplished cook and baker. But...I want her to open up a restaurant. Just bc food is very popular in Pakistan but she is like no first I will finish my graduation than I will do something else..*laughs*

Researcher: So it's a family company?

Participant: Yes it's a family run company. And the way (pause) I wanted my children...bc in summer vacations they are with me in the company. So they have a love and passion to work there as well.

So...they are happy *laughs*

Researcher: That's good. That' really good. You are training the next generation to run the company (CT)

Participant: Yes that is...exactly. That is what it is. They are already in it.

Researcher: So I will start..so we will go back to Q1.

Participant: Yeah ok...

Researcher: Which individuals and communities are affected by the activities of your company and do you count them as stakeholders?

Participant: Yes. I am...mainly we are manufacturing finished pharmaceutical form. And that is a very regulated business. And my distributors. They are around 40 distributors all over Pakistan. They are my major stakeholders bc they are one who purchase..buy medicine from us. And distribute them door to door, to the end user - customer patient.

[00:04:15]

Researcher: And they are all over Pakistan?

Participant: Yes all over Pakistan. They are 40 of them.

Researcher: Yes.

Participant: And we engage with them daily...you know by email and SAP program. That is integrated, and all the distributors have the same software like we have. So we are day to day monitoring what is happening at their warehouse as while as in our warehouse.

Researcher: *read aloud* through email. that is great. Do you have any other stakeholders apart from these 40 you have mentioned?

Participant : Ah.....I think...(pause)

Researcher: You can look at the list of stakeholders that is explained in the question sheet.

Participant: Yes that would be great. I mean the distributors are the major ones.

reads through and thinks

Participant: Yeah obviously the employees, the customers and local communities. And...

Researcher: You also mean the customers abroad?

Participant: Yes of course. The patient is also a customers so a stakeholder you can say as they are end users of our product. Every patient....Dr's are our customers also. And employees obviously are our stakeholders.

Researcher: You mentioned earlier that you export to UK and Germany.

Participant: Yes.

Researcher: How do you engage with the stakeholders based there?

Participant: Yeah we met them from time to time. They are...3 to 6 months. Their QP comes down here every 2 years to audit our facility.

Researcher: QP?

Participant: Yes it is the Quality Person. They are a qualified person. They come down and audit our facility. We meet them regularly and there is exchange of so many documentation. That there is no...you know I do not feel that we are at a distance from them.

Researcher: I see.

Participant: So it is very convenient. They come down...we meet three months time and you know.

Researcher: And you have had these customers, I am assuming for a very long time?

Participant: Yes..yes a long time.

Researcher: So there is a trusting and good relationship between you?

Participant: Obviously it's a good relationship. And as far as our distributors are concerned we do not change our distributors. The same distributor...

Researcher: How long have had these distributors?

Participant: (pause) I think...more than, some of them have been from the time since we started our business 20 years back. And mostly more than 15 years. We do not change bc you develop relationship with them, you have confidence in them. And it's not good to change. You know. They have invested time and money with us. And once we say you know go...go we do not want to continue. It is not our style

Researcher: Yes

Participant: Yeah.

[00:06:54]

Researcher: Hummm...next question. What determines the nature of your relationship with your stakeholder? If you could provide an example. You mentioned how you supply your products to the customers. Is there any other example?

Participant: (pause)....what sort of example. Let me think.

Researcher: You had mentioned the QP.

Participant: There is the QP. He comes every two years. And we also meet them annually. We have a distribution conference annually and we meet all the stakeholder that are here. Or we take them out of the country for 2-3 days. And we share them what are their problems, what challenges they faced during the whole year. I mean we conclude every year and give them budget for the next year.

Researcher: Right that is a good example. Thank you.

Researcher: And this covers Q3 in a way which is what do you consider to be stakeholders needs and expectations. Let me take the example of distributors. What are their concerns and expectations?

Participant: Humm.That we should provide them quality product. The product should have long shelf life. Furthermore the storage requirements are maintained. The warehouse capacity should be maintained...issues of certain temperatures, humidity...as you know medicines are very sensitive things. So we have to. We audit them also, just to check how they have stored the medicines and using the medicine...distributing the medicine.

Researcher: Right we move to Q4. Which stakeholders are significant to your small medium

enterprise? You mentioned the most important ones for you are the 40 distributors.

Participant: Yes.

Researcher: The next question with that was how do you address stakeholder concerns. You already covered that in how keep in regular contact through email and other means.

Participant: hummm yes...hummm.

[00:09:02]

Researcher: I will move onto Q.6 if you do not mind.

Participant: Hummm *in agreement*

Researcher: What characteristics, motivations and values influence your action as a SME owner?

Participant: (pauses) Ok...you have to be a **role model** for your team. You have to work with them. We don't just order them. Whenever there is an audit.., preparation of an audit I am, me, my daughter, my husband we are all with them. We are staying long hours with them, checking all the documents ourselves. What they need to upgrade the system. And even providing them incentives after doing good jobs. And we have certain...employee of the season. Some...just to...from each and every dept they nominate. Than we.. a board sits and give special prize to them for good work. It motivates them.

Researcher: Good stuff. If you could talk a bit more of you being a role model for your team. Especially as a woman entrepreneur....

Participant: Yes yes yes sure! (CT)

Researcher: I really want to know that perspective.

Participant; Yes of course. It am so happy that all the females if they come and start work there. They would like to continue..(pause) job with us even after marriage. And they are so safe and secure. They will..there is no problem of harassment. No one just looks at them with a bad eye. They know if...sometimes they say it's a women's company bc me and Afifah (my daughter) we are always there. It's a women's company, everything is in the hands of women.

Researcher: It makes a lot of difference I assume.

Participant: Yes it does. Yes. And they are very you know...and you know a father and husband cannot do much when both the females are so strong *laughs*. So...it's very good nah. And inspiration. There are many...two three consultants. I do not whether you...it could be recorded. But three consultants they came to me and they wanted to marry a Pakistani female! *laughs*

Researcher: *laughs*

Participant: Just by the way I handle my family. The way I handle my work. The way I live at home. So three of them! One was an Iranian guy and two were Germans.

Researcher: All three of them?

Participant: Yes all three of them. And the German was the successful one to marry a female pharmacist working in our company! *laughs*

Researcher: Oh...so your company was also a matchmaking...!*laughs*

Participant: *laughing* matchmaking! They were like no no...we have want Pakistani female. We have never come across female...

Researcher: Bc they saw a whole different side of Pakistani female pharmacists working in your company..

Participant: Yes...yeah. That is it. And they said she is so good...she has balanced her married life, home and children everything very nicely. I told them not every Pakistani woman is like Dr Qurtulain. *laughs* Another was also the Iranian guy was also...I think you can delete it. But just to add.

Researcher: Sure I know what you mean.

[00:12:04]

Participant: He married...he was trying to find someone here.

Researcher: So he did not get married here?

Participant: No he did not *laughs* He was not successful.

Researcher: *laughs*

Participant: He had leave. He found someone, but the girl did not want to leave Pakistan actually. She was a doctor, working here in a hospital.

Researcher: Right.

Participant: So...but I am just telling an example of inspiration. People are...

Researcher: They see a very different and a very positive side to Pakistani women working. And they don't really concentrate if I may so, on if they are pretty or if they are beautiful. But on their intelligence and their brains and their capabilities.

Participant: That is it exactly. I lead my team in every audit. Thank God I have not failed any audit. The Germans..all of them they are now my friends and they always respect me and...I am very responsible also. A person whom I know and he comes to me for something. No matter if I can do it, I will do it. Otherwise I say I can't do it. This is very you know...you have to develop trust with people right. Right now, while I was sitting the car they asked to take a group picture, and they wanted me to get the picture taken ...(incoherent speech. Cannot understand last few words)

participant is mumbling

Participant: Sorry.

Researcher: No problem. This is important as what I have understood from our discussion is that it is important you are a strong and capable role model for your employees. Specially women in your company...

Participant: Hummmm yes **(CT)**

Researcher:...it is almost that it a personal motto that you want to everything responsibly and efficiently

Participant: Absolutely.

Researcher: And could you say that it's...this has uh evolved into the culture of your company?

Participant: Yes that's right. That is very true.

Researcher: ...your management style that has played a huge role.

Participant: Absolutely. That is very true. They know that I can't just let go on the verbal thing. I would like to see and I would like to implement everything. What are they doing. Trainings...I read the trainings even they have to give the trainings. First bring it to me. From where you have taken this abstract. Bring all of it. OK bc when in audit you have to face right? If it just a page or something how can I defend them at that time. It doesn't seem so but these kind of things take so much of your time. Extra time.

Researcher: Right right. It's almost that you running your company like a German company. *laughs*

Participant: Yes I... **(CT)**

Researcher: Bc Germans are so efficient and specific. And...

Participant: Yes nine years. And my German consultant she knows when she talks to me, she just know that when I said today. It means today.

Researcher: On time.

Participant: Yes this is... **(CT)**

Researcher: Hummm on time. German companies are like that.

Participant: is... very important. This is very important.

Researcher: Absolutely.

[00:14:48]

Researcher: That is really good.

Participant: So it's good for everyone.

Researcher: I really like how you portray your management style.

Participant: *laughs* No no I would not go so far, I want to work with them...

Researcher: This is good stuff....It's very inspiring.

Participant: I do not want to sit back and order. No No...I want to work with them. Than it makes a lot of difference right. Then I will ask my cook to prepare special food for them if I have called them on Sat or Sunday. I ask him to prepare something good right...and I will take with me. Whatever they are eating at the plant also but it's ok. They feel important that Madam has brought food us from home *laughs*. So it is about keeping your team motivated.

Researcher: And the way you are as a person and the way you run the company, that's how you are going to transfer those kinds of values to your workers as well.

Participant: That is it. Yes. And I always stay at my commitments. If I say tomorrow I have to send this mail. This and that. I make them realize that this is very important to keep timelines and commitments.

Researcher: Yes. Do you know how many female workers you have in your company?

Participant: Yeah I think around 50.

Researcher: Wow!

Participant: Yeah 50. And even my employees daughters are working with me. Some of them have become pharmacists. They come straight from university...

Researcher: You have really inspired them it seems.

Participant: I would like to think so....

Researcher: They see it's a safe working environment...

Participant: yeah it's a safe and secure workplace. Such a healthy atmosphere we have. Even if people want to get married, they do it so quietly. That you do not realize at the workplace. And if...nobody dares to play dirty or even say a word to the girls.

Researcher: Privacy is respected of the workers.

Participant: Absolutely.

Researcher: This is great stuff. Right we move onto Q7. It's on the next page for you to look.

Participant: Right.

Researcher: If you don't mind can you please briefly describe your industry sector to me? Specifically the pharma sector, how would you describe it?

Participant: (pause) Can you please explain the question to me a bit more?

Researcher: Of course. I am interested in knowing about your fellow competitors in the pharma sector.

Participant: Hummmmm ok...

Researcher: Specifically what are the issues facing the pharma sector from the point of view of an SME like yours? Does it have potential for growth?

Participant: Definitely.

Researcher: Are there any challenges facing the sector? Did you face any hindrances when you started your company?

[00:17:19]

Participant: Yeah the challenges are there bc the drug regulatory authority works very very slow. They are not you not you know, well equipped to cater with around 600 pharma companies here in Pakistan. But I think they are not more than...30, 35 or 50 maybe inspectors. And the stuff for regulating this industry is very very small. As compared to the outside.

Researcher: You said they are about 30 inspectors...?

Participant: I am not sure...30-50. I do not know exactly but they are not enough.

Researcher: They are not enough.

Participant: They have to come once or twice a year to every pharma industry. To inspect whether they are working GMP. But I don't think so...they are not sufficient staff.

Researcher: So...

Participant: But they have promised that they will increase the strength to 90-100. That will help no doubt in the different departments.

Researcher: Yes I see. You said there are 60 pharma...

Participant: No no 600. They are 600 pharmas.

Researcher: Sorry 600... which includes big and small companies like you.

Participant: Hummm *nods in agreement*

Researcher: So just to elaborate from Q7 on the pharma sector, how is your interaction with the big sized pharma companies?

Participant: uhhhh...interaction is very good. I am also executive member of Pakistan Pharma Manufacturing Association currently this year also. PMMA is the abbreviation. Pakistan Pharma Manufacturing Association. And their interaction is always very good. And they try to help each other and try to make a united effort to fight for their problem you know with the DRAP and other regulators.

Researcher: Good good. Q8 is done. So do they treat you differently due to your company size?

Participant: No..no no.

Researcher: So in terms of the pharma sector you could say they help each other in terms of..?

Participant: Yes they do help indeed. And being a female, they respect me. And they treat me equally. Bc I am not a female who can just be treated as a female *laughs*.

Researcher: That is good. So you can say it is a healthy environment in the pharma sector?

Participant: Yeah it is very healthy environment. Are we on...the fourth floor?

Researcher: Yes we are.

participant answers a phonecall

Participant: Sorry I have tell the person I am meeting after you where I am…

Researcher: No problem. Take your time.

[00:20:10]

Interview paused

[00:20:19]

Interview is resumed

Researcher: Right...just in connection with our talk regarding the pharma sector. Do you think there are certain rules and regulations that apply specifically to your sector? For example not stealing clients or that there should be a healthy competition between the companies.

Participant: Hummmm. Normally in Pakistan mostly the companies are producing generics right. So local there is no problem with the generics. But internationally yes you have this problem where people sometimes do try to snatch your customers. By luring them, that we will provide you more sales, more benefits things like that. But it happens very rarely.

Researcher: So my understanding is that the main rule is that collaboration and cooperation between the companies on issues like drug regulation. Am I correct?

Participant: Yes I would agree with you on that. Definitely. We also do collaboration on price increase

to give a uniform policy for every pharma industry. That is another instance.

Researcher: Is price increase a big issue?

Participant: Yes a very big issue. Bc for the last 10-12 years, they have not given overboard price increase as compared to the inflation. You have to fight...sometimes people go to court also to get relief. But...they are devising a policy and they are saying it will be out this year. So let's see..

Researcher: Let's hope *laughs*

Participant: Yeah *laughs* let's see what happens.

Researcher: So that is one of the challenges facing the pharma industry?

Participant: Yes undoubtedly.

Researcher: Going back...we are still on Q7. In what ways can small medium enterprises, like yours can be socially responsible?

Participant: Yes...I want to do so many things for which I have already planned. For example I am going to have a day care for the female workers who bring their children. Sometimes they bring their children there but they are not so many. I do accommodate if there is a single baby or but I have a plan to have a day care for the working females. But they are not much, I do allow them if one or two want to bring their child with them. And...

Researcher: Right....

Participant:...free medical. Whatever medicines we are producing, our workers take them as free for their family. If they give me prescription that this has been prescribed. Bc you have to regulate otherwise people; they can take it and sell it right? So they need to bring a prescription that a certain medicine is required and for which I need free treatment. Bc we also produce anti TB products. So that needs a prescription to be given otherwise....

[00:23:22]

Researcher: Otherwise you have the danger people will exploit it..?

Participant: No it's not only that. You cannot just give anti-TB medicines. It's not wise to give anyone.

Researcher: Anything else in terms of being socially responsible. Any other community driven projects?

Participant: Yeah I want work on maternal mortality issues. I want to start a project. Obviously I have already started some spadework but currently I am quite tied up. I want to work on anti-natal period. I want to do something...to give them iron preparation so healthy babies are born. That will change...

Researcher: And that is something that needs dire attention bc in Pakistan you don't have that kind of anti-natal support

Participant: Yes..absolutely.

Researcher: Before the baby is born

Participant: ....before the baby is born. (CT)

Researcher: And that would decrease the number of mothers dying in childbirth

Participant: Definitely. And they are so simple medications which can increase the maternal health and

the baby's health also. Which are not available here. I am exporting few of them to UK, so I want to make a small project to help my..(pause) poor females here.

Researcher: So these anti-natal products you export them to the UK?

Participant: Yes we do export them. They are certain iron products...

Researcher: Those iron tablets women have to take

Participant: Yes iron tablets that pregnant women need to take. Pakistan I do not know they are freely available. Bc the Dr gives the woman to take expensive multivitamins. She can't afford to buy them. So expensive. You should give them simple things they can buy. I want to start that...

Researcher: Make it easier for them.

Participant: I want to do it.

Researcher: That is really good.

Participant: Hummmm

Researcher: Can you please tell me what factors determine for example your SME to be willing to engage in such kind of socially responsible behavior?

Participant: Your inner self. Your personal motivation no doubt. Your family's motivation. And my daughters are, my husband..We are all very good to give *laugh* to share *laughs*.Whatever we have.

Researcher: give back to society

Participant: Yeah we have to share otherwise nothing will change!

Researcher: And you have to do it step by step.

Participant: Step by step indeed.

Researcher: One person will take that step and eventually change will..Bc you have small medium enterprises they do it out of religious duty, they do it to get a competitive edge, for their reputation. But it comes down to the fact that it comes down to your personal ....

Participant: Personal involvement is vital. Yeah. And your own interest also plays a part.

Researcher: Yeah I see.

Participant: Every month for example, I do not know if you would like to include this. But every month we take out certain amount of money and we distribute it to 10-15-20 people you know what ever is there. Other than the zakat..whatever. Bc we have extra and any person who is ill or needs some loan We say ok he needs 50,000, we will try to give him 50% from ourselves. Its ok...it's very they should have. Whatever we can we help them. I do not like give too much outside, I want to give it to my employees first. If anyone is sick, if they have a major operation or something. So we always come...and most of the time employee doesn't even know. We just help them from behind the scenes. My daughters..my husband, my son...everyone of us is like that. Monthly we take out...we say Allah blessed us with this profit this month. But we monthly take out some money and it's a surprise...for them.

Researcher: And you yourself feel good that you could help someone this way?

Participant: Yeah Yeah...out of the blue. So we circulate a list and then choose people from them there.

Researcher: So we have a list of people?

Participant: Yeah and it has names of people who need help that month. And this way everyone should receive this way...every month.

[00:27:20]

Participant: These are small small things in my views...helping humans

Researcher: It goes back to the saying the more you give the more Allah will give you back.

Participant: Yes that is the religious aspect. But you also see that they need that kind of help. They need it.

Researcher: In this way you know what are their concerns, what are their needs?

Participant: Yes. Specially the girls working in packing. When they get married they need a dowry, as you know in Pakistan without it it's difficult. So we try to help them also.

Researcher: Without it it's hard to get married these days in Pakistan. *laughs*

Participant: Yes you know what I mean *laughs*.

Researcher: Moving on to Q9. What do you understand by business having responsibility towards society? This is linked to the question of being socially responsible.

Participant: Hummmm

Researcher: Do you believe that businesses have a certain responsibility towards society?

Participant: Definitely. They should contribute towards society. These days the popular thing is building or funding schools. I have a small place in Mardan where I would like to have a school. There even now, there is such poor schooling for girls. And I would like to do a project there in my farm.

Researcher: The issue is once you built the school the cultural norms are such in the northern areas that girls are not allowed to leave the house.

Participant: I know what you mean but at least you should try. At least till primary education...they should have that opportunity. It's never ending...you can do whatever you should do.

Researcher: I see what you mean.

Participant: Through personal means and financial means. These days the popular thing to do is to adopt a school. It's a good idea to adopt schools. The buildings are there but they don't have the funds to pay..(pause)..teachers.

Researcher: Specially qualified teachers.

Participant: Yes qualified teachers. Now look in Thar Desert, I did some homework. They only have 5 dispensaries. Even they don't have a dispenser, what to talk of! In Punjab you have the facilities but in a rural area like Thar...there is no development. So for those 5 dispensaries you could hire a Dr who can go and meet the patients and raise awareness. I have done the homework and found out what medicine they need. But it will start in some time. Bc I am already occupied in setting up another project at the moment.

Researcher: You are?

Participant: It's on IV line. So I am busy with that otherwise I would be doing this. I have also promised..with the local councilor there. My two managers went and did the scoping work. Bc it's not that you can give just once...you have to keep on doing it if you want to bring change. You can less but it should be regular.

Researcher: And it should be long term.

Participant: Yes it should be long term. You cannot be that you give donation once...and you just..

[00:30:23]

Interview paused

[00:30:31]

Interview resumed

Researcher: So there is a concept in corporate social responsibility where they identify 4 responsibilities that business should follow. One is economic responsibility which is profit generation. Other is legal responsibility following the norms and regulations within your industry and your sector. The next one is ethical responsibility, which is what society expects from you. Like the school project you mentioned you want to do in the area of girls' education. Last one is philanthropic responsibility which is charitable activities. In your view which responsibility comes first as a SME owner?

Participant: I think the first one.

Researcher: The economic one?

Participant: Yes I believe the economic responsibility is the basic one. Bc without the profit generation you cannot do anything.

Researcher: That is the basic one...

Participant: Bc in our country whatever is the need, there is no need other than monetary issues. Everything is becoming so expensive...standard of living. Getting a nice suit to wear is so expensive. Day to day survival goes back to monetary issues. Whatever should it be a monetary help. Rest of the things are secondary in my view...you can make a speech, you can reassure them. But until and unless you do not help them with money it does not make a difference. That is the ultimate. Yes you have philanthropists acts...they are well and good. When you become big you can help on a wider scale.

Researcher: With more money...

Participant: I don't want...it should be an open act. It should be discreet because you also have to see the other person's self-respect. And there are so many people...I do help whom I do not want to disclose. They are my family members who cannot afford. And my aim to help them in a discreet way. We have established stipends for them. Even our employees who die and they don't have money or there is no earner any more. We help them and this has been going on since my father in law was alive. So this is as you can see, this is our responsibility to help the family who don't have...

Researcher: This is the religious factor...it is you can say in the genes.

Participant: Yes it is. It is built in. We do this monthly. This is other than the one I am doing

Researcher: I need to clarify this stipend you mentioned.

Participant: The stipend is also for employees who died and their family has no financial support. We help them as well. If they need support we provide it. Let me give you an example, we had an employee's widow who were giving the monthly stipend. Then she died...but her daughter is still there and she in turn three blind kids. So how can you stop it now right?

Researcher: Oh no.

Participant: It's not like that. You have keep on helping. Or someone's husband's died we helped her. It's never ending as you can see. Can you please switch off the recorder?

Researcher: Sure

[00:33:26] *tape recorder switched off for confidentiality reasons*

[00:33:28] *tape recorder switched on*

Researcher: That is more than enough examples *laughs*. Now what do you think are the legal issues facing small medium enterprises in your sector at the moment?

Participant: One legal issue is that of registration if you want to give zakat or donation from your income tax statements. Now many people how can they give you receipts? This should be an open thing. Not like that...

Researcher: So it's an issue of transparency?

Participant: Yes absolutely. Apart from that there is no legal issues facing pharma sector in my view.

[00:34:09]

Researcher: You had mentioned price increase. That is a legal issue facing your sector.

Participant: Yeah because it is a regulated industry. So price increase is one...and there is only to a certain extent we can do. It is difficult to maintain.

Researcher: Right. OK now going back to Q10 once again. In out of these 4 responsibilities in your view which responsibility is most important?

Participant: Definitely religious beliefs.

Researcher: OK. But after the economic responsibility if I am correct.

Participant: Yes after that. Definitely.

Researcher: You touched upon the issue of trust between your stakeholders earlier on.

Participant: Hummmmm yes I did.

Researcher: So when we talk about these responsibilities do you think that the concept of trust plays a big role?

Participant that is definitely. There is no doubt about that. If there will be trust present only than work will be done. Trust is very important because lot of financial gains are...involved and if trust there. For example in the pharma industry you have to...(pause) when your medicine is expired on the shelf. You have to get it back from the distributor. So this is trust, they send us back whatever has not been

consumed right. So trust plays a huge part in this and if they don't take it back it will be their financial loss.

Researcher: So this also ties in with your ethical responsibility that the medicines which has expired...

Participant: Yes they will be brought back to the company and destroyed. Not to be used or misused.

Researcher: Good. We just have one question left.

Participant: No problem. Please ask.

Researcher: So how do you dispose of these expired medicines if I may ask?

Participant: Yes there is an exoneration plant near Shalimar Trust. We send every month there. Sometimes twice or thrice depending on the load.

Researcher: I see.

Participant: So that no one missuses the medicines that have expired.

Researcher: Right we have moved to Q12. If you could briefly tell me what are your views on CSR from a business point of view? You said earlier you should as much as you can depending on your economic....

Participant: Yes... economic conditions.

Researcher: So in your view what is a definition of being a socially responsible business or company? From your experience.

Participant: Being socially responsible *thinks out loud*... (pause). It always pays your back. People like to stay with you. And have a long say... relationship and say long working time. Loyalty aspect is there.

Researcher: From the employees point of view I imagine.

Participant: Yes.

Researcher: So just going back to that the personal beliefs and motivations of the owners play a very important in how they..

Participant: Yes it is crucial **(CT)**

Researcher: ...for example if you are socially responsible than you will pass it onto your kids and onto your employees.

Participant: That is case. I hope I have done that.

Researcher: So they also have a view that where they can they should also give back to the society.

Participant: Absolutely..give back to society and the community **(CT)**

Researcher: Great. We are done with the interview. Thank you very much for taking the time out for this.

Participant: Thank you very much to you. I hope you are not disappointed with all this information I gave you.

Researcher: No No. This is all great and interesting information. Thank you for sharing your views and experiences with me.

[00:38:17]

Interview ended

Participant: Owner C
Location: Lahore, (Via Skype)
Date: 02.04.2016

Sector: Energy Consulting Sector

QUESTIONS

- Which individuals and communities are affected by the activities of your company? Do you count them as stakeholders?

- If not, why do you not see them as stakeholders?

- In what ways do you engage with them?

Partners/Linkages/Associations/Communities/Networking/Customers/Employees

- What determines nature of your relationship with your stakeholders? Please provide an example.

- How are these relationships formed and what impact do any of them have on firm practices?

Actions / Reactions / Gestures

- What do you consider to be stakeholder's needs and expectations?

Help them in achieving their goals & objectives

- Which stakeholders are significant to your SME?

- How do you address stakeholder concerns? Think back to an example.

Director/Partners

Employees

Customers

Business / Social Communities

Make sure that stakeholders interest could not compromised

- Describe your family background and your education?

- What was it that made you want to start your own company?

Educated Family (Service & Business)

Masters in Statistics (Specializing Operation Research & Computer Programming)

MS IT

- What characteristics, motivations and values influence your action as a SME owner?

- To what extent personal and religious beliefs play a part in your management style & corporate decisions?

Get together grow for ever – Team Work

- How would you describe the SMEs landscape presently in Pakistan?

- In what ways can SMEs be socially responsible?

- What factors determine SMEs be willing to engage in pro-social behavior? (reputation, religious duty, competitive edge)

<p style="color:red; text-align:center">SME is the source of employment generation</p>

<p style="color:red; text-align:center">Engagements (Employees & Stakeholders)</p>

- Tell me a little about your relationship with fellow competitors in your industry sector?

<p style="color:red; text-align:center">Friendship because any time we can be the associates/joint venture partners. Trust also plays a role but service sector which is relationship specific it depends upon capability and skill set. Leads to partnerships.</p>

What do you understand by business having responsibility towards society?

- What are the economic issues relevant to SMEs? Give example

<p style="color:red; text-align:center">Profit generation is paramount. Business is received through competence. If you want your business to grow than one should give back to the community.</p>

- What are the legal issues relevant to SMEs? Give example

<p style="color:red; text-align:center">Legal responsibility should be equal to all- big and small businesses. Ask help from other existing SMEs as most new startups are very aware of rules and regulation. Incubation aspect of LCOC for entrepreneurs. Builds competence</p>

- What are the ethical issues relevant to of SMEs?   Give example

<p style="color:red; text-align:center">Ethics have disappeared in every stage of doing business. SMEs need more awareness and training. Pakistan severely lacking in providing training and support to SMEs sector</p>

- What is the philanthropic responsibility of SMEs? Give example

<p style="color:red; text-align:center">SMEs can add socially responsible aspects to their overheads. Strategic CSR aspect</p>

- Which responsibility is most important for SMEs in Pakistan?

- What role do local traditions and religious beliefs play a part in these responsibilities?

- Trusting (accountability) aspect playing a role?

- Describe how SMEs practice philanthropic activities?

What are you views on CSR?

- In your view what is the definition of a socially responsible firm?

- What role do owner's personal values and motivations play in how CSR is understood?

Participant: Owner D

Location: Office (Liberty Market, Lahore)
Date of Interview: 30.3.2016

Sector: Textile (franchise)

Researcher: Can you please tell me the name of your business and what do you do?

Participant: We own clothes shop here in Liberty Market under the name of ****. We have an agreement with the owners of the company whose company name we use. Under the agreement, we are the Ahmad Brothers, with the owners. Since we are two brothers and we have a franchise agreement with them.

Researcher: O.K.

Participant: Where we can use the name Bareeze just for selling their products and not anywhere else. You saw the shop as you came to my office. That is it.

Researcher: Your location is only here in Lahore or all over Punjab?

Participant: We have the franchise here at Liberty Market. So they have many more outlets all over the country.

Researcher: Yes they are nationwide. **(CT)**

Participant: ... some of them are run by themselves and at certain places they have given franchise to different people like me.

Researcher: And your number of employees at your shop here?

Participant: We have about 30 you can say.

Researcher: O.K.

Participant: If I may say so you have covered everyone in this broad definition of stakeholders.

Researcher: I see what you mean. I have used the broad definition of stakeholders.

Participant: From what I see of the question you have added shareholder, employees, and customers as well..

Researcher: *laughs*

Participant: local community as well and society. I think maybe you could put them in separate categories. That would been better..

Researcher: There is a narrow definition of stakeholders and then there this broad one.

Participant: Yeah

Researcher: The reason I used the broad definition here is to see during interviewing what the participants such as you, think who exactly make up the stakeholders. What is your definition? And if you consider some as stakeholders and some as not. It's a good starting point for the discussion and will show hopefully the different perspectives of the participants. Its serves as foundation..

[00:01:59]

Participant: We normally call stakeholders those people, who normally...are running the business entity. The business entrepreneur. That includes sole proprietor, partners, group of people. And employees...can also be included in that one. But normally employees are not included only stakeholders are those, in my view...are those who are running the business.

Researcher: I see.

Participant: Please have some tea and biscuits please.

Researcher: Yes thank you.

Participant speaks to their secretary

Researcher: Shall we start with the interview questions?

Participant: Yes please do.

Researcher: First question is that: Which individuals and communities are affected by the activities of your company? And do you count them as stakeholders? You had just mentioned sole proprietor...

Participant: Yes that I just told you who immediate stakeholders are. Which kind of tea would you like?

Researcher: I will have green tea thank you.

speaks with secretary again

Researcher: In what ways do you engage with them? Meaning what is your relationship with them?

Participant: I already made it clear to you who the stakeholders are.

Researcher: Yes it's the sole proprietor...

Participant: Stakeholders are those who are running the business and who are mainly responsible for the profit and loss of the entrepreneur, or the organization. So that could be sole proprietor, partners, AOP (association of persons) group of people. Could be private limited, could be public limited as well.

Researcher: I see. Would you also include banks as stakeholders as well?

Participant: No I would not include them. They are a lending agency in my view.

Researcher: Right.

Participant: Right now *reads the question sheet* 'why do you not see them as stakeholders..

Researcher: I would have asked you that question if your answer was negative in regards to who are your stakeholders. You had told me for example, in your definition of stakeholders that you do not consider society at large as stakeholders. Can you please elaborate you why do you think this and why do you have a very specific definition of stakeholders?

[00:04:51]

Participant: No..look we are operating at a certain place. First of all who start the business they are included. Then comes the employees. Next customers are included and after then comes the society.

Researcher: O.K.

Participant: I believe there should be another term for society. In my view you cannot call them stakeholders...stakeholders perhaps in some other sense. But interests, rights and duties of all these stakeholders are different from unto others.

Researcher: So you than have a preference in who are the stakeholders. First is the group of people who run the company or the sole proprietors. Than you say comes the employees, than customers..

Participant: It depends..

Researcher: Yeah.

Participant: If you want to include customers or not. Look, stakeholder is only responsible for profit and loss. Employees are not. Community is not. Customers are not responsible, they are least interested whether company is going into profit or not. Organization going into profit or not. This is the only main aim of stakeholders who are running the business. That they will have to run that business..

Researcher: Successfully..**(CT)**

Participant: into a profit. Otherwise, in my view no one else's interest or effort is included whether this business will be success or not. It is only the wish and effort of those who have some sort of (pause) interest invested in this. In this employees have not interest and no one else like customers or society. That's why I am only saying that stakeholders are the owners..

Researcher: I see what you. So you think, this view you hold does it apply specifically to your form of business.

Participant: No. This might be a universal thing.

Researcher: Right.

Participant: Now the next question you have written down is in what ways do you engage with them?

Researcher: You have already covered that in our discussion when you mention sole proprietor issue. And also Q2 and Q3 have been covered where you indicate that main stakeholder's needs and expectation are profit and loss.

Participant: Yes profit and loss...**(CT)**

Researcher: That the company remains successful.

Participant: And social and moral duties are also included in this one.

[00:07:36]

Researcher: And Q4 we also covered in the discussion. We had already discussed Q5 concerning your family background and education during the focus group. I cannot seem to remember if I asked you during the focus group on Sat 'what characteristics, motivations and values influence your actions as Small Medium Enterprises owner?'

If you remember I showed a video during the focus group.

Participant: Yes I remember.

Researcher: This question is related to that. For instance you are… SME owner and you have these personal motivations, you have in you certain characteristics that are very important in making your business successful.

Participant: Right I see. I think the number one is the skill. The mind, the resources...I think that covers everything. The resources, the contacts. Now when I mention the mind, I will tell you for example (pause). I have an MBA. I have worked in Saudi Arabia. I do not have the mind set to sit here and run a shop. Be a shopkeeper. I am saying this because I fear Allah! *laughs*. Before I set up a factory and when that failed due to partnership issues..that is a different story.

Researcher: Yes you had mentioned on Sat.

Participant: Than I had to start this. I do not have the mind-set to sit here and do this. So what I did…every 6 months I would start a new venture. Ever since I have become involved with the Bareeze franchise the last eleven years, now we are smoothly running this business. In all this the first thing you need is the person's mind set. If he is satisfied with the business he is running than he will run it successfully with full of enthusiasm and like that. So…(pause) in characteristics this is important.

Researcher: Definitely.

[00:10:03]

Researcher: So you think, your MBA degree, if you don't mind me asking was useful to you?

Participant: Definitely. It has...(pause). Look a degree will broaden your horizon. And mashallah any work you will do, a person with the background like me will try to do it in a better way. Let me give you an example. I had a friend Kernal Quad in Kakul military academy. I had just recently returned from Saudi Arabia and he told me they need to build a gym here at the academy. So we need this particular machine and can you supply it to us. I got the machine, from here in Gander sports here in Lahore. So I bought the machine from them and the shop also sent their top expert with me who would assemble that machine. I left here in the evening and reached there in the morning…travelling all night. They told me the exact place where I had to go and assemble that machine. And I went to see the kernal. The expert came back to me a few hours later and said he was unable to assemble the machine. And now

can you imagine, I become very worried. I was thinking there is something wrong with the machine. Maybe a part is something. I asked him why he could not fix it and he replied it was due to a part missing. I said o.k show it to me.. So I went there, I looked through the catalogue and started fixing the machine myself. And will you believe me by the Grace of Allah that...within half an hour the machine was fixed. Just by using my own I.Q.

Researcher: Interesting.

Participant: According to the catalogue. With half and hour I fixed it. So these are the characteristics you need. By using those ones one can.

phone ringing in the background

Participant:...run the business successfully. By performing certain duties, by doing that job. Then he'll do it with a lot of more effort and enthusiasm and in a better way.

[00:12:42]

Participant: Motivation we give them..to the employees. They perform their duties in a better way. They go to such an extent, for their own motivation they do not take into account the interest of their own employer *laughs*

Researcher: *laughs*

Participant: I started a computer business here, we used to do assembly of computers. And the salary of the employees also included an additional 1% as commission. For example I bought stuff for say Rs.40,000 to assemble. It's total worth is 40,000 and should be sold around 43,000 to 44,000. But the employees were selling it at 38,000 because they would get 380 commission. So you see my point? They are not interested to watch the interest of the stakeholders.

Researcher: It's a good example.

Participant: We had given them the motivation but it all depends further upon their morality...

Researcher: and mind-set **(CT)**

Participant: Yes...and values and influence.

[00:14:03]

Researcher: As I was taking of values...this also ties in with the next question. To what extent is it personal and religious beliefs. And that looks at the Islamic concept of helping others, if you are religiously inclined all factors. And family upbringing also plays a part. So to what extent does this all play a part?

Participant: I see what you mean. Have we already covered part 1 of Q6?

Researcher: Yes we have covered it.

Participant: And the second part is 'to what extent personal and religious beliefs...' Now this further depends upon from person to person.

Researcher: Right.

Participant: How far he is very near to the religion. How much he believes on the norms.

Researcher: You mean their individual morality?

Participant: Yes of course. As you know, when we travel on the plane that we people ask for an alcoholic drink. But when it comes to food they ask for halal food. It is a double standard you see?

Researcher: *laughs*

Participant: It is a double standard in my view. Our deen, our religion what instruction or taught us. If we follow and abide by that than there is not reason that we should not run our business profitably. There is no hindrance that if we following our religion and we can run our business as well. There is not problem or clash. But in this...the duniya (world) does not let you live!

Researcher: Than it is a question of deen (religion) and duniya (world).

Participant: If you keep a beard, some say it's not long enough, grow it longer. Others will say its not short enough make it shorter. in this way you cannot make the world happy.

Researcher: Right.

Participant: But our religion is very simple!

phone ringing in background

Participant: Furthermore if you look at it, a lot of businessmen here, who when it's time to pray they close the shops. When they have to break their fast, they close shop. There is a certain period of time when they close the shop due to religious reasons, and they do not care how many customers they will lose by doing so.

Researcher: It's like you said before, that it depends from person to person.

Participant: yeah it does. It's individual. But on the whole if you look, since it's a Muslim society, we should try to adopt these kind of religious practices more and more...

Researcher: those practices obviously (CT)

Researcher: Thank you. Uhhhh now we are on question 7.Can you please briefly describe for me the landscape, of Small Medium Enterprises in Pakistan. What is their present situation? In your view what do are your thoughts on it? In your view point as a SME owner, is there growth, potential for more progress? You had mentioned during the focus group access to finance for start-ups is a challenge.

Participant: Hummmm yes I did.

Researcher: Can you please elaborate more on that?

Participant: In fact I got a message from LCOC about a seminar that is happening on 11th April at P.C Hotel on SMEs.

Researcher: 11th of April?

Participant: Yes.

Researcher: Unfortunately I am leaving on the 6th of this month! *laughs*

Participant: Really? *laughs* That is unfortunate. Where are you going back to?

Researcher: Back to Geneva.

Participant: Switzerland..right right. Oh well.

Researcher: *laughs*

[00:18:08]

Participant: Right back to the question...***reads the question to himself***

Researcher: Question 7..

Participant: Small Medium Enterprises are the kind of business that any person can start within their available resources. With his skills, by getting certain experience from their different organizations. There is a lot of scope of Small Medium Enterprises everywhere. Especially in Lahore, in Pakistan as well. The resources and potential we have, if we utilize all those properly in the right direction, we can achieve a different role.

Researcher: So it's the resources...

Participant: And potential available in our country..(pause) plus the skill, plus the funds available, plus experience, plus availability of manpower. Every kind of manpower is being available in our country whereas it is not easily available in the rest of the world.

Researcher: I see. Right, the follow-up question to this issue is, in your view, how can Small Medium Enterprises be socially responsible? This ties in with the discussion we had in the focus group on responsibility.

Participant: This is part of question 7...7.2?

Researcher: Yes it is.

Participant reads aloud the question to himself

Participant: Right. Reputation plays a vital role for the development of any organization. For the flourishing of that particular organization. If there is even a little bit there is a bad reputation, than business is going to flop of that particular person. I mean you have some people here, on whom you can...(pause)..uuuhhh...blindly..depend. Depend blindly.

Researcher: That brings in the issue of trust.

Participant: Yes it's about trust. Now religious duty..ofcourse that is our religious duty. To..(pause)..to act honestly, to behave properly, respect honourably.

Researcher: Right.

Participant: Plus whatever is the finished product should bring reasonable profit. And we must believe on the persons whom we are dealing with. In this we should not deceive anyone. Let me give an example here.

Researcher: Sure.

Participant: For example I have a sold a plot of land. I have not had direct contact with the buyer, it only has been through the property dealer. I sold it to the property dealer for Rs. 7 lakhs. That person than sold it to the buyer in Rs. 7.10 lakh. Now I have to give him commission for the sale of Rs. 7 lakh. He came to me with the papers, believe you me he begged me to sign on the papers. Saying please I should help him and not let the buyer know that he have sold it to him for Rs. 7.10. The buyer blindly

believed on that person that that plots value is Rs. 7.10 lakhs. So you see it further depends on blind faith. If you are placing your faith in someone, than he should not behave like that.

Researcher: Blind faith...that's an interesting aspect.

[00:21:59]

Participant: Like these there are not even lots but numerous examples like this of trust and responsibility. Right now recently, we discussed this in our executive meeting. They have opened LC from China and imported good worth of Rs. 60 lakhs. They make motorcycles...think they are called Road Prints. Now all that shipment is bricks only. Only bricks! Nothing what is written in the trading papers. This is 100% fraud!

[00:22:30]

Participant: In Faisalabad another party ordered products from them...of chemical variety. And they received just water in return. Just water and made it look like it water by changing the weight criteria.

Researcher: Oh I see.

Participant: Yeah so there are all kinds of frauds taking place.

Researcher: This goes back to what you mentioned on Sat that it comes down to the fact that individuals do not fulfil their responsibility properly?

Participant: Absolutely.

Researcher: Hummm this is a good point.

Participant: Religious responsibility we mean here.You can also call them as moral duties..(pause) or social obligations.

Researcher: Uhhh...right lets discuss question 8.

Participant: Right..

Researcher: Can you please tell me a little bit about your relationship with fellow competitors in your industry sector? This also includes other shopkeepers here in Liberty Market. What kind of relationship do you have with them? Is it competitive?

phone ringing in background

Participant: Right in this...it again comes to how further it varies from person to person. Let me give you another example here(pause). We have very good relations with our competitors. Look how everyone has to earn the money they are meant to according to Allah. But what you are meant to earn, no matter how to work towards it you will get you the profit somehow. Whether you accept it willingly or not. Let me give you an instance. I have friend who is involved in the tiling business...bathroom tiles and floor tiles. Than another of friend also started the same business and now they consider themselves as rivals. And have decided there is a rivalry between them. Otherwise it should be healthy..uuhh (pause) in all ways for the betterment of persons who are running the business. Plus for the flourishing of business as well. Where there will be good business carried out, a lot more customer clientele will come there. In case, some customers comes to our shop and we bad mouth the business next door to us. The customers will think that if they are bad mouthing their fellow business people,

that that means they themselves are not good. So the customers will stop coming to our shop because of that. This is our reputation that is travelling via the customers.

Researcher: Yes it's all about reputation.

[00:24:54]

Participant: That if they are talking about against them than there must be something wrong with that person who is lying and who is telling me this sort of stories.

Researcher: Right.

Researcher: Ok let's move to question 9. We have already touched upon it a little bit when we talked about religious and moral responsibility of businesses.

Participant: Question 9 you said? Yes I did.

Researcher: The question is what do you understand by businesses having responsibility towards society? You spoke on about religious and moral responsibility. That there should be no deceit, act honourably and respect honestly.

Participant: Yeah.

Researcher: In your view what are the economic issues are important for Small Medium Enterprises in Pakistan at the moment? You had already mentioned access to finance for start-ups. Are there any other economic issues?

Participant: Other economic issues that are there (pause). It is if you start a business in the form of a partnership, so after a certain period of time, passage of time that partnership gets dissolved. So it's the cost of doing business. These days the cost of doing business is so high that resources of individuals make it impossible for him...perhaps he is not capable of running any business. So for sure he has to find a partner or join a group of companies. But normally here in PK, keeping in with the norms and history, is that after a certain period of time there is a falling out and the partnership breaks up. Why does this happen and how it does it happen? There are reasons for it. The reasons are for example the person thinks the business is running in profit. My partner came to work late; he has not come on time. He has given less time, I am investing more time. Yet he is earning profit same as me. He used the business money and spends it here or there. He has had more guests at the office this week. I mean these are trivial issues...but what I am telling you is the true story of Pakistan. Small small issues but they have a big impact on the business.

Researcher: It's a big impact (CT). So small issues make a big impact.

Participant: Yes they do.

[00:27:14]

Researcher: Do you feel there are any legal issues concerning SMEs?

Participant: Well legal issues would mean such as replica of textiles. And then copy right issues.

Researcher: You had mentioned this problem on Sat.

Participant: Yes it is a huge problem.

Researcher: Especially in the textile sector?

Participant: Yes indeed in the textile sector. I had a few years back started a BBQ restaurant. And we named it MacDonar Kebab. At that McDonald's had not entered the Pakistani market. When they were about to open here in Lahore I got a phone call from their legal advisor. He said you have kept this name which is very similar to our company name and you have to change it. Otherwise we will sue you. I said fine I will change the name. And I changed the name. Than another person here he named his business as Barbie Shoes. Then he got a notice from Barbee company and they had to change their name. From Barbie to Barley. Barley. And if you look at the meaning of Barley it is not very attractive. But they tried to name their company a bit similar and he was stopped from doing that.

Researcher: That you cannot use the name?

Participant: Yes you cannot at all! Not at all.

Researcher: The brand name.

Participant: Yes brand name indeed. That is strictly prohibited to use.

[00:28:35]

Researcher: Right, I know what you mean.

Participant: By anyone else without the permission of the principles. If you have permission from the principles than you can use that name.

Researcher: And....we touched a bit already on ethical issues. There is this moral responsibility that you have act respectfully and honestly in the business. Would you like to add anything else on ethical issues facing SMEs?

Participant: Our ethical norms which are important for every respect of field, that is important for Small Medium Enterprises as well.

Researcher: This includes religious and moral all in one.

Participant: Yes exactly and I just gave you the example of China that comes under this as well.

Researcher: So I wanted to clarify, did they send the products to China or the products were ordered from China?

Participant: The products came from China. It came from a Chinese company. One of the company's in China...

Researcher: And they sent bricks?

Participant: Yes they did. This happened recently...maybe 2 or 2.5 months ago.

Researcher: So what is the next step in dealing with this kind of situation?

Participant: Next step that we are taking is that we involved the Chinese Embassy here. But we know there will not be end result from that. We know that. They say it's the responsibility of the buyer and is not problem.

Researcher: So there is no accountability?

Participant: There is no accountability. None at all.

Researcher: I see.

[00:30:06]

Participant: Within Pakistan, if something like this happens, within Pakistan there are remedies. At LCOC we have a mediation centre where we can go and make our case. It's a mediation centre.

Researcher: Good.

Researcher: Now, let's move onto the next question. Do you think that small medium enterprises have a charitable responsibility towards society?

Participant: of course there is.

Researcher: Do you have example to elaborate that?

Participant: Look. Whenever we have a natural calamity plus if there is an epidemic, in that case than they should help. And they do. Lots of small medium enterprises do that kind of help. When Imran Khan wanted to build his cancer hospital. people contributed so much towards his cause. And when we had the flood in 2007 or 2007, we went door to door to collect funds. And we collected I think, 8-9 lakhs easily. So you have many initiatives like these to raise money...they have tea parties. (pause). What else will you call it? (pause). They do dinners where they sell tables to raise funds..

Researcher: yes they sell them for charity.

Participant: Yeah they sell for 10.000 or more per ticket. In fact that 10,000 is not the cost of the tea or dinner. It's a form of help, or charitable contribution to that philanthropic society. That includes a lot of the hospitals such as Ijaz Hospital or Shalimar Hospital. All these initiatives happen.

Researcher: You had also mentioned during the focus group that you are responsible for the development of Liberty Market.

Participant: Yes all this development was done under my supervision.

Researcher: Would you consider this also as a philanthropic activity?

Participant: No this is not philanthropic. We made this effort with the government in power at that time. We did this redevelopment with the help of the government.

Researcher: For the ease of customers?

Participant: Yes for the customers. Bc normally the government does not that much budget, 10, 15-20 Crore to invest on a single project like this market. This was our personal effort. We pursued them, we motivated them and we...in every single way convinced them.

Researcher: So were there any personal contributions from the business men?

Participant: There were not any personal contributions for this project.

[00:32:36]

pause in interview as participant had to answer an urgent call

Participant: (I)..mostly businesses do not utilise their money for philanthropic purposes. But at the time of need and requirement they do it voluntarily.

Researcher: It's voluntary (CT)

Participant: Yeah voluntary. They do not think too much, they just do it and donate. When we had the war with India in the 1970s people contributed so much. I still remember it. And now we when we had the flood. We run a charitable organisation and I am the finance secretary. We collected Rs. 4 crore

through donations. And after collecting it, we bought supplies with it. How did we go about this? We personally went and bought the supplies. Here at the market you would get that same thing for Rs.100 but by personally going to shops we got it for Rs.60. It was me, than a couple more of colleagues. We went to Akbari Mundi ourselves to check and cross check where to buy the products. Than we made distribution bags out of them. We did this all ourselves during the month of Ramadan. We personally went to Multan by road, with the consignment of 11 12 trucks. We handed the shipment to the Core Commander in charge there. He was so appreciative of the fact that we had made these food bags for the flood victims. And we did just by using our IQ and our personal motivation. He appreciated it a lot. And said we should accompany him on the helicopter and distribute these bags. We were unable too as it was Ramadan and we had to get back to Lahore. We told him we believe in you and can do the distribution properly. So this way when the time of need comes, than business do their part. Furthermore we also helped to make house in Laiyah (district Muzaffargarh). This was done with the help of the chamber and it was about 100 houses.

I personally went there 8-10 times up there to go and see how the construction was coming along. Our present president, he was the SAP at that time. And I have a good working relationship with them. We would on our own expense, in our own car and take our own food. We didn't use any money from the funds we collected. We made 100 houses and personally oversaw their construction. So like I told you, this is a social and moral duty that depends from person to person. How much they take interest in being charitable and how much they want to participate.

Researcher: Good good. Right in all these 4 responsibilities we have discussed- economic, legal, ethical and philanthropic- which one do you think of these is most important?

Participant: In my view they are all very important.

Researcher: You had said all 4 were vital during the focus group?

Participant: Yes I had.

Researcher: Yes I remember that you had all 4.

Participant: Economic responsibility is important. Legal as well, ethical important than the other two. And philanthropic is important as well. The society cannot function without these right.

Researcher: I see what you mean. But would you agree with this issue that was raised during the focus group, that economic responsibility is the most important one? The cornerstone of all others?

Participant: Yes I was going to add that. Absolutely. The most important is economic bc in economic responsibility includes profit generation, run the business and project management. Furthermore, you have look at the plight of the employees as well. So employment creation needs to happen.

Researcher: Job creation.

Participant: Yes job creation.

[00:36:44]

Researcher: You have already given really good examples of the next questions. As to what local traditions and religious beliefs play a part..

Participant: Are you taking about question 11?

Researcher: No we are still number 10 but part 2.

Participant: Which number?

Researcher: Number 10.

Participant: Oh right.

Researcher: And you had also mentioned the concept of trust. How bad reputation can be disastrous for business So do you think trust plays a very critical role?

Participant: Trust is the most important. Most important...

Researcher: Especially in relation to SMEs? (CT)

Participant: It's most important..everywhere. Everywhere. Most important. It all respect of phase. In practical life, in business, in family..

Researcher: Right. I have another side question I need to ask you. You had mentioned that your company has taken this franchise from Bareeze textile. So is it a family run company?

Participant: We are two brothers who run it.

Researcher: So it is family run. Thank you for clarifying that. And you have been doing this for 11 years?

Participant: Yes since 2005.

Researcher: Thank you for that. You have also illustrated question 11 with examples.

Participant: Yeah yeah.

Researcher: So now we move to the last question. What are your views on the idea that businesses should be socially responsible? And in your eyes what is the definition of a socially responsible company?

[00:38:26]

Participant: Someone who is socially responsible...is what you have mentioned before. These moral values, ethical values legal values and philanthropic values. They all should be included in this..for a successful business. A business can be successful with these but still...

Researcher: But you believe these 4 things are important if you want to be socially responsible?

Participant: Yes of course.

Researcher: OK.

Participant: See business and public...you cannot separate them. Business man and public. And then you have private and public...(pause)..what do you call it? (pause)

Researcher: Yes?

Participant: It's called...triple P. Public and private partnerships.

Researcher: Yes the triple Ps. **(CT)**

Participant: Without any country cannot economically go ahead, in my view. That is perhaps the most important. The private and public, they are the two wheels of the..society.

Researcher: I see.

Participant: In this there will be combined efforts from both parties. They will have a combined mind set, and both will (pause)..will feel to participate in the development of the economy of the country. Than they can it in a very successful manner.

[00:40:18]

Researcher: Follow up question from this on public and private partnership. If you want for this question I can switch off the recorder?

Participant: Pardon?

Researcher: I can switch off the recorder.

Participant: Are you going to submit this tape recorder in a court? *laughs*

Researcher: No no *laughs*

Participant: You are going to keep it with yourself right? Its fine than *laughs*

Researcher: I was going to ask that as SME owner do you feel the government does enough in terms of the public aspect in this relationship?

Participant: No worries I can answer that on record. Our government, there are incapable people sitting there. Their selection, I am sorry to say this, selection is not normally on merit. It all comes down to liking and disliking is very much a factor.

participant speaking on phone

 pause in interview

Participant: Let me give you a big example of this very issue. In LCOC they were going to elect the next VP. It not elect but selection. What should be the criteria of selection? That could be that the candidates you have and the hiring selection authority they should sit inside. And they should call in the candidates one by one and interview them. there should be a criteria..any one criteria. But there should be one.

Researcher: Even have one criteria atleast.

Participant: I told them that there must be a criteria. Just one. I told them but they did not take that into consideration. It can be age, experiance, participation or even contribution. Or how much time the person can give. What is the background, education or experiance. Any criteria from all of this.

Researcher: Any one of them.

Participant: I was also a candidate.

Researcher: O.K.

Participant: At the last moment they said that we have gotten a letter from Humzah Shabaz and thats why we have selected that person. I say even today, the person sitting in VP role at LCOC. Who most of the time represents LCOC infront of foriegn dignateries or ambassadors. They cannot even ask him to write an application of leave. That is the criteria..it makes me cry that is the criteria we have now.

Researcher: This is for the selection of the VP?

Participant: Yes it was. This normally happens everywhere, you do not necessarily have to write VP.

Researcher: O.K.

Participant: Selection of the office bearers. You do not have to write the exact title.

Researcher: And they hired that person?

Participant: Yes they appointed him. I am going to tell you today, you should go and meet that person. Try to interview him or ask him questions. He will not be able to say anything. I will not try to bad mouth him and be accused of saying bad things. Plus they think because I was a fellow competitor, I am showing bias. That is why I stay quiet and not say much.

[00:43:39]

Participant: We even say what Allah gave us we are thankful to him and what he did not give us we will bear it.

Researcher: Right. I can see where you are going..

Participant: We were in relation to Small Medium Enterprises and...what were we talking about?

Researcher: We were discussing PPP and lack of government role (CT)

Participant: Yes yes PPP. The people who are running the government are incapable of doing business. Lets say they get a project...

Researcher: They do not understand how business is done...(CT)

Participant: Yeah, even they do not listen. Even they do not discuss before preparing any policy. Any plan with the stakeholders. Who are the stakeholders? Those people who are concerned, on which the policy will affect them. The other day the Finance Minister was visiting Lahore. Punjab PRA have introduced a tax called sales tax on services. They are 11 sectors they have defined for services and they have put..initially they put 16% on all services. 10 have 5% and one remaining is still 16%. I asked the Minister them the question that why this one service is being tax 16%. And than I said it. Is it because I have not protested or I have not gone on any strike. Why are making this one service suffer with this high tax. What is the criteria of bringing ten on 5 except one!

Researcher: There is no equality. So what did they answer you?

Participant: They had no answer! Their answer was that 10 services got 5% tax because this would help them to register and make payments. This is being done so they can register and pay tax. I told them this is not the answer to my question.

Researcher: So they went around to directly answering your questions.

Participant: Absolutley. Now see here we have PTCL company. As long as PTCL was being run by government it was experiencing loss. Since it has been privatized it has been going in profit. If we were to privatize PIA, within a month it will be profitable. What is the reason than? They are not capable of running, they do not have experience. They don't have interest even. They are not patrioitic or national minded. They don't care for the country.

Researcher: So would you say they are not thinking of the collective good for everyone's betterment?

Participant: Yes that is true.

Researcher: So going back to the criteria examples you gave of the office bearer.

Participant: Yes.

Researcher: So this seems to be interference from outside into LCOC?

Participant: No its not an interference...yes it is interference from outside.

Researcher: Bc its meant to be non-profit. (CT)

Participant: Yeah..from the government side. If I knew a minister I could ask him to make a phone call on my behalf and get me elected or selected.

Researcher: Even though LCOC is meant to be independent from the government.

phone ringing

Participant: Yes..yes

answers phone

interview paused

[00:47:18]

Researcher: By interfering in that government is trying to coerce the business to act in a certain way when you should not interfere too much with the way businesses operate.

Participant: Yeah this happens here a lot and we do not see it abroad. There is a lack of transparency here.

Researcher: No transparency.

Participant: Are we nearly done?

Researcher: If want to give other example you can, go ahead. We have covered all the questions.

Participant: In this there is another issue concerning Small Medium Enterprises employers. There is a need to improve their capacity building. They run their company in a traditional way whereas day to day inventions are abound these days. And if they adopt these new ways of running their business and improve their skills, they can run their business more successfully.

Researcher: So there is a lack of knowledge sharing?

Participant: There is no knowledge sharing and that is why it is very important for capacity building.

Researcher: So you think the government should help in this?

Participant: Yes for capacity building, in my view, the government should create institutions for capacity building. They can do it at LCOC and we do it as well. Our executive committee also had capacity building training. It was done by SIP and they did capacity building. It was necessary and is needed at every level of work. At every level.

Researcher: To have a competitive edge right?

Participant: Yes to have that competitive edge for entreprenuers.

Researcher: Would you like to add anything else?

Participant: It comes back to access of finance for SMEs. They do not have credit guarantees or collateral. So the government should take specific initiatives where loans should be provided to Small Medium Enterprises on the basis of recommendation by certain authorities, certain individuals or

certain organizations. For example an SME owner is running his company successfully. At a certain time he gets an order for which he will give have to procure a good amount of raw material.

Researcher: For that require a loan.

Participant: Exactly and for that they require a lot of finances. So they need short term financing...that should be provided to them.

Researcher: Does LCOC facilitate on the issue of access of finance?

Participant: Not at all.

Researcher: Access of finance appears to be a pressing issue.

Participant: It most certainly is a pressing issue for our sector. For this we need SME banks. And we can define them in two ways. One is at the time of starting business and second is during the running of the business. Our agriculture sector, the farmer spends all his money of getting fertilizer, seeds, sowing them, watering them.

Researcher: Right.

Participant: So, he has to wait 4-6 months till his crops grow, to harvest them and than sell them which generates funds. For that period he needs certain amount of funds for the survival of the company. And for his own survival too.

Researcher: I see.

Participant: So, what can be done is that crops should be mortgaged with the bank. On those crops short term financing should be provided to help the farmers.

Researcher: Good. I think we are done with the interview now. Thank you so much for giving me your time and talking with me.

Participant: You are most welcome.

[00:52:16]

interview ends

Participant: Owner E

Location: Sialkot Chamber of Commerce
Date: 04.04.2016
Sector: Surgical Supplies/Instruments

Researcher: Thank you so much for taking the time out to do this interview. I really appreciate it. Thank you so much.

Participant: My pleasure.

Researcher: Let's start. If you could give a brief overview...the name of your company?

Participant: It is *******. **(spells it out)**

Researcher: And you are located in Sialkot?

Participant: No in and out. We have two factories.

Researcher: Right and, where are they?

Participant: One is within the city and one is on the main highway- Duska Road.

Researcher: And the number of employees if you don't mind me asking?

Participant: Currently 300 plus. (pause) Actually there are two kinds of industries here in our city. One is contract based and one is on daily basis. And one is on wages.

Researcher: Ok.

Participant: So, we mostly keep people on wages. But there are seasons for work. When we have seasons on we hire people on contracts, they can work per day. They don't have to come back again tomorrow. It's up to them.

Researcher: The majority are wage earners right?

Participant: Yes they are.

Researcher: And your sector is *pause* ... surgical instruments?

Participant: You can write medical instruments.

Researcher: Medical? OK I will do that.

Participant: Yes.

Researcher: I will start with Q5. If you could give me brief view of family background and education, please so I have an idea. And what made you want to start your company? Is it family owned? Have you taken over from your father?

Participant: Yes, I have taken it over from my father. It's...my father started the company. Not my grandfather. My grandfather had a separate business but my father started this business back in 1984. And I think I have been in this company since 9 years now.

Researcher: Moving on to Q1.

Participant: Yeah sure.

Researcher: Which individuals and communities are affected by the activities of your company? We refer to them as stakeholders.

Participant: Yeah.

Researcher: If you could just list them for me. And who they are.

Participant: Uh...actually our business is (pause)...it's just international trade.

Researcher: Interesting.

Participant: It's not domestic. It's nothing at all domesticated. So, I wouldn't say that there are any stakeholder out of my business. If they are they, they are departments in my company. And my immediate vendors. I will nominate them as stakeholders for my business.

Researcher: So, it would be the vendors?

Participant: Yes vendors.

Researcher: And also, your customers?

Participant: Definitely.

Researcher: And in what ways do you engage with your stakeholders? For example, your vendors and customers. If you could give an example...(pause) engagement in terms of how you keep in touch with them, the communication process?

[00:03:17]

Participant: Uuuuhhh...well first let's start with the customers.

Researcher: Sure, go ahead.

Participant: The best way to meet new customers is through exhibitions. Trade fairs, because it's a place where you can get to know them and they can see you and what you make. There are many companies I see who are contacting clients through email and telephone. But they don't know who are

they, what they are doing. I mean if I am talking about my company we do not accept every customer coming to us. We have our MOQs (minimum order quantity). We have our standards, we have our limits you know. I am not going to say that everyone who steps into our company is welcomed. We need to see if he is going to bother us because I have companies, they work with forecasting.

Researcher: You mentioned MOQs which are?

Participant: Minimum order quantity.

Researcher: So what's a minimum order quantity that you have, can I ask?

Participant: Depends on the item. I have 2200 items in my company. Not every items...I'd say categories. There are 100 categories and they have different...Starting from a 100 going up to 5000. Like if you had been to a dentist sometime in your life, just to see your problem he examines your teeth with three basic instruments. Which are dental probe, mouth mirror and a tweezers...cotton pliers. These are the sets where they have most MOQs. Highest MOQs which are 5000. Because they are semi-disposable items and they do not use it on the other patient unless they sterilize them again. So yeah...

Researcher: Right. So, with the customers, the customers that you have, have you been dealing with a very long time?

[00:05:07]

Participant: Seventy percent of them are older than 40 years now. I mean the ones when my father started.

Researcher: Of course

Participant: But we always try to get new clients, new markets. So, there are few newbies too which are not older than three months. But yes...the majority is old clients.

Researcher: And... would you please give an example of how do you engage with your vendors in terms of your relationship with them?

Participant: Hummm...I would say since we are in the manufacturing industry it's not just the bread. That you make the dough, put it in the oven and its ready. Its takes a lot of time. So, I am linked with them for the material and they are linked for the money. And I have circulate my money from my customer, back to the customer in the shape of goods. So, I am...so what we normally do is that vendors offer a credit limit to circulate the money. To circulate the cycle, we have. And...that is the period we keep in touch with them. Mostly the vendors they are running through the year. For example, I got an order, I need the material. I will get in touch with my vendor that I have this order and I need this much material. And he tells me how much is it for and how much time would it take. Does he have it in stock or will he order from Korea? Because we use international material no...no

sorry I mean domestic material. Everything is imported because of the standard limitations. So, he'll tell us that this when we are going to get it. And this is when he wants the money back.

[00:07:04]

Researcher: I see....

Participant: Which is 30 days, sometimes 90 days, and sometimes it is 15 days.

Researcher: Ah ok. So, you get material from him on credit and then you have to pay him once...?

Participant: Well we give him a security at the beginning so he doesn't have to you know. It's just for his possession. Yeah.

Researcher: I see. So, he sort of acts like the middleman for you?

Participant: He is.

Researcher: Ok...uhhh so this moves us on to Q2. So, you covered a little bit of that already that what determines the nature of your relationship with your stakeholders. The nature of your relationship with your stakeholders for example the vendors and customers you mentioned. You have been dealing with them for 40 plus years so do you think trust really plays a big part?

Participant: It does, it does. Hummm I tell you if trust will not be present they will not give me anything. Because even the basic minimum order we deal with is of 6 or 7 lakh rupees. It is roughly 7,000 dollars and no one is just going to give away their 7,000 dollars for a loss. So the new vendors, they require a security in the form of a cheque. That is post dated as a 30 day cheque so once when you build that relationship with them than its just a matter of PO (purchase order).

Researcher: Good...

Participant: Trust is very very important in these dealings.

Researcher: What do you think consider to be the needs and expectations of these stakeholders. You can pick one of the stakeholders and give me an example?

Participant: My vendors. They...you know if I am a big company. And I am buying big from them, naturally their circle of life is getting bigger too. The moment I am down, they are down because they are not going to sell what they were. So, their life is going to step almost as equally as down as I am.

Researcher: So, their lifeline is very much connected...

Participant: to me and dependent on me. **(CT)**

Researcher: with you.

Participant: It is very much inter-dependent.

Researcher: This takes us back to the issue, that you have a very close interactive relationship with them because their success depends on your success and vice versa.

Participant: Actually, this is why I count myself as an SME. Because the companies who are on the multi-millionaire level they deal with the manufacturers by themselves. So, there is nobody linked in between. These vendors\ are, I would say 50% of my vendors are the original manufacturers and 50% of them play as a middle role. So, but...the majority is vendors are who get dumped when I get dumped.

Researcher: Uhhh that also covers Q4. You highlighted two stakeholders and you consider them to be the most significant to your SME?

Participant: Yeah.

Researcher: You also talked about...you gave an example of how do you address stakeholder concerns. That would that their survival depends on how your company progresses...

Participant: Yes indeed.

Researcher: Do you have another example to highlight that perhaps?

Participant: My clients. Because they would be probably the first stakeholder that I would count. As you know our business is related to the medical industry and we deal with the dealers not with the doctors or surgeons. They need just one or two pieces. I need to have someone who buys in thousands, in bulk, in quantity.

Researcher: Right...

Participant: So, when I am committing anything to my client I need to fulfil it. Because if I don't the whole the whole cycle of his sale is disturbed plus there might be someone's life dependant on it.

Researcher: Absolutely.

Participant: It's because he has promised the Dr's, the dentists, the surgeons and they have planned their surgeries on it. So, if I am late, he is late. And he is late than his deliveries are late. It goes all till the surgery the operation theatre.

[00:11:39]

Researcher: You mentioned dealers. So, what is their role? Do they deal with the clients and you or is it the vendors?

Participant: No they do not deal with the vendors. We are their vendors (to the customers).

Researcher: Right...so who are the dealers you mentioned?

Participant: (pause) they are whole sellers.

Researcher: OK I see. Who go on and then they sell to the client?

Participant: Yes exactly. For me my whole seller, my dealer is my client.

Researcher: I see. (pause) now onto Q.6. What characteristics, motivations and values influences your action as SME owner? If I may ask have you taken over the company from your father or he is also running?

Participant: He is there but he has taken off the load of management from his side.

Researcher: So, you in a perfect position to answer this question. What characteristics, motivations and values influences your action...this includes your educational background, your family etc.?

Participant: First of all, in terms of motivation there is definitely the factor that it's my family business. I have to take care of it. We have a good will. Goodwill is very important here. Whoever, wherever you go today, whoever you will interview you will see their name is very important.

Researcher: Brand name...

Participant: The Company name. The brand is...I have several brands down there but the company All Seas it's very important. It is important that I retain its name and reputation both in local market and international market. For that I need to do commitment, work hard and that probably serves as motivation to me. The most important for me is that it is my family business. My father started this, he was the single person to start with no employee. And now we have 300 plus people working for us, so I think that for me it is a lot of motivation that I run this company well and even better than him.

Researcher: I see. Just an offshoot of this question, to what extent personal and religious beliefs play a part in your management style and corporate decisions? That means decisions that by being a SME owner you are also providing people with jobs and in a way helping the community.

Participant: As far as personal is concerned, it is very important for me as this includes corporate decisions as well. By sitting on the seat I will take the corporate decision, but I also have to think how many people will be affected by that particular decision I take. I have to see that. If I am giving someone who I pay 10,000 or 12,000 rupees as salary plus commission. What is going to happen to him if I decide to change that department or bring about these changes. Hence, we try our best, that if

there is anything we can do to hold on to our employee, our labour to us we will. So, that their livelihoods are not disrupted and we do not end up taking a decision for own profit that is bad for them.

Researcher: Right...Right.

Participant: That is why in our industry here we charge two times the hourly charge after 5pm.

Researcher: Could you please elaborate more on that please?

Participant: For example, let say an employee is Rs. 25,000 a month. He is getting paid 833 rupees per hour. If he works from 8 to 5. If I want him to work more, I want more progress, more production. So, he will be getting probably Rs. 1666 after 5pm onwards. The overtime...it's called overtime.

Researcher: Yes, I know what you mean.

Participant: Its paid in two times.

Researcher: So, linking from that on corporate decisions and its consequences, you want to ensure that whatever action or decisions you take and who it affects, especially in terms of the workers' welfare. Is that an accurate assessment?

Participant: Yes...

Researcher: Would you say you know all 300 of your workers? Do you have that sort of that relationship where you know by their names?

Participant: No...no. There is a saying that I can just hold the spoon in front of me. So if I am in touch with all the 300, I won't be able to do my work, my part. At that point we hire managers and supervisors. Although we give them decisions and decision power and authority to take actions. But we still keep a track on everything, to what is going on to the lowest level.

Researcher: Can I ask how many manager and supervisors you have?

Participant: (pauses).....roughly ten.

Researcher: OK. How would you describe the small medium enterprise field presently in Pakistan from the surgical goods perspective?

Participant: Its very strong. It's very powerful. No other country in the world is competing with us except Germany. And right now, I would say that Germany is coming on its knees. There is no other

country right now in the whole wide world, who can beat surgical manufacturing to the cost level and the price offering system that we have right now.

Researcher: In terms of cost...and what was the second thing?

Participant: Quality and cost. Because we have so much craftsman ship here. Inherited in the people we know right, passed down from their grandfather and forefather. Everyone used to work the same field. Now they are much more technical, much more upgraded in their fields so it's getting stronger day by day.

[00:18:01]

Researcher: In what ways, do you think can small medium enterprises (within your sector) be socially responsible? When we talk about being socially responsible one of the aspects is employee welfare that you discussed such as giving overtime, making sure that they are happy at work?

Participant: Oh there is one more for employees. That is called **EOBI,** it's a department of Pakistan. That is very important and we offer that to our employees. So, if one of their kids are getting married, or they face a personal emergency, apart from us helping them they also get their share from EOBI. That is their moral right.

Researcher: In what ways, do you think small medium enterprises can be socially responsible within your sector? I have heard so far that the business community is quite active philanthropically here in Sialkot.

Participant: They have...they have done lots here.

Researcher: If you could elaborate with a few examples?

Participant: Definitely I will. First of all, I told you we have international trade here. So apart from our vendors and labours we have no other link. To be very honest we do even not sell to the dentists or doctors here. Some of the companies do, my company doesn't. Some companies I know they deal and sell to the sellers here in Pakistan. Which than sell domestically to the dentists and doctors here. There, the point comes is that what work we doing here, we have to do it socially better. That means focusing on the labour. We have to give them benefits- medically, financially, mentally and physically. In this...let me give you an example. Just recently a basic salary package was offered, it's been just a year now. Employees faced problems coming from afar to their work. And many times they arrive late. As you know the transport situation in Pakistan, sometimes it stops or there is a strike. Out of 300, if 250 workers do not show up. You will get nothing out of it. You are purely in loss because that 250 workers cannot work without the other 250. And if the factory is running because for those 250, you are paying them. You are paying the bills, the electricity everything but you get nothing out of it. So you face a lot of loss this way. What did we do to combat this? As a result, we took a dual step that would have dual benefits. First that we offered them a salary package with cars and motorbikes included. Company pays for their instalments.

Researcher: I see....

Participant: They benefit socially in that they get a bike or they get a car. Its theirs. They keep it, after working hours we let them keep it. The benefit is that they can use it at home, use it with their family. This standard of living can improve. But being professional at the same time we have to secure ourselves. When they are good guys, they are bad guys too. They are also people who will show up for work, get the bike and then disappear. So than you are at loss.

[00:21:18]

Participant: Instalment company will ask for instalment and you don't have the bike and the worker...

Researcher: This is regardless?

Participant: Regardless. So there, what we do is we bound them. The bike remains under the name of the company, they just use it. And we do a time period with it...say 3 years or 4 years. During that time we get to know the person, who he is etc. He is bound, as the bike is ours. He is permitted, as he has an authority letter. If a traffic warden or police stops him and demands documents. He can show the letter that this bike is the company's property. And he needs to show his company I.D for proof. But whatever we plan, that say you work two years and then we will give you the bike after two years. This results in their morale being very high, they are motivated that they will own a bike. Even though it is already included in their salary package.

Researcher: It's a great motivation for the employees to stay and work for the company.

Participant: And give their best.

Researcher: So, this initiative was started by your small medium enterprise?

Participant: Actually no. It was discussed here in the chamber of commerce. And there are companies here in Sialkot...electronic companies and ...(pause) those motorbike companies. They introduced this to the companies here. And we, I think immediately...immediately all the companies got on it. Because..(pause) we want our labour to work with their passion and not you know...with their hunger.

Researcher: Would you consider, that the labour issue, is very important here in Sialkot?

Participant: Very important. A company can collapse immediately if there is no labour. Doesn't matter how big it is. Doesn't matter at all. So, 90% of the companies here, they do not even hire on wages. They just...

Researcher: Yes you mentioned seasonal workers.

Participant: No there is another kind. Some companies I know...it is called *Pandarii*. Its a 15 days salary.

Researcher: Oh yeah from Pandara from the number 15.

Participant: Yes Pandaraa. Here in Sialkot since its Punjabi mix. It's Pandarii.

[00:23:37]

pause in interview

[00:24:04]

Interview resumed

Researcher: And then it also builds on that trust aspect which you mentioned before with the workers?

Participant: Yes absolutely. And in this due while you get to know them. What kind of person they are, are they fit for this job? It has happened many times that I hire somebody as a bellboy. And I see he is very keen for his work. He wants do everything diligently. I have a guy right now, he was a bellboy to me. Right now, he is the administrator for the company for cleanliness and for the groceries. Every small responsibility is in his hands. I have given him a car right now. I have offered help for his daughter's wedding which is coming in a few days.

Researcher: Right.

Participant: And I see him working really hard. I am really happy. If I have a client, if I have a vendor, if I have a customer. I want him to be served just as anybody from us. Me, my brother and my father. That is his duty...he sees what do I need serve the guests? Do they need tea, what should I serve to eat? He even thinks what kind of napkins to give? These things matter a lot. If a vendor is coming to meet me, whether he is big or small. If I will treat him equally he will give me his best. If I will treat less than where he could do something for me he will not do it. Because of the way I treated him as a person.

Researcher: Treating everyone equally. That is a good point you raised.

Researcher: Right we are now on Q8. If you could tell me about your relationship with your fellow competitors in your industry sector?

Participant: Humm.... (pause).. To be very honest...

Researcher: And that includes big and small companies who are dealing in surgical instruments.

Participant: So competitor relationship is very good here in Sialkot. There are a few people who become very competitive and do not guide or help you. I am very open to everybody. I have many friends who just started this business. I provide them samples that I manufacture because I have the machines, I have the labour. I have knowledge, I have all the equipment inside. They do not have it, as they are just starting. They are just struggling. So I try to be help them as much as I can because I really

do believe that what food is meant for them I cannot take it. And what food is meant for me, they cannot take it. So, I help them the most. And these people later on become your competitors. I tell you, my father and his best friend they work in the same field. We were at the same trade fair, where their stall was five stalls down from ours. At the point, he came running to our stall and asked if we had this instrument? My father said yeah we do, here it is...take it. And that person, from that one instrument he got huge order. His life changed and he is still with the same client on that one instrument. And we are happy about it. Now if I was to think, what if I had not given him that instrument. I could have gotten that order as the instrument was mine. Maybe if I had not lent him that, perhaps the customer would have walked over to my stall. Maybe he would not have, there is no guarantee about it. So this way I know where did the customer went. And that friend knows that because of them I am here today. The competition...competitors are present but we are very good to each other.

Researcher: Would you say it's a healthy competition.

Participant: Yes, it's a very healthy competition. And we are very comfortable with each other. We are just like brothers. They are some people who are not good with it but I believe by time they get to know it too. The newcomers get stuck in turf wars but by time they understand.

Researcher: Ok moving onto question 9. What do you understand by businesses having responsibility towards society? What is your understanding of it...do you believe there is a responsibility or there is not? I will add that also includes how you feel responsible towards your workers because are part of the community as well.

Participant: Well I believe all of these questions in some way all end up that due to international trade we have limited interaction with limited people in a limited market. Outside of that what else is happening I have no idea about it. In this we have vendors, for instance some of them are big vendors, with them, you don't have much problem. But with the small ones, we have a different sort of responsibility. That is based on the idea that if I know this person helps me in whatever way, that I will support him on his ups and down. Like his kids getting married or there is an emergency in his house. So out of nowhere he will ask me for a lump sum amount. That I have this problem, so at that point I have to help him. Because I have to remember that this person provides me XYZ instrument or if tomorrow I ask him for quick order he will ensure that he fulfils it. And when my orders come he will try to help me in any way he can. So, I will help him and then he can pay me back his convenience.

[00:29:12]

Researcher: What are some of the economic issues relevant to the small medium enterprises in your sector?

Participant: Well...is a very difficult question because economic situation is not stable at all. But we just affected, when this economy hurts the currency.

Researcher: You mean the currency devaluation issue?

Participant: Yes you are right. Let's say I go to client, I place him everything and he gives me an order for 100,000 dollars. And I calculate in my mind it is going to be 1 Crore and 15 Lakh rupees. And I start making my order. And when I am done with everything and the dollar has gone or even the rupee value goes down. If it comes down to 1:1 or 1:98. So immediately in one second, I lose 20-25 lakh rupees just like that. That really hurts us. Companies who have smaller profits, they die out because of these challenges.

Researcher: Are there any legal issues facing small medium enterprises in your sector at the moment? Legal issues would mean govern regulation, the support of government or rules and norms that hinder small medium enterprises to thrive here.

Participant: Yes. I think if...we talk about legal issues there are many. They are not just one or two big ones, they are many. One of the biggest ones in my eyes, is the process of company registration and legalization. We have to abide by the laws here. Look at the issue of child labour, here people have not stopped doing that. Small kids are working in factories even today. And specially my company because it deals with instruments it comes under steel industry. It's a branch of steel industry. So it is dangerous and can result in grievous bodily harm. If the employee gets distracted while working, his hand can be injured under the heavy machinery we use. He gets his hands cut. You will see lot of people and kids in Sialkot who do not have fingers unfortunately. This is due to forging process. It is when heavy metal heated and is transformed into the instruments. It is forged that way in the shape of instruments. That process puts pressure of 100-150 tonnes. And if you put a small kid there and he doesn't know how much of his hand he has to put in. Or even if he knows and he has been working there for 2-3 months (pause)...and due to some unforeseen reason he loses his hand. Maybe he gets distracted or something and then what? He is for his life. This is a huge legal issue here-- child labour which people do not follow properly. We have very strict laws here.

We have employees who bring their kids to the factory. We tell them no sorry we will not give them work here. They also cannot afford to send them to school.

Researcher: Why is that?

Participant: Because of their situation.

Researcher: Hummmmm. So it's a sort of a vicious circle, as they are not economically stable and poor they cannot afford to educate their kids. They bring them to the factory, the way it happened with them when they were children.

Participant: And they tell them to learn the skill. The kid is what only 8 years old! At that point we do not teach them the skill. But we do keep the kid with us, we try to fund his education. But we are not that kid's parents, we can only to say to them. We cannot force them. And we also do not enrol the kid into our company. This in my view that comes under a socially responsible kind of thing.

Researcher: OK...

Participant: That socially that we are helping them. We do not enrol the kid that he is not our employee. Yes, what we will do is to give him some perks, if he really is in need, we will increase the father's salary. And we will tell the father that is what we have done and why.

Researcher: And does that prompt the kids to go to school?

Participant: They do not put them in the school…because of the mentality here. They do not educate them. You will find very few people here who even though they are earning a mere Rs. 2000 are sending their kids to school. Very few people here who think like that. They do good. Because basic knowledge is very important. Like you had a previous question about family background and education. I would like to tell you, that I was raised and studied in Singapore.

Researcher: You had mentioned earlier.

[00:34:06]

Participant: Yeah. I did my elementary there.

Researcher: They have one of the best schooling systems in the world. They focus on hard work and diligence.

Participant: Yes…everything everything. So, my elementary was there and then for my middle school I moved back to Pakistan because of my father's business. My grandfather passed away and my father had to come back. When I was here, I went to the City School, one of the best public schools in Pakistan. After that I went to Leadership College where I finished my intermediate. Then I went to Lahore for the graduation but I could not complete it. All my friends, everybody. Somebody went to UK, somebody went to Australia, somebody went to Canada for studies. And I had to come out of it. I wasn't....you cannot call me a drop out because I left it.

[00:35:00]

Participant: And because my father he got ill very seriously. I am his eldest son. I have a twin as well. He is just like me, he is my brother. We both had to stop our education because if the owner is not there, 300 employees will ruin you. They will probably ruin themselves too.

Researcher: So strong leadership, in your eyes is very important?

Participant: Very important. Very important. I'd say if I do not go to work or I do not have a hold on my work. Those people are my employees for a reason you see. I am giving them work, if he is capable enough he will be the boss one day too. If he is not…than all his coming generations will work. It's not about me being rich or him being poor. Whoever will try to become rich, he will succeed one day no matter. So, my father got ill, he is a diabetic patient. And cherry on top he got Hepatitis C. As a blessing for his diabetes, and at that moment we left our studies to join our business. I was really hurt and very sad that I won't be able to finish my graduation. I won't be able to finish my masters. How am I going

to survive because the world is rapidly moving forward? And to be very honest there is no space for the ones who are not graduate. I couldn't even focus in my work for maybe half a year, 6 months. I was just present there not active. Very sad...somebody is calling me from London that I am a graduate. Somebody is calling me UK, somebody from...I do not where. So there was...(pause)...there is somebody I know who is a professor. He is a professor would you believe it. He has two PhDs. I went to him and shared it with him. He said you don't need it, you don't need that. Because you need to be capable. He told me in Urdu that in order to move forward you need to have *ilmm* more than *taleem*. Because if you will have ilum than intelligent people will come work for you. If you will not have it than not even the uneducated ones will not even work for you!

[00:37:42]

Researcher: You said, that this is one of the reasons why you support kids to go to school than work?

Participant: Yes.

Researcher: It is one of personal motivations?

Participant: Yes it is. Basic knowledge of basic studies that is compulsory. If someone wants to do business than they go and study engineering that is stupid. That is really stupid. I will not appreciate that person by doing this because by he will be wasting 2-3 years of his life by doing engineering. I mean if he wants a degree than get one in business.

Researcher: Sure.

Participant: I know many friends who have spent 6-7 years in engineering. Fine they have gotten their degrees from Oxford and Wales. But my experience of 9 years, I cannot have a talk with them. Because they lack the knowledge. Their level of thought is very low, very low. They do not have the practical thought process. And they will not get it because they can only get it through experience.

Researcher: Alright this also covers, where you talked about encouraging employees to educate their kids. It also covers the philanthropic responsibility aspect, you can say that as well. In your view, which responsibility is most important for Small Medium Enterprises in your sector? One is economic responsibility, which is the basic one that is profit generation. If you won't make profit than you won't be able to survive as a company. One is legal responsibility such as abiding by the rules. You gave the example of child labour laws here.

Participant: Yeah.

Researcher: Than there is ethical responsibility to adhere to what society expects of you. Than it is philanthropic responsibility. And that is voluntary and that is that you should be able to do if you have the resources or the means.

Participant: hummm…. I see.

Researcher: In your view, as a SME owner what is the most important responsibility for your company and your sector in general?

Participant: I think...(pause) it's for my company and my category of business I would say its profit generation. Because everything comes within.

Researcher: That is the basic building block.

Participant: Yes, that is the basic building block. If it's not there you are bad. You are not helpful for anyone. If you are working below the line. And if you are very humble and keen for your employees and vendors and you give them all the money so to say. You won't be able to stand up. You will not be able to run your business. And in this line of work you need to have a revolving position otherwise you are done.

Researcher: Ok. Q12 and that is the last one. What are your views on Small Medium Enterprises being socially responsible?

Participant: I think they should be responsible.

Researcher: It also includes factors like one's personal values, your motivations and how much you want to help the wider community.

Participant: Absolutely. I am very happy that I am a managing director of a company. In this position on a daily basis I have to think very carefully that what I am doing or about to do. Who does it benefit and who it does not benefit? I have to look not only at the wellbeing of my employers but also my company.

Researcher: Hence your actions have consequences?

Participant: Yes, every action has consequences. I have to think twice for doing anything.

Researcher: And that is for you being socially responsible?

Participant: Because it helps everything under the social life.

Researcher: You can say it has a trickledown effect.

Participant: Yes, you can say that.

Researcher: Because it affects everyone?

Participant: It affects everything.

Researcher: We have to the end of our interview now. Thank you very much for this interview. That was really helpful.

Participant: My pleasure. Glad I was of any help.

[00:41:55]

interview ends

Participant: Owner F

Date: 27.03.2016

Location: Public Restaurant, Lahore

Q1:

Part 1 Stakeholder:

1. Financial institutions e.g. banks, Customs RTO's.
2. Suppliers & Vendors
3. Employees/Labour
4. Chambers and trade bodies like Simap & TDAP
5. Cargo agents/ Custom clearing agents
6. Shipping ports and Airports

Part 2:

Engage with them in these ways.

1. Banks, financial transactions, E. forms, payment for foreign business
2. Customs, for shipments and Rebates
3. RTOs for tax works
4. Suppliers/ Vendors for outsourcing of products and orders completion
5. Labours/skilled labours also shortage of skilled labour & manual works
6. Chambers and trade bodies like invoice attestations, membership must for invitation letters and international business recognition, trade fairs helps, meeting for promotion of business etc.
7. Cargo agents shipment movements, logistics handling

8. Shipping ports for shipment movements

Q2.

Please look on Q1 answer and make clarification on them.

Q3.

Needs/expectations

1. Employees; monetary needs, social needs like marriages of children, medical facilities, transport, bonus, social welfare and pensions systems.
2. Banks, more business, loans, more deposits
3. Government, more taxes, more business
4. Customers; good quality, timely delivery, payment securement
5. Economically: employees/labour benefits in many ways
6. Legally; socially welfare funds
7. Chamber: timely payments and funds

Q4:

Customers are more significant

Orders, than payments.

Labour, timely payments and they work hard—supply chain.

Vendors are very much significant.

Q5.

Part 2 ans.

1. My study
2. Family help
3. People service

4. Development of business
5. Promotion of Pakistani products in international market.
6. Job restrictions

Q6 ans

1. Believe in hard work- personal motto.
2. Full time job
3. Multi-purpose job like production, market. Finances etc.
4. Religious: honest, like send perfect shipment and no fraud, timely payments to all, socially help and labour issues help, level of trust do not breach at all, customer satisfactions, dealing right with all peoples, customers, and markets.
5. Dealing right with all peoples, customers, and markets
6. Industrial spinage.

Q7:

1. Very pity conditions
2. No SMEs help in any way
3. No bodies working properly
4. No SMEDA help
5. No guidelines
6. No proper channel
7. No government supports
8. No loans/funds
9. No institute
10. After establishment, tax issues, rebate issues, no rebates, no proper accountability of government, govt make more worse for SMEs
11. Socially, our line is lifesaving instruments, so it is socially helping people.
12. Socially, giving the exact product to client, making payments timely to labour and market.
13. Reputation: honesty with client and market, timely dedication, employees motivation by funds and over times, welfare of labours in many means, but at the same time face issues from clients, labours, markets, banks, especially govt un-identified taxes and worse policies.
14. Religious: fair dealings, no mixing, and no loose commitment in everywhere; submit taxes on time, use proper channels for business and transactions.
15. Competitive edge: too much competition, but never leg pulling or industrial spinage, make good quality, use the perfect business lines.

Q8. See 7 & 9.

Q9:

1. FBR and govt policies
2. Labour advances issues and govt laws of labour.
3. Industrial spinage by other companies and big crocodiles.
4. Our instruments are lifesaving instruments; if we do not make it properly we are not doing good for society. Make you self good. Always be honest in dealings and always think for society while making profits.

Q10.

1. Do legal work
2. Do welfare work as much as anyone can
3. Always show yourself for accountability.
4. Make trust with clients
5. Traditional roles: govt support us, by any means, advance systems stops.
6. Religious: stakeholders must be honest.
7. Accountability: no tax invasion by owner and also follow regulations.

Q11.

1. Support NGOs
2. Zakat
3. Filter plants
4. Marriages of children of labour
5. Chemical wastage
6. Child labour
7. Greenery in offices and nearby.
8. Proper tooling for labours
9. Safety standards

Q.12

1. A company who is making profits not only for themselves but for the development of society. Always think for society wellbeing while doing any business or projects.

Participant: Owner G

Location: LCOC
Date: 29.03.2016

Sector: Auto sector

Researcher: Thank you for sitting for this interview. Can you briefly tell me the name of your company, the number of employees the location of your company?

Participant: It is Synthetic Products Enterprise Limited.

Researcher: Products Enterprise limited?

Participant: Yes it is Enterprises Limited. And the address is 127 S..let me get the card and confirm. I will get back to you on the exact address is that ok?

Researcher: Yes sure no problem.

Participant : Ok next question.

Researcher; The location of you company it is in Lahore?

Participant: Yes in Lahore.

Researcher: And the number of employees?

Participant : About 472.

Researcher: Very precise *laughs*

Participant :(speaks to his secretary) 'Can you tell the driver to get my visiting card from my car?'

Researcher: I am going to change the structure of the interview little bit in terms of sequence of questions. If you could briefly describe to me your family background, education and what was it made you to start your own company?

Participant : Ok (pause). I am basically a mechanical engineer and I specialised in design. Than I did my specialization in Plastics. And than another specialization in Air Conditioning, Refrigeration...My family has been in business for a long time. My father was not in business, he was with the [Pakistani] government. But my extended family has been in business.

Researcher: May I ask if it is a family business?

Participant : No I started the business myself in..1977. I did my engineering in 1974 and for three years I was trying to set up partnerships. I did a couple of other things and they did not work out. So it just started...actually the company was started in 1978. Exactly seven days after my marriage *laughs*. And the reason why I wanted to do my own business was because I wanted to use my own knowledge to produce or manufacture products which were never manufactured in Pakistan. And for a long long time I was holding a virtual monopoly on most of the products that I manufactured. Now obviously, times have changed and some of the products do get into competition with others but than we tend to (pause) either eliminate manufacturing them and than we constantly add new products. So we are on the moving edge of knowledge and technology in the industry..constantly.

[00:03:39]

Researcher: Exactly what kind of products do you make?

Participant : The products that I make are the complete interior of a car- all plastic parts. Than we do FMCG work like yoghurt cups, shampoo bottles, water bottles. Something which has some difficulty associated with or has a performance criteria which is necessary with the product. So we are not in commodity production. We go in where some sort of knowledge is required to make a specialized product.

Researcher: Ok thankyou for that. I will move onto the next question which looks a concept by a french sociologist. I do not if you are familiar with it maybe you have come across it during your professional life. It is called Habitus. He says your upbringing, your family and friends structure, the type of education, your early socialisation that eventually becomes a part of your personality. Those dispositions affect the practice that you carry out in the future. For instance if you want to make a career for yourself in the business area. So Habitus is a mechanism that helps you to take decisions and actions in your future in terms of your career and life. So

related to that is the question that what characteristics, motivations and values influence the actions of a Small Medium Enterprises owner? To what extent do all these play a part?

Participant: Ultimately we have to look at it from the customers point of view. Why do customers reward some companies and do not reward others. So I would not talk about the supply side, let me start my discussion with the demand side. Every customer wants a reliable product at a reasonable price, a place where he can buy it easily. Any Small Medium Enterprises who make sure their product is reliable and meets the needs of the customers, is within the competitive framework of the economy and is available of purchase- does well. Now, not many people understand, not many Small Medium Enterprises really understand that it is not they who make it successful, it is the customer who makes a business successful. So...that is why everybody struggles to improve his or her own skill set without aligning it with the needs of the customer. So a lot of times, people are working very hard and are not doing well. Than I wonder what does hard mean in this case?

Researcher: You are saying that if companies are not satisfying the needs of the customer than they are not doing their job really well?

Participant : Yeah hard work has...is just like saying I run very fast but I do not finish the race. I run from morning till evening and I get tired out because of that but I do not understand why the customer does not buy products. So there is co-relation between the two. So unless you do the right amount of work, the right way and satisfy. So the key work is TRUST AND RELIABILITY.

If you look at Multinationals, they all focus on a brand name. And that brand name always represents trust and always represents reliability. So as long as the Small Medium Enterprises can somehow conjure up- with their effort, with their technology, with the manpower they have, with the organisation that they create- products and services which meet the need of the customer and is the customer is willing to pay for it. It will always be successful.

Researcher: So you think to a certain extent the motivation and characteristics of the Small Medium Enterprises owner do not play a part?

[00:09:06]

Participant: (pause) I think it is a constant learning experience. The word you used was habititus...?

Researcher: Habitus.

Participant: Habitus yes. Actually to me it is not a static word, it is a constantly evolving world.

Researcher: Habitus is durable....(CT)

Participant : It is not just your childhood or your adult life, it is your own life that you are learning every day. Of your life, so if it is an evolving word, than you have to evolve to be able to understand what the customer is looking for. And you do it better than your competitor.

Researcher: That is really an interesting way of putting it. Right, next question. To what extent do personal and religious beliefs play a part in your management style and corporate decisions...in the way your run your company?

Participant: I think whatever framework or background you have, again the key word would be integrity. If you are honest with your employees, if you are honest with your govern, if you are honest with your customer, you will create an organisation which will have the fundamentals of growing and being successful. The next part obviously is what product you make, and which sector you are in and all of those things. But if you ask me about the structure of an organisation, depending on the beliefs of the owner- he may come from any religion- as long as he or she is creating an environment of integrity. Again the key word becomes trust, in which integrity will lead to trust. And the trust is what will make you successful.

Researcher: Is that how you run and manage your company? Over the years can you say you have built an organisational culture but environment where integrity, trust and honesty come above in terms of interaction with customers & employees?

Participant : Honesty and integrity come above the capability and skills of any employee. If I do not see any integrity in them, irrespective of how important they are to the company. Than they are not part of the team, they cannot stay as part of the team. And everybody knows this. I have made it very loud and very clear to every body that if somebody tells a lie to the customer or to the management or the government. We pay our full taxes and we do very well in spite of that. And I think this is why, the customers continue to come back to with more and more orders. Bc we never ever tell them a lie.

[00:12:47]

Researcher: This is almost, if I say so, these are your corporate motto or values, that you have to have integrity and honesty in all of your dealings with everyone.

Participant : This is the prime directive. The values are obviously others also like we respect people, we respect the environment...so there are others. But this is fundamental thing on which the whole company hinges.

Researcher: That is very interesting. How would describe the Small Medium Enterprises landscape in Pakistan? You can in your capacity, give me general view or you can give me a view specifically of your sector?

Participant: This country is a country of 200 million people. And these 200 million people have to eat everyday, they have to go to schools, they have to travel, get married, they want to live somewhere, they need fans and motorcycles, they have to look beautiful, they need cosmetics, they need clothes..everything. I think this is one of the largest markets in the world! Unfortunately the capita per income is still low, but as the growth goes on and the capita per income grows...this is going to be a phenomenal market! The supply and demand situation is such that in most of the cases the demand is more than the supply. And that is what causes inflation by the way.

Researcher: I see.

Participant: And if inflation is any indication, of a supply-demand imbalance than it is in the favour of entrepreneurs. the moment they set up a good shop and make the right product the right way.

Researcher: It is prime opportunity.

Participant : Yeah...this is phenomenal opportunity for people like us! I do not find this opportunity anywhere in the world.

Researcher: In term of entrepreneurs, what is your view on that. Does Pakistan has a lot of potential and is there a growing generation of entrepreneurs here? This is an interesting issues as no one has mentioned it me until you just did.

Participant: We don't see lines for products anywhere in Pakistan. The products and services are freely available everywhere, and all of these products and services are produced and created by entrepreneurs. There is this strong line of entrepreneurs who are coming into business everyday and they test their skills and their capability in the market. Some of them fail, others succeed. The ones who fail, some of them try again now they are experienced entrepreneurs. So the chances of an experienced entrepreneur succeeding is much higher.

[00:16:30]

People who do not try again, normally become employees for the same people who tried again. And this is how the economy is moving. We do not have a global outlook as yet other than the city of Sialkot or some other cities similar to Sialkot. Or some sectors of the economy like sports good. And textiles...

Researcher: Surgical Instruments as well?

Participant : Yes surgical instruments and Textiles. Those are the people who have a global view of their products. But the world is much larger than what we see within the boundaries of Pakistan. So these entrepreneurs are bound to flourish, they are bound to grow and once they raise capital they are bound to reinvest. And that is how the economy is constantly growing. I find a lot of entrepreneurs entering the business both as first time entrepreneurs and as second or third generation entrepreneurs. So there is a constant inflow of new people joining the employer category.

Researcher: Those who do not succeed they eventually become...

Participant: Employees. Employees of those employers who somehow have made it.

[00:18:20]

Researcher: In what ways do you think can Small Medium Enterprises be socially responsible or reactive to the needs of the society? And what factors do you think determine such behaviour? Factors include religious duty, to gain a competitive edge and some do it for business reputation.

Participant: I think every entrepreneur does CSR in different ways. Even producing the right good and services so that it fulfils the requirements of society can also be deemed and termed as CSR. However, if we consider it to be a straight economic transaction and nothing to do with CSR than the number of employees that they employ, their families are looked after.

Researcher: It is CSR by extension.

Participant: It is CSR by default! They are doing CSR by default. And than most of the employers start providing food for their employees. And probably, education for the kids of these employees. Or maybe health facilities for these employees. Now this may be a very selfish reason why they are doing it. They maybe a very selfish reason, however in spite of that they are providing some service to humanity particularly to people who are connected to them. Than beyond that, I think this a very religious society in the sense that everybody tends to pay Zakat. And Zakat is used not only to help people within the company, but outside the company also. I know of several examples where companies have set up hospitals, libraries and schools which is just part of CSR of that company.

Researcher: Can you share an example perhaps?

Participant : Oh there are many many examples. Bareeze has set up this Care foundation and they are looking after hundreds of schools. Than we have Crescent Group and Citizen Foundation.

Researcher: Crescent group is a company?

Participant: Yes it is. They are in textiles...called Crescent textiles.

Researcher: What was the foundation did they set up which you mentioned?

Participant: Citizen Foundation. They are about 700 schools that they are looking after. Than we have people coming everyday to LCOC. There is a company by the name of (pause)...DMK. Farooq Naseem is the guys name...(pause). His company's name is....(pause). They are running I think 3 or 4 schools.

(pause)

DWP that is it. DWP Group! They have several schools. Lahore carpets over here is running three schools I think.

[00:22:20]

We have High Tec Lubricants, they are running a couple of schools.

Researcher: So mostly CSR is in education?

Participant: No no...these are just in education. Than I can talk in health. Guard Filter people, they are running two hospitals. Atta Brothers are running a dispensary. Shalimar Hospital was set up by LCOC, by the members of LCOC. It was built on the donation by LCOC. And so on and so forth.

Researcher: These are great examples.

Participant: Sure.

Researcher: If you can tell me the relationship with your fellow competitors in your industry sector?

Participant: In the auto sector you don't have a lot of competition you have a lot of collaboration. Different people are making parts, of the same car. Same parts of the same car. So to make a car...everybody sells a part. So you collaborate with each other, rather than compete with each other. In other sectors, where these is competition, the competition is always intense. The competition is always about the service package that you provided, it is never about price. It is about the service package.

Researcher: Do you there exists any unsaid rules or the way you interact with fellow competitors in your industry? Are there certain mechanisms that everyone abides by being a SMEs. Are there any norms or rules they follow?

Participant : Culture...one definition of culture is what people do when the boss is away.

Researcher: I see.

Participant: So actually they are unwritten rules everywhere. And as along as you conform to them, you don't offend them, you do not step on their toes and you are acceptability in society and sector is much better or much more than otherwise. So it is better to stay within the norms of business where people can trust you. Again I am using the word trust you see?

If you start violating the norms than people don't know how much and when you violated. And if they do not trust you than you are ostracized.

Researcher: What are some of the examples of these unwritten rules?

Participant: Every industry has different norms.

Researcher: What would the norms in your industry?

[00:25:53]

Participant: The norms in the industry is...for the auto sector is that you make sure you share your knowledge with the people around you. Now this may not be the norm in other industries. So people constantly invite each other to their companies and show them what and how they are setting up and organizing the systems.

Researcher: So it is knowledge sharing very much?

Participant: Yeah it is very much about sharing knowledge and collaboration. Now this is not a norm in the packaging sector for example. Over there the norm maybe, that you do not. In fact you avoid going to somebody's company. And if you push yourself in or tend to somehow go in, it is considered to be a violation of their territory.

Researcher: And they feel threatened I imagine?

Participant: Yes they feel threatened.

Researcher: It is interesting how the norms differ from sector to sector as you said.

[00:27:09]

Researcher: So after having this discussion on being socially responsible what are your views on CSR or responsible entrepreneurship if I was use that term for Small Medium Enterprises? There is a debate that CSR is a big company term and not relevant for SMEs.

And in your view what is the definition of being socially responsible?

Participant: Society tends to reward people who are supportive of the society itself. By providing the right products, by providing some service which the society might not be paying like a school or something. A dispensary or hospital. Society does reward you for the good work that you do. And this is not just society, let me use the word nature. It is the tendency of nature to return all that is given out to nature. So, there is a equilibrium between the environment and yourself. So the more you give to the environment, the more you reward the environment will give to you.

Researcher: Just to clarify the equilibrium is between nature and....?

Participant: nature and yourself. If you tend it to take too much, than nature will balance it by giving you less. The less you take, the more you get.

background noise- telephone ringing

Giving you just an example, while you were sitting here there was a journalist over here. And I told him not to put my name in what he is writing. Bc I do not want it to be visible. My invisibility is so visible. People know me more more if I am visible.

Researcher: If you want for confidentiality concerns...I can switch off the tape recorder if you want?

Participant: Sure that would be great.

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Researcher: So the concept of socially responsible and what you it mean for you. I really like the way you summed it up, it is a great quote. 'Society tends to reward people who are supportive of society itself'. It will use it...it is very apt.

Participant: And that reward is profit by the way.

Researcher: Absolutely.

[00:30:07]

Researcher: Taking it from there, do you believe that business does have a certain kind of responsibility. Whether that is economic, ethical, legal or philanthropic in nature. In your view...let me rephrase it for you. I think you might be familiar with it, it is by Archie Carroll where he has a pyramid of four responsibilities. Now he looked at developed and Western countries in the 1970's where he did his study. He came up with the pyramid where he said that regardless of whatever business you're looking at, economic responsibility that is the foundation. Until and unless there is no profit generation, a business cannot go forward. Than he said it should be legal responsibility, the legal frameworks a business should adhere too. Than is the ethical responsibility of what businesses should do.

background noise

It is really up to them if they do it or not. Than it is philanthropic responsibility which is completely voluntary. In your view looking at the Small Medium Enterprises sector in Pakistan, what would be the ranking of those responsibilities? Do you think it will be different?

Participant: Look... first survival is compulsory.

Researcher: Economic survival you mean?

Participant: Survival is compulsory. If the company is not surviving than all other responsibilities are null. So once you have survived economically, than the society expects you to play within the boundaries the society that created. Those boundaries are called laws and the moment you start violating those laws, society punishes you for violating those laws. And while, you are playing within the rules of society and you are economically stable, only than you have the luxury of philanthropy.

[00:32:57]

So I think the pyramid stays.

Researcher: For you it stays?

Participant: Yes indeed.

Researcher: What do you think are some of the legal issues faced by Small Medium Enterprises in Pakistan?

Participant: For SMEs....the starting point is obviously the registration of the company. And there are 8 different departments that every corporate body needs to get registered immediately before it starts functioning. Unfortunately it is not easy to get registered without all of them. And most of the time there not enough knowledge [among SMEs] also. Bc all of these 8 departments work in isolation so people can get away without registering with some of these departments.

Researcher: And these departments are part of the govern?

Participant: Yes part of the government. You have to register with them, like the Labour Dept, the Social Security Dept, like the Tax Dept, like SSCP, like Professional Tax people. Than provincial tax people. So you have to get registered with them and everybody...because they are in isolation, the moment they start getting successful, these departments start, you know following them. They came up with very heavy penalties for not being registered.

background noise

Researcher: There is heavy penalty for not registering if I understand correctly?

Participant: So their difficulty start the moment they see a little bit of success.

[00:35:11]

After that comes the environment. After that comes the other rules and regulations. And the laws that are implemented by the govern. Again they are very vague laws and the govern does not train the entrepreneurs. In fact nobody trains the entrepreneurs to deal with these laws in a way that they are fully complied. There is a rent to be fetched when these organisations do not comply with these laws. That rent is called corruption in this case.

Researcher: Every person asks for their share.

Participant: And this is a never ending story. So there are laws, there are inspectors and there are departments which are following these entrepreneurs. There is a tango between them and the idea is never get caught.

[00:36:29]

And whenever they do caught, the penalties are so severe that their enterprise might be shut down.

Researcher: Issue of severe penalties. What would be some of the economic issues facing SMEs? The focus group highlighted issues like access to finance for entrepreneurs as an economic hindrance. Specially for start ups it means.

Participant: Obviously for money and funds, cash flow is the single most important element for the enterprise which keeps it alive. The moment the cash flow dries out, the company closes down. And access to funds become critical to that end. Than most of the people who start businesses..

interview paused

Researcher: Some of the economic issues you were mentioning such as access to funds..?

Participant: Access to funds is critical. After that nobody trains them to deal with the customers and make marketing and business plans for the company. That is the second part which every single new entrepreneur wants to learn. He wants to learn marketing, he wants to learn salesman ship, he wants to learn communication, he wants to learn team building, leadership. So he's got challenges within the organisation and outside the organisation. And he cannot afford high quality HR because of constraints in financing.

Researcher: And finally if you could shed light on the ethical issues facing Small Medium Enterprises in Pakistan?

Participant: The moment...most of the ethical issues are between, the enterprise and govern. Obviously because the govern wants their share of the rewards and compliance to all laws and regulations. Which most of the time are not complied or some of the time are not complied fully. So it does create ethical and moral and legal issues. The second is when it comes to procurement, particularly by the govern a lot of ethical and moral issues arise over there which have been outlawed in many Western countries. They are outlawed here too but not much....there is no effective mechanism to stop.

Researcher: Procurement in the sense of what? Can you please elaborate?

Participant: Govern procurement.

[00:40:11]

Researcher: So you say they are officially banned here but still lead to ethical dilemmas?

Participant: They are laws against but are not implemented well. There is a lack of enforcement.

Researcher: I am moving to the last question now and than we will be done as I know you have another meeting after this? This question has to do with your company. Which individuals and communities are affected by the activities of your company? And do you count them as stakeholders?

Participant: Nearly every citizen. By affect every citizen of Pakistan.

Researcher: For you.

Participant: I do! The products that I make, or sell are used by everybody. Your parents use my products they do not know about it *laughs*. Have you ever had Nestle yoghurt?

Researcher: Yes I have.

Participant; The pot for that, we make it. So you see *laughs* So anybody and everybody in the country is impacted and we want to make sure we make a product which is healthy, which is food grade and which performs exactly according to the needs of the product. And obviously the customer. This is CSR for me.

Researcher: Is your company family owned? As you said it was publically listed?

Participant: It is a publically listed company but majority of the shareholding is owned by our family.

Researcher: OK. So would you consider the minority shareholders as stakeholders as well?

Participant: They certainly are. They certainly are, not only shareholders but some of them depend on their monthly and annual expenses on our company. If you do not pay them dividend, than their homes will be affected.

[00:42:14]

Researcher: And than the employees are considered stakeholders for you?

Participant: Employees, bankers, insurance companies, suppliers...and the govern. And on any tangible level the environment is also my stakeholder.

Researcher: Right I see what you mean. In what ways do you engage with them? If you can give an example.

Participant: Well it is a regular engagement with them. Number 1 through constant communication, the other is that there is an economic relationship with most of these stakeholders.

Researcher: And this relationship is also built on trust?

Participant: Certainly is! The key word is TRUST. I have never found a company being successful without people trusting the product and the company.

Researcher: What determines the nature of your relationship with your stakeholders? If you can provide an example.

Participant: The nature of relationship is very healthy. It is a very friendly relationship with all stakeholders. We do not have any legal issues with anyone of them. No body goes to court against us and we do not go to court against anybody else.

Researcher: What do you consider to your stakeholder's need and expectations?

Participant: They are different for everyone of them. The shareholders expect dividends. The employees expect stability and growth. Improving their capability. Training them. Govern expects that we will comply by all laws of the country. And pay our taxes.

Researcher: And with banks?

[00:45:03]

Participant: They expect that we will pay the loans on time. Consumers expect the right quality. I do not know what top quality means, but yes right quality. Which conforms to the environment and ensures the health of the customers.

Researcher: This is the last question.

Participant: This is the third last question from what i remember *laughs*

Researcher: This question has many parts you see. Which stakeholders are significant to your SME? You said all but if you were to rank them.

Participant: customer is always the most important.

Researcher: O.K. That's it we are done. Thankyou very much.

Participant: That's it. Thankyou very much.

[00:46:15]

Participants: (Owners H & I)

Location: Sialkot Gloves Association

Date of Interview: 4.04.2016

Sector: Leather Sports Goods.

First eight minutes pre-interview recording with the two participants included clarifying some issues in the consent form and signing it, the purpose of the research and how the data collected will be used in the thesis.

background noise

[00:08:17]

Researcher: Assaliukum. Thank you so much for giving me the time for this interview. I really appreciate it as I realize that both of you are very busy. Let us start now. Can you please tell me your family background and education?

Participant 1: My background is in mechanical engineering. I have two daughters. One is a specialist, a gynaecologist. Her husband is a lieutenant colonal. The other daughter has a master in mechanical engineer and her husband is an electrical engineer. They are settled in Australia. Than I have a son who is in the Pakistani air force. He is an aeronautical engineer.

Researcher: Right

Participant 1: The second son is also in Pakistan air force and a flight lieutenant. He is a fighter pilot. The youngest son is a mechanical engineer and he has gone to Italy to do his masters. He is at Milan University. So I have three sons and two daughters. I have been doing this business for the past 30 years. And my firm is called 'Safety Care'.

Researcher: Safety…?

Participant 1: Safety C.A.R.E *spells it out*

Researcher: And you manufacture gloves?

Participant 1: Yes gloves. All sorts of gloves and our main supply is to European countries. Main importing country is Italy and Greece.

Researcher: And the number of employees you have in your company?

Participant 1: Well before we had our own setup. In that you can say we had 200 employed. But now we have started the vendor employee system due to the electricity crisis. With that system we have between 300-400 employees at the moment.

Researcher: Right I shall put 300-400 workers including vendors.

Participant 1: Yes that's fair to say.

Researcher: Right now Participant 2 I will ask you tell me about your background and education

Participant 2: Do you prefer to interview us together?

Researcher: Yes that would be better. So please tell me about your business and background as well. Before you begin Participant 1 is your company based here in Sialkot?

Participant 1: Yes it is here on Kashmir Road.

Researcher: Yes please go ahead.

Participant 2: My name is Nadeem Abdullah. No one in my family was involved in business and so I was the first one to start this. The name of my company is 'Nadeem Leather Industries'. And safety gloves is our main product. We send to the Middle East and Europe as well as selling locally.

Researcher: You said Middle east and...?

Participant 2: Europe as well as local sale. And the local sale also eventually ends up in foreign markets like Europe and Middle East.

[00:12:00]

Researcher: Right. So when talk about safety gloves do you mean by the ones used in hospital..?

Participant 2: No I mean industrial gloves. You should mention industrial in brackets next to the safety gloves.

[00:12:12]

Researcher: Right. So when talk about safety gloves do you mean by the ones used in hospital..?

Participant 2: No I mean industrial gloves. You should mention industrial in brackets next to the safety gloves.

Researcher: I see.

Participant 2: Because we use most of them for safety purposes. By the way for industrial gloves they are the same as safety gloves.

Participant 1: I would like to add something here.

Researcher: Sure go ahead.

Participant 1: In relation to your question about surgical gloves...they are also a kind of safety gloves. But this kind includes many kind of items. For example the motorcycle gloves are safety gloves. The ones used for boxing are also safety gloves. The ones used in welding also safety gloves.

Participant 2: All of the gloves you can say in this world... (CT)

Participant 1: They are all...

Participant 2: All kinds of gloves...they are all for the safety of the hands right?

Researcher: I understand.

Participant 1: So this is latex material and we deal in leather gloves.

Participant 2: The surgical gloves are not made in Pakistan. They are only made in Malaysia. The medical ones are only made there as we do not have the right materials to manufacture them.

Researcher: I see..

Participant 2: We do make rubber gloves but not for medical purposes. They are for the chemical use.

Researcher: So your company location is here in Sialkot?

Participant 2: Yes it is here in Sialkot. Kotlibram, Sialkot to be exact.

Researcher: And the number of employees in your company?

Participant 2: 100 I think. 100 plus is more accurate I would say. This is contract based. This includes accountant and all...if there is more work than workers increase and if there is less work than less workers.

Researcher: Uhhhh...so your workforce does that include both skill and unskilled workers?

[00:13:36]

Participant 2: It's both skilled and unskilled.

Participant 1: Mostly it is skilled labour.

Researcher: But it also includes unskilled as well?

Participant 2: Yes of course unskilled are present. For example our packers, they will come under the unskilled category.

Researcher: I see.

Participant 1: Doesn't packers come under skilled workforce?

Participant 2: No I think skilled in this context would mean, someone who works on the machine.

Participant 1: I know what you mean. Skilled as in the form of the helper, we do not have that in our industry. You have it say in the construction industry. We have skilled workforce in the technical sense.

Participant 2: In the stitching department for instance, there is not unskilled workers. They are all 100% skilled, if you won't have the skills only than you would be able to work the machines. If there is no skill you would be unable to operate them.

Researcher: Right. Let us move onto the question. Why did want to start up your own company?

Participant 1: Why did I start it?

Researcher: And how did you do it?

Participant 1: I started in the sense, before I was in the Middle East.

Researcher: OK.

Participant 1: I was working for a German company, when there was the crisis in the Middle East this is around 1987...

Researcher: Do you mean the Kuwait War?

Participant 1:   No this was before the Kuwait war. So what happened was that our salary started to decrease and we decided that business was winding down here. The money we had saved, I came back and invested in here in our country. At that time, there was plenty of opportunity to invest in business and as we say 'jump in' the market. So (pause) we had some family members who are in Holland, so I used that as contact and started my business. And Alhumdulilah the business grew and...(pause) now we have export amounting to 120million annually.

[00:15:34]

Researcher: And now you (looks at Participant 2)

Participant 2: When I finished college, at that time the area I lived in a lot of people were involved in glove making. That is why and how I came into this field.

Researcher: When did you start your company?

Participant 2: In 1988.

Researcher: And you? (looks at Participant 1)

Participant 1: 1987

Researcher: One of the question is how are the people, communities and individuals who are affected by the activities of your business. They are referred to as Stakeholders and include vendor, clients and customers. If you could list them for me and tell me more?

Participant 1: I see. So that included affect good and bad?

Researcher: Good and bad, both count as stakeholders.

Participant 1: For example when I started business in 1987 we slowly expanded it technically. First we, as a trader and then moved into as a manufacturer. The affect we had was the situation of the country in the way that we set up the business...

Participant 2: That affected us indeed (CT)

Participant 1: ...and three units of production had to be wind up due to electricity shortage. We than transferred it into smaller units in the form of vendors. As we cannot produce electricity ourselves, and without it there is no production. Only yesterday I saw on TV they were discussing that instead of giving that yellow metro system in Sialkot why not give us electricity. If you give us that, that would be better for us and for the country. This is an urgent necessity. Getting a transport metro system can come after. So than, I told you about the three land units, we sold them. Now they have been built into shopping plazas. So (pause) this was a time of survival. Some people survived and some did not. And some people like us they took the step of thinking outside the box. We took the step of coming into trading in order to survive. In trading, as my colleague said as well, it depends on the work. If there is less production or small order, than you have less workforce. If you have higher production or a larger order than you employ more people. So this is how we manage our business and personally I feel very comfortable this way. The units are doing the work, the gloves are made, packed and processed and then sent abroad. If you have the technical know-how than you can manage each unit.

phone ringing

Participant 1: So we affected by this due to the electricity crisis.

[00:18:45]

Interview paused as Participant 1 is speaking on the phone

Researcher: When we talk about stakeholders we also include customers as you deal with them, they buy your products. Then there are vendors and also your workers. Are there any other people or groups are impacted by your business activities. They are stakeholders as well.

Participant 1: Yes I see now. Due to the electricity shortage our customers were also affected the past 1.5 years. Bc of the electricity crisis for instance our shipment was delayed by 2-3 months.

phone ringing

Participant 1: Sorry about this.

Researcher: No problem.

pause in interview

Researcher: Are the stakeholders same for you?

Participant 2: Yes exactly as we are both in the same field...and the system is the same. Vendors,

clients and customers as my colleague said.

Researcher: So if you were to rank them in terms of importance..?

Participant 2: For us it would be definitely the labour. No doubt about it. Until and unless we do not have labour, we will not be satisfied, our vendor will not be satisfied, our supply will not be satisfied nor our customer is satisfied. So we are dependent on labour.

Researcher: Skilled labour to be precise?

Participant 2: Yes of course. The main role is by skilled labour in our industry. Skilled labour is what makes all this system work. If the skilled labour is not right than the system will be disturbed.

Researcher: And after skilled labour which stakeholder is important for you customer or the vendor?

Participant 2: Definitely the customer.

Researcher: And then would you say, it is the vendor?

Participant 2: Yes I would place vendors after that.

Researcher: You both mentioned the importance of skilled labour. Is there a shortage of skilled labour here in Sialkot?

Participant 2: Yes there is a huge shortage here.

Researcher: And why is that?

Participant 2: And the shortage keeps increasing.

Participant 1: The reason of this is shortage is because, and I raise this issue in each forum- that government is not investing the money to train people. If you need to train people, there should be an incentive involved. Give them a stipend of 5-6,000 rupees each month and do training. We want them to come here, come to our training session by the Gloves association. We want to give them training, we have machinery, the teaching staff. But we lack the funds to do training and keep up the infrastructure. Funds should be given by the government. We do some from our own funds, through donations by our members or the zakat that comes in but it is not enough. Just recently the government has started paying attention but in the last 6-5 years, it was a very dead period. Presently the EU has given us funding, the government has also support. Than we also have some support from NAFTA and NAVITA I think...

Participant 2: It is Taft.

Participant 1: TAFTA is also supporting and...(CT)

Participant 2: NAVTEC

Participant 1: We have also taken some expert from EU. We had a visit by them just a few days ago and evaluated our machinery. They looked at how many students we have on each machinery and how many we can train. EU arranged a study tour for us and they took us to India. They wanted us to go and see how their sports good industry is and see what areas we lack in. What can we improve and develop our export potential. I believe our biggest weakness is the area of training.

[00:22:25]

Participant 1: When a young person finishes colleges here, he has no internship, no training nothing.

The factory owner wants to have trained and accurate workforce. They do not have training centres at such factories. So from this point of view the quality and lack of training, it is really down in my view.

Participant 2: In reality the thing is...

Participant 1: In order to raise productivity training is a must. It is a must. We need training centres, qualified teachers. And their training is essential as well. We need foreign experts to come here and teach/train our teachers. And then our teachers will train the students. If you say train 100 students, 30-40 of them get inducted in the factories. Rest will go out of the country, some start their own business or do not use that skill. If say we need, annually 10,000 students than we should train 20,000. So that there is 50% induction. For that training is very important, whether that is in the sporting field or in this industry. Until and unless you will not train the newcomers, productivity will not increase. Another reason for our short of export is that, we have very few skilled people and there is a lot of work to do. This also has an impact on productivity level. On the other side you have the energy crisis, where you have power for 4 hours a day. You have to 8 hours' worth of work in half of that time because electricity will stop and I should quickly do as much as I can. This has an impact on the quality of products which goes down. So (pause)..if you use generator system to overcome that quality barrier, even if it is expensive, your production cost goes up. And so to reduce the production cost, you depend on the less trained/skilled workforce and their productivity. The result is that you get complaints from customers and they start looking somewhere else.

Participant 2: In all honesty the issue of skilled labour shortage in the industry, started here in Sialkot, because ten years you had the problem of child labour. Due to that children stopped coming to the industry.

Researcher: I see.

[00:24:59]

Participant 2: That kid who used to come to the factory, he would under a skilled person as an apprentice for 2-3 years. And after that he himself would become a skilled person. The factory owner had the control on him, his teacher would have control on him as well. He would give him the salary each month. So ever since this whole issue of child labour has emerged, it has been a problem of us. The kids have stopped coming to the factories. The family of the kids still ask for money every month, the government does not give any funding nor does the factory. Now the kids are roaming aimlessly without any skill or employment. But they are not coming to the factory anymore.

Participant 1: I think what my colleague Abdullah is trying to say that those kids who used to be apprenticed by their teachers. Now they have no prospects.

Researcher: Sort of an apprenticeship? (CT)

Participant 2: Yes exactly a sort of training.

Participant 1: Yes. The government should support them. Send them to training centres, give them training and give them skills.

Participant 2: By working with a skilled person/teacher the kid would be student and learn the skill. And after his training he would be a skilled master as well.

Participant 1: In another form, there should be limit on child labour. I...(CT)

Participant 2: There should be limits and rules to it. Say you keep a student after 12 years, or after 16 years. Not before that.

Participant 1: Now those kids come from poor backgrounds. The government should see if they should be sent to school or not...

Participant 2: Yes if they need to go to school, or go to the training centre or will you allow factory owners to take in small children and teach them.

Participant 1: This raises the issues that yes there are laws for child labour here, you have implemented them. But the government has not supplemented them with facilities like training, fiscal incentives and other human resource development....

Participant 2: They have not done to help the kids.

Participant 1: And if such actions will not be taken the result will be a tapering down of your skilled labour.

Researcher: You mentioned that these kids are now free to roam. They do not go to school nor they are learning any training if i am correct in understanding?

Participant 2: yes they are roaming free. They are not getting an education or going to factories. And they are not even coming to our Gloves association training centre. If they come us, it will only be when the government steps in and agrees to help them. Only if the government will step in and agree to pay for them to train them. Would you not agree? (looks at Participant 1).

Participant 1: If someone asks me what should be done I will say that... (CT)

Participant 2: The government gives us money to train say 2,000 students than we can only train that many.

Researcher: Do you not get any sort of help from EMDF in running this institute?

Participant 2: We do not any get part from the EDMF. None at all.

Researcher: Not at all?

Participant 2: Yes. EDF....ah EDF should be given to those export associations and given to products that are exported. They give it to the sugar industry for example.

Participant 1: The things is... (CT)

Participant 2: Sadly they give it to industry sectors that do not necessarily export.

Participant 1: The problem is of fund's distribution.

Participant 2: Funds are there but they are not distributed properly.

Participant 1: Funds are distributed in the right way.

Participant 2: The right way (CT).

[00:28:00]

Participant 1: I was recently in a meeting and said the EDF that you cut from the leather industry, I said that should be given to the leather people.

Participant 2: Yes they should give it to us!

Participant 1: But...

Participant 2: Or at least give us 70% of it. This is what you had said right?

Participant 1: Yeah I did. The study tour that we did in India, as mentioned before, we observed their leather industry. They have a council of leather exports and we studied it. I also have their constitution with me. I will give you a copy of it if you want. What I observed was that the Indian government does not give any funding but at the same time the government does not cut any EDF. The Council, they have slabs to mark how the contribution should be done by members. For instance if a leather manufacturer does export worth Rs15 lakh, or Rs 1 Crore or Rs15 Crore or say Rs. 30 Crore. This criteria helps them to take up to 30,000 rupees fees annually. Its starts with 8,000 minimum up to Rs 35,000.   This way they can collect funds similar to the EDF level.

Participant 2: So the council has access to this money and automatically they spend it the way they want.

Participant 1: The funds are so big that, issues such as environmental compliance or child labour, they can easily deal with them as they have the relevant resources at their disposal. They have training centres in each of the industry sectors. The notable one is the one in Chennai where the biggest shoe factory is located. The council gives education to the children of the families working at the factory. They give them education till high school or college and those who want, they also train them in shoe making for 6-12 months. This way they train and make their skilled worker for their factory.

Researcher: This is a generational investment than where you are not only educating the children but also

Participant 1: Yes absolutely.

Researcher: providing them...(CT)

Participant 2: with important skills that are required.

Participant 1: And they follow environmental compliance in the way that when you go there you do not feel you are a factory. It looks like a garden with flower beds. You have men and women making shoes in the middle of a green space. It is one the best environments to work that I have seen. Environmental and child labour will lead to productivity...

Participant 2: will happen automatically.

[00:30:06]

Participant 1: Why does this happen? It is because the funding is controlled and distributed by the Council for Leather, like our Gloves Association here. The funding is with them, they decide where to spend the money

Participant 2: They make the distribution themselves. (CT)

Researcher: Where to spend it etc.

Participant 1: And when a foreigner comes to see their work he says is undoubtedly impressed at the business environment and available resources. And they see this company has this certification and that certification such as social compliance. Seeing all this you are impressed. Plus there is no security problem. But the main thing is the funding issue. Any organization, country or even a household needs funding. If you want a household or a country to run smoothly you have to fund them properly! This is

what we have requested from the Ministry of Commerce, to give us 70% from our EDF and rest we will do it.

Researcher: And what did they say?

Participant 1: Silence (laughs)

Participant 2: Pin drop silence (laughs)

Participant 1: And you find out 40 years later that wikileak had published our PM has this much wealth. Or that his sons have amassed this much money in this bank or that foreign bank.

Researcher: Well most of them are in Swiss banks. I know as I live there (laughs)

Participant 1 and Participant 2 : laughs in unison.

Participant 1: Benazir has this much money stashed away. Unfortunately the funds that we have, 50% get drained out and not even 10% reach the projects they are intended for. So that is the reality here...main problem is productivity. And for productivity we need funding. How do we get funding? For that I hope your research will shed some light.

Researcher: How would you describe the nature of your relationship with the stakeholders you mentioned (the vendors, skilled labour and customers)?

Participant 1: The nature....well see here if you need to get good work from any of these stakeholders you need to provide them with incentives in groups. We have issued numbers to the skilled workers in every group. And what we have told them to put their number on the product they make. So you and the skilled worker will be able to identify that this is their work. We evaluate constantly and compare which number is better say 1, 2, 3, 4. And which one is not good. This way we reward the ones who produce good products. This is a way of appreciating them as well and creates a healthy atmosphere.

Researcher: It is a form of a healthy competition.

Participant 1: Indeed. And the incentive they get is in the form of fiscal rewards. Until and unless such things are not present, government should also think of schemes like these.

Participant 2: They have. Have you not read the newspaper today where they have said that dine out and then pay the proper bill?

Participant 1: Oh yes and pay the pakki receipt (right).

Participant 2: (laughs) yes get the right charged amount.

Researcher: And you get to win something in return I heard.

Participant 2: Yes you will indeed get something in return. It is a scheme by the CM.

(Both participants laugh)

Participant 1: Yes I read this is the newspaper. I once asked for the right bill once in the restaurant and I ended up fighting with the waiter. (laughs)

Participant 2: really (laughs)

[00:33:48]

Researcher: It seems the consumer economy is being promoted here with such initiatives. Would you say that government should focus on the industrial sector which is the productive sector? That is the

main area which is the lifeline of the country and creates employment?

Participant 2: They are investing in industries but only which they have a personal interest in.

Researcher: It is selective than?

Participant 1: I would disagree. This state investment in some industries is also good, for it is better than nothing. When we look at our sector, we lag behind. Especially when we compare with European countries we are behind. The government should focus on other sectors as well, we are not against that. Not at all. But also the industrial sector that is being overlooked and should be given priority.   Governemnet should give attention to the industrial sector.

Researcher: Right. So this relationship that you have with your stakeholders, how long have you known them and done business with them?

Participant 1: My customers, have been nearly since I started my business. When I started my business and was learning the ropes, my customers told me what and how to do it. They told me if I made mistakes and then I in turn told my vendors and workers. I implemented that and so far I have maintained that level.

Researcher: So there is a measure of trust between you and your customers?

Participant 1: Absolutely. That is the key.

Researcher: They can rely on you for delivering the product on time.

Participant 1: This is important as well. You build a family link with them but business always comes first. Always. And family relations become secondary. If I will not deliver my products at a certain quality level than that familial aspect will finished in a moment.

Participant 2: Indeed.

Participant 1: So (pause) for that you need the modern requirements such as CE certification, or productivity or social compliance regulations. Or even the environmental compliance rules. You need them and our companies constantly upgrade them as we go.

Researcher: Can you please elaborate what certificates you have?

Participant 1: I have ISO9000 and 9001.

Participant 2: So have I.

Participant 1: And the CE certification is required by the customers. As we making our gloves for our customers, we are included in their CE certification as vendors. We are their vendors as an exporter.

Participant 2: Our customers have taken it and we are included in it.

Participant 1: They have each certification and in this way they update us when we meet them two or three times a year. They meet us and tell us we have this new thing in our certification and ask us to add that on our end.

Researcher: I understand.

Participant 1: Like how you are interviewing us, they sit with us. They interview us and tell us what is new and required of us and we sign forms on it.

[00:37:04]

Researcher: The meeting you have with your customers does it happen here or you go to them?

Participant 1: It happens here and at their company as well. Once a year we go to them and once a year they come to see us here in Sialkot. This is one of the requirements of the ISO standards- the visit to vendors (ISO 9001).

Researcher: Right I see.   So it is a form of regular communication?

Participant 1: The importer visits us to see our products and we visit their warehouses as well.

Participant 2: You can say that they visit us and we visit our vendors as well (laughs)

Participant 1: Of course we do. That is how we do business. But this a must in ISO9001 certification as you know the visit to the vendors.

Participant 2: Yes visit to the vendors *nods head*

Participant 1: So we go where our production takes place. It is a must.

Participant 2: Yes we go as well. We do.

Researcher: So you have the same certification and evaluation system as well?

Participant 2: Same system for social compliance.

Participant 1: If any NC is raised than it is very important to follow up with the vendors.

[00:37:53]

Participant 2: See the thing is that, if any system that is started in a foreign country, whether that is UK, Germany or USA, any companies based here that supplies there has to be comply with them. The adoption is mandatory as and all the suppliers will have to adopt it.

Researcher: It's the demand of the global supply chain.

Participant 2: Absolutely. If one supplier has it, than the other has to adopt it and so on. They all have to do it.

Participant 1: I have sent my son to Italy where he is doing his masters in the global supply chain. When he finished his engineering, he used to sit with me in customer meetings and got an idea of how to deal with such issues. Initially he had a mind-set of a Pakistani company owner and he used to say to me that 'Papa what these foreigners want is very difficult to adopt'. And now he says that it is very important to do so and adopt all these rules as part of the global supply chain. By doing the masters he is finally understand what needs to be done! And I told him after he returns from his masters, he should take over from me and run the business! (laughs)

Researcher: There is this aspect that because this is the demand of the customer...

Participant 2: Yes its demanded by the customer..(CT)

Researcher: so you have to comply with it.

Participant 2: The customers is thinking that if they adopt these standards and compliance rules, than I will encounter no problem (of social compliance). They consider themselves safe by knowing that their own suppliers are also following these rules and producing at a certain standard.

Researcher: I see your point. It means that you have to produce within the perimeters he demands from you.

pause in interviewing as Participant 1 attends a phone call

Researcher: The next question relates to your personal education and background. What characteristics and motivations you have, or personal values that play a part in your role as a SME owner?

Participant 1: Personally I do not bring my family matters in my business.

Participant 2: It does not really play a part... (CT)

Participant 1: Bc business comes first and family matters is left for the personal time after hours. I do not involve the two. I learnt my lesson, as I did a partnership with someone in the family. It did not suit me and that showed me that family-business partnership was not for me. It works for some in some instances but for me it was a bad experience. I suffered a loss and showed that in a crisis you cannot depend on this kind of partnership. So it's better to hire professional people and run as an individual.

Participant 2: The cases that I have seen..(CT)

Participant 1: If they do not deliver the work than you can get let them as they are professionals.

Researcher: You mentioned your son is doing a masters in global supply chain.

Participant 1: Right.

Researcher: Do you think you have transferred the way you run the company, your style of being a SME owner?

Participant 1: I would hope that he would run the company better than me! Bc he is more qualified than me and I have invested in it by sending him to Italy. So he can be polished and be a good leader. The aim was to send him to study, where our customers are and interact with them, learn their way of doing business. When I keep him next to me and train him, I am hoping that I am also transferring my technical knowledge (of how to deal with vendors and customers) and business experience. When I will hand him the reins of the company I hope he will do a better job than me.

Researcher: Sure, sure.

[00:42:12]

Participant 2: From what I have seen around, as I have not done business with family members. But I have heard stories by friends, neighbours and relatives, and I have seen that two brothers who are doing business together or if a son and father are together running a company. If you speak about that work on the dinner table, than it is bad news. The issues of business should be dealt in the office or factory and not at home.

Participant 1: I agree with you on this.

Participant 2: When over breakfast you are speaking we have do this today, or over lunch you are discussing what orders to discuss or even when you are travelling say to a wedding in Lahore and discuss work. That should not happen as that will not work. No matter how much disagreement you have say with your son, father or brother, you should say to them on the business table in the office. If you are at the business table and you think your brother is not taking the right decision, you can say whatever you to him. But do it in the business space and he will not be offended. If you do the same

action in your personal home, than it will not be good for your business and for your family relations. This is what I have seen from my own experience.

Participant 1: You can compare it the natural splitting theory. As the body grows, the cells spilt and grow.

Participant 2: *laughs* indeed that is a good example!

Participant 1: Than small bodies emerge from the big one. You can apply this to the business as well (laughs)

Participant 2: This shows what happens in the business should stay there and not brought at home.

Researcher: So going back to the question, are your kids interested in running the business?

Participant 2: No they are not as they are small. They are not involved as yet but eventually they will be.

Researcher: Would like them to be involved in the company?

Participant 2: Yes I would want one of them to get into this. My eldest one is not interested in this, the middle one wants to join me. The youngest one is still in University and he has not made up his mind. The second one right now is doing his MBA. Let's see what happens. Even to this day I have not allowed them to come to the factory. Never!

Researcher: Really. Why is that may I ask?

Participant 2: They pass by the factory 4 times daily but he has never set his foot inside. I told him that unless he does not finish the MBA he will not come to my office. I have not permitted that.

Researcher: And is this your personal decision?

Participant 2: Yes it is my personal decision not to permit them to be involved in any way with the business till their education is completed. I believe their education will be affected this way and you will not be able to do anything with your life.

[00:44:54]

Participant 1: I learnt something very interesting from my customer. The customer started his dealings with me and he has a son.

Participant 2: Yeah that is a good example.

Participant 1: This customer did not allow his son, to come to the office until his education and training was complete. I have been supplying to this customer for 25 years or so. Now his son has joined the company. I think. I had been asking him the past 3-4 years when his son was joining him. He would say to me first he has to finish his education. Then he told me he would work for other companies and get his training. And would you believe it, this Italian customer of mine, his son studied in France and then he worked with a company for two years. Last year he joined his father's company and became part of the management team. Only than I was introduced to him saying this is my son and he will be corresponding with you as well. I found that very interesting.

Researcher: In Italy, if I am correct most of the Small Medium Enterprises are family run businesses as well?

Participant 1:Yes it is just family business.

Participant 2: Family business is the key there. The way we see it if you will not educate and train the next generation from your family that your business will not survive. And then you are done.

Participant 1: You need to transfer the knowledge and skills.

Participant 2: If there is no transfer of business who will take after you, say if you were to die the next hour. Who will handle this big business the next day? You need to build your legacy.

[00:46:27]

Researcher: Next question. In your leather sector, how would you describe it? How would you view it? What are the challenges facing this industry?

Participant 1: In my view the study tour we took to India that I mentioned before. In leather industry you have leather garments, shoes, fashion products and gloves. The biggest scope is in the leather shoes in Pakistan.

Participant 2: You can say there are value added items.

Participant 1: In regards to leather shoes, one expert was giving a lecture in India. He said that the current population is more than 1billion. And if the local consumer say is buying 2-3 pairs of shoes daily that means there is a domestic demand for 3-4 billion just on its own.

Participant 2 : The demand inside India is present.

Participant 1: On top of that is the export demand which we have to take into account. This shows that the importance of leather globally is very high. Pakistan leather is number 1 in the world. This is because it is leather from Halal leather. The grain and chromium level (PCP) is very good and does not irritate the skin. In relation the leather in India where the cow is banned, and they make more shoes than us. The leather from Pakistan, Nepal, Sri Lanka by other means ends up in Indian factories. They do not eat the animals themselves but use leather from other countries in shoe making.

[00:48:34]

Researcher: Can you elaborate on what is a PCP level?

Participant 2: It is a chemical action used in leather industry.

Participant 1: PCP includes say about 8-10 tests. One is the ISO test for colouring that comes in the leather. Than another one is chrome 6 which is there. We actually did a workshop 2-3 days ago on this with local business owners here to raise awareness and how to tackle this issue. All it needs is training and knowledge.

Researcher: You had mentioned earlier.

Participant 2: The leather after it is taken from the animals until it reaches the customer, in between there are 14-15 processes it needs to go through. After going each of these steps, we have to be careful that in each process it goes through smoothly, if there will be a fault than it will ruin the next process. So one has to be very careful in this.

Researcher: If you look at the glove manufacturing sector, has the demand been affected in your view? You mentioned the economic crisis global and local?

Participant 1: It is good you asked. Last year, export went down because of the economic recession. And prices went up. That combination resulted in the buying capacity of the customer not matching up

to the situation. What did the customers do? The item that they would normally use for one month they increased its usage to two months. So the demand went down from their side. This is similar to how the demand of oil has gone down in the Middle East and the demand has gone down. Now see there is a crisis. When the prices went up in Europe, it was profitable for Middle East. The price at which the gloves were being supplied that was unacceptable for the European market. And now with the low prices in Middle East..

Participant 2: Their buying power has gone down (CT)

Participant 1: and now Europe is open to the price of the gloves. The prices are still low but are still buying it from us. Another major issue was the currency.

Researcher: The currency devaluation issue you mean?

Participant 1: Absolutely. This currency devaluation has affected us. The Euro had gone down from 145 to 107/8. This led to people's stock being delayed and stuck here in the warehouses. Now those 145 stocks are stuck now. The thing with leather is whenever there is Eid the stock goes up but the demand has gone down.

Participant 1: Another reason why the demand has also decreased is because of the availability of artificial materials. And they look like leather, which a normal customer will not be able to distinguish. If you were keep a real leather jacket next to that artificial one he will be unable to tell the difference. The same goes for shoes, where artificial leather is flooded in the markets. They are coming from China, South Korea and Japan. For example you have these sports shoes, they are mostly artificial.

[00:52:02]

Researcher: Thanks for that. We have 3 questions remaining and then we will finish. Next question deals with how can Small Medium Enterprises be socially responsible in your view? This includes factors such as charity like zakat, social and environmental compliance, or helping the community?

Participant 1: If it does happen that it will be a success story in my view. Here in Sialkot we have numerous small tanneries all over the city.   That was an environmental problem not only for the locals but also for the foreign customers as well. Now they are making a tannery zone on the edge of the city.

Researcher: Has it been made or being made?

Participant 1: It is nearly finished. Allotment to tanneries has started.

Participant 2: Now they are allotting us places.

Participant 1: And it will be functional by 2020. The different tanneries what they have done, is that they have taken plots within that zone according to their capacity. Additionally EU and MoC has funded the water treatment plants being installed in that very zone. State of the art demarcation is being done to organize how the solid and chemical waste be handled.

Researcher: Normally how do you handle the leather waste, if you can explain a bit more?

Participant 1: Raw leather comes to the market in the city of Kasur. It is one of the biggest raw material markets in the Asia-pacific region. There is also a treatment plant there. When it comes it us, it is in a semi-finished form. We than process it more and add chrome and chemicals. After those processes what people do is that discharge those liquids into the rivers and water systems. It penetrates in the

soil and so destroys the fields and farms. Other environmental impacts is that water for drinking and household use is damaged. So in order to curb these problems, this zone has been built. It will get all leather tanneries in one area and their combined water outlet (liquid and solid) will go to the treatment plant. This way it will be discharged in a sustainable way. We saw this in India actually even though they are behind us in leather. By adopting this they have become ahead of us. The water when it leaves the treatment plant, it is actually drinkable.

Researcher: So it is recycled.

Participant 1: Yes exactly. When this zone starts, it will be great for Sialkot and its people. The city will become even more beautiful and make it more attractive for the international market. This is good for business. Here the mental I.Q of people in the technical sense, it is one of the highest in the country. I have had this experience from my German customers. They told me that Sialkot is the Germany of Pakistan! The people here can copy anything, produce it even better. The technical awareness is high, you tell them once on how to make it, the second try they will be successful! Even though people are uneducated here, the knowhow drive is in big quantity here. Secondly we have raw material which is important. In my view, if you have the personal drive, technical labour and raw material...all you need is investment than. Than you run a business.

Researcher: Why do think Small Medium Enterprises here in Sialkot are doing these kind of activities? Are they driven by personal, strategic, cultural or ethical reasons?

[00:56:42]

Participant 1: The people who invest the most in these kind of community projects are people here in Sialkot and the wider Golden Triangle.

Researcher: What is their motivation in your view?

Participant 1: They want their city to progress, their people to progress and their family to progress...

Participant 2: There is another thing here... (CT)

Participant 1: Here nearly all of the business owners have been outside the country through their work. They have gone to Europe, USA or Middle East and see how business is run, how the factories are. They than think what is the key to their success and how can we do it in Sialkot. If you look here in this city, we have beautiful factories here. We get inspired and copy them because we want to compete with factories out there. We want to be player in the global market. There is a desire to work with foreign clients and that includes having a nice factory, skilled labour workforce along with high quality products. This is about awareness and I can say that businessmen here have this. We have that drive and realize in order to compete globally we have to operate at that level. You might not see in the street but inside the factories that dedication and focus is very much present. We want to have the same standard and impress the customers when they come see us.

Researcher: You want to show the effort you are putting for the customers.

Participant 1: Yes you are right. We not only want to make our city modern but also our business. We think that if we will do all these things, than our customers will be satisfied with us. That satisfaction translates into more demand for us. It is easy for the customer to get the same products from India or Bangladesh but they encourage us to adopt all these regulations and that certificate. And so be better

company. The irony is that what the Pakistan government should be doing, the EU is doing for us! *laughs*

Participant 2: Absolutely.

Participant 1: The product goes to their market to be sold, and in return the funds they have they invest it in sporting industry here. Like we do our zakat, they invest in us because they realize the impact of it on us. They say we should spend the money from where we are getting our products. It's a responsibility for us that if they are investing in us, we should deliver the best quality material to them. If I eat in a restaurant, I would expect the service would be good. If we are exporting to them, and they are trying that the people who are delivering to them have the relevant awareness.

Researcher: Products meet the international standards.

Participant 2: Another thing to add is that many of our Small Medium Enterprises here have their medical dispensaries onsite for medical treatment.

Researcher: access to all workers?

Participant 2: Yes. Then also if any worker has an issue for example if his daughter is getting married or someone needs to go to college, they financially support that worker.

Participant 1: This is a form of social welfare *laughs*

Participant 2: Small Medium Enterprises consider this there duty and their obligation as well. They have to do this because they want to the worker and his skill to stay with the company. If I will give the facilities than he will not. leave. It is their duty and compulsion *laughs*.

Researcher: So you are saying for instance if you do not aid a skilled worker in his daughter's marriage he will leave?

Participant 2: We have to support him or else he will leave!

Participant 1: This is due to the shortage of the skilled labour workforce. If he leaves us than he will go to some other company and work for them. We need the skill to produce.

Participant 2: That is why I used both words. Like I said it is duty and compulsion for us.

Participant 1: In this way we are filling in shoes of the government.

Participant 2: If the skilled worker calls us at midnight saying I have this problem and I need Rs10,000. We cannot refuse him. This is stark reality here.

Researcher: Can you give me any examples of any other social activities undertaken by Small Medium Enterprises here?

Participant 1: Another example is the roads of our city.

Participant 2: No I think that is not an example.

Participant 1: I think it is. Sialkot exporters have put a value of 0.25% on export value.

Participant 2: It is in the city package.

Participant 1: 0.25% export value has been there for the past 5 years. It is with the government...

Participant 2: A matching grant you can say (CT). They have to match the money we businesses give here.

Researcher: Do you mean .25% or 2.5%?

Participant 1: 0.25 it is. Let me tell you the exact background of this city package. The roads of our city was in shambles and no government was diverting funds nothing. So what did we do? The prominent businessmen of Sialkot at the Chamber of Commerce, put their heads together and said what should we do? The result was an agreement with the government of Punjab, that the local business leaders will collect funds to rebuild the roads. And you have to match the money to modernize Sialkot.

Researcher: I see it was a matching grant.

[01:02:08]

Participant 1: This was a government policy of matching grant but asked where the fund will come from. So some of the exporters stepped up said and we will give money towards this issue.

Researcher: Self finance.

Participant 2: Exactly.

Participant 1: Chamber said to all the exporters that we need funding from the provincial government. They agreed on .25% export value.

Participant 2: The bank takes the payment from us automatically. We do not deposit personally.

Participant 1: It is deducted from us.

Participant 2: When the PRC is made the money is deducted.

Participant 1: It is like this, my payment comes the government takes the withholding tax and this export value as well.

Participant 2: They take it from us.

Participant 1: What happened was that they were expecting we would collect between 2-4 Crore. To their shock, we collected 70 Crore. Can you believe it, 70 Crore *laughs*. And they had to match!

Researcher: *laughs*

Participant 2: *laughs* all these roads you see have been made through that money!

Participant 1: This example was given by Bill Clinton himself that the business leaders of Sialkot self-financed their airport and dry port.

Participant 2: Do mention the airport.

Researcher: Majority of your shipment is through air or dryland?

Participant 2 and Participant 1: It is mix.

Participant 2: It depends really on the demand of the customer.

Researcher: Coming back to the issue did the government then matched the money?

background noise

Participant 1: They had no choice but to match. They were not expecting us to collect such a huge amount. *laughs) They have given some and we are slowly taking the amount from them. Now see Kashmir Road here, before it was single road with a lot of congestion. Now you see it is double lane with wide roads for the traffic.

Participant 2: All the development and construction in Sialkot, the past ten years has been done by the matching grant.

Participant 1: Exactly.

Participant 2: It has been ten years or so I think?

Participant 1: Yeah I think it has been 9-10 years now.

[01:04:22]

Participant 1: Now we have so much money collected between us that we have stopped business owners from giving more. Bc we want the government to fulfil its promise.

Researcher: This is a great example of CSR indeed.

Researcher: Just to sum up, this kind of community/city development in your eyes is a form of socially responsible?

Participant 1: Yes we are very happy we can do this for our city and community. This is for Sialkot.

Participant 2: We have also have social security hospitals and schools are also present here.

Researcher: Are there any other areas where businesses have invested?

Participant 1: Other example is Allama Iqbal School. They have a list of donors which include many companies. Now the school has become self-sustained and is making profit. Half of the students are studying for free there.

Participant 2: Sialkot Medical group complex is another one.

Participant 1: You go to that complex you will see.

Participant 2: That was built by the business community.

Participant 1: Apart from that if you go to the CofC, there you will see Zakat funds. That gives people free of interest loans. The committee sits and decides and you can get up to Rs 30 lakh to start a business. (Zakat-e-Hasna).

Researcher: Is this a zakat fund?

Participant 2: No this is separate. It is Karz-e- Hasna.

Participant 1:You can actually consider it part of the Zakat fund.

Participant 2: No I think it is different.

Researcher: Can you explain what this Karz-e-Hasna is?

Participant 2: It gives loans to individuals who want to start their business free of interest. It helps with start-ups here.

Participant 1: Furthermore if we need funding for our training centre we ask our members to donate money from their zakat fund. We than provide the needy students with either a stipend or transport.

background noise

Researcher: Last question. Can you briefly tell me the relationship you have with your fellow competitors in the leather gloves sector?

Participant 2: I think in this sense we are losers.

Participant 1: In this sector we do not share our business secrets. There is awareness in terms of workshops and seminars but that is it.

Participant 2: We do not share or discuss our business secrets. We do not ask also!

Researcher: My question was do you have any unsaid rules between you and your competitors. For example is there any snatching of customers etc.?

Participant 2: No we do not have that.

Participant 1: I mean that would be...

Participant 2: If he (P1) tells me about a customer and say not to steal him. We can steal them in a nice way *laughs*

Participant 1: *laughs*

Researcher: *laughs* so it is collaboration in the sense of creating awareness however competitive in terms of export market.

Participant 1: I would say it is.

Participant 2: I agree with that.

Participant 2: It does happen that here 4-5 companies will have one same customer.

Participant 1: Yeah yeah.

Participant 2: Yeah it happens here but it does not create any friction.

Researcher: How many leather glove companies are based in Sialkot?

Participant 1: About 300 in our association.

Participant 2: Plus 300 are active. In total we exceed 500 but active over 300.

Participant 1: I mentioned in my last speech that our annual export amounts to 2.5, no 2.1 million dollars. Let me confirm for you.

Participant 2 steps out

Participant 1: Let us confirm for you.

Researcher: This was in 2015 I presume.

Researcher: When you talk about collaboration the challenges you face are the same. Such as energy crisis and shortage of skilled labour. Do you sit together and discuss these issues?

Participant 1: That is why we have this association.

Participant 2 comes back.

Participant 2: The exact amount is 221 million dollars, the latest figure.

Researcher: from last year?

Participant 2: Yes 2015.

Participant 2: The total of Sialkot is 20 billion dollars.

Researcher: Sialkot itself?

Participant 2: Yes 20 billion.

Participant 1: Are you sure this is accurate?

Participant 2: I went and confirmed just now.

Participant 1: The total economy of Pakistan is 24 billion.

Participant 2: Sialkot's is 20billion. The PM said so in his speech last week.

Participant 1: I am sure it is not right. In my view the total of gloves sector is 6 billion. And the total it has to be less as Pakistan is trying to reach the 25-30 billion threshold!

background noise

Participant 2: Let me call the secretary and confirm for you.

Researcher: Thank you.

Researcher: This actually brings our interview nearly to the end as well.

[01:10:28]

Participant 2 comes back into the room with secretary.

Participant 2: The total number is 180 billion.

Participant 1: See I told you it's not 20 billion.

Participant 2: How much is it for the gloves sector

Secretary: It is 6 million in total.

Researcher: So just to confirm for Sialkot is 180 million?

Participant 1: No it is 1.80 billion dollars.

Participant 2: Yes 1.80 billion or nearest 2 billion dollars. You can also verify on google and MoC site.

Participant 1: This figure we just told you is accurate.

Researcher: I would like to summarise before we finish. It seems that community development equates to CSR here in Sialkot in areas of education and medical services. One of the things you highlighted was the lack of government role.

Participant 1: Yes I agree.

Researcher: And how they do not support the business community here or the SMEs. Especially the business based here in the Golden triangles which is the lifeline of the national economy.

Participant 1: The reason of this failure lies in the political instability of Pakistan. One government comes and starts a project, than a coup happens and the works comes to a standstill say for a decade. This is bad for the industry and also for the country.

Researcher: I see.

Participant 1: The people who should govern do not come to power in a democratic way. We do not give them the five years to do some work. They get replaced. If we have back to back four democratic elections than we can decide which party is good for the country and for us. They stay two or three

years and then they change. How can we make up our mind who to vote for! Look PPP had 5 years and we realized they were corrupt and could not deliver their promises.

Participant 2: *laughs*

Participant 1: And now N.Sharif is in power. Until and unless we do not give him 5 years how will we know who is good for our country? We need continuity and time for political stability. That is what we need for business to thrive.

Researcher: You gave the example of India and how Small Medium Enterprises are thriving in the leather industry. They have political stability, peaceful transition from govern to govern.

Participant 1: You are right.

Participant 2: Which helps the business sector over there.

[01:15:02]

Researcher: They have the regulatory framework to support Small Medium Enterprises over there it seems. Here the government changes so frequently and come with their own agenda.

Participant 2: Once the association is created they make the rules for the business sector.

Researcher: Do you have them here?

Participant 2: They have them in two or three sectors.

Participant 1: After the study tour, the government is now deciding to create one. Now when it will start, we have no idea. We have sent the recommendation.

Participant 2: We have been deciding for five years!

Researcher: You said some industry sectors have these councils. Can you specify?

Participant 2: Yes they are. The Gem and Jewellery, horticultural and marble sectors have them. It should be in all sectors. Bc the sector knows best what rules apply to them and how to take decisions. They are the best people to know what are challenges facing single industries and how to deal with them.

Researcher: Right this ends our interview. Thank you so much for your time. I must say this has been very informative for me to learn the contribution of Sialkot to Pakistan's economy!

Participant 1: It was my pleasure to discuss this with you.

Participant 2: Glad we could be of help to you. Best of luck with your studies.

Researcher: Thank you.

[01:16:44]