

## Article

# Unleashing the Barriers to CSR Implementation in the SME Sector of a Developing Economy: A Thematic Analysis Approach

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**Abstract:** The notion of corporate social responsibility (CSR) from the perspective of sustainability has been a part of the academic discussion in recent years. Different studies have also highlighted the inability of the SME sector to implement a CSR plan to achieve sustainability objectives. However, why this sector is unable to adopt CSR is something that has not been properly attended by contemporary scholars. Against this backdrop, the current study aims to explore the major barriers that inhibit SMEs from implementing CSR and sustainability measures. The current study data were collected from the senior management of different SMEs in Pakistan and were analyzed using thematic analysis to extract different patterns of themes. The results unveil that the “lack of finances” is the most critical barrier for CSR, followed by the “lack of CSR knowledge.” The implications for theory and practice are also discussed in detail.

**Keywords:** CSR; sustainability; SME; thematic analysis; barriers

## 1. Introduction

Corporate social responsibility (CSR) is a multifaceted concept with different interpretations in different contexts. Perhaps this is why the construct of CSR is an ever-evolving concept with no clear boundaries, even in 2021 [1]. For decades, CSR has been a topic of discussion in academia and industry. Studies have constantly reported on the potential benefits of CSR over a broad horizon ranging from economic outcomes [2], employee behavior [3], organizational reputation [4], and issues related to environmental sustainability [3]. There is no denying the fact that business and society are interlinked with each other in the current age. Therefore, the social responsibility of contemporary enterprises

is a key imperative to foster social progress [5]. The origin of CSR is, perhaps, as old as business itself because even in ancient times, different examples of the welfare-related engagement of businesses were evident [6]. However, the term CSR formally appeared in the literature in 1953 in the seminal work of Bowen and Johnson [7]. Since then, there have been different debates on the topic of CSR among scholars and industry. For instance, Drucker [8] brought the importance of the social problem to be converted into a bottom-line opportunity. During the 1980s and 1990s, the notion of CSR started to receive significant attention from businesses, as in 1988, Ben and Jerry was a pioneer enterprise in incorporating a social mission statement, and Shell was the first larger enterprise in the world to publish a social report [9].

There are different perspectives from which scholars have investigated CSR. The most dominant perspective in this regard has been the relationship of CSR with the bottom-line performance of an organization. This perspective still dominates the field as a plethora of recent studies have been conducted under this domain [10–12]. Another dominant perspective in the field has been the importance of CSR in reputational studies [13,14]. However, environmental issues such as climate change, extreme temperatures, ozone depletion, and others have given a surge to CSR's perspectives. That is, during the past few years, researchers have mentioned the importance of CSR in mitigating the environmental footprint of an organization [15]. This perspective of CSR is currently a hot topic of debate because man-made malpractices with nature have drastically contributed to the current vulnerable climatic conditions globally [16].

Realizing that man-made malpractices, especially industrial practices, are one of the main causes of environmental unsustainability, some global enterprises from different sectors agreed to accelerate their efforts to keep the global temperature increase below 2 °C [17]. Since then, the need to redefine CSR from “voluntary organizational efforts” to a necessity has been emphasized continuously [18]. While the conditions regarding environmental sustainability management have improved in different developed economies of the world, especially in the European region [19], the situation in the developing countries remains under question. Specifically, the South Asian region (India, Pakistan, Bangladesh, etc.) has been reported to be the most polluted region in the world in recent years. According to a recent report, Pakistan has been among the top 10 nations that are the most vulnerable to climate change [20]. More than 200 million people in the country are at the mercy of extreme climatic conditions, including unusual temperatures, droughts, and floods [21].

In this regard, pollution from the industrial sector has been regarded as one of the root causes of the current unsustainable climatic conditions in the country [22]. To further aggravate the situation, Pakistan's small and medium enterprise (SME) sector has been ignorant of its responsibility towards environmental sustainability [1]. Even though the SME sector is a major economic contributor to the country's GDP [23], this sector has remained irresponsive to incorporating CSR from an environmental perspective [15].

While the businesses in the Global North region of the world are required to publish their sustainability reporting, such reporting is irregular in most Global South regions [24]. Most businesses in Pakistan (a Global South nation) have also been reported not to have reported their sustainability practices for a long time, although the sustainability reporting of large enterprises has improved in recent years due to different NGOs, government institutions, and professionals that encouraged businesses to incorporate sustainability into their business operations [25]. However, the case for the SME sector is still far behind on sustainability reporting. CSR, in this perspective, may be a useful strategy for SMEs of Pakistan to improve their environmental footprint.

Nevertheless, a considerable survey of the current literature unveils different barriers to CSR that hinder SMEs from incorporating CSR and sustainability into their core business operations. Although prior studies have indicated some barriers to CSR for SMEs, CSR's contextual and culture-specific nature makes the ranking of such factors challenging. Therefore, the basic objective of the current study is to explore the major barriers that cause the SME sector of Pakistan to be unable to adapt to CSR practices in order to mitigate the

environmental dilapidation of the country. The current study also attempts to address the following research questions:

- (a) What are the major barriers to CSR in the SME sector of Pakistan?
- (b) What is the order of preference of the identified barriers?

The contributions of the current study to the prior literature are manifold. For example, this is one of those limited studies that attempt to explore the causes (barriers) that restrict the SME sector of Pakistan from adopting CSR. From this perspective, many studies have reported on the inability of the SME sector of Pakistan to adopt CSR and sustainability practices [23,26]. However, what the barriers are to such an inability is something that is less focused on. Similarly, since CSR is a highly contextual and culture-specific construct [27,28], it is unreasonable to assume that the list of barriers to CSR in one country will remain the same in another country, culture, or context. There have been different studies on the barriers to CSR. However, these studies were inconclusive, indicating a need to conduct more research in this area. For instance, Arevalo and Aravind [29] noted that “lack of human resource” is the most critical barrier to CSR in the Indian context, while Arlbjørn et al. [30] regarded “lack of financial resources” as the most significant barrier to CSR in the European context.

Similarly, the study of Arvidsson [31] concluded that “lack of top management commitment” was the most significant CSR barrier in the Swedish context. These inconsistent findings indicate that there is no universally accepted ranking and list of the barriers that exist. Thus, there is a dire need to conduct a separate research study to achieve the objective of the current survey. This view is also supported in the study of Pinto and Allui [32]. Yet, another contribution of the current study lies in the nature of the investigation. The current study opts for a qualitative method to explore the major barriers to CSR in the context of SMEs of Pakistan. The underlying reason to select a qualitative design for the current study is that this research design provides an in-depth understanding of the phenomenon, unlike its counterpart, quantitative research design [33]. In this regard, most of the prior studies investigated such CSR barriers quantitatively [34,35]. The authors’ view here is that although investigating the CSR barriers quantitatively is important, this approach does not provide an in-depth understanding critical for policy interventions.

The remainder of this article is divided into four major parts. The coming part deals with the related CSR literature and theories, followed by the Methodology section in which the related methodological data are discussed. The last two sections deal with the Results section, followed by the Discussion and Conclusions sections.

## 2. Related Literature

### 2.1. A Brief History of CSR

Although there has been a recent increase in favor of CSR, evidence of entrepreneurship concerns for the community can be traced back to the era of industrialization. In the middle of the 19th century, there were concerns among entrepreneurs about the well-being of workers and productivity. Especially in the USA, the criticism about the emerging factory system, workplace environment, and the social issues related to women’s employability and child labor became a part of the discussion among scholars and policymakers. In this regard, there was a consensus among scholars that the prevailing working conditions have given birth to different social challenges. Nevertheless, business development and social movements were seen as a combination of social and business acumen [36].

It was the late 1800s when the concept of philanthropy emerged, and industrialists such as Andrew Carnegie were famous for their generous contributions to education and research. Following Carnegie, John Rockefeller, an industrialist from the oil sector, donated millions of dollars for the same [37]. Though the concept of responsible business activities was in existence even in ancient times, the proper term of CSR joined the lexicon of business in 1953. However, the real acceptance of the concept started in 1971 when the concept of “social contract” was brought to the fore by the “Committee for Economic Development (CED)” [38]. With this, the discussion of the social responsibility of business started among

scholars and different stakeholders. At that time, it was agreed that corporations were required to work to better society and fulfill its economic concerns. During the 1980s, the evolution of CSR was started when many corporations showed their seriousness in regarding the social interests close to their business operations. By 1991, the concept started to gain more momentum with the seminal work of Carroll [39], who introduced the concept of CSR with a pyramid-like model. By the 2000s, CSR appeared as a critical business strategy, and many multinational corporations such as Wells Fargo, Pfizer, and Disney started to embrace CSR as an important business imperative.

More specifically, the evolution of CSR can be categorized into three major streams: (a) CSR 1.0, (b) CSR 1.5, (c) CSR 2.0, and CSR 3.0. CSR 1.0 is the early era of CSR. CSR was limited to the extent of charity-related activities: for example, donations to support society's education and reduce poverty levels, etc. CSR 1.5 was the time in which businesses regarded it as a concept with strategic orientation. The focus of CSR 1.5 was to improve the corporate image among the public through different CSR initiatives. Lastly, CSR 2.0 and CSR 3.0 are the CSR state of affairs that prevails currently. In the current era, CSR is linked with integration and value creation. CSR is now considered an integral part of the business to be incorporated at all levels [40]. More specifically, Visser [41] mentioned the five ages of CSR (Table 1). He asserted that businesses must be encouraged towards the transformative stage of CSR in the current era. Furthermore, he concluded that if businesses remained stuck in any of the four stages, they would be unlikely to achieve sustainable development objectives for future generations. Put simply, the inability of businesses to embrace the transformative stage may result in a total failure of CSR.

**Table 1.** CSR ages and stages.

Ages	CSR Stage	CSR Interest	CSR Target
Greed	Defensive	Ad hoc based	Stakeholders (government employees, owner, etc.)
Philanthropy	Charitable	Programs for community betterment	Local community
Marketing	Promotional	Reputation building	General public
Management	Strategic	Management systems	Shareholders and NGOs
Responsibility	Transformative	Business models	Regulators and customers

Source: Visser [41].

## 2.2. Defining SME in the Context of Pakistan

SMEs are indispensable to the economic development of a country. This is why nations throughout the globe link their economic prosperity with a thriving SME sector [42]. Undoubtedly, the role of SMEs in a country to promote domestic-led growth to strengthen the economy of a country in the era of stiff competition is pivotal [43]. It is expected that the population of Pakistan will be 350 million in 2050. Given the slow economic growth in the country, unemployment is also likely to rise. In this regard, the role of the SME sector to promote the economic progress of Pakistan is of utmost importance. Accordingly, the SME sector can better respond to this enormous increase in population and unemployment compared to large corporations [44], as the SME sector contributes to the economic prosperity of Pakistan through employment creation, development of human resources, value addition, etc.

Given that there are several definitions of SMEs available in the existing literature [1,45], the most common definition was introduced by the organization for economic cooperation and development (OECD) in the context of the EU. According to the OECD, an enterprise may be considered a medium-sized enterprise if it has no more than 250 employees with a financial asset not exceeding EUR 50 million, while an enterprise with a workforce between 10 and 49 and a financial asset of less than EUR 10 million is recognized as a small enterprise [46]. In the context of Pakistan, the definition of the small and medium enterprise development authority (SMEDA) is one of the most preferred definitions. According to SMEDA, an enterprise with a workforce of between 36 and 99 and an asset of

PKR 20–40 million is regarded as a medium-sized enterprise, whereas the candidature of an enterprise with a workforce between 10 and 35 and with a financial resource of PKR 02–20 million falls in the category of small enterprise [47].

### *2.3. A Brief Overview of CSR and Sustainability Initiatives of SMEs*

Over time, sustainability has emerged as an important factor for contemporary corporations; however, an exploration of the recent literature uncovers that in most cases, the sustainability perspective has been explored in the context of large corporations [48]. Given that SMEs have a crucial role in the economic development of any economy, it is surprising that the past literature has largely neglected the relevance of this sector with sustainability [49]. It is quite recent that contemporary scholars have turned their attention to this sector from the standpoint of sustainability [50,51]. More specifically, the role of CSR from the viewpoint of environmental improvement was brought to the fore by some contemporary scholars in the SME sector [52,53]. More specifically, the role of SMEs in advancing the Sustainable Development Goals (SDGs) established by the United Nations was also realized [54].

In this regard, different scholars have noted CSR and sustainability engagement of SMEs from other regions of the Global North and South. For example, in a recent study, Tsvetkova et al. [50] noted that both internal and external factors are crucial for sustainable business practices in the SME sector of Sweden. Likewise, the study of Burlea-Schiopoiu and Mihai [55] indicated that there exists a positive relationship between the budget allocated by an SME for CSR and sustainability in the Romanian context. In the same vein, Belas et al. [53] established a positive link between CSR indicators and sustainability in the SME sector of central Europe. Their results further established that CSR knowledge and its implementation are vital for the sustainable business performance of an SME. In the context of a developing economy, Choongo [56] established a positive relationship between CSR and an SME's sustainable performance in Zambia. Moreover, the study of Puppim de Oliveira and Jabbour [57] also validated that there exists a positive relationship between CSR, environmental management, climate change, and corporate governance in the SME sector of developing economies.

### *2.4. The State of CSR and Sustainability in the SME Sector of Pakistan*

Unlike the Global North, the case of CSR is still in the infancy stages in Pakistan, though a recent review of the existing literature unveils that the interest in CSR is growing among stakeholders [58–60]. While in the case of most Global North nations, CSR has emerged as a primary business element to maintain corporate legitimacy for environmental improvement, the case of Pakistan presents an entirely different picture. The enterprises have wrongly mixed the term CSR with labor laws and employee rights [26]. To further aggravate the situation, CSR has been linked with philanthropic-related activity for a long time (even currently). The low level of CSR knowledge among individuals is the mere reason for such misconceptions in the country. Given that there are limited environmental laws, CSR is practiced by different SMEs in Pakistan on a voluntary basis for a philanthropic purpose. Though the securities and exchange commission of Pakistan (SECP) issued CSR guidelines in 2013 [61], such guidelines only existed on paper with almost no on-ground execution.

Meanwhile, different institutions such as the National Forum for Environment and Health, Corporate Social Responsibility Association of Pakistan, Responsible Business Initiative Pakistan, CSR Centre Pakistan, Sustainable Development Policy Institute, and other supporting groups are making efforts to raise the importance of CSR and sustainability in the corporate sector of Pakistan, but the problem still lies with an efficient, practical implementation of such programs. Currently, the enterprises, especially the SME sector in the country, practice CSR in community education, charity, donations, etc. However, the consideration of CSR from the perspective of environmental improvement is not well-established at this level, though some large corporations have recently shown their

seriousness in sustainability initiatives. Most of the environment-related issues are outcomes of improper interactions between human industrial activities with the environment. From the perspective of the environment, the SMEs in Pakistan follow the sustainability approach only to satisfy the state laws, such as the environmental laws imposed by the Pakistan environmental protection agency (PEPA). However, a proactive approach of this sector towards environmental improvement is non-existent [62].

### 3. Major Barriers for CSR Implementation

#### 3.1. Lack of Top Management Commitment

CSR is a critical issue with strategic importance and should be considered by the senior management of an organization [63]. Socially responsible organizations usually have a senior corporate representative responsible for ensuring the responsible conduct of his organization. Top management's commitment will affect the strategic intent of a business towards its social responsibility [64]. Senior management's desire may encourage others to ensure the implementation of effective CSR in the organization [65]. It is highly reasonable to assume that employees will follow at the behest of the management for responsible practices [66]. Whatever the management do, in which direction they push, and how hard they push, dictate where they are going and their intent to fulfill their social responsibility. More specifically, top management can significantly improve the CSR orientation of their organization. In contrast, their lack of commitment to CSR has been acknowledged as a critical barrier to implementing a CSR program [15,67]. More specifically, top management's commitment provides a direction for CSR and is essential for implementing a CSR plan in their organizations. Lack of top management commitment is usually regarded as a critical barrier for CSR implementation.

#### 3.2. Lack of Financial Resources

The business case of CSR is discussed in detail in the literature. Scholars and professionals alike are equally concerned about the practical benefits of relinquishing social responsibility [59]. Prior studies provide a compilation of information on the relationship between CSR and organizational performance. There is a general consensus that a positive relationship between CSR and financial performance exists [2,11,13]. Since profitability is one of the biggest concerns for management and investors, the positive impact of CSR on financial operations is one of the most important components in managing CSR operations in any industry.

Although the concept of CSR is gaining attention in developing economies, its adoption by corporations is still in the formation stage [1]. Generally, the corporations in developing countries consider CSR as an expense rather than a business opportunity [68]. To date, there is no universal consensus in recognizing CSR as a cost-effective strategy, implying that some organizations, especially from developing regions, do not allocate a dedicated financial resource for CSR initiatives. Therefore, lack of financial resources is also something that has been recognized in the extant literature as a barrier to CSR implementation.

#### 3.3. Lack of Understanding about CSR

CSR is a pure issue that raises the need for unity and transparency for all stakeholders [69]. Though the concept has been in the discussion, no unanimous definition of CSR exists. This is why, in the current age, the concept of CSR has been mixed with other areas such as business ethics, corporate citizenship, corporate governance, and others, beyond the interests of companies and the requirements of the law [70]. The concept of CSR looks similar to corporate citizenship or business ethics. However, in actuality, the concept of CSR is different as it considers all the stakeholders of an organization, including customers, employees, society, the environment, and others [71]. In this regard, there exist different definitions of CSR, but perhaps the definition of Carroll [39] is one of the most cited definitions. According to him, "CSR is the economic, legal, ethical and philanthropic

obligation of a business towards all stakeholders.” As indicated by Singh and Misra [72] and Gupta et al. [60], the concept of CSR is an ever-evolving one. Perhaps this is why there exists a lack of understanding of CSR knowledge. More specifically, it has been reported that CSR has not received a clear understanding from employees and corporate management in developing countries [64,65]. More specifically, a lack of a structural framework can contribute to a clear understanding of CSR in such economies. Lack of understanding about CSR is a critical barrier that hinders an organization’s adoption of CSR [73–75].

#### *3.4. Lack of Strategic Planning*

Strategic planning involves several activities that improve how an organization’s strategy is implemented [76]. The changing environment necessitates the need for a flexible strategic plan. According to Bryson [77], strategic planning is the development of decision-making bases and actions that guide and control what the organization is, what it does, and why. The external environment study is one of the important components in planning, including the natural environment and society [78]. Moreover, from the perspective of stakeholders, companies need to consider both the employees and the customers in the process of strategic planning. As Epstein et al. [79] described, CSR is primarily concerned with obtaining results from corporations related to the specific issues or problems (in general terms), rather than their negative impact on stakeholders. The effective strategic planning process is expected to place CSR close to the business operations [80]. A well-planned strategy enables companies to identify, understand, and respond effectively to CSR implementation [81].

Lack of effective strategic planning for CSR can create obstacles in CSR implementation. To achieve the full flux of the concept, CSR should be an integral part of strategic planning. Without a comprehensive strategic plan for CSR, a corporation may find it difficult to execute a CSR plan efficiently [82]. Therefore, the lack of strategic planning for CSR is considered a critical barrier for CSR implementation.

#### *3.5. Complexity to Implement CSR*

CSR is a broad concept as it involves multiple facets associated with different stakeholders in the organization [83]. It interacts with a complex association between business and society [84]. Organizations require carefully dealing with different stakeholders with diverse interests. The essence of CSR should not be taken lightly as receiving promotional benefits from different campaigns. Rather, it should be noted that the complexity of the organization–society relationship demands comprehensive attention from corporate management [72]. As mentioned earlier, CSR is a context- and culture-specific construct and may generate different results in different situations. Therefore, CSR initiatives and potential business outcomes vary by business, type of sector, and range of companies. They have a wide range of problems, including economic, social, and business environments [85]. As CSR implementation requires careful consideration between business and society, organizations may find it difficult to implement it to achieve the desired outcomes. Thus, the mainstream literature regards this complexity of implementing CSR as a critical barrier [29,52,86].

#### *3.6. Lack of Regulatory Framework*

Though CSR is usually assumed to be a volunteer effort of businesses for society and the environment, governments, especially in the Global North, set regulatory bindings for corporations to implement CSR plans [87]. Specifically, the region of the EU has set a strict set of standards for businesses to practice CSR [88]. This is one of the reasons that most nations of the EU have a very good reputation for sustainability practices [89]. In the context of the Global South, there is a lack of significant law enforcement from the perspective of responsible practices, although some advancing countries in the list of the Global South (China and Korea) have shown some significant improvement by framing different laws. However, the attitude of most governments has remained non-serious toward forcing

businesses to practice sustainable practices such as CSR and the circular economy [90]. Regulatory interventions, therefore, are considered important factors for businesses to implement CSR [91]. Without an effective regulatory framework, businesses are unlikely to participate in sustainability practices [92]. The role of regulatory interventions for businesses is critical for adopting different CSR-related approaches. The absence of a legal framework for sustainability is one of the reasons that makes the organizations free not to practice any significant CSR practices. Therefore, it is also a critical barrier [35,75].

#### 4. Methodology

The current study used a semi-structured interview approach, which is a subject of qualitative design [93], to look at the management perceptions of key barriers to CSR practices in the SME sector of Pakistan, as the current study aimed to answer the “why part” of a question, rather than the “what part,” for which an in-depth understanding of the phenomenon was required. Therefore, the semi-structured interview approach best serves the purpose [94]. Specifically, this approach allows a researcher to quickly assess and analyze the information provided, provides flexibility in the questions as needed, and is appropriate for gathering the respondent’s views on reasons for specific behaviors and assisting in obtaining more information [95]. More specifically, the data were collected from SMEs situated in the city of Lahore. This city was chosen intentionally by the authors.

Lahore city is the industrial hub of the country where large numbers of SMEs are operative. More specifically, this city was selected to serve the purpose of the current research as Lahore is one of the most vulnerable cities of the country, which has been badly affected by changing climatic conditions in recent years. Additionally, Lahore was declared the most polluted city in the world in 2020 [96]. Thus, the selection of this city for the current research is not without logic.

For the data collection process, the authors formally contacted the representatives of different SMEs operating in various sectors in Lahore. The authors then approached those SMEs which responded positively to make certain arrangements for data collection (scheduling, timing, etc.). The authors included the senior management of an SME for an in-depth interview, as the senior management was better qualified to respond to the survey questions and had better knowledge on the policy-related issues of their SME. This data collection approach is in line with the guidelines of Bailey and Peck [97,98], who stated that for in-depth semi-structured interviews, it is desirable to approach those respondents who have better knowledge of the phenomenon under question.

The current surveys were collected during the age of COVID-19 (from January to March 2021). The pandemic situation caused extra challenges during the stage of data collection. For example, maintaining a safe distance and confirming vaccination were some of the issues posing extra difficulties during this process. The authors included both small enterprises and medium enterprises in the dataset of the current study. The selected SMEs were considered relevant to serve the purpose of the current survey, as most of them (if not all) had a direct link or indirect link with environmental dilapidation. For example, the textile industry is considered among the most polluting industries in the world [99]. Similar is the case with the apparel industry [100]. The footwear industry is also a significant contributor to pollution in Pakistan [101]. Likewise, the inclusion of the chemical sector into the sample is also self-explanatory. A ready list of questions was used to proceed with an interview (Appendix A).

The timings of the interview ranged between 30 and 50 min. The authors recorded each interview (audio-recorded only) to use as a reference during the data analysis stage. The description of SMEs, along with the person interviewed, is given in Table 2. For the sake of anonymity, the authors used a code of A, B, C, and so on for each interview, rather than using the actual identification. Overall, the data were collected from 14 SMEs with a total of 22 interviews. To decide on the size of interviews, the authors followed the guidelines of Creswell et al. [102]. They recommended that for semi-structured interviews, a size between 5 and 25 is appropriate.

Table 2. Profile of informants and SMEs.

No	SME Type	Sector	Business Focus	Workforce	Interviewing Person	Duration of Interview	Code
1	M	Textile	F	59	Unit Manager	42	P
2	M	Chemicals	L	47	Manager	40	L
3	S	Apparels	F	21	Owner/Manager	33	M
4	M	Pharmaceutical	L	44	Manager	48	N
5	S	Footwear	L	19	Owner/Manager	30	J
6	S	Chemicals	L	12	Owner/Manager	30	I
7	S	Apparels	F	20	Owner/Manager	37	U
8	M	Textile	F	81	Unit Manager	50	H
9	M	Apparels	F	86	Manager Operations	42	B
10	S	Pharmaceutical	L	18	Owner/Manager	36	V
11	M	Apparels	F	79	General Manager	46	G
12	M	Textile	L	49	Unit Manager	38	Y
13	S	Footwear	L	19	Owner/Manager	36	T
14	M	Textile	F	88	Unit Manager	50	F
15	M	Apparels	L	92	General Manager	50	C
16	S	Pharmaceutical	L	18	Owner/Manager	38	X
17	S	Chemicals	L	16	Owner/Manager	33	D
18	M	Apparels	F	67	General Manager	45	R
19	M	Textile	F	58	Unit Manager	47	E
20	S	Chemicals	L	16	Owner/Manager	28	S
21	M	Footwear	L	74	Manager Operations	39	Z
22	M	Apparels	F	83	General Manager	43	A

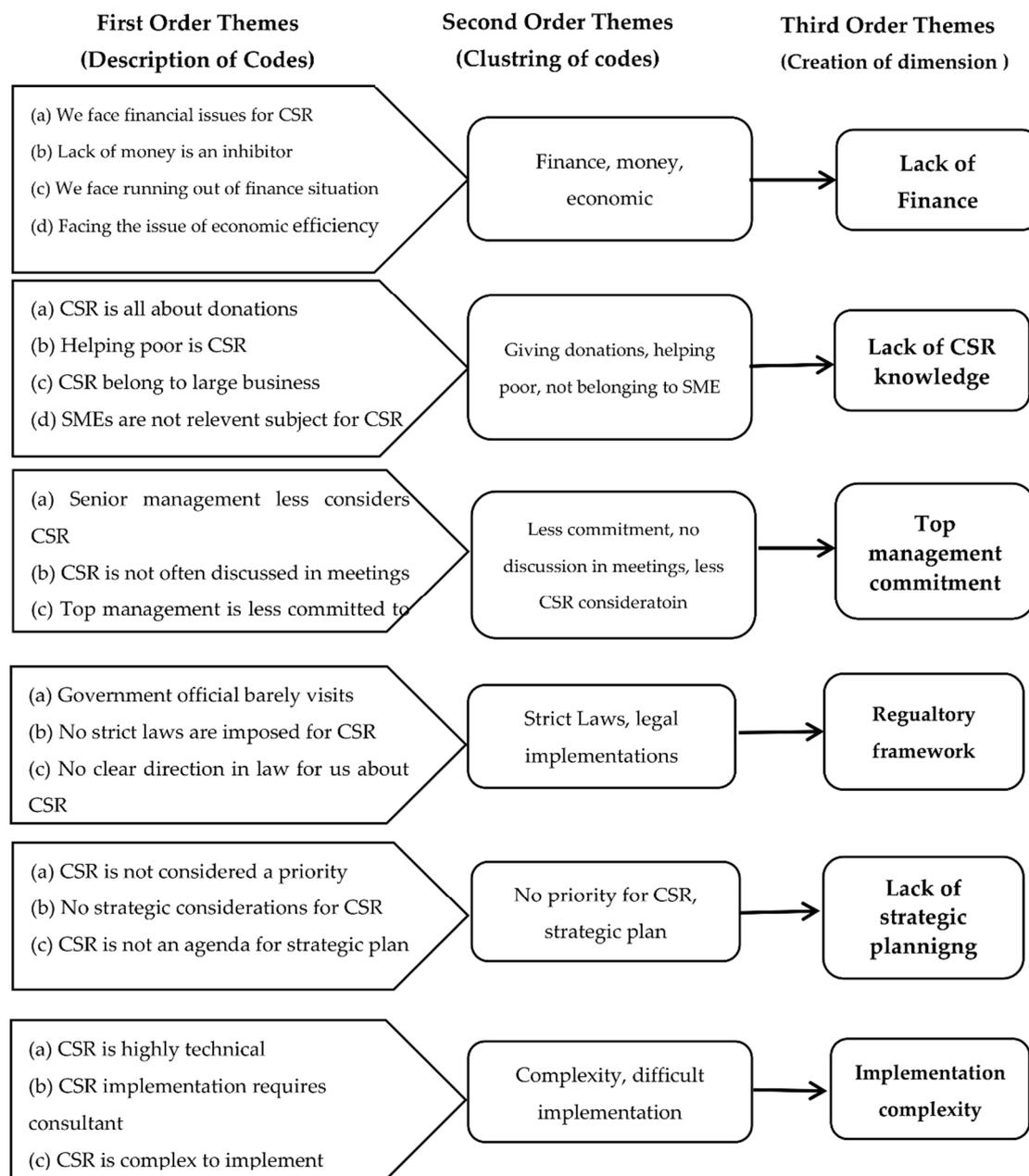
Note: SME type: M = medium, S = small; Business focus: F = foreign, L = local.

## 5. Results and Discussion

After the data collection process was complete, a step-by-step thematic analysis process of a semi-structured interview was conducted in multiple phases as suggested in the seminal work of Miles and Huberman [103]. The first step was the transcription of all interviews from an audio version to English and then transferring these transcriptions into a Word document. The second step was to perform a microanalysis of each interview to understand any ignored meaning in the paragraphs, sentences, and words.

After this step, the authors analyzed all the interviews by dividing the content into different categories and developing a coding scheme for such categories. The coding of the content involves reading and re-reading the text of the interviews and the analysis of the content in the entire dataset based on different emerging themes closely related to the purpose of the current research.

The authors analyzed the data of interviews using thematic analysis, a process of identifying, analyzing, and sequentially transferring the repeated patterns in the entire database [104]. A specific extracted theme from the content is a category of codes that relates to a research purpose or question under investigation by a researcher. Moreover, a theme from the transcribed data enables the analyst to develop a base for theoretical understanding. Overall, the thematic analysis is carried out in three stages: (a) the first-order themes, (b) the second-order themes, and (c) the third-order themes. Usually, in the first stage (first-order themes), the descriptive codes are recorded. These descriptive codes are then combined in different but closely related categories (second-order themes). Lastly, these categorized themes are linked with a theoretical dimension. One can see Figure 1 to understand the mechanism of thematic analysis in the different stages.



**Figure 1.** First-, second-, and third-order themes during thematic analysis.

In order to ensure reliability and validity, the authors cross-checked the emerging themes more than one time to see if any new themes were emerging or not. Once it was assured that no new theme was emerging (data saturation), the reliability in the analysis was achieved. To maintain the validity of the emerging themes, the related literature was again assessed to link the emerging pattern of themes with a theoretical dimension.

A total of six patterns of themes emerged from the thematic analysis, which included lack of finances, lack of CSR knowledge, lack of regulatory framework, lack of top management commitment, lack of strategic planning for CSR, and complexity in implementing a CSR plan. A further description of these emerging themes is given in the section below.

### 5.1. Lack of Financial Resources

Most SMEs in Pakistan are resource deficient; this sector especially lacks in terms of finances. This lack of resources restricts most SMEs to spare funds to be invested in different CSR-related activities. As indicated by several other researchers, the shortage

of finance is the main hurdle for most SMEs in developing countries to implementing CSR and sustainability practices [64,105,106]. In the current scenario, the thematic analysis revealed that the “lack of financial resources” is the most critical barrier that hinders the SME sector from practicing CSR and sustainability. Different respondents mentioned this critical factor as follows:

*“Look, this is self-explanatory to assess that we belong to a medium-sized business and work in a situation of financial instability. We often find it difficult to meet even our operational expenses due to the tight market environment outside. Therefore, separating finances for such activities (CSR) is something out of the box for us. We want to be a responsible business, but as far as this issue of finances stays with us, it almost seems impossible”* . . . . . (Respondent P)

*“Yes, finance is something that provides you the power to decide with confidence. Given that we are a small player in the industry, one can see how difficult it is for us to survive in the present rivalry situation. To be honest, you hardly find any real situation in which a company is characterized by huge financial constraints (like us), and still, they are actively involved in sustainability or what you say, CSR practices”* . . . . . (Respondent J)

*“Our enterprise understands the importance of sustainable management. However, the real trouble lies with finances. As you can see, in Pakistan, even large organizations practice CSR only to satisfy legal obligations. In our case, even though we have a concern towards sustainable practices, but our concern remains unaddressed due to poor financial situation”* . . . . . (Respondent B)

*“The truth is, our organization wants to go for sustainable management, however, we do not have sufficient funds for that. Neither we ever receive any financial help (interest-free or low-interest loans) on the part of the government to implement sustainable practices”* . . . . . (Respondent E)

The current study’s results of declaring “lack of financial resources” as the most significant barrier to implementing a CSR plan are logical and self-explanatory. As indicated by different researchers, lack of financial stability is a major reason why businesses do not embrace sustainability as a business norm. As mentioned in a recent report published by the World Economic Forum, small businesses find it difficult to practice sustainability due to a lack of finances. The current study is not the first one to place this barrier at the top. Many recent calls, especially from developing economies, also hold the same view. In different instances, for example, the study of Goyal and Kumar [64] declared the financial barrier as the most critical barrier in the Indian manufacturing sector (a neighboring country of Pakistan with almost the same business situations). Likewise, Bello et al. [107] also indicated the same in the context of the hospitality sector of Malawi.

## 5.2. Lack of CSR Knowledge

This is another important inhibitor in SMEs implementing a CSR plan. In this regard, it has been consistently reported in different forums that developing nations need to raise the awareness and importance of sustainability in each sector and at every level [108,109]. More specifically, it is important to mention here that the sustainability situation in most of the EU nations has been improved significantly due to a better knowledge of rank and file in recognizing the importance of sustainable management. However, the situation in developing counties presents a bleak picture in this context. Owing to this factor, different respondents shared their views as follows:

*“It is to be acknowledged that poor knowledge about the concept of CSR is a bottleneck towards its effective implementation at the level of SME. So far, the general perception here is that CSR is all about donations and charity, etc. I think most of us did not know CSR from the perspective of sustainability”* . . . . . (Respondent L)

*“In my opinion, CSR deals with donations to help the poor in a society. This is what we normally do under the name of CSR” . . . . . (Respondent X)*

*“Usually, most SMEs do not have a clear knowledge about CSR. My case is a different one, as I completed my graduation from an academically advanced country. This is why I have some improved knowledge about CSR and sustainable practices. Otherwise, you will hardly see someone with an advanced level of knowledge of CSR” . . . . . (Respondent A)*

The thematic analysis results confirmed the critical importance of poor CSR knowledge as a barrier, due to which SMEs do not prefer to engage themselves in sustainable business practices. The critical importance of this factor as a barrier is also acknowledged in a recent study of Pinto and Allui [32], who recognized this factor as the most critical in the context of Saudi Arabian (KSA) organizations, due to which businesses do not engage themselves in CSR practices. Similarly, in Nepal, this factor is also recognized as the second most important barrier that hinders organizations adopting CSR [110].

### 5.3. Lack of Top Management Commitment

The current study recognizes the lack of top management commitment as the third critical inhibitor of the SME sector implementing CSR. In this regard, different respondents during the interview acknowledged that they mostly receive very passive attention on the part of senior management to adopt sustainable practices. Lack of top management commitment is a highly cited barrier in the prior literature, especially from the perspective of the SME sector. For example, Jenkins [111] indicated that in different instances, the middle management intends to adopt sustainable practices, but a lack of support from the top management creates a hurdle towards such intentions. More specifically, the respondents shared the following:

*“I think it will be unwise to expect sustainability behavior from an enterprise if top management is not actively engaged in all this process. I can tell you that here in our sector, most of the senior managers are purely inclined to achieve the bottom-line objectives, rather than encouraging their workforce to incorporate sustainability into business operations” . . . . . (Respondent R)*

*“Our top management pays very passive attention towards such initiatives (CSR). I do not remember even a single case during my stay here that content like sustainable management has been placed in the agenda items of a meeting to be attended by the senior management ” . . . . . (Respondent F)*

*“Top management here in our organization hardly assumes CSR as a business priority. I see here that a CSR policy does exist in our organization. However, for effective implementation, one can easily understand the importance of support from the top. Unfortunately, such support is non-existent. It does not imply that top management never considers CSR, but the problem lies with their passive intentions for such cases” . . . . . (Respondent N)*

There is no denying the fact that in the absence of proactive support from top management, it is highly unlikely to see the CSR perspective as a priority of an organization. Top management decides any organization’s strategic intent, and if top management does not attend to CSR or sustainability as a priority, the desired outcomes will be difficult to achieve. As endorsed by Aras-Beger and Taşkın [112], the workforce in SMEs has a strong source of inspiration from top management. If top management is passive towards implementing CSR, there will be no way for middle management and employees to promote such practices as a priority. These findings are also in line with previous studies: for instance, the analyses of Kumar et al. [22] and El-Bassiouny [113] are some recent relevant examples.

#### 5.4. Lack of Regulatory Framework

The case of the Global North is much different from the Global South, as in the region of the Global North, a comprehensive regulatory framework for businesses to adopt sustainable practices exists. However, the regions of the Global South present a totally different picture. In such countries, either a weak or no such comprehensive framework exists. The absence of such a framework makes the businesses free not to practice CSR and sustainable practices [114]. Relevant to this barrier, the respondents during the interviews shared with the authors the following:

*“Look, a regulatory framework is something that decides the direction of each sector. Unfortunately, in the case of SMEs, it seems that the government of Pakistan does not have any clear environmental policy. Barely, I see some government official or any agency that forces us to stick with the sustainability perspective tightly. In fact, everyone enjoys here this freedom, and perhaps this is one of the other reasons that the SME sector is ignorant towards sustainability”* . . . . . (Respondent Z)

*“From the point of government intervention, some officials are in communication with us. However, they rarely perform any environmental audit or something like that to ensure if an enterprise is following the environmental laws of the state ”* . . . . . (Respondent H)

*“Perhaps the regulatory framework for environment deals only with the large organizations. Whereas the small operators seem to have an exception in this case. Being a small player, I do not remember anyone from any government agency approached us to ask such questions like sustainability”* . . . . . (Respondent V)

Undoubtedly, a poor regulatory framework on the part of the government undermines the environmental efficiency in each sector. Against this backdrop, the World Bank has also indicated that a poor regulatory framework for the environment in poor and developing countries is the root cause of the current vulnerable climatic conditions [115]. Moreover, in their study, Álvarez Jaramillo et al. [116] also asserted their view that a weak regulatory framework is the main hurdle in the way of sustainability in developing countries.

#### 5.5. Lack of Strategic Planning for CSR

The thematic analysis also indicated that the lack of strategic planning for CSR is also a major barrier towards its adaptation by most SMEs. A strategic framework is an organization’s pathway and strategic intent for achieving different policy objectives [117]. In the absence of such a strategic planning framework for sustainability, it is unreasonable to think about an organization with clear specifications for adopting sustainability practices. Lack of strategic planning has generally been realized as a significant inhibitor towards sustainable management [22,64]. Sharing with regard to this issue, the respondents divulged the following:

*“Strategic orientation for CSR is less likely to be observed in our policy documents. Though we practice CSR here, but without any strategic intent. I can share my experience of multiple SMEs, which follow CSR without any clear strategic planning considerations. In the absence of such a framework, one can see it is very difficult for an organization to implement a CSR program effectively. As to me, following CSR off and on, without any clear strategic orientation is just like a car moving on the road without knowing its destination”* . . . . . (Respondent G)

*“Yes, one can say with confidence that there is a clear role of strategic planning for an organization to achieve its sustainability objectives. However, unfortunately, such type of strategic planning is non-evident in this sector”* . . . . . (Respondent D)

The above finding of the current study highlights the importance of strategic planning for CSR for SMEs. As endorsed by the respondents, the lack of a clear strategic plan is one of the reasons why enterprises find it difficult to implement a sustainability program. Moreover, as indicated by Galbreath [118], a lack of strategic planning for CSR may lead an organization to a situation in which it finds it difficult to implement a CSR plan. In this regard, one misconception that gives rise to such strategic negligence is to assume that the volunteer efforts of an organization, including CSR, do not have any relevance with business outcomes; rather, these initiatives serve the community needs [91]. The current study places this barrier at the fifth position in terms of significance.

#### 5.6. Complexity in Implementation of CSR

The last significant barrier identified in the thematic analysis was the complexity perception regarding implementing a CSR plan. The respondents of the current study revealed to the authors that there is a common perception in the SME sector that a comprehensive CSR implementation is a highly technical trade. Moreover, they also hold this view that as CSR implementation is technical and complex, it is required to hire an external consultant to design a CSR plan for an enterprise. The significance of this barrier is also endorsed by other researchers [22,29]. More specifically, the respondents shared the following:

*“It is generally assumed here that CSR implementation is a complex thing which cannot be implemented by taking simple measures. Given this, we feel it difficult for effective implementation of such plans”* . . . . . (Respondent T)

*“The complexity of a CSR plan is also a thing that hinders our way towards its implementation. Being a small player, I find it difficult to get that level of complexity for effective implementation of a CSR plan”* . . . . . (Respondent M)

The perception regarding the complexity of a CSR plan is identified as a significant barrier in this survey. Moreover, the analysis of the current survey also revealed that different respondents felt different levels of complexity (i.e., capacity, specialized workforce, high cost) in implementing a CSR plan. The recent study of Bux et al. [52] also indicated the importance of this barrier.

### 6. Implications for Theory Additionally, Policy

The current study offers some important implications for theory and practice. First of all, the theoretical implications are discussed. In this context, the current study adds to the available literature on CSR and sustainability from the perspective of the SME sector of a developing country. In this regard, it is important to mention here that most of the prior studies in the current domain were conducted in developed countries [119–121]. Given that CSR is a context- and culture-specific construct, the authors have already explained the importance of conducting the current survey from the perspective of a developing country. Likewise, as expected, the current study results show a difference in the ranking of the barriers to CSR in relation to the available studies. More importantly, even from the perspective of developing countries, the results are variation-based. For example, in a recent survey conducted in KSA, it was mentioned that “the lack of top management commitment” is the most significant barrier for CSR implementation (difference of context and culture). In the same vein, another study from KSA, from the perspective of the construction sector (difference of context), mentioned that “additional cost” was the most significant barrier [91]. The studies of Goyal and Kumar [64] and Kumar et al. [22] are other examples showing the difference in ranking of CSR barriers. Lastly, the current study enriches the available literature by attempting to answer the “why” part of the question by obtaining in-depth information from the respondents to determine why SMEs in Pakistan are unable to implement CSR. Earlier, the authors also discussed the importance of answering the “why” part of the question rather than indicating the “what” part of the question.

Additionally, the current study has some significant implications for SMEs, especially for policymakers. In this regard, the current study brings to the fore that “lack of finances” is the most significant barrier to explaining “why” SMEs are unable to practice CSR and sustainable practices. In this regard, the results of the current study have some clear implications for policymakers. For instance, the management of SMEs needs to realize the importance of sustainability from the perspective of the long-term rather than focusing on achieving short-term objectives, because the implementation of sustainable practices may involve additional costs during the initial stages. However, in the long run, the enterprises can offset such costs when sustainable practices not only contribute to a better environment but also improve an enterprise’s economic efficiency. The role of government and financial institutions is also important regarding this critical barrier. In this regard, the government and financial institutes should support such SMEs that want to adopt sustainable practices. For example, it is suggested to provide interest-free or low-interest-based loans to SMEs that are unable to adopt sustainability due to a lack of finance.

Furthermore, regarding poor CSR knowledge and weak regulator frameworks as barriers of CSR, both the government and policymakers have a clear role to address this issue. The government, in this regard, is suggested to reconsider its legal framework for sustainability with a special focus on the SME sector. Though some agencies exist to protect the environment (i.e., Pakistan environmental protection agency), their passive role raises a question on their capabilities for ensuring the responsible practices of businesses in the country. Furthermore, it is also suggested that to improve CSR knowledge, the government is suggested to take two steps. First, seminars and workshops should be arranged with the collaboration of industry to improve the knowledge of CSR. Second, the content regarding CSR and sustainability should be included in the curricula of educational institutes, which is currently non-existent. Such initiatives, on the one hand, will improve the CSR and sustainability knowledge and, on the other hand, will also reduce the complexity in implementing a CSR plan.

## 7. Conclusions

The current study is an attempt to explore the inhibitors of CSR in the SME sector of Pakistan. To this end, the study highlighted different barriers and their rankings. This is a time for Pakistan to reframe CSR orientation and sustainability interventions. Moreover, it is to be noted by policymakers that sustainability is a trade for everyone despite the difference in the size of a business or a particular sector in which it operates. Until or unless a proactive approach toward sustainable business practices is followed, it is unreasonable to expect that the future climatic conditions in the country will improve. The role of Pakistan’s government is critical in this respect, as stated in the Discussion section of this document. The policies on the part of the government should facilitate a sustainable business by providing easy-to-pay loans, relief in taxes, and a special subsidy on the purchase of eco-friendly plants and equipment. Hopefully, the current study will significantly impact the industry and government agencies to work on the stated barriers in order to have a better and sustainable future.

Though the current study was conducted with careful consideration, the authors still feel that some limitations may exist. However, these limitations have the potential to be addressed in future studies in order to advance the field. The first limitation lies with the geographic concentration of the data. As the study was conducted during the age of the pandemic, it was difficult to move out to different cities to collect the data. However, as the situation regarding the pandemic improves in the country, the authors suggest to upcoming researchers to include more cities in Pakistan (i.e., Sialkot, Karachi, Faisalabad) to comprehensively understand why SMEs do not practice sustainable practices. Likewise, the current study, after a careful review of the literature, considered six barriers. Moreover, the current study may be limited in its scope as it only considers the opinion of the SMEs management for CSR barriers and does not include other important stakeholders’ opinions such as the government and other publics. Therefore, in future studies, it is desirable to

consider such stakeholders in order to have more in-depth knowledge. It is possible to include more barriers that hinder the means of an enterprise for implementing a CSR plan. On a final note, to ensure statistical validity and better generalization, it is of high interest for future researchers to apply a mixed method approach.

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## Appendix A

### Part I: Basic Questions

1. Are you familiar with the concept of CSR?
  - Yes
  - No
2. What barriers do you perceive that hinder the implementation of the CSR initiatives in your organization?
  - Lack of finance
  - Lack of top management commitment
  - Lack of regulatory framework
  - Lack of CSR knowledge
  - Lack of strategic planning for CSR
  - CSR implementation complexity
  - Any other

### Part II: Interview Guide Main Questions

1. What do you think are the barriers of CSR in the SME sector of Pakistan?
2. What has been your experience in your organization considering CSR initiative implementation?
3. In what way do you think your organization is hindered from implementing a CSR program?
4. Can you explain what CSR practices your organization could implement but has been hindered from doing so?

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