

# **Measuring and understanding the engagement of Bangladeshi SMEs with sustainable and socially responsible business practices: an ISO 26000 perspective**

## **Abstract**

### **Purpose**

Drawing on the *'ISO 26000: 2010 - Guidance on social responsibility'* handbook, this paper is aimed at investigating the extent to which Bangladeshi small and medium sized manufacturing enterprises (SMEs) are incorporating social responsibility (SR)/sustainability into their regular business activities. It is also aimed at providing insights into how Bangladeshi SME owner-managers perceive the concept of SR, and exploring the key drivers of and barriers to socially responsible and sustainable business practices.

### **Design/methodology/approach**

A mixed-method research was carried out in two sequential phases. During the first phase, 110 printed questionnaires (59 of which were eventually used) were distributed among the owner-managers of the selected SMEs. The second phase involved seven in-depth semi-structured interviews.

### **Findings**

The findings reconfirm the existence of the so called *'attitude-behaviour'* gap. The barriers that hinder the sustainable engagement of SMEs include corruption, a weak regulatory environment, inefficient or ill-suited government and external support, and a lack of awareness of the environmental aspects of SR. In addition, this research reveals that Bangladeshi manufacturing SMEs do, to a certain degree, implement SR; only those few issues that suit the owner-managers' personal motives are addressed, while many others (e.g. environmental issues) are neglected. Finally, it has been found that the business type and size, and the owner-managers' educational attainments have no significant influence on the degree of adoption of socially responsible business practices by Bangladeshi manufacturing SMEs.

### **Originality/value**

This paper develops a tool suited to meaningfully assess the socially responsible and sustainable business activities of SMEs. By utilising the four key elements identified in ISO 26000—namely, labour practices, the environment, consumer issues, and community involvement and development—and by employing an innovative and effective technique, a sustainability score and implementation level were calculated quantitatively for the selected SMEs. The tool developed here can be used to study the sustainability related issues faced by SMEs based in other low-income developing countries.

### **Keywords**

small business sustainability, social responsibility, ISO 26000, manufacturing SMEs, developing countries, Bangladesh

### **Paper type**

Research paper

## **1. Introduction**

Small and medium-sized enterprises (SMEs) are an important part of global economy and are of utter importance for the generation of employment in both developed and developing countries; this is now well appreciated in the academic literature. More importantly, it has been recognised that SMEs differ from large companies not only in terms of their size (i.e., they are not just 'little big companies'), but

possess characteristics that are unique to them, such as an informal management style, owner-manager domination in all decision-making, and strong community ties. These unique characteristics make it necessary to adopt a specific approach to understand the engagement of SMEs with socially responsible and sustainable business practices.

Although the extant literature provides some useful insights into a number of the sustainability/social responsibility (SR)<sup>1</sup>-related issues faced by SMEs in developed countries, little has hitherto been written on how SME owner-managers in developing countries, in which institutional environments are less-developed, view SR (Demuijnck and Ngnodjom, 2013; Jamali et al., 2015). By carefully scrutinising the limited number of existing empirical papers on SR/sustainability in developing country SMEs, two important gaps were identified. The literature has generated only the most basic theoretical understanding of how developing-country SME owner-managers view their responsibilities. Furthermore, relatively few empirical studies have attempted to explain the reasons behind the engagement or non-engagement of SMEs with sustainable and socially responsible business practices in *low-income* developing countries; amongst those that have, hardly any have provided qualitative evidence concerning the factors that drive or motivate SME owner-managers to operate responsibly.

This paper fills these gaps by investigating the extent to which manufacturing SMEs in Bangladesh (a low-income developing country in South Asia) are incorporating sustainability/SR into their regular business activities. The study also unearths the key barriers or challenges faced by Bangladeshi SME owner-managers as they strive to operate responsibly in a socio-economic environment that instigates irresponsible business behaviour. Both quantitative and qualitative data were collected sequentially (through a mixed-method design) from 59 manufacturing SMEs operating in six different sectors.

Over the past 20-30 years, Bangladesh has managed to transform its agro-based economy to a manufacturing one chiefly based on small-scale industries such as paper and pulp, ship-breaking, textile weaving and dyeing, coal and mining, brick-making, leather tanning, plastic and plastic goods, and chemical products (Hasan and Islam, 2015; Belal and Roberts, 2010). These industries play a crucial role in providing employment, increasing local incomes, and, of course, generating foreign exchange earnings. Thus, the adoption, by Bangladeshi manufacturing SMEs, of sustainable and socially responsible behaviours is critical as these companies constitute a predominant part of the country's economy and have the potential to affect both society and their stakeholders in both positive and negative ways (Azmat, 2008).

Although Bangladesh has enacted a good number of rules and regulations relating to sustainability and environmental protection (Clemett, 2006), in reality, most of them are routinely flouted as they are weakly enforced by the pervasively corrupt responsible authorities (Selim, 2011; Belal and Roberts, 2010). The involvement of the business community in unethical and careless activities is commonplace (Azmat and Samaraturunge, 2009), while, according to the 2014 Transparency International Ranking (see [www.transparency.org](http://www.transparency.org)), the country also ranks very high in corruption. Besides facing issues related to corruption and to its unplanned (rapid) industrial development, Bangladesh is the country worst affected by global climate change due to its unique geographic location, hydro-geological characteristics such as dominance of floodplains and its low elevation above sea level, and, lastly, socio-economical features such as a high population density, high levels of poverty, and an overwhelming dependence on nature (Aminuzzaman, 2010). Taken together, these factors make the Bangladeshi context interesting in terms of research on the SR and sustainability of its manufacturing SMEs.

This paper responds to Spence and Painter-Morland's (2010, p. 333) call for the development of a tool suited to assess the meaningful involvement of SMEs in socially responsible and sustainable business activities. Drawing on the four key elements identified in ISO 26000—namely, labour practices, the environment, consumer issues, and community involvement and development—and by employing a unique, realistic, and not hitherto used technique, a sustainability score was quantitatively calculated for the selected SMEs (details in the 'Research Methodology' section). Further, Willard's (2005, 2009) 'five stages of sustainability' model was utilised to reveal the level of implementation of sustainability in the surveyed SMEs. The first stage of this model is pre-compliance, in which companies do not follow any

regulations. This is followed by: compliance, beyond compliance, integrated strategy (sustainability integrated into a company's strategy and culture), and purpose and passion (in which a company helps to build a better world).

The remainder of the paper proceeds as follows: in the next section, to provide some conceptual understanding of the current study, a brief review of the literature on SR in SMEs based in developing countries is presented. The third section outlines the key methodological issues considered in this paper. The fourth and fifth sections report and discuss the research findings in detail, and the last section outlines the limitations of the study and discusses some of the policy and social implications of the research findings.

## 2. Literature Review

Scholarly contributions to small business SR/sustainability research have proliferated tremendously over the past two decades; surprisingly, most have focused on developed-country SMEs, which are predominantly service-oriented, while manufacturing SMEs in low-income developing countries have received relatively less attention (see Jamali et al., 2015; Johnson and Schaltegger, 2015; Spence, 2015). Before the empirical phase of the current study, an extensive literature search was carried out, in all leading electronic databases, using keywords such as 'small business ethics', 'small business SR', 'sustainability in SMEs', 'SMEs and ISO 26000', 'SMEs and voluntary compliance', 'SMEs and corporate social responsibility (CSR) in developing countries', 'SMEs in Bangladesh', 'CSR in Bangladeshi SMEs'. This yielded 117 relevant empirical articles published between 2000 and 2014. Out of these, only a dozen focused on SMEs in developing countries. Geographically, a large portion of these studies looked at SMEs in China, South Africa, Sri Lanka, and Turkey whilst representation of other developing countries, and of low-income ones in particular, was very minimal (notable exceptions are Demuijnck and Ngnodjom, 2013; Bhutta et al., 2008; Ramasobana and Fatoki, 2014). To gain some conceptual understandings for the current study, a brief review of these articles is provided below.

### *2.1 SR in developing-country SMEs: insights from the extant literature*

Owner-managers of SMEs in developing countries generally hold a positive attitude towards SR and consider it to be an important aspect of their business. In practice, this positive attitude is undermined by low levels of engagement as most owner-managers do not believe such activities to be commercially viable (Jeppesen et al., 2012; Yu and Bell, 2007). High costs, lack of human resources and knowledge (Ramasobana and Fatoki, 2014), lack of awareness (Demuijnck and Ngnodjom, 2013), and lack of training on sustainability (Vives, 2006) are cited as the most common problems that deter SME owner-managers from translating their positive attitude into action. This having been said, negative attitudes are not uncommon. The evidence shows that two factors—namely, the ownermanagers' perception of the importance of money (Au and Tse, 2001), and their selfishness (Bhutta et al., 2008)—are significantly associated with the low ethical standards and negative perception of SR found in developing countries.

In some developing countries, the perception of SR is affected by the specific cultural and religious context (Uygur, 2009; Perry, 2015). For example, in Sri Lanka, the Buddhist philosophy provides a fundamental basis for the understanding of SR and hence facilitates the engagement of SMEs in its implementation (Perry, 2013, 2015). In many other developing countries, SME owner-managers perceive SR as a form of philanthropy and consider it to be a religious duty; this has been identified in Africa (Amaeshi et al., 2006; Kivuitu et al., 2005) and in some South Asian countries (Azmat and Samaratunge, 2009). Other factors that motivate SMEs to undertake socially responsible practices include regulatory pressures (Roy et al., 2013), the owner-managers' personal values and passion for SR (Murillo and Lozano, 2006; Spence et al., 2011), financial motives (Tsoi, 2010), and a desire for differentiation (Jamali et al., 2009; Lin and Ho, 2011).

The owner-managers of SMEs in developing countries consider employee welfare and community development to be the two most important aspects of SR, and assign comparatively less importance to environmental issues (Demuijnck and Ngnodjom, 2012; Tsoi, 2010). In fact, many do not even consider the environment to be an issue and do not realise how their activities have an impact on it (Yu and Bell, 2007; Roy et al., 2013).

Also, it should be noted that the perception of SR in developing countries is greatly influenced by many other unique external factors, such as corruption, a poor socio-economic and regulatory environment, and lack of government support (Jamali et al., 2015). Thus, to understand how ownermanagers make sense of the term SR, we must learn the circumstances under which they operate and the unique challenges and barriers they face whilst implementing SR (Jamali et al., 2009).

## *2.2 SR and SMEs in Bangladesh*

SR has long been practiced in the businesses of Bangladesh and of other South Asian countries in the form of traditional philanthropic activities (Nasrullah and Rahim, 2014). These include donations to various charitable organisations, disadvantaged and poor people, religious and educational institutions, and hospitals (Mintoo, 2006; Miyan, 2011). Most SMEs in Bangladesh belong to the informal sector<sup>2</sup>, have minimal management structure and resources to address social and environmental issues, and are characterised by their small size, lack of professionalism, and low public visibility. These limitations often drive the owner-managers to think only about profit maximisation, rather than consider the triple bottom line of profit, planet, and people in doing business (Azmat, 2008; Azmat and Samaratunge, 2009).

The Ministry of Industries' Policy Strategies for Small and Medium Enterprises (SME) Development in Bangladesh (2005) is the only existing such policy in Bangladesh. It emphasises several important aspects of SME development, such as finance, technological support, tax rebate, and the identification of booster sectors, but does not sufficiently stress the issue of sustainability. The National Sustainable Development Strategy (NSDS, 2013) describes the challenges faced by the government in ensuring sustainability in the industrial sector and clearly admits that the latter does not yet attach much importance to SR and sustainability issues. However, based on the fundamentals of the earlier 2005 SME policy strategy, the government is planning to prepare a new one in 2015-16 (Begum, 2013); it is hoped that this new policy will provide SMEs with enough guidance to implement sustainability.

The most recent National Industrial Policy (2010) does provide more adequate support for the flourishing private sector initiatives, as described in Article 13. The policy states that, by means of tax and duty exemptions, the government plans to incentivise industries and SMEs to adopt environmentally sound manufacturing processes and practices. In order to promote investment in projects designed to reduce the emission of greenhouse gases under the Kyoto Protocol's Clean Development Mechanism (CDM), the government will take essential actions through the Board of Investment (BOI). In addition, the policy states that the government will provide facilities for the setting up of a waste recycling industry. Entrepreneurs will be encouraged to vigorously pursue the 3Rs (Reduce, Reuse and Recycle) when setting up and running their businesses. Furthermore, the policy also identifies SMEs as a key engine of economic growth. Particular emphasis is also placed on the organic pesticide industry in order to protect the natural environment through the preservation of useful insects, soil microbes, and aquatic life (Hasan and Islam, 2015).

### *2.2.1 Existing research on SMEs*

The extant SR/sustainability literature in the context of Bangladesh is biased towards studying the CSR reporting or disclosures of multinational companies (MNC), private commercial banks, and insurance companies (e.g. Belal and Momin, 2009; Momin and Hossain, 2011; Islam and Deegan, 2008; Khan et al., 2013; Belal and Cooper, 2011; Rouf, 2011). To date, very little research (if any) has been done to

understand how SMEs themselves understand the concept of SR and the extent to which they incorporate sustainability.

As mentioned earlier, in Bangladesh and in many other developing countries, SMEs form a large part of the informal sector; yet, their contribution towards alleviating poverty and boosting economic growth remains critical (Azmat, 2008). The Bangladesh Small and Cottage Industries Corporation's (BSCIC) (2013)<sup>3</sup> statistics show that, in Bangladesh, there are currently 933,991 small and cottage industries, employing more than 3.6 million people and contributing around 19.54% of the national GDP. Thus, the cumulative social and environmental impact of this sector is massive and it is therefore paramount that it operates sustainably.

### *2.2.2 Definition of SME in Bangladesh*

In Bangladesh, there is no single agreed upon definition of SME. Different versions of the National Industrial Policy and other government reports define SMEs based on different criteria. This issue was dealt with in the recent National Industrial Policy (2010), which is the only (and latest) paper to provide a common definition of manufacturing SMEs to be used by all relevant authorities. This is used as a benchmark to define and identify manufacturing SMEs in Bangladesh; these are the focus of the current study, which advocates the adoption of a definition of SME based on employment, rather than on asset turnover or on both (for information on the latter is extremely difficult to obtain). According to this policy, manufacturing SMEs are SMEs that employ between 25 and 250 workers.

Interestingly, the Bangladeshi definition of manufacturing SMEs differs greatly from those of other countries in the South Asia region. For example, in neighbouring India, manufacturing SMEs are not at all defined on the basis of the number of workers they employ; rather, they are defined on the basis of their investment in plant and machinery. At any rate, significant differences exist in terms of the total amount of investment required to qualify as a SME in India, compared to Bangladesh. The same is true for Sri Lanka, where a national definition of a manufacturing SME is still missing. Other definitions of SMEs based upon total investment suggest that the total investment needed to qualify as a SME in Sri Lanka is significantly lower than it is in Bangladesh (see Asian Development Bank, 2014 for an up-to-date comparison of SME definitions among all the South Asian countries). Such variations in the definitions imply that, although South Asian countries share similar socio-economic and historical patterns, no generalisation should be made about the size of SMEs.

## **3. Research Methodology**

The sample companies were selected from a list of clusters provided by the SME Foundation (Ministry of Industry, Government of Bangladesh). This list, published in March 2013, is the most comprehensive and up-to-date database of all manufacturing SMEs in Bangladesh. It contains basic information on the location, postal address, sector and employment of 177 SME clusters in Bangladesh. Altogether, the list identifies 69,902 enterprises in those clusters (SME Foundation, 2013, p. 7).

In the first phase, a total of 110 companies were identified and approached for the survey. These are all based in four zones of the Dhaka district—namely, Khilkhet, Jatrabari, Hazaribagh, and Chakbazar. The sampling techniques were both purposive and sequential (multiphase) (Adams et al., 2007, p. 89; Creswell, 2009, p. 183). Purposive sampling involves a selection process based on specialist knowledge or specific criteria (Walliman, 2006, p. 79). Accordingly, a variety of industries were included to make the sample representative of the entire population. In a sequential sampling scheme, the researcher is allowed to reiterate the sampling process more than once (Adams et al., 2007, p. 89). The researcher identifies an initial sample and obtains information on it; the researcher then repeats the sampling process (on the initial sample) based upon a different purpose (Creswell, 2009, p. 183). Similarly, in this research, the participants for the second phase (i.e., the semi-structured interviews) were recruited during

the first phase survey, in which all participants were asked to take part in the interviews. A total of 13 owner-managers agreed to do so.

### *3.1 Data Collection*

Two data collection techniques—namely, a self-administered (paper-based) questionnaire survey and semi-structured interviews—were sequentially employed. In the first phase, the sustainability/SR score and SR implementation level of each selected SME were calculated based on the four key elements of SR addressed by ISO 26000<sup>4</sup>. This Guidance publication had been selected for two main reasons; first, it is the only one that provides comprehensive guidance on SR and sustainability to date (Perera, 2008; Ávila et al., 2013) and, second, the Bangladesh Bank (the central bank of Bangladesh) and the High Commission of Canada in Bangladesh had extensively promoted ISO 26000 in the private sector during 2013-14 (Islam et al., 2013). It was therefore assumed that the local business communities would be familiar with its contents.

#### *3.1.1 First phase (questionnaire survey)*

The questionnaire was divided into five main sections in accordance with the research aims (see Appendix I). The first two sections gathered general information on the respondents and their businesses. The third section was more descriptive and was designed to gauge the extent to which SMEs are incorporating SR in their regular business activities. In this section, the participants were asked to mention whether they were following (or maintaining) the various elements of SR described in ISO 26000. However, rather than just directly listing those elements in the questionnaire, I significantly adapted these elements into questions understandable by the participants. Other questions, culturally relevant and meaningful for Bangladeshi (manufacturing) SME owner-managers but not part of the ISO 26000 Guidance, were also included. For example, participants were asked whether they maintained their generators properly and efficiently. Due to power failures being a common occurrence in Bangladesh, generators are commonly used to ensure a back-up supply of electricity.

Finally, the fourth and fifth sections addressed participant perceptions of SR and of the drivers and barriers pertaining to their engagement in SR practices. To understand the owner-managers' perceptions of SR, as recommended by Islam et al. (2013, p. 34), the fifth section, in particular, asked two specific hypothetical questions. At the end of the questionnaire, all participants were asked whether they would be willing to take part in face-to-face interviews during the second phase of the research.

A total of 110 printed questionnaires were distributed, 71 of which were returned. Not all of these, however, had been completely filled out. Several missing values were addressed and, after careful sorting, only 59 questionnaires were included in the final analysis.

#### *3.1.2 Second phase (semi-structured interviews)*

Once the completed survey questionnaires had been thoroughly checked, 13 owner-managers were found to have made themselves available for the in-depth semi-structured interviews; of these, only 7 could be eventually contacted. Considering that most SMEs are constantly subject to time pressures (Yu and Bell, 2007), the duration of each interview, with one exception that lasted about 80 minutes, was generally kept at under 60 minutes. The interview questions were organised into five overarching categories:

- Company descriptions and owner-manager views on SR certification and standardisation (e.g., ISO standards).
- Company interpretations of the implications of SR.
- Reasons for owner-manager engagement in SR and related activities; main drivers and motivating factors.

- The greatest obstacles to the adoption of sustainable and socially responsible business strategies in the Bangladeshi context.
- Government policies and other advocacy organisations in support of the sustainable operation of SMEs.

### 3.2 Data Analysis - Questionnaire survey (1<sup>st</sup> phase)

This study does not intend to make any generalisations about Bangladeshi manufacturing SMEs, but is instead aimed at taking a more interpretative position in gaining a better understanding of SME perceptions of SR and of the barriers and challenges faced by these companies. This approach is similar to that adopted by Vives et al. (2005) in their study of SR in eight Latin American SMEs. Therefore, the data were analysed using descriptive statistical tools; these provided a good insight into the current conditions of Bangladeshi manufacturing SMEs in the field of SR. The Stata statistical software and Microsoft Excel were used for the data analysis and for illustration purposes.

The initial step taken to organise the data in a usable manner involved the definition of the variables; this was followed by the assignation of numbers to the different categorical answers and their entry into an Excel spreadsheet. The statistical measurements used to analyse the data were frequency of occurrence and cross tabulation. In cases in which survey data consist of nominal and/or ordinal values, the measurement of frequency of occurrence is more appropriate than traditional ones such as mean and standard deviation (Pallant, 2007). However, multiple regression analysis was also used to determine whether company size and type, and owner-manager educational level have any effect on the degree of SR implementation. To facilitate the regression analysis, a few dummy variables were created and certain modifications were made to the controlled ones (Singh, 2007).

#### 3.2.1 Calculation of sustainability/SR score

The sustainability/SR scores of each selected SME were calculated by using a simple and unique measurement technique specifically designed for this study. In section three of the questionnaire, each participant was asked whether his/her business was dealing with different elements of SR, such as labour issues, environment, consumer issues, and community involvement and development. Each positive answer was allocated a weight of 1 and then the total number of positive answers was divided by the number of issues asked. However, any issue deemed not to be applicable to his/her business by the participant was taken out of the calculation. Table 1 illustrates the calculation of the sustainability/SR scores for one of the participating companies:

<b>Labour practices</b>	<b>The environment</b>	<b>Consumer issues</b>	<b>Community involvement and development</b>
Total issues asked/mentioned = 8	Total issues asked/mentioned = 18	Total issues asked/mentioned = 5	Total issues asked/mentioned = 6
Number of positive answers = 6	Number of positive answers = 8	Number of positive answers = 3	Number of positive answers = 3
Not applicable = 1	Not applicable = 4	Not applicable = 0	Not applicable = 0
Score = $6/8 - 1 = 0.86$ (86%)	Score = $8/18 - 4 = 0.57$ (57%)	Score = $3/5 = 0.60$ (60%)	Score = $3/6 = 0.50$ (50%)

**Table 1:** Calculation of sustainability/SR scores

So the average sustainability/SR score obtained by that particular business was  $(0.86+0.57+0.60+0.50)/4 = 0.63$  (or 63%). Note: throughout this paper, the average sustainability/SR scores are reported as percentages.

### 3.2.2 Calculation of the average level of SR implementation

The SR implementation levels of Bangladeshi manufacturing SMEs were measured on a zero to four scale, with zero meaning ‘no implementation’ and four meaning ‘full integration of sustainability and SR into company culture’. These SR implementation levels were established based on the five stages of sustainability suggested by Willard (2005, 2009, 2012). However, some modifications were made to make them more relevant to the context of Bangladeshi manufacturing SMEs.

In order to calculate the SR implementation levels, scores ranging from 0 to 4 were awarded according to the level of SR achievement; for example, if a firm had a written SR/sustainability policy but had not yet implemented it, it scored 1 point. Table 2 shows the calculation of the average SR implementation level of one of the participating firms<sup>5</sup>.

Elements of SR	Level 0 (Non implementation)	Level 1 (Implementation on paper)	Level 2 (Fractional implementation)	Level 3 (full implementation)	Level 4 (Beyond implementation)	N/A	Assigned score
Labour practices				-/			3
The environment						-/	Not counted
Consumer issues		-/					1
Community involvement and development		-/					1
<b>Total score</b>	5 out of a possible 12 (as one issue was opted out). <b>Average level of SR implementation = <math>5/3 = 1.67</math></b>						

**Table 2:** Calculation of SR implementation level

Thus, the average level implementation for that particular company was 1.67; it could be placed between Level 1 and Level 2 in terms of its SR implementation.

### 3.2.3 Multiple regression

The dependent variables were constructed from questions asked in Section 3 of the questionnaire (see Appendix 1). The first dependent variable ‘Average Sustainability/SR Score’ was calculated by taking the average score of the four key elements of ISO 26000 used in this study (see the preceding section for details). The second dependent variable ‘Average SR Implementation Level’ was calculated on the basis of Question 5, Section 3 (again see the preceding section for details). Two regression models were run: one ordinary least square regression with Average Sustainability/SR Score as the dependent variable (contains metric data) and one ordinal regression with Average SR Implementation Level (contains ordinal data) as the dependent variable. Ordinal regression was used to determine whether the odds of entry to a higher SR Implementation Level differ significantly for different explanatory variables (explained next). The two dependent variables were also included as explanatory variables (one at a time): the former in the second model and the latter in the first model.

Altogether, six explanatory variables were included in the two regression models. The first was the



SME owner-managers' biological age (*Age of Respondents*). The second was the age of the SMEs (reported as '*Years in Operation*'). The variable '*Exporting SMEs*' was constructed on the basis of Question 2, Section 1 (see Appendix 1). For simplicity, options *a* and *b* were merged into one category (i.e. domestic SMEs). The *Exporting SMEs* variable was included as a dummy, leaving the *Domestic SMEs* as the comparator. Similarly, the variable '*Medium-sized Firms*' was included as a dummy with *Small Firms* as the reference category.

The final two explanatory variables '*SMEs with Specific SR Standards*' and '*Owner-managers with Degree-Level Education*' were also dummies. These two variables were constructed on the basis of Question 7 (Section 1) and Question 4 (Section 2) respectively. For the former, the dummy variable for *SMEs with Specific SR Certification/s* was included in the model, leaving *SMEs with No SR Certification/s* as the reference category. For the latter, *Owner-managers with Degree Level Education* was included in the model as a dummy (this was done by merging options *d* and *e* into one category), leaving *Owner-managers with Below Degree Level Education* as the comparator. Table 8 summarises the regression results.

### 3.3 Data analysis - In-depth interviews (2<sup>nd</sup> phase)

The interviews were manually transcribed, anonymised and analysed in Bangla (the national language of Bangladesh); later, the Bangla quotations were transliterated into English during the writing up process. The relevant quotations were selected and elaborated into a fluent text to make them more readable. The interview questions were generated based on the key objectives of this research. All transcripts were scrutinised thoroughly and analysed for valid, meaningful and relevant themes. Due to the emphasis placed on systematic, consistent techniques that reduce data into manageable descriptive forms (Hsieh and Shannon, 2005), content analysis was chosen as the analytic technique. Fitting with the research questions, content analysis incorporates both inductive and deductive methods, whereby pre-determined categories (or issues) are used to initially guide analysis, with additional categories emerging through the study (Altheide, 1987; Merriam, 2014).

## 4. Findings

### 4.1 Overview of the Sample Firms and Respondents

In total, 59 usable responses covering six sectors were received from a sample population of 110 manufacturing SMEs, giving a response rate of 53.60%. The in-depth interviews were conducted with 7 SME owner-managers identified from the initial sample. The majority of respondents were business owners and/or managers. This was an advantage, as their values and perceptions have a great influence on business decisions, including those pertaining to SR (Isaksson et al., 2010), and their understanding provided a good insight into business culture, practices and goals (Jenkins, 2004; Spence and Rutherford, 2003). Interestingly, many respondents had a degree-level education (61.02%), which provided an opportunity to see whether education attainment levels have any effect on the extent to which the owner-managers of Bangladeshi manufacturing SMEs engage in sustainable and socially responsible business practices.

In regard to business size, 79.66% were small enterprises (25-99 employees) and 20.34% were medium ones (100-250 employees), which represents the current situation of manufacturing SMEs in Bangladesh (Ahmed and Rahman, 2012). The average time the SMEs had existed was 11.90 years. Although survey data were collected from SMEs operating in 6 sectors (see Table 5), the majority of the responding SMEs were related to the apparel industry (41%), which contributes 16% to Bangladesh's GDP and 79.63% to total export earnings (BBS, 2011-12; BGMEA, 2012-13). Of the sample SMEs, 24 reported to be local, 19 had expanded to the national level, and 16 exported their goods and/or services. Finally, the interviewed SMEs represented the three sectors of apparel, plastic products, and leather goods. Four out of seven had adopted particular SR standards, and participants were all either owners or managers except

one who simultaneously maintained accounts and managed. Tables 3 and 4 present a brief summary of the sample and participants.

**Position in the Business**

Owner 25 (42%)  
 Partner 8 (14%)  
 Manager 22 (37%) Other  
 4 (7%)

**Gender**

Male 56 (95%) Female  
 3 (5%)

**Age of Respondents**

Average: 39.77  
 Std. Dev.: 11.24  
 Minimum Age: 23  
 Maximum Age: 60

**Highest Level of Education Completed**

Primary 4 (7%)  
 Secondary 6 (10%)  
 Higher Secondary 13 (22%)  
 Bachelor's 27 (46%)  
 Master's 9 (15%) Other 0  
 (0%)

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With Degree 36 (61.02%)  
 Without Degree 23 (38.98%)

**Size of Business**

Small 47 (79.66%)  
 Medium 12 (20.34%)

**Main Market (Geographical Scale)**

Local (Community based) 24 (41%)  
 National 19 (32%)  
 Global (Export) 16 (27%)

**Sector**

Knitwear and Ready-made Garments 24 (41%)  
 Plastics and other Synthetics 12 (20%)  
 Leather making and Leather goods 6 (10%)  
 Light engineering and Metal working 8 (14%)  
 Handloom and Specialised Textiles 6 (10%)  
 Handicraft 3 (5%)

**International or National Certifications on SR/Sustainability**

Yes 16 (27%)  
 No 43 (73%)

**Years in Operation**

Average: 11.90  
 Std. Dev.: 7.95  
 Minimum: 1  
 Maximum: 30

**Table 3:** Overview of the sample SMEs and survey respondents

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<b>Notation</b>	<b>Position</b>	<b>Firm Dimension</b>	<b>Main Products (sector)</b>	<b>Adopted Standards</b>
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RI	Owner	Small	Plastic Doors (Plastics and other Synthetics)	ISO 9001
MA	Manager	Small	Garment Labels (Knitwear and RMG)	ISO 9001, SA 8000
SA	Manager	Small	Fabric for Gents Shirt (Knitwear and RMG)	None
MJ	Owner	Medium	Leather Bags, Shoes, Wallets etc. (Leather making and leather goods)	ISO 14001
KH	Owner	Small		None
KT	Manager/ Accountant	Medium	Plastic Pipes and Fittings (Plastics and other Synthetics) Polo T-Shirts (Knitwear and RMG)	ISO 14001
TI	Owner	Small	Garment Fabrics, Buttons, Chains (Knitwear and RMG)	None

**Table 4:** The interview respondents

#### 4.2 Perceptions of SR

In the survey questionnaire, the majority of respondents (41%) indicated (Appendix 1: Section 5, Question 1) that a responsible business does not only donate money to charitable organisations but engages in many more internal and external aspects of SR. Only 7% of the respondents associated SR with charitable activities such as donating money to hospitals and religious or educational institutions. This clearly shows that the owner-managers of the selected SMEs have a very high level of understanding of the concept of CSR or SR. Further, the majority of the owner-managers consider consumer issues and fair operating practices to be the most relevant elements of SR outlined in ISO 26000 (25% and 20% respectively). Finally, all respondents (except one) replied ‘no’ (which is a positive response) to the two hypothetical questions asked in the survey questionnaire. By taking the cultural context into account, these questions were asked to determine whether Bangladeshi ownermanagers are capable of correctly recognising SR in two (possible) practical situations (see question no. 3 and 4 in Section 5 of Appendix 1). The answers to these questions confirm that Bangladeshi SME owner-managers do have a very clear idea of what SR implies.

However, an apparent contradiction in relation to perceptions of SR emerges between the survey findings and the interview outcomes. In exploring the interviewed owner-managers’ perceptions and level of understanding of the concept of SR, a broad picture characterised by some common negative elements has emerged. All the owner-managers interviewed acknowledged the fact that SR is an essential aspect

of any business, be it small or large. At the same time, most of them expressed their frustration regarding the implementation of SR in Bangladesh. For example, one of the ownermanagers said:

*“SR is an important element of doing business in all countries and for all types of business. But how many businesses maintain these things in Bangladesh? Everyone is devoted to making as much money as possible, by hook or by crook. The government officials who work in the regulatory institutions are all corrupt and sell certificates related to labour standards, safety in the premises and so on. Nobody cares about the society and environment. So, in reality, there is no SR in Bangladesh.”* (MJ, owner of a leather factory)

Surprisingly, some SME owner-managers do not consider SR to be part of their duties and explicitly expressed being only concerned with maximising profits and surviving in the market. One of them said:

*“To be honest with you, we never talk about these issues; neither do we get time for such things. Buyers order goods from us, the only thing they ask for is the cheapest price so that they can make more profit, and we try our best to cut corners in every possible way to stay in the competition.”* (RI, owner of a plastic door making factory)

Another owner said:

*“We are not selling or producing anything illegal, we are just doing everything that is necessary to survive in the competition. If we paid proper salaries, maintained all these things that you (indicating the researcher) are talking about, then we simply could not survive. If factories can get certificates without doing these things, then why should they even bother?”* (KH, owner of a plastic pipe making factory)

On the same issue, another manager said:

*“If you use Europe-America (referring to developed countries) as the benchmark, then people will not agree. We live in Bangladesh and, here, these things are not possible.”* (SA, manager of an apparel factory).

Overall, all the owner-managers interviewed related SR to philanthropic activities (i.e. donating money for charity purpose), which was *inconsistent* with the survey findings. None of the interviewed owner-managers was aware of the ISO 26000 Guidance, but all seemed to agree with its contents when they were briefly explained by the researcher. This suggests that SR principles may be widespread even without an explicit awareness of the related standards. Further, from the perspective of Bangladeshi SMEs, labour and consumer issues were seen as the most important aspects of SR. One manager said:

*“Labour issues are very important; we have to satisfy them (the workers) as we operate in a labour intensive sector. After that, the consumer issue is important, as they are the ones who buy from us. The environment and other issues are difficult to understand and maintain for a small business like ours.”* (TI, owner of a small garment accessories supplier).

Finally, the owner-managers, in general, agreed that SR can increase profits in the long run, but, at the same time, expressed their worries about the initial implementation costs. For example, one owner interviewed said:

*“I am not entirely convinced of how all these (SR elements) can add to the final bottom line, but I can roughly sense that they would benefit business in the long run.”*

*Initially it would be very expensive and I would have to change the whole system of my business!” (MJ, owner of a leather factory).*

#### *4.3 Driving Factors of Sustainable and Socially Responsible Practices*

Inconclusive results were found with regard to the main drivers or motivating factors for the engagement in SR. The sample manufacturing SMEs engage in socially responsible business practices mainly to meet customer expectations (37%), to improve their overall business reputation (18%), for religious and personal beliefs (30%), and (to some extent) to comply with domestic and international laws (11%). On the other hand, stakeholder pressure (e.g., that applied by international buyers, the government, NGOs, advocacy organisations, etc.) is not recognised as a reason to implement SR.

Only two motivating factors were identified from the interviews. The majority of owner-managers highlighted ties and integration with the local community as main drivers of SR activities. Alongside these, religious beliefs and personal values were considered fundamental by almost everyone interviewed. Interestingly, fulfilling government and/or local laws regarding SR and meeting customer expectations were not mentioned by any of the owner-managers interviewed, which contradicts the main survey findings. All in all, it emerges that SMEs in Bangladesh tend to engage in SR related activities in the form of philanthropy. In so doing, they strive to maintain their close relationships with their local communities and create positive public perceptions. SME owner-managers do this primarily from a religious (Islamic) point of view and then from a general ethical (personal beliefs and passion) perspective. One manager said:

*“We are Muslims and it is our religious duty to donate money that we earn by doing jobs or running businesses. So I do most things related to SR from my religious beliefs. And I always try my best not to exploit the labourers who work for me.” (MJ, owner of a leather factory).*

Whilst religious beliefs and enhancing business reputation were frequently cited by the ownermanagers interviewed as salient factors motivating the involvement in SR of the Bangladeshi manufacturing SMEs presented in this paper, none mentioned government and local laws as drivers of SR engagement. This is because they do not think such laws have any influence on the implementation of SR. One manager clearly said:

*“You can get certificates, even ISO ones, if you bribe the issuing authorities, and everyone is aware of this. So I never worry about such laws. I do things that are good for my business and try my best to maintain a good working environment inside my factory. So, SR in my factory is only driven by my personal passion.” (SA, manager of an Apparel factory).*

#### *4.4 Barriers to the Engagement in Socially Responsible/Sustainable Activities*

The Bangladeshi manufacturing SMEs recognised that the main barrier hindering the implementation of SR is the lack of government support. The second most common perceived barrier is the lack of understanding of the issue and of its possible benefits (15%), which is also related to the fact that SMEs in developing countries do not consider SR to be an investment beneficial to society and also to the business in the long run (Yu and Bell, 2007; Ramasobana and Fatoki, 2014). Other important barriers identified by the surveyed SMEs are the perception that SR brings no immediate financial gain, and lack of efficient institutions to assist and implement SR (14% and 13%, respectively). Rather surprisingly, human resource limitations, regulatory authority corruption, and lack of finance were not reported as obstacles by most firms.

Conversely, the interviews revealed that the main barriers hindering the implementation of SR are corruption, lack of awareness and perception, lack of financial resources, and lack of external support.

#### 4.4.1 Corruption

The first issue mentioned repeatedly by the interviewed owner-managers as an obstacle to the implementation of SR in Bangladesh was corruption. According to Transparency International (2014), Bangladesh belongs to the group of most corrupt countries; hence, this is a major problem for SMEs. All the owner-managers had experienced dealing with highly corrupt regulatory authorities and government officials. In particular, the systematic paying of bribes to government officers (to obtain certificates and clearances) and to customs people (to secure the release of imported goods) is a common practice in Bangladesh. One manager said that, “it would take ages to clear customs if we didn’t pay the expected ‘supplement’ to get the raw materials imported from China” (KT, Knitwear and RMG). SMEs are paying bribes to obtain SR related certificates, as this is cheaper than implementing the SR measures themselves. They are constrained by the general institutional environment and are motivated to take the easier and cheaper option. One manager sadly said:

*“If you want to remain honest, you have to accept that you will lose business from time to time. For example, if we installed an ETP (Effluent Treatment Plant) in a proper way and did everything as per the government requirements, we would still need to bribe the officials to get clearance! So we are forced to take the alternative route.”* (KT, manager/accountant of a Polo T-shirt manufacturer).

Interestingly, it was generally observed that none of the interviewees judged themselves to be in any respect responsible for this situation. It is indeed quite clear that it would be very difficult to combat the widespread social phenomenon of corruption in Bangladesh, but none of the owner-managers mentioned also being part of this environment, and being able to play a vital role in overcoming these issues [a similar behaviour were identified by Demuijnck and Ngnodjom (2013) in their study of Cameroonian SMEs].

#### 4.4.2 Misconceptions and lack of awareness

Although the owner-managers generally recognise the environmental and social impact of manufacturing SMEs in Bangladesh, most of them have little knowledge of the actual effects. In the interviews, most owner-managers considered their environmental impact to be very small. Many manufacturing SMEs even saw environmental issues as being unrelated to them<sup>6</sup>. In contradiction to the survey findings, during the interviews, it emerged how some managers still held old fashioned views of SR, perceiving its scope, for a company, as being limited to making a profit and paying salaries and taxes. One owner said:

*“Rural women in this country have no education and no jobs; they would be working as housekeepers or begging on the streets had we not given them a job. My factory employs more than 50 women in the sewing section and they all are earning money that they could not earn elsewhere. So we are helping them and they are happy with whatever they are earning. We are not exploiting them by paying less, we are indeed helping them; this is SR!”* (TI, owner of a garment accessories supplying factory).

The owner-managers also are unaware of all the local environmental and other SR related laws, which suggests that both the government and the media are ineffective in disseminating the relevant information to local SMEs.

Another significant issue related to low or negative perceptions of SR is that the SME ownermanagers are still sceptical of the widespread assumption that the economic benefits linked to the adoption of a formal approach to sustainable management (or of environment friendly technology) would generally

outweigh the related costs. In fact, a few owner-managers expressed their concern of SR related issues being too complicated to implement and measure. They saw the advantages gained from such activities, such as the reduction of environmental/social risks and the enhancement of employee motivation, as intangible assets quite disconnected from any enhancement of economic profits or market opportunities. The link between these intangible assets (as the owner-managers perceive them) and the ultimate financial bottom line (i.e., profit maximisation) is too complex for them to understand. Altogether, it was noticed that most SME owner-managers in Bangladesh are short-term orientated and profit-driven, which makes their reluctance to take any step to embark on sustainable activities quite understandable, as the benefits do not appear to them to match their major concern of maximising wealth. However, on this particular point, the owner-managers seem to contradict their own interpretation of the benefits of SR; during the interviews, many of them mentioned that they saw SR as a necessity which could lead to profit maximisation and help in building positive public perceptions.

#### 4.4.3 *The lack of financial resources and external support*

The lack of financial resources has already been identified as an inherent disadvantage for most SMEs operating in developing countries (Yu and Bell, 2007). Although the survey data indicated that lack of finance was not a major concern for SMEs with regard to their implementation of SR, the interviews revealed it as being, indeed, a great obstacle to the adoption of sustainable technology. Three of the seven owner-managers interviewed clearly mentioned that the certification and implementation of formal management standards such as ISO 9001<sup>7</sup> and ISO 14001<sup>8</sup> had been a burden on them. One manager said:

*“We had to pay twice for such standards, first we paid the costs associated with the implementation process and then we paid for the ongoing maintenance. Eventually, we settled for an easier option (bribing officials to renew certificates) and you (indicating the researcher) can ask anyone; I am sure they did the same.”* (MJ, owner of a leather factory).

One fact is clear: due to some of their inherent characteristics, SMEs cannot overcome the difficulties related to implementing SR on their own. Unlike larger corporations, SMEs need the external support of NGOs, banks, advocacy organisations and the government to operate sustainably and contribute to overall sustainable development. However, as this research revealed, the external bodies, including governmental agencies and banks, largely fail to connect with this group. Most of the interviewed owner-managers clearly said that they were tired of the complex bureaucratic procedure involved in getting loans from commercial or government banks. One manager said:

*“Don’t ask about bank loans, it’s a nightmare—the banks are sitting on heaps of cash, but the sad part is that we don’t get any! Bank loans are for companies that are doing well and have high turnovers. We don’t get anything without “lobbying” even though we are struggling for survival and are badly in need of banking support to buy machinery and treatment plants.”* (MA, manager of a labelling factory)

Furthermore, the lack of sector specific support and of training and consultancies was mentioned by almost everyone interviewed. Although the interviewed owner-managers praised several workshop and training initiatives taken by the BSCIC, at the same time, they noted that most of these focus on issues that are unrelated to SR. None of the interviewed were aware of the latest National Industrial Policy (2010) or of the support facilities outlined therein. Overall, it would seem that the government and other regulatory authorities are very reluctant to realise that SMEs regularly lack the resources necessary to interpret and effectively adopt the increasingly strict and complicated regulations. Under such circumstances, owner-managers look for easier alternatives, such as bribing the issuing authorities and producing false SR related documents. Last, but not least, comes the lack of financial support; as discussed previously, most banks are unwilling to give loans to SMEs due to the latter’s small economic

scale and poor credit record. Therefore, most SME owner-managers feel that, on their own, they are unable to meet the expenses and, consequently, they move away from sustainable business activities.

#### 4.5 The Sustainability/SR Scores and SR Implementation Levels of Bangladeshi manufacturing SMEs

The survey data revealed the average sustainability/SR score<sup>9</sup> of the sample manufacturing SMEs to be very high (80.48%). However, an apparent contradiction was found between this and the average level of SR implementation<sup>10</sup>, which is only 2.16 (see Table 5). It could be said that, although, in Section 3 of the questionnaire (see Appendix 1), the surveyed owner-managers reported that they were maintaining or following various SR elements outlined in ISO 26000, they seem to contradict themselves with regard to their actual implementation. Table 5 shows the sector specific statistics gleaned from the survey. The ‘Handloom and Specialised Textiles’ sector was found to have the highest level of SR implementation (2.58), while the ‘Plastics and other Synthetics’ one had the lowest (1.77). The SR implementation level was found to be more or less the same for all other sectors. The ‘Plastics and other Synthetics’ sector also achieved the lowest sustainability/SR score (73.65%), whilst all the others scored similarly (between 80 and 85%).

Sector	Number of SMEs	Average SR Implementation Level	Std. Dev.	Min	Max	Average Sustainability/SR Score	Std. Dev.	Min	Max
Knitwear and RMG	24	<b>2.19</b>	0.93	0	4	<b>80.41</b>	15.66	40	100
Plastics and other Synthetics	12	<b>1.77</b>	0.97	0.50	3.75	<b>73.65</b>	29.74	0	100
Leather making and Leather goods	6	<b>2.20</b>	1.54	0	4	<b>83.42</b>	24.25	37.50	100
Light engineering and Metal working	8	<b>2.24</b>	0.88	1	3.50	<b>82.75</b>	15.50	51	100
Handloom and Specialised Textiles	6	<b>2.58</b>	1.02	1	4	<b>85.92</b>	13.85	62.50	100
Handicraft	3	<b>2.33</b>	0.58	2	3	<b>85.50</b>	12.65	76.75	100
<b>Total</b>	<b>59</b>	<b>2.16</b>	<b>0.993</b>	<b>0</b>	<b>4</b>	<b>80.48</b>	<b>19.56</b>	<b>0</b>	<b>100</b>



**Table 5:** Average SR implementation level and sustainability/SR score

Further, Table 6 shows that environmental aspects obtain the lowest SR/sustainability score (69.54%) followed by the issues related to community involvement and development (74.42%). Almost similarly, the SR implementation level of environmental issues is found to be second lowest (1.98) while issues related to community involvement and development obtains the lowest implementation level (1.81). Consumer and labour issues scored highly in terms of both average SR/sustainability score and SR implementation level.

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<b>SR/Sustainability Issues</b>	<b>Average SR/Sustainability Score</b>	<b>Average SR Implementation Level</b>
Labour Practices	88.92	2.28
The Environment	<b>69.54</b>	1.98
Consumer Issues	90.88	2.44
Community Involvement and Development	74.42	<b>1.81</b>

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**Table 6:** Implementation level and score of each individual SR issues

#### 4.6 Influence of business size and type, and owner-manager educational level on the SR implementation levels and sustainability/SR scores

Cross tabulation and multiple regression analyses were run to find whether business size and type, and owner-manager educational level had any impact on the SR implementation levels and sustainability/SR scores of the sample Bangladeshi manufacturing SMEs. Tables 7 and 8 show the detailed results.

Variables	Number of SMEs	Average SR Implementation Level	Std. Dev.	Average Sustainability/SR Score	Std. Dev.
Owner-managers with degree level education	36	<b>2.06</b>	0.94	<b>83.76</b>	19.27
Owner-managers with no degree	23	<b>2.22</b>	1.08	<b>75.33</b>	19.29
SMEs with specific SR standards (e.g. ISO certificates)	16	<b>2.27</b>	0.95	<b>80.81</b>	15.21
SMEs with no SR standards	43	<b>2.12</b>	1.01	<b>80.35</b>	21.11
Exporting SMEs	16	<b>2.23</b>	0.84	<b>83.86</b>	10.04
Non-exporting SMEs	43	<b>2.13</b>	1.05	<b>79.22</b>	22.05
Medium-sized firms	12	<b>2.33</b>	0.97	<b>86.90</b>	12.47
Small firms	47	<b>2.11</b>	1.00	<b>78.84</b>	20.77

**Table 7:** The results of the cross-tabulation analysis

Variable	Average Sustainability/SR Score		Average SR Implementation Level	
	Model 1**		Model 2**	
Average SR Implementation Level	8.621***			
Average Sustainability/SR Score		(2.380)	0.040***	(0.014)
Age of Respondents	0.246		-0.032	(0.022)
	(0.212)			
Years in Operation	0.230		0.045	(0.034)
	(0.334)			
Exporting SMEs	4.100		-0.009	(0.591)
	(5.908)			
Medium-sized Firms	6.903		-0.541	(0.756)
	(7.334)			
SMEs with Specific SR Standards	-4.606		0.622	(0.610)
	(6.229)			
Owner-managers with DegreeLevel Education	5.548		-0.104	(0.525)
	(5.010)			
N	59		59	
Adjusted R2	0.216			
Pseudo R2			0.060	

\* p&lt;0.05; \*\* p&lt;0.01; \*\*\* p&lt;0.001

**Table 8:** The Multiple Regression analysis results –standard errors in parentheses

Both the estimated models are significant at the 1% level and both were checked for possible interaction effects and multicollinearity, but no evidence of either was found; the variance inflation factor values found for all explanatory variables are below 2.0, suggesting the absence of multicollinearity issues. Although the cross tabulation analysis (Table 7) shows that business size and type, and owner-manager educational attainment do have a minor impact on the average SR scores and implementation levels (as their values differ slightly), the regression models show no significant impact by these factors. Only the Average Sustainability/SR Score and SR Implementation Level have a significant effect on each other

(the p value is less than 0.001 in both models). The results indicate that the adjusted R squared for the first model is 0.22 and the Pseudo R squared for the second is 0.06, which indicates that most of the variations in sustainability/SR scores and SR implementation levels remain unexplained by the two models. In other words, the sustainable or socially responsible business practices of Bangladeshi manufacturing SMEs are unaffected by their sizes and types, or by the educational levels of their owner-managers; other possible factors (not identified in this study) may have a more significant impact on SR activities.

## 5. Discussion

The findings of this study broadly highlight the so called '*attitude-behaviour*' gap, which was already identified as being one of the major challenges faced by SME owner-managers in both developed and developing countries (Battisti and Perry, 2011; Cassells and Lewis, 2011). In other words, SME owner-managers do have a positive attitude towards SR, but, because of inherent limitations and external factors, they fail to convert this attitude into action. The findings also show how some of the owner-managers interviewed ascribe great importance to profit and demonstrate high levels of egoism; these factors, in turn, fuel the heightened cynicism that permeates their perception of SR (Au and Tse, 2001; Bhutta et al., 2008). However, one must be very careful in interpreting such cynicism, as it may not accurately and comprehensively reflect the owner-managers' personalities; rather, it could be a side-effect of the overall Bangladeshi business environment, which is plagued by problems such as corruption and lack of governmental support (see Azmat, 2008; Belal and Roberts, 2010).

Bangladeshi Manufacturing SMEs display a mix of strategic and moral reasons for their engagement in SR. The moral ones are related to personal passion and values (e.g., religious beliefs) and pertain to how businesses can deliver positive outcomes to society, whilst the strategic ones are geared to the improvement of financial results (van de Ven and Graafland, 2006). Almost all the surveyed SMEs donate money to charity, which improves their relationships with their local communities. So, although the owner-managers' religious beliefs initially motivate them to engage in philanthropic activities, they are ultimately swayed by the instrumental benefits of such engagements. Interestingly, this study reveals that SMEs do not consider stakeholder pressure to be a motivating factor to engage in SR as they believe that such pressures can easily be dealt with by bribes. This further reinforces the weak governance and corruption issues persistent in many low-income developing countries (Demuijnck and Ngnodjom, 2013; Amaeshi et al., 2006).

Similar to those obtained by Vives (2006), Yu and Bell (2007), Demuijnck and Ngnodjom (2013), and Ramasobana and Fatoki (2014), the findings of this study reveal that the main barriers hindering the implementation of SR are corruption, misconceptions, lack of financial resources, and lack of external support. It is not surprising that Bangladeshi SMEs place a heightened emphasis on the lack of governmental support. Although the latest National Industrial Policy (2010) heavily emphasised the provision of support to SMEs with regard to SR implementation, many such companies do not even know where to find such support, which shows either that such government support facilities only exist on paper or that the dissemination channels of such facilities are ineffective in reaching their target audience. SR implementation is also being disrupted by the owner-managers' erroneous perceptions. As this study shows, many owner-managers do not consider environmental issues to be relevant to their businesses and still view philanthropy as the only form of SR. This study further highlights the fact that SMEs struggle to gain access to capital in Bangladesh, especially when seeking funding for the installation of sustainable technologies, which is usually a medium to long-term investment (Vives et al., 2005). Thus, there is the need to involve financial institutions in supporting SMEs with regard to their adoption of sustainable business practices.

Finally, corruption is identified as the biggest barrier to SR implementation in Bangladesh. As mentioned earlier, it is interesting to note that the owner-managers themselves do not view their own activities as being part of the cycle of corruption; rather, they are more prone to pointing the finger at what other parties are up to, which shows a tendency to *'pass the buck'* among SME owner-managers in Bangladesh.

### *5.1 Explanation of the SR Implementation Levels and SR/Sustainability Scores*

As reported earlier, this study reveals that Bangladeshi manufacturing SMEs score very high in SR/sustainability (80.48%). This particular finding is inconsistent with others produced by this research. One possible reason for this could be that, despite the complete anonymity ensured, many of the owner-managers surveyed chose not to report any negative aspects of their businesses. Alternatively, it could be that, although the questions had been significantly tailored to the local culture, the participants failed to understand the SR related content. However, in terms of SR implementation levels, this study reveals some consistent and convincing findings. It finds that the Bangladeshi manufacturing SMEs have reached level 2 in terms of SR implementation. It may be said that the owner-managers implement SR in a fragmented manner, which means that, while they follow some aspects of SR, they ignore many more that do not conform to their personal motives.

The survey findings also reveal a very low level of implementation in terms of community involvement and development. This is somewhat consistent with Azmat and Samaratunge (2009), who argued that microbusinesses in developing countries tend to isolate themselves from their local communities and focus on survival. Although, theoretically, there are clear differences between microbusinesses and SMEs, in a low-income developing country like Bangladesh (if not in all developing countries), indigenous businesses, irrespective of their size, are mostly owner-managed or controlled by family members. In this respect, one could legitimately argue that SMEs in Bangladesh are little more than *'big microbusinesses'*. So, although the main focus of Azmat and Samaratunge's (2009) conceptual paper was on microbusinesses, to some extent, their argument is applicable to the current study, particularly because more than 70% of the sample SMEs are indigenous small manufacturing firms (see Table 3) that, as argued above, do not substantially differ from microbusinesses.

By contrast, the interviews revealed that SME owner-managers, in fact, do try to build relationships with their local communities through philanthropic activities. Such contradictory findings warrant further empirical investigation to clarify the issue. Finally, as shown by the regression models, this study fails to identify any significant influence of business size and type, and owner-manager educational attainment on the socially responsible or sustainable practices of manufacturing SMEs in Bangladesh, which suggests that SME engagement in SR is possibly influenced by other external factors, which may include the availability of bank loans, training and other facilities, tax exemptions, etc.

## **6. Contributions and Implications**

The purpose of this study was to explore the extent to which manufacturing SMEs in Bangladesh implement SR/sustainability into their regular business activities. The study also reveals the key motivations of Bangladeshi owner-managers and the barriers and challenges they face to engage in sustainable and socially responsible business practices.

The study makes two important contributions to the small business sustainability/SR literature. Although this literature has now matured considerably, its predominant focus, to date, remains on SMEs based in developed countries (Jamali et al., 2015). Very few empirical studies have been carried out in developing-country contexts, and even a large chunk of these has looked at SMEs based in middle-income developing countries, whilst the representation of other developing countries, low-income ones in particular, is very minimal. In this respect, this study makes an important empirical contribution by

looking at the issue of SR/sustainability from the perspective of SME owner-managers based in Bangladesh, a low-income developing country. In addition, the exclusive reliance on quantitative survey data of past empirical studies in developing-country contexts limited most of them to generating only the most basic (descriptive) comprehension of SME engagement in sustainable and socially responsible activities; conversely, this study's mixed-method research design enables it to provide a more nuanced understanding of the latter.

The second contribution is a methodological one. Drawing on the four key elements of ISO 26000, this paper develops a context-specific and culturally-relevant tool to measure the involvement of Bangladeshi manufacturing SMEs in sustainable and socially responsible business practices. By doing so, it specifically responds to Spence and Painter-Morland's (2010, p. 333) call on the subject. The tool developed in this study is unique and was not used by any researcher in the past. It can be hitherto used to study sustainability related issues in SMEs based in other low-income developing countries. Finally, although the ISO 26000 Guidance has been criticised for being broad and over-optimistic (Schwartz and Tilling, 2009; Watkins and Belinky, 2011; Ward, 2011; Roberts, 2010), this study shows that it can still be adapted to fit the reality of SMEs based in low-income developing countries.

This study's overall findings indicate that manufacturing SMEs in Bangladesh, like those in other developing and least developed countries, are primarily profit-driven. Their prime focus is on surviving by maximising profits, while societal and other national concerns are secondary. Although there is widespread awareness of the facts that SR occurs before profit and that responsible business behaviours pay off in the long run, all decisions made by the owner-managers must lead to profits. Interestingly, Bangladeshi SME owner-managers tend to join the chorus; most of them reported that they are part of a culture of corruption in which there is no place for SR. This further reinforces the issue of SMEs from developing and emerging countries being disadvantaged by a number of constraints such as corruption and lack of external support (Spence and Painter-Morland, 2010). The state of SR implementation in Bangladesh could also be compared with what Visser (2014) called defensive and charitable CSR, which is characterised by both greed and philanthropy (p. 8).

This study's findings also present obvious advantages to policy-makers in Bangladesh and other similar countries in which the existing approaches to the promotion of voluntary SR standards often rely on a traditional command-and-control structure (Selim, 2011); one that ignores the micro-level challenges faced by SME owner-managers, who run their businesses in informal or semi-formal settings (Dasgupta, 2000; Lund-Thomsen et al., 2014). In particular, the very low levels of trust placed by most SME owner-managers in government agencies and support services are very alarming. It indicates the absence of legitimacy held by the sustainability stakeholders responsible for promoting voluntary SR standards in Bangladesh in the eyes of SME owner-managers. The lack of knowledge and awareness of the support services available to SMEs further signal that the existing governmental approaches to the promotion of sustainability in Bangladesh are largely ineffective. Therefore, in order to truly materialise the sustainability agenda or to implement key elements of voluntary SR guidance, such as ISO 26000, the government must take a bottom-up approach whereby it would develop awareness of sustainability and its related issues before initiating implementation efforts.

Furthermore, this study reveals the tendency, amongst the Bangladeshi SME owner-managers, to justify neglecting their responsibilities and taking irresponsible actions by means of a logic that is only applicable to them. This could be seen as a by-product of the country's broader socio-economic environment, characterised by pervasive corruption and poverty (Azmat, 2008). Such findings have significant social implications and could not simply be taken for granted. They imply high levels of social anomie in low-income developing societies; these, obviously, have negative effects on the ways in which people do business and judge socially responsible and sustainable business practices. The so called win-win promises embedded in many international SR standards or even in national sustainability policies cannot be effective in such environments. Thus, the government needs to design innovative policies that would allow SMEs to profit *only* in sustainable and socially responsible ways. Currently, as the findings of this study indicate, the business case for irresponsibility or unsustainability is more

powerful in Bangladesh than that for sustainability (the win-win case). This situation needs to be reversed if any real improvements are to be made.

Whilst this paper has provided fruitful insights into the sustainable and socially responsible practices of manufacturing SMEs in a low-income developing country context, admittedly, it does present some limitations. The findings were gleaned from SMEs based in a single location in Bangladesh (i.e., Dhaka). A larger sample drawn from different parts of the country would have better supported the research aim. Nevertheless, the sample firms were selected from a variety of SME clusters, which increased the acceptability of the findings. An additional limitation is that, due to time restrictions, no pilot study was carried out; consequently, some inconsistent findings were generated. More large-scale studies are required to empirically test the measurement technique used in this study. It is also necessary for future studies to use pilot surveys to test the practical applicability of the questionnaire.

Lastly, although this study adopted a mixed-method approach, great care must be applied when interpreting the findings related to the so called attitude-behaviour gap. While the positive attitude displayed by the Bangladeshi SME owner-managers could be seen as a good sign, it could also be argued that this was obviously the impression that they would wish to convey when approached by any researcher. Thus, one interesting future research avenue could involve the investigation of the *moral* antecedents of any positive or negative attitude towards SR/sustainability and how these affect the actual behaviours of SME owner-managers in developing-country contexts. Currently, in the small business SR/sustainability literature there is a dearth of empirical research on this topic. Of course, future studies would also need to look beyond the perceptions of SME owner-managers and employ more innovative research techniques to understand how and to what extent perceptions differ from the actual implementations. One possible way of doing this could be to employ a field observation or ethnographic research approach.

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## **Appendix 1: Survey questionnaire**

## Section 1

### **Enterprise Information**

1. Main product (s): .....
2. Main markets:
  - a. Local (Community based)
  - b. National
  - c. Global (Export)
3. Years in operation: ..... years
4. Type of organisation:
  - a. Sole proprietorship
  - b. Limited company
  - c. Partnership
  - d. Family enterprise
  - e. Other (please specify): .....
5. Which of the following industries best describes the sector your company is operating? Please circle only one.
  - a. Knitwear & Ready-made Garments (RMG)
  - b. Leather making & Leather goods
  - c. Plastics & other Synthetics
  - d. Handloom & Specialised Textiles
  - e. Handicraft
  - f. Light engineering & Metal working
  - g. Other. Please specify: .....
6. Number of employees: .....
7. Do you have any certifications according to any standards of social responsibility or sustainability such as ISO standards or any other government certifications?
  - a. Yes, please mention certificate name/title: .....
  - b. No

## Section 2

### **Respondent Information**

1. Position in the business:
  - a. Owner
  - b. Partner
  - c. Manager
  - d. Other (Please specify): .....

2. Age of respondent: .....

3. Gender:           a. Male  
                          b. Female

4. Highest level of education completed:                   a. Primary  
  b. Secondary (S.S.C.)  
  c. Higher Secondary (H.S.C)  
  d. Bachelor's (Honours, BBA, BSc)  
  e. Master's (MBA, MSc)  
  
  f. Other (please specify): .....

Section 3

**Measuring the Level of Socially Responsible and/or Sustainable Business Practices**

1. Labour practices

Questions	Yes/No/Not Applicable		
<b>Employment and employment relationships</b>			
Ensure equal opportunities for all workers and not discriminate either directly or indirectly in any labour practice			
Protect personal data and privacy of the workers			
Never seek any benefit from unfair, exploitative or abusive labour practices both of own company and of its partners, suppliers or subcontractor			
<b>Conditions of work and social protection</b>			
Working conditions comply with national laws and are consistent with applicable international labour standards			
Respect the family responsibilities of the workers and help maintaining a proper work-life balance (e.g. by providing reasonable working hours, parental leave)			
Compensate workers for overtime in accordance with laws, regulations or collective agreements			
<b>Health and safety at work</b>			
Provide the safety equipment needed (e.g. personal protective equipment) for the prevention of occupational injuries, diseases and accidents			
Provide adequate training to all personnel on all health and safety related matters			

## 2. The environment

Questions	Yes/No/Not Applicable		
<b>Discharge of effluent:</b>			
Chimney/machinery/generator exhaust is free of smoke			
Effluents are treated properly by Effluent Treatment Plant (ETP) before discharge and always achieve maximum standards			
Percentage of waste materials is minimum			
ETP always compliant with Government standard			
<b>Use of natural resources:</b>			
Raw materials are used efficiently so that Non Product Output (NPO) is minimised			
Materials are from renewable sources			
<b>Use of energy:</b>			
Records of electricity use are kept and electricity use is minimised			
Energy saving bulbs such as T5 fluorescent tubes are used to minimise energy consumption			
Generators are maintained properly and efficiently			
<b>Use of water:</b>			
Company has access to safe and reliable supplies of drinking water			
Flow meters record water consumed and effluent discharged to minimise water usage			
The factory takes action to minimise wastage of water and reuse water as much as possible			
<b>Recycling waste products:</b>			
The factory has a waste disposal contract			
The percentage of re-used waste product is significant			
<b>Conversion into energy saving factory:</b>			
Solar power and wind generated electricity are in use			
Use special meter or device to reduce electricity wastage			
<b>Transportation:</b>			
All company vehicles are run on Compressed Natural Gas (CNG)			

All company vehicles are maintained properly			
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### 3. Consumer issues

Questions	Yes/No/Not Applicable		
<b>Fair Marketing</b>			
Company do not engage in any practice that is deceptive, misleading, fraudulent and ambiguous (including omission of critical information) when communicating with consumers			
<b>Protecting consumers' health and safety</b>			
Provide products and services that are safe for users and other persons, their property, and the environment			
Avoid using any harmful chemicals in product development or in product storing			
<b>Consumer service</b>			
Offer high quality products and services, at affordable prices			
Review complaints and improve practices in response to complaints			

### 4. Community involvement and development

Questions	Yes/No/Not Applicable		
Owner-manager regularly participates in local associations as possible and appropriate, with the objective of contributing to the public good and the development goals of the community			
Owner-manager maintains a transparent relationship with local government officials and political representatives (free from bribery or improper influence)			
Create employment opportunities in the community by hiring local people at work			
Consider giving preference to local suppliers of products or services and contributing to local supplier development where possible			
Seek to eliminate any negative environmental/social impacts of any production process, product or service provided by the company			
Owner-manager actively engages in charitable activities and donates money to the disadvantaged people			

\*\* This research intends to measure socially responsible and sustainable practices of Bangladeshi SMEs on a Level zero to Level four scale. The definition of the five levels is shown below:

<b>Level 4:</b>	Integrated into company strategies and culture
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<b>Level 3:</b>	Full implementation at all levels in the company
<b>Level 2:</b>	Some evidence of implementation
<b>Level 1:</b>	Policy exists only in writing
<b>Level 0:</b>	Pre-compliance stage - no implementation

5. Based on your answers to the above questions (question 1 to 4, Section 3), how would you state your company's level of implementation in the following four categories of social responsibility? Please refer to the above section for definition of each level.

Issues of social responsibility	Level of implementation (please tick 'N/A' if not applicable)					
	Level 0	Level 1	Level 2	Level 3	Level 4	N/A
Labour practices						
The environment						
Consumer issues						
Community involvement and development						

#### Section 4

### **Drivers and Barriers to Implementing Socially Responsible Business Practices**

1. What would be the main reasons to implement sustainable and socially responsible practices in your company? Circle all that apply.
  - a. Stakeholders pressure (buyers, NGOs, government, consumer pressure groups, etc.)
  - b. To comply with domestic and international legislation on social responsibility (or CSR)
  - c. Improve relationship with the community and increase overall reputation of the business d. Customer expectations
  - e. Religious and cultural beliefs
  - f. Ethical and personal values
  - g. Others. Please mention: .....
  
2. What are the main obstacles that hinder the adoption of socially responsible and sustainable practices in your enterprise? Circle statements that match best.
  - a. Lack of time and human resources
  - b. Lack of efficient institutions to assist and implement social responsibility
  - c. Monitoring and auditing costs (lack of finance)
  - d. Complex procedures of measurement and reporting
  - e. No immediate financial gain
  - f. Lack of understanding of the issue and its possible benefits
  - g. Lack of governmental support
  - h. There are activities that are not related to the company
  - i. The business does not have any environmental impact

- j. Corruption of the regulatory authorities (bribery, misuse of power, etc.)
- k. Others (please explain): .....

Section 5

**Perception of Sustainable and Socially Responsible Business Practices**

1. Considering the context of your business and Bangladesh in general, how would you define the term ‘social responsibility’? Circle all that apply.
  - a. Donating money to charitable organisations, hospitals, religious or educational institutions
  - b. Meeting legislative requirements
  - c. Minimising all types of negative environmental and social impact of the business
  - d. Ensuring health and safety of the workers
  - e. Participating in community development
  - f. Producing/selling harmless products and services to the consumers
  - g. All of the above
  - h. None of the above, as social responsibility is not a ‘commercially viable’ option for SMEs in Bangladesh
  - i. Other. Please specify:.....
  
2. Which of the following issues of social responsibility is appropriate for your business? Circle all that apply.
  - a. Organisational governance
  - b. Human rights
  - c. Labour practices
  - d. The environment
  - e. Fair operating practices
  - f. Consumer issues
  - g. Community involvement and development
  - h. None of the above
  
3. If the employees/workers of a factory do not use protective clothing (though it is required of them) would you regard that factory as socially responsible?
  - a. Yes
  - b. No
  
4. Suppose, a factory pollutes the local water supply by disposing of its chemical waste into the pond but the factory also gives money to the poor of the community each year, is it a socially responsible factory?
  - a. Yes
  - b. No

## Notes

<sup>1</sup> The terms ‘sustainability’ and ‘social responsibility (SR)’ are used interchangeably throughout this paper.

<sup>2</sup> ‘The informal sector or economy refers to activities and income that are partially or fully outside government regulation, taxation, and observation. The main attraction of the informal sector is financial. This type of activity allows employers, paid employees, and the self-employed to increase their take-home earnings or reduce their costs by evading taxation and social contributions. The informal sector is a pervasive and persistent economic feature of most developing economies, contributing significantly to employment creation, production, and income generation’ (World Bank website, accessed July 24, 2014).

<sup>3</sup> Bangladesh Small and Cottage Industries Corporation.

<sup>4</sup> There are seven key elements of SR outlined in the ISO 26000 guidance. However, this research used only four of them (i.e. labour practices, the environment, consumer issues, and community involvement and development) as benchmarks of sustainability and SR. The rests are not considered as relevant for SMEs in developing countries. The Guidance itself suggested (ISO 26000: 2010, p. 8) to use it sensibly as not all issues outlined will be relevant for all types of businesses.

<sup>5</sup> Implementation levels were disclosed by the SME owner-managers themselves after the answers provided on different SR related issues.

<sup>6</sup> Some of them also refused to fill the survey questionnaire for the reason that environment and consumer issues had nothing to do with them. Many apparently left these two sections empty, which forced the researcher to exclude those questionnaires from the study.

<sup>7</sup> ISO 9001:2008 sets out the criteria for a quality management system and is the only standard in the family that can be certified to (although this is not a requirement) (ISO website, accessed August 24, 2014).

<sup>8</sup> SO 14001:2004 sets out the criteria for an environmental management system and can be certified to ((ISO website, accessed August 24, 2014).

<sup>9</sup> Calculated in percentage. See Table 1 for details of how these scores were calculated.

<sup>10</sup> Calculated on a Level 0 to Level 4 scale. See Table 2 for details of how SR implementation levels were calculated.