Unveiling CSR Practices in SMEs: Scale Development through Exploratory Sequential Mixed-Methods Design in Khyber Pakhtunkhwa

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Abstract:

Corporate Social Responsibility (CSR) is an extensively discussed term in context of large-scale organizations compared to Small and Medium Enterprises (SMEs) and there exist almost insufficient research on CSR scales which could reflect CSR practice of SMEs in developing or underdeveloped regions. This research deploys a mixed-methods research design to identify relevant CSR practices in SMEs of Khyber Paktunkhwa (KP). The study draws its foundation from stakeholder theory and institutional theory. In-depth interviews were conducted to identify major CSR practice of SMEs in the province. Qualitative findings led to the development of a comprehensive instrument comprising four CSR constructs in context of SMEs. After a thorough review of the instrument from experts, it was sent to 70 industrial units across four major industrial sectors. With a 61% response rate, 378 fully complete responses were subjected to analysis. Initially, Exploratory Factor Analysis (EFA) with Principal Axis Factoring technique (PAF) and Promax rotation were performed to explore latent CSR construct. The four CSR constructs from qualitative phase of research converged onto 9 different factors. Reliability scores of all factor were above .832. Confirmatory Factor Analysis (CFA) is conducted to further refine factor structure. The development of CSR scale for SMEs by deploying a mixed-methods research design is a first attempt in context of KP. The research contributes to the existing body of knowledge on scale development in SMEs and provides significant insights for both researchers and practitioners. Key Words: Corporate Social Responsibility, Scale Development, Mixed-Methods Research Design, Thematic Analysis, Factor Analysis

Introduction:

Corporate Social Responsibility (CSR) has been widely discussed by scholar since the realization of a social contract between business and society (Carroll, 1979, 1999; Ibrahim et al., 2012; Perrini, 2006). Despite the fact that business organizations are primarily profit-making entities, scholars, researchers, and practitioners have emphasized a wider role of business in societies, holding them accountable not only for value creation but also for causing harm, such as environmental degradation (Bowen, 1953; Jamali & Carroll, 2017; Schwartz & Carroll, 2003; Visser, 2006). Primary assertion of scholar is that a business does not exist in vacuum and therefore it must respond to the needs and expectation of various key stakeholders (Freeman, 1984; Freeman & Reed, 1983). Generally, CSR embodies business response towards the interests of a diverse set of stakeholders, for example, according to Berger et al. (2007) CSR is the "way firms integrate social, environmental, and economic concerns into their values, culture, decision making, strategy, and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth, and improve society". Similarly, Jenkins (2006) defined CSR as a firm's

contribution towards economic, social, and environmental sustainability and Carroll (1999) offered a well-structured framework to classify social responsibilities of business. Although these definitions broadly capture the essence of CSR, ambiguity persists due to the inherently complex nature of the term and thereby pushing researchers to inquire into specific factors under each broader head, for example, what could be the activities of firms under the head of discretionary responsibilities and whether all such responsibilities have similar weights/values in different cultures. Visser's (2006) analysis of African countries revealed that such responsibilities don't follow a fixed structure and thereby vary from one region to another and over the time. Absence of an objective definition of CSR has pushed researcher to inquire the concept in relation to different industrial sectors (Fung Wong & Kim, 2020) and regions (Grimstad et al., 2020; Jamali & Carroll, 2017; Vives, 2006). However, only a few studies are in context of developing regions (Ibrahim et al., 2012) providing enough ground to research CSR practices in Pakistan, particularly Khyber Pakhtunkhwa – which is an underdeveloped region of the country. Additionally, the issue of CSR in SMEs is relatively less discussed topic compared to large organizations. As SMEs constitute major part of the economy, CSR practices within those organizations are also considered pivotal for their success and societal wellbeing (Ibrahim et al., 2012). However, keeping in view the abstractness of CSR definition, a valid and reliable scale can help such organizations to effectively develop CSR strategies and monitor performance. There exist a good number of studies on scale development in context of large organizations (Bhattacharyya, 2010; D'Aprile & Talò, 2014; Fatma et al., 2014; Fung Wong & Kim, 2020; Harrison et al., 2020a; Turker, 2009) but only a few studies exist in relation to SMEs (Lechuga Sancho et al., 2021) and even the scale developed so far, in context of either large organizations or SMEs, have been recommended to get re-validated in different cultures (Lechuga Sancho et al., 2021; Turker, 2009). Additionally, the existing CSR scales for SMEs have been developed primarily through rigorous quantitative methods, while ignoring qualitative approaches, which may offer only a limited perspective on CSR practices. According to Oduro et al. (2021), "it is surprising that considering the complexity of the CSR concept, only a few studies adopt a mixed methodology, which is believed to have the potential to offset the weaknesses in quantitative and qualitative studies to offer a better description of a phenomenon" Moreover, in today's complex and competitive environment businesses operate under United Nations protocols like Global Compact and Sustainable Development Goals. These protocols exert further pressures on business enterprises to pursue policies aimed at sustainable goals and encounter competitive pressures as well (Fung Wong & Kim, 2020). Therefore, a thoroughly validated scale in context of specific institutional factors for SMEs would help in guiding such businesses in pursuing policies and programs aimed at sustainable development and performance to effectively position their image and identity.

The Nature and Structure of CSR:
Social and environmental problems associated with industrialization and increasing competition have shaped firms' behavior whereby they are expected to adopt a responsible stance towards a diverse set of stakeholders (Oduro et al., 2021). Business's response to stakeholders' expectations and socio-environmental problems has been characterized as Corporate Social Responsibility (CSR) (Carroll, 1999; Kharabsheh et al., 2023; Rózsa et al., 2022). Since the explicit realization of business's responsibilities (Bowen, 1953), the term has been through different stages of evolution (Carroll, 1999; Latapí Agudelo et al., 2019) and in the light of contextual factors (Matten & Moon, 2008), various frameworks have been postulated to explain the nature of the term "CSR" (Carroll, 1979; Freeman, 1994; Jamali & Carroll, 2017; Jones, 1980; Lantos, 2001; Latapí Agudelo et al., 2019; Lee, 2008; McWilliams & Siegel, 2001; Wood, 1991). Despite the realization that business doesn't exist in vacuum and that an implicit or explicit social contract demands its

operations to be in line with stakeholders' expectation, confusions prevailed about the nature of CSR till Carroll (1979) presented a model of Corporate Social Performance with three dimensions encompassing "social responsibility" categories (i.e. economic, legal, ethical, and discretionary responsibilities), "social responsiveness" spectrum (ranging from reactive to proactive responses by corporations), and "social issues" (e.g. consumerism, environmentalism, occupational safety etc.). Visser (2006) and Schwartz & Carroll (2003) critically viewed the pyramid model of CSR stating that different sets of responsibilities are not mutually exclusive and linear, for example, in case of a study conducted on African companies revealed that "philanthropic responsibilities" emerged on second spot right above the "economic responsibilities" ultimately reflecting that the order of responsibilities can change in different contexts. Moreover, ingredients of "economic responsibility" can also be part of "legal responsibility", for example, providing good and services valued by customers could be placed under the head of ethical or legal responsibilities as well. The limitations of Carrolls (1979) model implies that CSR practices can vary across regions and times. According to Votaw (1972, p.25), "corporate social responsibility means something, but not always the same thing to everybody. To some it conveys the idea of legal responsibility or liability; to others, it means socially responsible behavior in the ethical sense….". Hence the discourse on the nature and structure of CSR reveals the fact that though CSR is defined as a voluntary business stance – categorized into a set of responsibilities – towards societal well-being and stakeholders' expectations, it is yet not clear what specific responsibilities are perceived as a CSR practice under various categories. Therefore, leaving a space for researchers to explore the nature of CSR around different environmental settings (Moon & Chapple, 2005), for example, most of the research on CSR has been conducted in context of developed countries but it's hard to find generalized facts about CSR practices in relation to developing or underdeveloped regions (Turker, 2009). Oduro et al. (2024) conducted a systematic review of studies about CSR in SMEs. Their analysis included the studies from across different regions of the world, but surprisingly no studies from Asian region or sub-continent were part of the systematic review. However, the findings of their systematic review revealed that there are enormous differences in the themes explored in relation to CSR in SMEs across different regions and hence restricts generalization of CSR practices.

CSR in SMEs:
SMEs constitute a large part of economies across different regions and are considered as engine of economic growth and as organizations capable of addressing various socio-economic problems (Ayyagari et al., 2007; Subhan et al., 2013; Vives, 2006). SMEs can play a major role in addressing sustainable development goals such as environmental protection, social equity, and economic resilience (Graafland & Smid, 2017). In Pakistan, SME sector contributes 40% to GDP and 25% to country's exports (Afzal, 2024) whereas such organizations are 90% of the businesses globally with 50% of employment opportunities (World Bank, 2023). Keeping in view the economic importance and capability of the SMEs in addressing socio-economic issues, scholars and practitioners have presented discourse on adoption of CSR practices by such organizations (Baden et al., 2009; Bikefe et al., 2020; Grimstad et al., 2020; Oduro et al., 2021; Perrini, 2006; Raza & Majid, 2016; Rózsa et al., 2022; Tiep et al., 2021), critically emphasizing the differences in CSR practices in SMEs compared with large organizations. Such differences can be attributed to the size and nature of SMEs, personal values of owners and employees, and the local environment (Jenkins, 2006). SMEs generally consider CSR on as informal and unstructured ad hoc philanthropic activities (López-Pérez et al., 2018) and are different from multinational in context as they pay more attention to "closer to home" issues such as employee and community welfare (Jenkins, 2006). Though SMEs show considerable involvement in CSR related issues and their strategies are mainly rooted in all the relevant stakeholders (Fuller & Tian, 2006), such

organizations often do not adopt formal CSR reporting mechanisms (Roberts et al., 2006). According to (Jamali & Carroll, 2017), over time CSR practices are becoming standardized with expanse of globalization, however the future research should consider the idiosyncratic nature of CSR. In other words, CSR practices are influenced by local cultural factors and institutional factors. (Jamali & Carroll, 2017) citing Forcadell and Aracil stated "CSR tends to be institutionally bound and culturally specific and we have a long way to go to understand the wide range of institutional configurations shaping CSR in context across developed and developing country landscapes". Similarly, (Balzano et al., 2024) discussed the importance of institutionalism in relation to SMEs by delineating old institutionalism and new institutionalism, arguing that where old institutionalism encompasses compliance towards formal laws and regulatory framework, new institutionalism embodies cultural factors and stakeholders' expectations – careful management of external relations – to gain legitimacy. Where the new perspective of "institutionalism" incorporates stakeholders' expectations directing actions of firms, stakeholder theory itself is a widely accepted framework for analyzing firm's action (Blombäck & Wigren, 2009; Carroll & Buchholtz, 2008; Clarkson, 1995; Freeman, 1984; Jamali, 2008), asserting that business need to respond to only those who are either affected by or affect the business. Freeman and Reed (1983) defined stakeholders as actors, on whom the survival of business is dependent. Keeping in view the perspective that organizations should mainly respond to the needs of relevant stakeholders, researchers considered stakeholder approach as more appropriate and practical to reveal CSR practices in SMEs (Lechuga Sancho et al., 2021; Rózsa et al., 2022). However, both theories are somewhat isomorphic and complement each other by incorporating stakeholders' interests/expectations. Herold (2018, p.11) stated that "to examine the influences on an organizational practice, stakeholder theory needs to be integrated into institutional theory to classify actors or stakeholders". Our earlier discussion on CSR indicates that it's not easy to fit CSR practices in different regions into one single template because of; (a) contextual factors, such as political, economic, and social factors which influence firms' operations (Moon & Chapple, 2005), (b) the nature of SMEs (Jenkins, 2006; López-Pérez et al., 2018). This study offers insights about CSR practices in SMEs in the province of Khyber Pakhtunkhwa (Pakistan) by developing a context-specific measurement scale.

Measuring CSR:
A good number of studies exist in relation to measure CSR and scale development (Bhattacharyya, 2010; Bhattacharyya et al., 2020; D'Aprile & Talò, 2014; Fatma et al., 2014; Fung Wong & Kim, 2020; Hair et al., 2019; Harrison et al., 2020; Lechuga Sancho et al., 2021; Roberts et al., 2006; Turker, 2009). However, a very few of them are specific about CSR in SMEs (Fung Wong & Kim, 2020; Lechuga Sancho et al., 2021). Hopkins (2005) critically discussed various measurement indices of CSR and explained the need for hard data based on interval scales. He believed that CSR indices are more of nominal or ordinal scale and the "average" scores on different aspects could be hiding facts, paving the way for further exploration of the concept specific to the context. Hopkins (2005) statement about "hiding facts" impels researchers to adopt qualitative approaches in exploring the meaning of CSR in general, and CSR in SMEs in particular. Additionally, assuming the difference between CSR and Business Ethics (BE), Harrison et al. (2020) found the need to develop the scales for both. They focused on consumers' perspectives on CSR and successfully developed validated scale of CSR and BE. However, at the same time, they acknowledged that their scale might not be universally applicable, and hence further exploration is required in context of different industries and cultures. Furthermore, only a few studies have adopted mixed methodology to offer a better description CSR in SMEs and offset the weaknesses in quantitative and qualitative research (Oduro et al., 2021). Adopting a mixed methods approach

to measurement of CSR can help us explore the true meaning of the term in context of different industries and cultural environments while at the same time, this will help us construct measurement scale based on qualitative findings.

Methodology:
This study is based on two phases with a sequential exploratory mixed-methods research design, i.e. qualitative leading towards quantitative research phase. According to Oduro et al. (2024), most of the research studies on the issue of CSR are based on a mono-method, and surprisingly only a few studies have adopted a mixed-method approach. Additionally, in context of SMEs, evidence on the use of mixed-method research is almost negligible, providing grounds for researchers to deploy qualitative and quantitative approaches for better explanation of CSR practices. Combination of different methods can help in addressing validity and reliability concerns (Creswell, 2013). Bryman (2006) discussed various reasons for using a mixed-methods research design in a single study, for example, triangulation to enhance validity; comprehensive findings; one method to explain the findings of the other; instrument development; qualitative design to develop hypotheses and quantitative for testing of hypotheses. As this research primarily aims at scale development for various dimensions of CSR in context of SMEs, therefore a sequential exploratory mixed-method design has been used (Creswell, 2013). Malhotra, (2004) and Netemeyer et al. (2003) proposed that psychometric scale development and validation process should commence with literature review and/or qualitative research followed by qualitative purification (i.e. theoretical and semantic validation from experts and respondents) of items generated from first step for ascertaining face validity and finally leading towards empirical validation through large-scale survey data. In the first phase a total of 12 semi-structured in-depth interviews were conducted due to the ability of the method as being more flexible (Bailey, 1982) to provide rich and comprehensive information (Creswell, 1994) about extensively complex phenomenon (Sarantakos, 2005) of CSR in SMEs. The participants who spanned over four small and medium-sized industries (i.e. 3 from Pharmaceuticals, 4 from Match, 3 from Marble, 2 from Packaging) in Peshawar were personally contacted by the researchers. All the participants were university graduates and possessed more than 10 years of experience that ultimately helped in obtaining a rich set of information. An interview protocol based on personal information, statement of confidentiality, and 7 questions (see Table 1) related to CSR in SMEs were formulated to keep a precise and coherent record of every piece of information. Interviews were conducted in the month of April, 2024. Apart from using personal connections with participants working in various industries, snowballing sampling technique is used to identify and contact potential interviewees with relevant work experience and qualification (Naderifar et al., 2017).

Table 1	Interview Questions

- What in your opinion is the social responsibility of business?
- Apart from profits and shareholder value, do you think that organization needs to respond to the interests of other stakeholders?
- How's your business addressing the concerns of different stakeholders?
- Who do you think are the major stakeholders of your company?
- Compared to large organizations, do you think that small and medium-sized companies are also active in CSR related activities? Please explain with some examples if yes.
- What are the factors that encourage you to engage in CSR?
- Does your company have any formal policy/values statements to show commitment towards CSR related practices?

Thematic analysis approach is used in the qualitative research phase to explore dimensions of CSR in SMEs. Thematic analysis is useful to connect qualitative and quantitative findings (Fereday & Muir-Cochrane, 2006). For the purpose of systematically identifying and conceptualizing themes, the framework proposed by Naeem et al. (2023) has been deployed. The coding process started with familiarization with the data and identification of key words (recurring words/phrases of importance to explain the phenomenon). Codes were defined "in-vivo" as well as with assigning a specific "term" to a phrase or sentence. In the end, themes were identified and conceptualized by discovering the association between codes (Creswell, 2013). Four broad themes were identified and labelled as "Business Development", "Internal Responsibility", Philanthropic Values", and "Environmental Values". Validity concerns of the themes identification process have been addressed by eliminating interviewer's influence and triangulation – as the themes are generated from the data obtained from different industries (Adams & Cox, 2008) to be validated with quantitative inquiry and corroboration of findings (Bryman, 2006). Initially, a likert scale structured questionnaire comprised of 55 items was designed based on the themes explored in the first phase of research. To ensure content validity, the designed questionnaire was discussed with 3 managers from SMEs in Peshawar and 2 university professors (Cooper & Schindler, 2003). The validation process of discussion with experts resulted in dropping 15 ambiguous items and rephrasing 4 items, ultimately leaving a refined questionnaire with 40 items in total. Items breakdown in relation to themes identified in first phase of research were as: Business Development (15 items); Internal Responsibility (12 items); Philanthropic Values (7 items); and Environmental Values (6 items). A pilot test of 25 managers from SMEs in Peshawar city helped in rephrasing some items for further clarity of the instruments, however, empirical tests for data reduction were not performed due to smaller size (Worthington & Whittaker, 2006).

A self-administered structured questionnaire was sent to employees working at different levels in SMEs (manufacturing units) of three main cities of Khyber Pakhtunkhwa province of Pakistan, i.e. Peshawar, Mardan, and Kohat. Though a list of businesses from Khyber Chamber of Commerce and Industries (KCCI) served in contacting relevant sample units, it is not exclusively used as a sampling frame as it contained information on services sector and large-scale businesses as well. Therefore, along with researchers, a team of 4 master's degree students were hired to collect data from relevant respondents. A random sampling procedure was adopted to access the relevant sample units. A total of 70 manufacturing units (43 from Peshawar, 15 from Kohat, 12 from Mardan) from three cities were selected to send self-administered questionnaires to be filled in by employees and 670 questionnaires were distributed among the staff of SMEs from August to October 2024 where 410 questionnaires were returned with 61% response rate. 22 questionnaires were not considered appropriate for analysis due to missing values or non-response error. Further, during data cleaning process, 10 questionnaires were removed due to extreme responses/outliers by testing the range of skewness and kurtosis of the distribution of items to ensure acceptable range of -2 and +2 (Hair et al., 2022). In the end, a total of 378 responses completed in all respect were used for factor analysis. According to Hair et al (2019), a ratio of 5 respondents per item in the instrument is sufficient for factor analysis. As per the definition of SMEs, 66% and 34% of organizations in the sample had employees in the range of 10-50 and 51-300 respectively. Ratio of male and female was 80% and 20% whereas 53% of employees had work experience of less than 6 years, 29% were with experience of 6-10 years, and 18% employees had more than 10 years of experience of working. The team responsible for data collection assisted respondents in filling out questionnaire whenever it was needed.

Table 2   **Respondents Profile**

Variable	N	(%)
Total Employees		
10-50	46	66
51-300	24	34
Gender		
Male	302	80
Female	76	20
Experience (Years)		
<6	201	53
6-10	110	29
>10	67	18

Source: Authors own contribution

Analysis and Findings:

Before going into the details of quantitative analysis of the study, discussion on qualitative analysis and findings will help in grasping the overall picture developing a scale based on mixed-method research design. The following section highlights the findings of the research from qualitative phase leading towards the findings of quantitative phase.

a. Findings of In-depth Interviews In qualitative research phase four dimensions (i.e. Business Development, Internal CSR, Philanthropic Values, and Environmental Values) were explored by conducting thematic analysis with the help of QDA Minor Lite. All relevant codes to CSR in SMEs were identified and grouped together to form specific CSR dimensions. Similar to other studies conducted on the issue of CSR (Bocquet et al., n.d.; Grimstad et al., 2020; Roberts et al., 2006; Tiep et al., 2021), it was revealed that most SMEs don't have formal policies to strategize and implement CSR, however management were concerned about addressing the interests of key stakeholders as specific policies related to different functions and process existed in some places, for example, quality control frameworks, human resource policies, and safety and environment were found helpful in determining companies' responsibilities.

The following section highlights the findings of thematic analysis.

i.   Business Development

Like many large organizations, participants from SMEs also believed that profit generation, and value creation is their main concern of business. However, they thought that business growth depends on satisfaction of stakeholders and developing stable relationships with them, particularly customers. Words such as stakeholder/customer satisfaction, fair pricing, quality products/services, shareholder value, profits maximization, product safety, informing customers, and empathy towards customers etc. were grouped together under "business development" responsibility. Business development responsibilities imply activities primarily directed at growth and development. After discussion with experts to refine and confirm items, a construct comprising 15 items to be tested empirically for validation and generalization. The construct of "business development" is similar to the "economic responsibilities" by Carroll (1979) in CSR pyramid,

however the term "business development" is used to in order to signify the CSR activities by SMEs.

Table 3   Business Development Dimension

Notation	Item's description in questionnaire
BD01	Our company acknowledges the importance of developing long-term relationships with customers
BD02	Customer satisfaction is always our priority
BD03	We charge reasonable and fair prices for our products and/or services
BD04	We always endeavor to provide quality products and service to customers
BD05	Our company always cares about promises made with customers
BD06	Our company acknowledges its responsibility towards product safety measures
BD07	Wealth creation is important for our company
BD08	Our company shows compliance with legal requirements for protection of
BD09	Our company always cares about developing relationship with suppliers, intermediaries, and partners for optimal organizational performance
BD10	Our company collaborates with all the relevant stakeholders to achieve objectives
BD11	We believe that satisfaction of major stakeholders is important for organizational
BD12	Our company provides all the relevant information on product usage
BD13	Our company always strives to make profits
BD14	Our company shows commitment towards business growth
BD15	Shareholder interests are important for the success of our company

Source: Authors own contribution

ii.   Internal CSR

Workforce issues were grouped together to form "Internal CSR" construct as the term specifically intend to point out SMEs activities aimed at welfare of employees. Internal CSR dimension comprised of ethical human resource practices and employees' satisfaction. Interview participants emphasized skilled workers as assets for business and many of them acknowledged the value of workers for business success. However, apart from considering workers as an important constituent of the organization, governmental laws, regulations, and competition were considered a major driving force, indicating that such practices by SMEs are the result of mimetic and coercive isomorphism as per new institutionalism theory (Matten & Moon, 2008). In response to questions about addressing concerns of stakeholders beyond shareholders and having formal policies to address such concerns, the answers on almost every occasion were related to workforce welfare and development. Participants also discussed human resource policies where issues like equal opportunity providers and right of association were mentioned. The process of thematic analysis and refinement resulted in the development of "internal CSR" construct comprised of 12 items.

Table 4   Internal CSR Dimension

Notation	Item's description in questionnaire
IR01	Our company values employees' satisfaction
IR02	Our company considers employees are key assets for organizational performance
IR03	Our company endeavors to meet employment contract conditions
IR04	Our company pay fair wages and salaries to all employees
IR05	Employees at our company receive wages/salaries as per government regulations
IR06	Our company arrange all necessary trainings for employees

IR07	Our company acknowledges employees' right of association
IR08	Our company encourages employees' involvement in decision-making
IR09	Our company is an equal opportunity provider
IR10	Our company encourage women to participate in decision-making process
IR11	Our company supports women in leadership role
IR12	Our company shows support for minorities and ensures that people belonging to minority groups have a fair representation

Source: Authors own contribution

iii. Philanthropic Values

Philanthropic values construct mainly encompasses ethical stance of companies and discretionary responsibilities towards stakeholders, particularly the community which can get affected by operations of the business. Interview participants believed that community welfare and human rights are as important for SMEs as they are for large organizations. According to Grimstad et al. (2020), Ethical and discretionary responsibilities go beyond legal frameworks and are vague and difficult to ascertain. Therefore, keeping in view unclear nature of such responsibilities, Ethical and Philanthropic responsibilities in Carroll's (1979) framework were combined under "philanthropic values". A seven items construct comprising issues like human rights, community welfare, volunteerism, employment opportunities for community, and transparency was developed to be tested in quantitative phase.

Table 5   Philanthropic Values Dimension

Notation	Item's description in questionnaire
PV01	Our company ensures upholding ethical values in business operations
PV02	Our company encourages transparency and provides information to all the relevant stakeholders on business matters
PV03	Our company cares about human rights
PV04	Management and other staff members support charity for problems faced by
PV05	Our company collaborates with other organization for community welfare
PV06	Our company encourages employees to volunteer for social cause
PV07	Our company upholds a positive attitude towards creating employment opportunity for community

Source: Authors own contribution

iv. Environmental Values

Environmental values construct was another major finding of the qualitative phase. Many of the participants emphasized environmental awareness and protection important for business survival and other stakeholders. However, on different occasion during interviews, managers thought that not showing compliance towards environmental regulation can result in hefty fines by government agencies. A reason for such beliefs could be that the government of Pakistan enacted a policy to cope with the issue of climate change whereby it has been aimed to reduce carbon emission by explicitly mentioning CSR initiative by industries (Ministry of Climate Change, 2021). Environment related activities have been explored in similar context by others as well (Graafland & Smid, 2017; Islam et al., 2019; Vives, 2006). A construct comprising 6 items was developed

after consultation with experts, containing statements about environmental protection, waste reduction, green energy solutions, and attentions towards SDGs on environment (Table 6).

Table 6 *Environmental Values Dimension*

Notation	Item's description in questionnaire
EnV01	Our company shows commitment towards protection of environment
EnV02	Our company is committed to all the legal requirements regarding environmental protection
EnV03	Our company endeavors to create awareness among stakeholders about environmental issues
EnV04	Our company is committed to reduce different kinds of waste produced
EnV05	Our company actively pays attention to sustainable development goals on environment and climate change
EnV06	Our company encourages the use of green energy alternatives (e.g. Solar)

Source: Authors own contribution

b. Analysis and Findings of Survey

Survey data obtained was processed for normality test by removing extreme responses. Cutoff values of skewness and kurtosis (i.e. between -2 and +2) were ensured to normalize the data and process it for EFA and CFA. The following sections brief the results of EFA and CFA.

i. Exploratory Factor Analysis

Principal Axis Factoring (PAF) technique with Promax rotation is used to empirically explore latent dimensions. PAF with oblique rotation (e.g. Promax and Direct oblimin) is preferred over orthogonal rotation methods (e.g. Varimax and Quartimax) in social sciences (Costello & Osborne, 2005; Worthington & Whittaker, 2006) because in social sciences, latent factors are often assumed as correlated. According to Costello and Osborne (2005), "using orthogonal rotation results in a loss of valuable information if the factors are correlated, and oblique rotation should theoretically render a more accurate, and perhaps more reproducible, solution. If the factors are truly uncorrelated, orthogonal and oblique rotation produce nearly identical results". The Kaiser–Meyer–Olkin test (KMO = 0.851) and the Bartlett sphericity test (df = 666, sig = 0.000) indicated that correlation matrix is different from identity matrix with significant correlation among items. This test helped in the assessment of sample adequacy yielding latent factors structure. Initially, EFA produced a 9-factor solution with rotation converging in 6 iterations. Items with communalities lower than 0.4 and items cross-loading scores of 0.32 were removed for a better solution (Costello & Osborne, 2005). Removal of certain items helped in a factor structure with strongly loaded items with values greater than 0.5. Eigenvalue of greater than 1 was set as a criterion for factor extraction. The item "EnV05" belonging to Environmental Values construct had low communality score of 0.176 and subsequently showed lower loading value of 0.471 in initial factor structure. Similarly, two items from Philanthropic Values (i.e. PV07) and Internal Responsibility (i.e. IR07) had cross-loadings above the set criteria. Final EFA model with 9 extracted factors explained approximately 71% (70.897) of variance indicating that the overall factor structure is adequate as the total variance explained is more than 60% (Hair et al., 2019).

Table 7 *Total Variance Explained*

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of	Cumulative %	Total	% of	Cumulative %	Total

1	6.991	18.894	18.894	6.742	18.221	18.221	5.692
2	5.567	15.046	33.940	5.284	14.280	32.501	4.329
3	3.863	10.441	44.381	3.603	9.737	42.238	3.938
4	3.284	8.876	53.257	2.999	8.105	50.343	4.210
5	2.758	7.454	60.711	2.432	6.574	56.916	4.741
6	2.266	6.124	66.835	1.950	5.272	62.188	2.923
7	1.619	4.376	71.210	1.322	3.572	65.760	3.386
8	1.248	3.372	74.582	.984	2.660	68.420	2.052
9	1.228	3.320	77.902	.916	2.477	70.897	3.715

Extraction Method: Principal Axis Factoring.
a. When factors are correlated, sums of squared loadings cannot be added to obtain a total

"Business Development" construct was initially comprised of a total of 15 items. However, after performing EFA, 13 items of the construct divided mainly into three factors and 2 items BD03 and BD08 loaded separately onto two different factors. Items BD01, BD02, BD04, BD05, BD06, and BD12 together formed a factor which has been relabelled as Customer-oriented Responsibility (COR). Items BD07, BD13, BD14, and BD15 formed a factor which was labelled as Responsibility towards Business Performance (RBP), and items BD09, BD10, BD11 loaded together were labelled as Stakeholder Relationship Responsibility (SRR). COR, RBP, and SRR loaded with initial eigenvalue of 5.6, 3.9, 1.6 and 14.3%, 9.7%, 3.6% explained variance respectively. Similarly, 12 items belonging to Internal Responsibility were loaded onto two different factors. Items IR01, IR02, IR03, IR04, IR06, and IR08 loaded onto a single factor (eigenvalue = 6.991, explained variance = 18.2%) and thereby labelled as Employee-oriented Responsibility (EOR) as all the items were found related to employees' benefits. Items IR09, IR10, IR11, and IR12 loaded together with eigenvalue of 3.284 and 8.1% explained variance, forming a construct labelled as Diversity and Equality Assurance (DEA). Though the items belonging DEA are essentially a matter of internal responsibility of SMEs, this specific factor embodies equality and inclusion of women and minorities. Items pertaining to Philanthropic Value (i.e. PV1, PV2, PV3) and one item – initially belonging to Business Development – BD03 converged with eigenvalue of 2.758 and explained variance of 6.6% to form a factor, labelled as Ethical Values (EV). EV essentially contained information about transparent business practices, charging fair prices, and adherence to human rights. Further, PV04, PV05, PV06 formed a factor (with eigenvalue = 1.27 and total variance explained = 2.5%) labelled as Community Engagement and Development (CED). Four items (out of six) belonging to Environmental Values (EnV01, EnV03, EnV04, EnV06) converged onto the same construct by explaining 5.3% of total variance with eigenvalue of 2.266. Items IR05, BD08, EnV02, initially from three different constructs, formed a single factor (Legal Responsibilities) having 2.6% of the total variance explained and eigenvalue of 1.248. All the items pertaining to Legal Responsibilities (LR) embodied legal aspects of business. Values of Cronbach Alpha indicated that all the factors have higher internal consistency, and the items represent the same underlying factor.

Table 8   **Pattern Matrix**[a]

Initial Labels	Final Labels	Factor									Communalitie	Factor Reliability
		1	2	3	4	5	6	7	8	9		
IR08	EOR08	.952									.848	.948
IR04	EOR04	.937									.751	
IR06	EOR06	.902									.762	

		F1	F2	F3	F4	F5	F6	F7	F8	F9		
IR03	EOR03	.849									.755	
IR01	EOR01	.763									.794	
IR02	EOR02	.720									.785	
BD06	COR06		.823								.703	.902
BD04	COR04		.816								.715	
BD05	COR05		.793								.656	
BD02	COR02		.781								.642	
BD12	COR07		.752								.518	
BD01	COR01		.719								.564	
BD13	RBP02			.893							.912	.929
BD07	RBP01			.883							.895	
BD14	RBP03			.881							.774	
BD15	RBP04			.852							.788	
IR10	DEA02				.975						.766	.888
IR11	DEA03				.850						.899	
IR09	DEA01				.730						.538	
IR12	DEA04				.708						.678	
BD03	EV04					.919					.809	.909
PV01	EV01					.846					.779	
PV02	EV02					.797					.699	
PV03	EV03					.714					.624	
EnV01	EnV01						.834				.730	.865
EnV06	EnV06						.792				.639	
EnV04	EnV04						.792				.649	
EnV03	EnV03						.718				.522	
BD10	SRR02							.853			.718	.867
BD09	SRR01							.813			.676	
BD11	SRR03							.809			.680	
IR05	LR01								.863		.750	.838
BD08	LR02								.849		.722	
EnV02	LR03								.687		.488	
PV04	CED01									.843	.728	.842
PV05	CED02									.805	.654	
PV06	CED03									.747	.625	

Extraction Method: Principal Axis Factoring.
a. Rotation converged in 6 iterations.

ii. Confirmatory Factor Analysis

In order to further refine factor structure and validate the findings of EFA, confirmatory factor analysis (CFA) is performed. The factors explored during EFA (i.e. COR, SRR, RBB, EOR, DEA, EV, CED, and LR) were tested in a single model (Figure 1). To achieve a good model fit, one item (EOR08) from Employee-oriented Responsibility (EOR) was removed. The items loadings onto respective constructs showed strong standardized factor loading (standardized regression weights) scores ranging from .655 to .990 (Hair et al., 2022). The goodness-of-fit indices were found within the boundaries of threshold values, indicating a good model fit with $\chi^2/df = 1.882$, Comparative Fit Index (CFI) = .952, Standardized Root Mean Square Residual (SRMR) = .056, Root Mean

Square Error of Approximation (RMSEA) = .048, and PClose = .718 (Hu & Bentler, 1999). Model fit plugins from Gaskin and Lim (2016) were used to summarize and tabulate the findings of CFA.

Table 9   **Model Fit Indices**

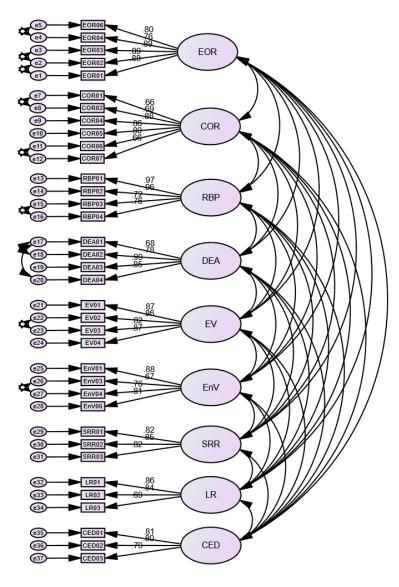| Measure	Estimate	Threshold	Interpretation
CMIN	1031.518	--	--
DF	548	--	--
CMIN/DF	1.882	Between 1 and 3	Excellent
CFI	0.952	>0.95	Excellent
SRMR	0.056	<0.08	Excellent
RMSEA	0.048	<0.06	Excellent
PClose	0.718	>0.05	Excellent

Figure 1. Confirmatory Factor Analysis (CFA) Model
Source: Authors own contribution

Convergent validity was confirmed with Average Variance Extracted (AVE), Composite Reliability (CR). CR score for all constructs ranged from .843 to .927 and AVE score was between .581 and .743. CR and AVE measures were greater than the threshold of .7 and .5 respectively (Hair et al., 2013), confirming the convergent validity of all constructs. Furthermore, discriminant validity was tested with the help of Fornell-Larcker criterion (Fornell & Larcker, 1981). Square root of AVE of every construct showed greater value than correlations coefficients of the respective construct with other constructs (diagonal values represent square root of AVE in Table 10). Hence, as result of empirical and statistical testing, all the constructs/dimensions representing CSR in SMEs are found reliable and valid.

Table 10   ***Model Validity Measures***

	CR	AVE	EOR	COR	RBP	DEA	EV	EnV	SRR	LR	CED
EOR	0.927	0.718	**0.848**								
COR	0.891	0.581	0.236	**0.762**							
RBP	0.919	0.743	0.140	0.210	**0.862**						
DEA	0.898	0.692	-0.135	-0.215	-0.183	**0.832**					
EV	0.915	0.730	0.438	0.101	0.064	0.469	**0.855**				
EnV	0.861	0.610	-0.024	0.009	0.093	0.083	0.209	**0.781**			
SRR	0.868	0.687	0.210	0.263	0.490	-0.129	0.117	0.000	**0.829**		
LR	0.843	0.644	-0.082	0.048	-0.051	0.039	-0.028	0.012	-0.140	**0.803**	
CED	0.843	0.642	-0.340	-0.098	-0.200	0.512	0.271	0.367	-0.064	-0.003	**0.801**

Discussion and Conclusion:
Acknowledging the abstractness around the definition of CSR and emphasis of researchers to consider environmental and contingency factors shaping CSR practices, this study primarily focused on developing a valid and reliable CSR scale. In contrast to other studies (Fung Wong & Kim, 2020; Lechuga Sancho et al., 2021), this research adopted a two-phase methodology, beginning with a qualitative approach and progressing to a quantitative one. Use of mixed-method design has been rarely used by researcher in context of CSR practices of SMEs; however, such a design proves to be effective in developing psychometric scales because the findings from one phase can be contrasted to the findings of another phase. Findings of this study have been validated by comparing the findings with other studies such as a study by Lechuga Sancho et al (2021) where, similar to the qualitative findings of our study, they found four latent constructs in relation to CSR by using principal component analysis. However, our quantitative phased of the study explored 9 specific dimensions of CSR. One reason for finding 9 dimensions could be deploying PAF technique as PAF is considered more robust technique for EFA (Costello & Osborne, 2005). Moreover, exploration based on stakeholder theory (Bhattacharyya, 2010; D'Aprile & Talò, 2014; Fung Wong & Kim, 2020; Turker, 2009) could potentially delimit the findings to only a few stakeholders, therefore, it was thought to ground the study on institutional factors as well. Hence, all the four dimensions of CSR related to CSR in SMEs of KP revolves not just around key stakeholder but embodies broader level responsibilities, for example, Business Development and Internal Responsibilities. Such broader dimensions also provide a closer alignment with Carroll's (1979) CSR model. Previous studies by Lechuga Sancho et al. (2021) and Turker (2009) revealed four factors solution to CSR practices where Lechuga Sancho et al. (2021) explored employees, environment, local community, and client-oriented responsibilities as major dimension, however, the construct found by Turker (2009) were broader where each factor included several types of

social responsibilities of business. Hence the two-phase methodology grounded in institutional factors such as legal and political factors led to revealing of a comprehensive set of responsibilities embodying stakeholders (e.g. employees and customers) and institutional factors (e.g. ethical values and legal responsibilities). Exploration of a broader set of CSR dimensions grounded in institutional factors in context of SMEs in less developed areas like KP is a major theoretical contribution of this study. Findings of each phase, particularly the developed instrument, can serve as a guide for SMEs in designing and assessment of CSR related measures.

Limitations and Future Directions:
Scope of the study was limited to only KP where three cities and four industrial sectors were mainly targeted for sampling. Though the study comprised of a comprehensive methodology, mixing up both qualitative and quantitative methods to develop valid and reliable scale, personal biases can't be omitted completely in qualitative study. In other words, thematic analysis performed were solely based on personal judgement of the researchers. Therefore, for generalization purpose it is recommended to conduct similar studies in other regions (including developed and underdeveloped) with wide sectoral distribution and inclusion of other stakeholders as sample. Future researchers should also consider sustainable development goals SDGs to theoretically support studies on CSR in SMEs.

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