

**AN INTERPRETIVE PARADIGM OF PERCEPTIONS ON THE
ADOPTION OF IFRS FOR SMEs, CORPORATE SOCIAL
RESPONSIBILITY REPORTING AND INTEGRATED REPORTING IN
MSMEs: A UK PERSPECTIVE**

by

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Abstract

Purpose

This thesis aims to evaluate whether the possible adoption of International Financial Reporting Standards (IFRS) for SMEs by the preparers of financial statements of MSMEs would provide greater transparency, accountability, and decision-usefulness, consequently enhancing the quality of financial reporting. The thesis also reviews the needs of external stakeholders and their contribution and acceptance of IFRS for SMEs. The thesis further explored the possible adoption from a sociological stance, examining the perceptions and opinions and thinking about whether a new reporting framework would justify the nuances faced by the MSME sector. It further explores and examines how Corporate Social Responsibility (CSR) and Integrated Reporting (IR) are undertaken, practised, and reported in micro, small, and medium-sized enterprises (MSMEs). The extant literature on CSR is mainly embedded in large businesses. Still, given the unique characteristics of the MSMEs, there is a growing demand within academia to advance research within this sector in the UK. The diffusion of the perceptions of CSR reporting and its practices in MSMEs will represent a significant strand in the literature to be explored from an economic, educational, motivational, and sociological perspective.

Design/methodology/approach

This thesis adopts an interpretive phenomenological approach to enable an in-depth study of owner/managers, financial managers and internal accountants' experiences of financial reporting, CSR practices and IR in MSMEs. To capture the participants' perspective, 21 interviews were conducted in the UK, predominantly in the West Midlands and Greater London regions. Data collection primarily occurred after the COVID-19 pandemic when MSMEs prioritised survival rather than research participation.

The study responds to the calls on extant literature on CSR and IR in MSMEs and aims to establish that a motivational, educational, and sociological perspective drives these concepts. It explores their relevance from the views and opinions of owner/managers and internal stakeholders, their understanding of CSR concepts, perceptions of willingness to engage in CSR practices, willingness to use IR over annual reporting(AR), and teaching the multiple capital store to enhance the value creation model of MSMEs.

Originality

Recent literature on *IFRS for SMEs* is scant in the UK; CSR and IR have been widely debated, written about, and investigated since the 1950s. However, the research has been primarily directed at giant firms and corporations, except for MSMEs, which are under investigated.

Findings

This study has closed the gap by advancing the research in a UK context on the perceptions of adopting IFRS for SMEs, CSR, and integrated reporting for the MSMEs sector. The research establishes that MSMEs do not align with the model requirements of the IASB framework (using legitimacy) but base their rationale on economic terms. The study also provides evidence that the owner/managers do not perceive disclosure of *IFRS for SMEs* to users as helpful in making decisions. The exclusion of critical stakeholders in the MSME sector does not incentivise the request for compliance; furthermore, the provision of training in the form of expertise and knowledge would be welcome in the sector. The CSR agenda is rarely justified in economic terms; more awareness is needed to report them, and it is more about motivations and organisational and moral perspectives. Emotive capital within the MSME sector is significant due to its ownership structure. Network collaborations with the key MSME stakeholders are called for. Integrating owner/manager shared values and the need to provide educational training and resources to understand Integrated reporting to the MSME sector.

Practical and academic contributions

In the context of IFRS for SMEs within the MSME sector, it has rejected the IASB framework and calls for a simplified, standardised, specific template to be followed. It has enhanced understanding of a possible adoption with relevant reasons or why they would not embrace it. The thesis highlights the issues of MSME's understanding of CSR and its contribution to the economy and individual businesses. It encourages governmental and regulatory promotion of the key contributory factors to the sector so that there is a better appreciation of the derived qualitative benefits. It provides recommendations and guidance for policymakers, implementers, practitioners, business owners/managers, and academia, and, therefore, it adds to previous research conducted in Europe and internationally.

The study responds to the calls on extant literature on CSR and IR in MSMEs and aims to establish that a motivational, educational, and sociological perspective drives these concepts. Their relevance is explored from the views and opinions of owner/managers and internal stakeholders, their understanding of CSR concepts, perceptions of willingness to engage in CSR practices, willingness to use IR over annual reporting (AR) and inculcating the multiple capitals store to enhance the value creation model of MSMEs. To do this, the research adopts a social phenomenological approach drawing from the words, experiences and observations of owners/managers and the relevant internal stakeholders through twenty in-depth interviews.

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Last but not least, this thesis is dedicated to the memory of my only younger sister, Padma Ramachandran, who passed on transition with Cancer whilst she was completing her doctoral thesis at Middlesex University.

In finality, I salute and share with the words of wisdom of my beloved Guru and Swamy, which are as follows:

*“Politics without Principles,
Education without Character,
Science without Humanity, and
Commerce without Morality
Are not only useless but positively dangerous.
Character is to be sought more than intellect “.*

- Sri Sathya Sai Baba -
Publications Division, Sri Sathya Sai Sadhana Trust,
Prasanthi Nilayam: South India.

Statement of Originality

I certify that all of the work described within this thesis is the author's original work. Any published (or unpublished) ideas and/or techniques from the work of others are fully acknowledged in accordance with the standard referencing practices.

(Vijay Kumar Ramachandran)

(February 2024)

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LIST OF ABBREVIATIONS

ACA	Associate Chartered Accountant
ACCA	Association of Chartered Certified Accountants
AICPA	American Institute of Certified Public Accountants
ASB	Accounting Standards Board
BEIS	Business, Energy and Industrial Strategy
BIS	Business Innovation and Skills
CA 2006	The Companies Act 2006 (UK Legislation)
CAR	Critical Accounting Research
CBSR	Canadian Business for Social Responsibility
CIMA	Certified Institute of Management Accountants
CPA	Certified Public Accountants
CRORE	The Corporate Responsibility Bill
CSD	Corporate Social Disclosure
CSR	Corporate Social Responsibility
CSV	Creating Shared Value
DJSGI	Dow Jones Global Index
DOI	Diffusion of innovation
DTI	Department of Trade and Industry
ESG	Environmental, Social and Governance
FASB	The Financial Accounting Standards Board
FRC	Financial Reporting Council
FRS	Financial Reporting Standard
FRSSE	Financial Reporting Standard for Smaller Entities
FTSE	Financial Times Stock Exchange
GAAP	General Accounting Acceptable Principles
GRI	Global Reporting Initiative

IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IC	Intellectual Capital
ICAEW	Institute of Chartered Accountants in England and Wales
IFAC	International Federation of Accountants
IFRS	International Financial Reporting Standards
IIRC	The International Integrated Reporting Council
IR or <IR>	Integrated Reporting
ISO	International Organisation for Standardisation
KPMG	Klynveld Peat Marwick Goerdeler
LT	Legitimate Theory
MSMEs	Micro, Small and Medium Enterprises
NIBR	Italian Network on Business Reporting
PWC	PriceWaterhouseCoopers
RBB	Responsible Business Behaviour
SBSR	Small Business Social Responsibility
SD	Sustainable development
SDGs	Sustainable Development Goals
SHT	Stakeholder Theory
SMEs	Small Medium Enterprises
SRI	Stanford Research Institute
UK	United Kingdom
UNCTAD	United Nations Conference on Trade and Development
UNGC	United Nations Global Compact
US	United States of America

Chapter 1 Introduction

1.1 Overview

The study aims to investigate the perceptions and practices of MSMEs adopting IFRS for SMEs and Corporate Social Responsibility(CSR) reporting in a singular format called Integrated Reporting (IR). This will improve and simplify financial statements (whether audited or not) and enhance transparency, accountability, and decision-usefulness for the owner/managers and respective stakeholders of MSMEs within the United Kingdom (UK).

1.2 Thesis background

Research in the micro, small, and medium-sized entities (MSMEs) sector has increased significantly in recent years, particularly their contribution to wealth creation and economic growth. The MSME sector plays a significant role in the UK and European economies. They are the main drivers of the engine of growth in the gross domestic product of these economies. This study provides an exploratory overview of the status of combining both financial reporting (*IFRS for SMEs*) and corporate social responsibility reporting (CSR) for MSMEs in a simplified 'Singular' report or MSME Integrated report.

Storey (1994), in his 'Understanding the Small Business Sector', stated that SMEs constitute at least 95 per cent of enterprises in the European Community, while Ghobadian and Gallar (1996) indicated in their study that 93 per cent of UK companies employing fewer than 500 people were SMEs. The SME sector (99%) globally plays an important role in their respective economies and drives economic growth (Evans et al., 2005; Strouhal et al., 2011; Fekete et al., 2012). SMEs in the UK also represent a similar statistic to the global average of 99.9% and provide 60% of total private sector employment (Department for Business Innovation and Skills, BIS, 2017). According to the British Business Bank report on Small Business Finance Markets 2020/21, the UK private entity business population has increased by 1.9% from 2019 to 2020. This is against the backdrop of the prevalent pandemic. This growth was slower than the 2.3% average annual growth rate compared to the previous five years. The SME sector is expanding economically globally in the developing world with an emphasis on innovation and changes. (Perera & Chand, 2015). (Ouma-Mugabe et al., 2021) further support the above conclusions on SME statistics: globally, they represent the sector for employment, start-ups and significant economic growth in the free market economies.

There is a general recognition that International Financial Reporting Standards (IFRS) are aimed at larger corporate entities. These accounting standards are only partially justified for MSMEs whose outputs are directed at different stakeholders. Individual worldwide jurisdictions would adopt different approaches. What accounting standards would apply to the

respective countries' smaller entities? The primary purpose of following a standardised approach is to allow for public transparency and acceptance, and the user can make well-informed judgements of such statements. (Evans et al., 2005). Where there is a simplified and transparent capital structure within the entity, the internal stakeholders will have control over them (Chand, Patel and White, 2015). Kaya and Koch's (2015) study looked at the adoption of IFRS for SMEs, mainly reporting them in a single set of accounts. In Western Europe, amongst the larger SMEs, the focus is more on macroeconomic policies such as fiscal policies and stock market dividend signalling policies. (e.g. Ball and Shivakumar 2005; Burgstahler et al., 2006; Katz, 2006). So, from a legal and compliance stance, there is a cost factor. (Nobes 2010). Furthermore, this study on MSMEs has features that focus mainly on returns on performance (profitability), cash liquidity, and debt financing from local banks. This then enhances the call or warrants MSMEs to simplify and standardise their reporting practices.

Gassen (2017) finds significant variation across 24 jurisdictions globally except South Africa. Evidence provided by Arafat et al. (2020) observes 'that the Standard-setters will have issues on public accountability when dealing with SMEs'. Furthermore, most private firms prepare accounts as single-entity accounting (Nobes, 2010). In developed countries such as Australia and New Zealand, the take up of IFRS for SMEs is less prevalent (Chand et al., 2015) compared to developing countries such as Sri Lanka where this standard is welcome (Bohušova and Blaškova, 2012; Quagli and Paoloni, 2012), despite the lack of IASB engaging these countries in the standard's development process (Bohušova and Blaškova, 2012; Singh and Newberry, 2009). However, Arafat et al.'s (2020) study in the UK observed that the standard-setter (ASB, 2007) expressed concerns about the title designation.

CSR reporting is another prominent strand examined in this literature review within the context of MSMEs that have yet to be seriously considered or researched. CSR has been widely debated, written about, and investigated since the 1950's. However, the research has primarily been directed at large firms and corporations. In the contemporary era, the CSR acronym has taken a newer version called Environmental, Sustainability and Governance (ESG) reporting; however, there is an essential difference between the two. The former represents what CSR practices companies engage in, whilst the latter is concerned with measuring the CSR practices (Williams & Murphy, 2023). The CSR agenda on SME has been active in the last two decades with the Department of Trade and Industry UK (DTI), 2002a and 2002b issuing two reports, the first on 'Business and Society' and the second on 'Engaging SMEs in Community and Social Issues' Current corporate reporting practices do not engage various stakeholders needs. (Adams et al., 2011; Cohen et al., 2012). Therefore, stakeholders require detailed non-financial information regarding ESC (Abeysekera, 2013; Eccles et al., 2011; Cooper and Owen, 2007).

As a result, organisations have started to play a vital role in reporting non-financial information, including social, environmental and intellectual capital information in their financial reports (Abhayawansa, 2014; Kolk, 2010; KPMG, 2011; Cohen et al., 2012). Since the IIRC was formed in 2010, IR has gained traction in the non-financial reporting space of larger entities, which is essential for the mainstream of large companies. However, this reporting practice is still embryonic in the context of IR for SMEs (Del Baldo, 2017). Leading authors call for more research in this area (De Villiers et al., 2014, p.1042; Dumay, 2010; Dumay et al., 2016).

As cited in Haski-Leventhal (2018), few people knew of Adam Smith's earlier work as the father of modern economy and capitalism. His famous book *The Wealth of Nations* (Smith, 1776) was considered the first modern work of economics that introduced core economics concepts, which are still used today. The argument is still echoed in the 21st century, in the book *Conscious Capitalism* (Mackey and Sisodia, 2014), that capitalism is good for society and its economic and social progress. Extant research in the SME context is pronounced because of the environmental and societal challenges of the UK's macroeconomic policies. This thesis is responding to concerns expressed by authors that there are gaps in the provision of these economic policies' expectations that almost 99% of companies are SMEs, as indicated by (Evans et al., *ibid*, Strouhal et al., *ibid*, Fekete et al., *ibid*), and SMEs stakeholders financial information needs have not been addressed appropriately (Handley et al., 2018; Deaconu et al. 2009). Ram and Newberry (2013, p.13) further affirm this notion. Handley et al. (2018, p.11) Australian study on SME reporting findings reported that there should be less complex information but more information, allowing comparability. SMEs come under the lens to fill these gaps. When conducting empirical research from a UK standpoint, identifying the unique challenges and establishing frameworks and metrics to support this research is paramount, with CSR taken from a strategic viewpoint.

The study explores the prospects of merging the two reporting disciplines into a singular report format, bringing us to embrace the concept of integrated reporting (IR) for MSMEs. IR explains how organisations can create value over time (IIRC,2013b) through the multi-capital store (IIRC, 2013b). Organisations of all sizes can use IR to build understanding and trust in their business (IFAC, 2017, p.8). As a business owner or manager of an SME, securing your immediate stakeholders' trust is crucial. Therefore, using IR, trust in the SMEs is built, thereby creating value. The International Federation of Accountants (IFAC,2017,p.5) 'adopted this thinking behind IR, encouraging a more collective and integrated approach'.

MSMEs in the UK, unlike large firms, have not understood the significance of IR despite its prominence and limited research on the evolving concept in other countries such as Germany

(PWC, 2013b) and Brazil (IIRC, 2013c), as indicated by de Villiers et al. (2014). This would be particularly timely to plug the gap, warrant a debate, and question whether the IR guidelines are practical for MSMEs in a UK context. The next section will highlight a concise description of the issues that the study will address.

1.3 The problem statement

This study examines two key strands: reporting IFRS for SMEs and CSR in SMEs and consolidating them into the third strand, integrated reporting (IR) for the MSME sector within the UK. Each strand poses its practical difficulties and acceptance within this sector; therefore, the study will explore and provide insights, potential solutions and recommendations that will contribute to this research field.

Arafat et al. (2020, p187) affirm that the regulatory requirements related to financial reporting of entities in the UK and Ireland (BIS, 2012:2015a) are governed by the perceived information needs of users, which may differ, public interest, the cost of compliance, and the way entities operate as cited in FRC, (2012). There are contrasting viewpoints on the information needs between the variants of the MSME sector and the larger listed entities Arafat et al., (2020); Collis et al., (2017); Sian and Roberts,(2006). The IASB (2009) publication provided a 'Broad-brush' template intended to be applied by private entities. The owner/manager, family-oriented ownership that epitomises the central embodiment of the MSME sector, plays a significant role in how the entity applies its accounting and financial policies. Given the importance of the MSME sector's contribution to the growth of the UK economy, this study is advancing the academic call for more phenomenological research to discern owner/managers and their professional advisors' thinking and attitudes towards IFRS for SMEs considering recent reviews of the UK GAAP reporting practices.

Turning to the second strand in this study, although the literature regarding CSR has been evolving gradually, there are still limitations, as cited in some studies, 'Insufficient literature prevailing on CSR reporting in SMEs' (Lepoutre and Heene, 2006; Morsing and Perrini, 2009; Baumann-Pauly et al., 2013). A lack of SMEs' involvement in CSR is considered a burden in the CSR debate (Jenkins, 2004, p. 52). Against the backdrop of the current economic crises, cost of living, post-pandemic and geopolitical situation, this study will seek the perceptions, views and experiences of MSMEs' owners/managers and professional advisors toward the concept of CSR practices, its application and problems faced.

Finally, in the current IR literature, SMEs still need more understanding (Gerwanski, 2020). As highlighted in the Italian case study research by Del Baldo (2017;2019), IR in SMEs has yet to be seriously explored and investigated. These studies have explored and attempted to fill the gaps from the European perspective. However, this study is from a UK perspective. It will

explore, examine, and discern MSMEs owners/managers and professional advisors' attitudes and perceptions towards consolidating the above financial and non-financial reporting into a 'Singular' report.

To summarise, this study aims to explore and understand the influences of IFRS on SMEs, the concepts of CSR and IR multiple capital value creation for MSMEs, and the perceived benefits and challenges affecting this sector. Findings in this thesis will add to the existing knowledge and understanding of MSMEs regarding these fewer unknown pathways to business reporting.

1.4 Research aims, questions and objectives

The overarching aim of the thesis is to evaluate whether the possible adoption of International Financial Reporting Standards (IFRS) for SMEs, CSR, and IR is undertaken, practised, and reported by MSMEs with transparency, accountability, and decision-usefulness.

To that extent, to achieve this, it will explore the following research questions and objectives, together with the methodology, which is represented in a tabulation format:

Table 1 Research Questions, Objectives and Methodology

Research Question	Research Objective	Methodology
1. What is the perception of adopting IFRS for SMEs that enhances the quality of financial reporting in the UK?	To establish whether the adoption will provide greater transparency, accountability and decision-usefulness.	Semi-structured interviews with SME financial controllers and finance managers directly involved in their organisation's reporting mechanisms and review of existing studies/articles on case study approaches that have adopted them
2. . What is the diffusion of perceptions of CSR	To examine owner/managers, users and stakeholders' perceptions,	Semi-structured interviews with owner managers and financial managers to gain

activities in the UK MSME sector?	experiences and viewpoints of the impact of CSR. The adoption and simplifying its concepts for possible implementation.	insights into their adoption or otherwise and reviewing existing articles and documentation that have helped or hindered the diffusion of CSR.
3. How does adopting IFRS for SMEs and CSR activities affect the implementation of Integrated reporting in the UK MSME sector?	To examine and analyse the concept of <IR., the benefits, challenges, and rationale deriving from the IR process and understand whether IR will represent an effective disclosure mechanism.	Review of recent research studies in IR in SMEs and semi-structured interviews with owner/managers, financial controllers, SME managers, Finance managers, Financial Accountants, and Professional advisors/ external accountants to elicit their perceptions and experiences that will affect the adoption and diffusion of IR for MSMEs

(Source: Author, 2024)

1.5 Introduction to Methodology and Conceptual Framework

This study will adopt a phenomenological approach to analyse perceptions of owner/managers, financial personnel, SME advisors' and external accountants' experiences of financial reporting, CSR and IR in SMEs. Interpretive accounting research is based on views, such as the types of institutions in society, the perceptions of the interlocutors, and the message and opinions they reflect in their management of the business (Broadbent and Unerman, 2011). The study, engaged with SME participants involved directly or indirectly, will seek socially constructed perceptions in the integration process, the benefits and drawbacks of applying a constant, integrated awareness approach (CIA) and whether IFRS/ CSR/IR can readily be assimilated within their organisation. The interpretivist position takes an alternate view, proposing that reality is multiple and created solely in everyone's consciousness

(Schwandt, 1994). Meaning and knowledge are socially constructed, interpreted, and only correctly understood in their context (Ozanne and Hudson, 1989). Therefore, this thesis follows a qualitative methodology using semi-structured interviews to understand the phenomenon under study.

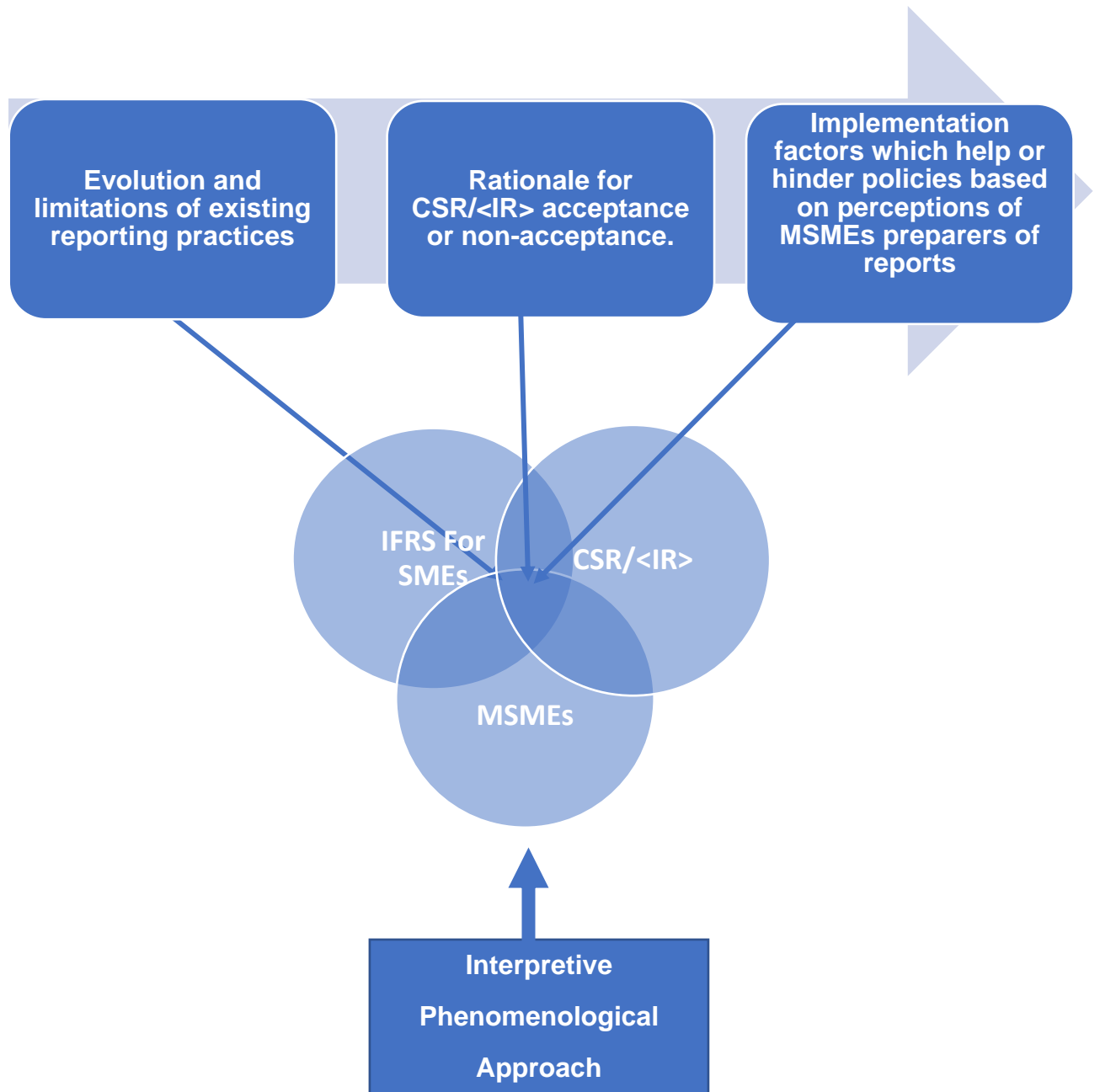
Various authors also cited it concerning qualitative data gathering, and narrative analysis draws an interpretation exercise that ascribed to meaningful sense-making (Crane,1999; Currie et al.,2009; Fraser,2004; Del Baldo, 2017) highlighted IR studies using a case study (Costa Edutainment) approach in the Italian context. In the study by Stubbs and Higgins (2014, p.1068) on Australian companies' early adoption of IR, their findings reported no radical transformation; however, there were changes to processes and structures that previously supported sustainability reporting.

The qualitative methodology adopts a content analysis of the interviews, supported by a rigorous thematic analysis generated from the coding techniques used. Scapens (2008) highlights the diversity of interpretive accounting research, which includes studies which investigate the development of concepts within the field (Parker, 2011b), exploring patterns across multiple perspectives (Lillis and Mundy, 2005), and the use of an abductive approach (Lukka and Modell, 2010), research methods employed in this study. Given that CSR/IR is evolving in nature and is infancy for MSMEs, abductive qualitative methods through semi-structured interviews will be used to gather data for the study.

The conceptual framework of this study, seen as a key part of a research design, centres on the assumption drawn by a system of concepts, assumptions, expectations, beliefs, and theories which support and inform the research (Miles and Huberman,1994; Robson,2002). Miles and Huberman (1994, p.18) define the conceptual framework as a 'visual or narrative product which explains the main things to be studied – the key factors, concepts, or variables – and the presumed relationships among them'.

The conceptual framework for this study is detailed below in Figure 1:

Figure 1 Conceptual Framework



1.6 Significance of the study

The UK government source BES (Department of Business, Energy & Industrial Strategy), Business Population Estimate (BEIS,2023) recorded that there were 5.6 million MSMEs, of which 5.51 million were Micro and small businesses (0-49 employees), 36,900 were Medium entities (50-249 employees), and 8,000 were larger SMEs (250 or more employees). The overall total sector was employing 27 million people. UK MSMEs are the backbone of the British economy, representing 99.9% of total private-sector businesses.

MSME financial reporting plays an important role in the decision-making process regarding the quality of information disseminated. For example, Lennard (2007:55) states... 'if financial reporting cannot influence decisions, it would seem that it would serve no purpose and therefore of no use to the myriad of users. However, understanding reports in a layman's sense and decision-making is not easily managed (Gassen and Schwedler, 2010), and the academic literature hasn't provided any suggestions either. IASB's (2009) reporting framework expressed that SMEs could publish general-purpose financial statements to external users using *IFRS for SMEs*. As recently as 2016,(the IFRS Foundation 2016) issued standards that included the Micro entities, replacing extant UK GAAP.

More academic attention needs to be paid to the financial reporting frameworks of the MSME sector in the UK. In most jurisdictions, including the UK, the reporting of financial statements of SMEs is private (Nobes,2010). A Brazilian quantitative study by Goncalves et al. (2022) on the influences of implementing IFRS for SMEs concluded that understanding issues is the major drawback of implementation. Bautista-Mesa et al. (2019) Spanish study also confirms the limited participation in IFRS for SMEs, as does Gassen's (2017) study. With IFRS for SMEs, IASB finds a limitation of the institutional theoretical aspects, as vouched by Meyer and Rowan (1977).

As Arafat et al. (2020, p. 187) affirm, the case for a separate and stand-alone financial reporting framework for SMEs was highlighted in several studies (e.g. Collis et al., 2017; Kilic & Uyar, 2017). Regarding users of MSMEs' financial statements, an IFAC paper (2017) identified various key users of MSMEs accounts, and Gassen (2017) identified 13 user groups. When the IFRS for SMEs was initiated in 2009, providing simplifications in the standard, the users' views were not sought (Perera and Chand, 2015). While desktop research has emerged to highlight these deficiencies, empirical research is required to establish whether MSMEs will seek to adopt 'IFRS for SMEs given the relaxed regulations it may enjoy for disclosure of information and decision-usefulness for this sector's financial reporting.

CSR and IR research are actively coming of age, with increasing presence across business, society, and policy disciplines (Morsing and Spence, 2019). However, the agenda of CSR and

IR is driven mainly by large companies and MNCs. With the formation of the IIRC in 2010, these concepts have taken a new level of meaning and increased in relevance and importance for larger companies. However, the application of CSR practices for MSMEs is different. The approach they may want to adopt will be very different: establish original positions for integrating CSR practices into their administration informally (Moneva and Hernandez-Pajares, 2016) and voluntarily within the cost constraints (Williamson et al., 2006; Kechiche and Soparnot, 2012; Wickert, 2014).

Studies on reporting of CSR and <IR> in SMEs are mainly limited in Italy (Del Baldo, 2017; 2019), Germany (Gerwanski, 2020), Spain and Peru (Moneva and Hernandez-Pajares, 2016), Denmark (Morsing and Spence, 2019) and V4 countries (Gavurova et al., 2022). However, one recent study in the UK (Williams and Murphy, 2023) addressed the Sustainable Development Goals (SDGs), which explored UK Global businesses and SMEs. This is evident in the limited empirical study, as the UK is considered one of the global leaders in corporate reporting (KPMG, 2013); this thesis adds to the current research from an MSME perspective.

This study sought the perceptions, opinions, and motivations of the MSME owner/managers and its internal stakeholders of CSR, the impact on external stakeholders, and the merits and demerits of implementing integrated reporting in the MSME sector. Dumay et al. (2016) identify only two articles within the IR body of literature which analyse specific organisations from a UK national perspective (Beattie and Smith, 2013) and (Stubbs and Higgins, 2014) from an Australian perspective. This thesis aims to address the disconnect between academic CSR/IR research and CSR/IR practice in the real-world context, thus highlighting the importance of linking theory to practice. The above issues identified will be addressed through the research questions in Table 1 above.

1.7 Research Contributions to Knowledge and Literature

MSMEs are the backbone of advanced, global, and emerging economies, contributing significantly to their economic growth, employment creation, and sustainability reporting. The UK is no different, and in this context, this study has developed conceptual frameworks and a systematic literature review to better understand the three strands under investigation for owners/managers, immediate stakeholders and policymakers. The challenges of adopting and implementing the three strands under investigation were considered for better understanding; linking the theoretical and conceptual frameworks and their real-world practices could help the owner/managers, professional accountants and policymakers.

To the best of the researcher's knowledge, this is the first UK study in this context, i.e., the perceptions of owners/managers and their immediate stakeholders of reporting and decision-

usefulness in the nexus between IFRS for SMEs reporting and CSR reporting and integrating them into a singular reporting format.

From a UK perspective, the literature review clearly shows that most of the studies on the three strands examined have been in Europe, South Africa, Australia, and emerging economies. This study has closed the gap by advancing the research in a UK context on the perceptions of adopting IFRS for SMEs, CSR, and integrated reporting for the MSMEs sector. With the first strand, IFRS for SMEs, the study highlights that MSMEs have rejected the IASB framework and calls for a standardised, specific template to be followed. It further provides an insightful review of UK MSMEs' challenges, problems and impact on possible adoption. There was evidence of a need for more expertise and knowledge in preparing financial statements in this sector. With the second strand of the diffusion of CSR practices in MSMEs, although most are practising in some form specific to their entrepreneurship, there still needs to be an awareness of reporting them, encouraging effective implementation. There is a call for some mentoring or training from larger institutions but specific in context, social networks of financial support and digital transformation resources to assist in their practices, thereby validating their role in the local economy. There is evidence of a more ethical and moral stance taken by the owner/managers and strategically employed in pursuing a business culture embracing the various stakeholders rather than pure profit. The final strand aimed to integrate financial and non-financial strands into a singular business reporting mechanism. The study reveals a severe need for a better understanding of the concept of integrated reporting for both the owner/managers and the professionals involved in preparing the statements within the MSME sector. There is a constant call for education and training resources to be provided to the sector by the body IIRC. The study also recommends that 'Emotive capital' be added to the list in the IR framework document issued by the IIRC, as decisions are made exclusively by owners/managers of the sector.

1.8 Thesis Organisational Summary

This qualitative research study covered five (5) chapters, which are summarised as follows:

Chapter 1: This chapter introduces the study by providing a comprehensive background to the given title, prevalent existing gaps, and the study's problem statement. It also covers the aims, research questions, and objectives, a discussion of prior research, an introduction to the methodology and significance of the study, and finally, the research contributions.

Chapter 2: This chapter covers a comprehensive literature review of the three strands of the study, including the conceptual framework, the evolution of existing business reporting practices, their limitations and their underlying theoretical frameworks. The relevance and importance of the legitimacy theory (LT) and stakeholder theory (SHT) in CSR context;

Overview of Integrated Reporting (IR), (M)SME value creation frameworks and the Multi-store capitals together the limitations and potential for MSME IR.

Chapter 3: This chapter explains the research methodology, the philosophical assumptions and strategies, and the justification for selecting the appropriate qualitative method. It also explains the research design and the relevant themes for answering the research questions. The chapter detailed the ethical considerations, the data collection process, the analysis using the Interpretative Phenomenological Analysis(IPA), and the coding process using the qualitative software of NVivo 12 pro.

Chapter 4: This chapter presents the analysis results of the themes identified, adopting an interpretive qualitative approach. The results are discussed, and the key findings of the thematic analysis of the qualitative data are highlighted.

Chapter 5: This chapter provides the conclusions, implications, limitations, and recommendations based on the study's findings. It also presents the contributions to knowledge and the direction of future research.

Figure 2 below provides a summary of the thesis structure:

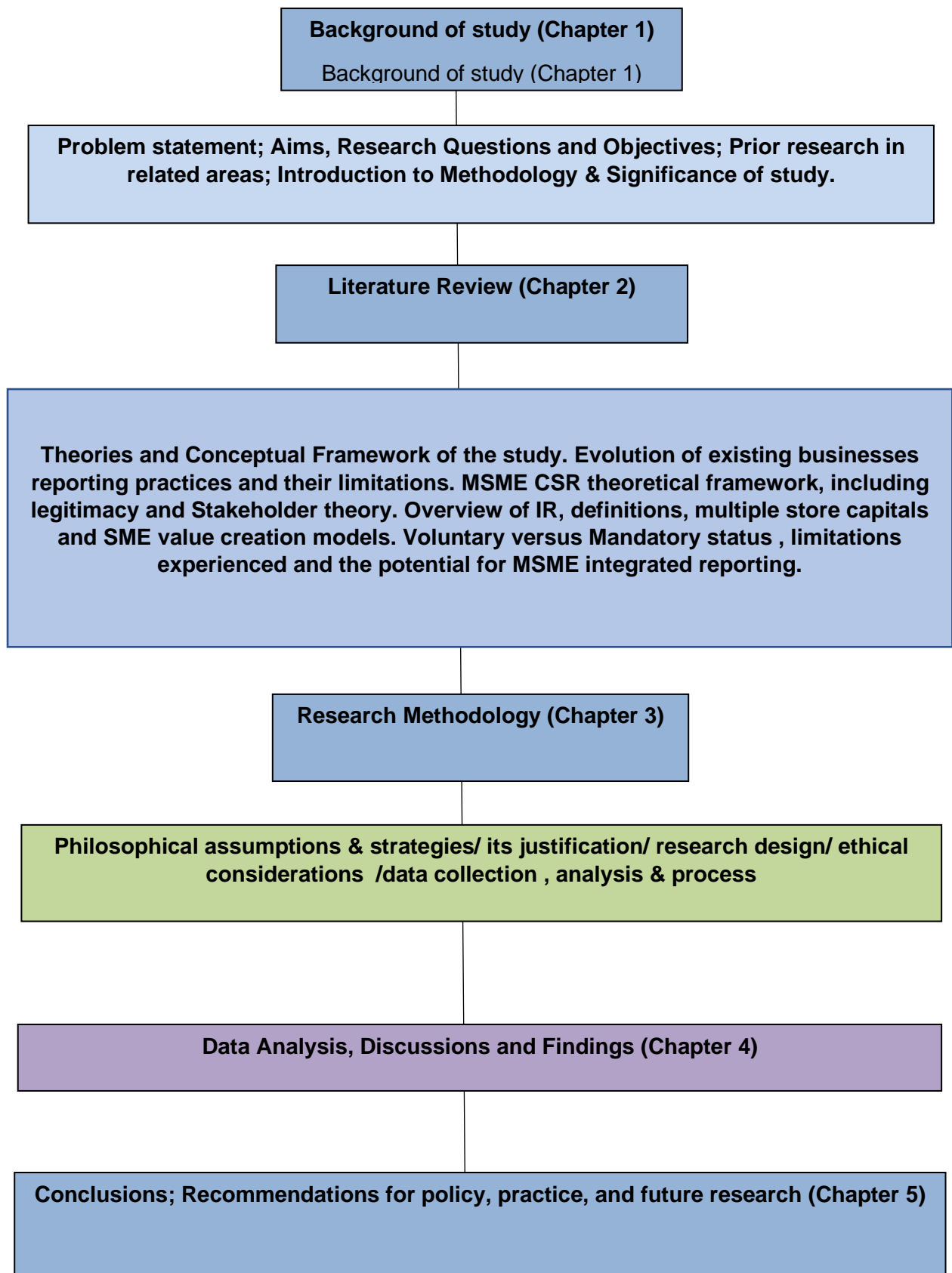


Figure 2 Structure of thesis

The next chapter will review the existing literature to address the research questions set out in section 1.4 above. It will gain an understanding of the existing knowledge, more significant insights on the study strands examined, the challenges of adopting and implementing them and the associated debates facing the MSMEs. It will reveal any gaps, address conflicts between contradictory studies, and demonstrate the underlying assumptions behind the research questions.

Chapter 2 Literature Review

2.1 Chapter introduction and background to study

The study adopts an interpretive philosophical approach to the IFRS for SME reporting and CSR/ IR reporting in a UK context. The decision-usefulness theory espouses that good quality financial information provides good decisions and SME growth (Staubus, 2000). IFRS for SMEs, the most recent accounting standard designed for Micro, Small and Medium Enterprises (MS&MEs), was published by IASB in July 2009 and amended in 2015. This standard is derived from principles developed from existing accounting theories, such as the stewardship and agency theories, to describe something and afford legitimacy.

IFRS for SMEs standard is an alternative practical framework for SMEs, which has been simplified to suit the eligible entities that fall within its scope, unlike theory, which clearly defines what the phenomenon is or how it functions (Post et al., 2020; Cunningham & Harney, 2012; Torraco, 1997). They have developed internationally due to the growing demand for standardised accounting practices worldwide (Mvunabandi and Mbonigaba, 2023). Despite its prominence in assisting SMEs with the global alignment of financial reporting, the related challenges of adopting and implementing it must be addressed (Segotso et al., 2024). However, as cited in Ram & Newbury (2013), those authors who are critical question the IASB's legitimacy in terms of its standard-setting and due process being political (Burlaud and Colasse 2011). Those defending this position draw on Suchman's (1995, p.574) definition of legitimacy as

“a generalised perception and the assumptions that an entity's actions ‘are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Danjou and Walton 2012,p.8)”.

Danjou and Walton (2012,p.12) state that you can't exclude politics from the accounting standard-setting process. They quote, *‘the major political and commercial support for the IASB as the world's standard-setter for the financial markets’* justifies its legitimacy. Therefore, this study will seek to investigate and explore the factors that influence its adoption or reasons not to adopt it and whether it's relevant for the micro, small, and medium enterprises (MSME) organisational setting. The abbreviation MSME will be used throughout this thesis, referring to Micro, Small, and Medium-sized entities.

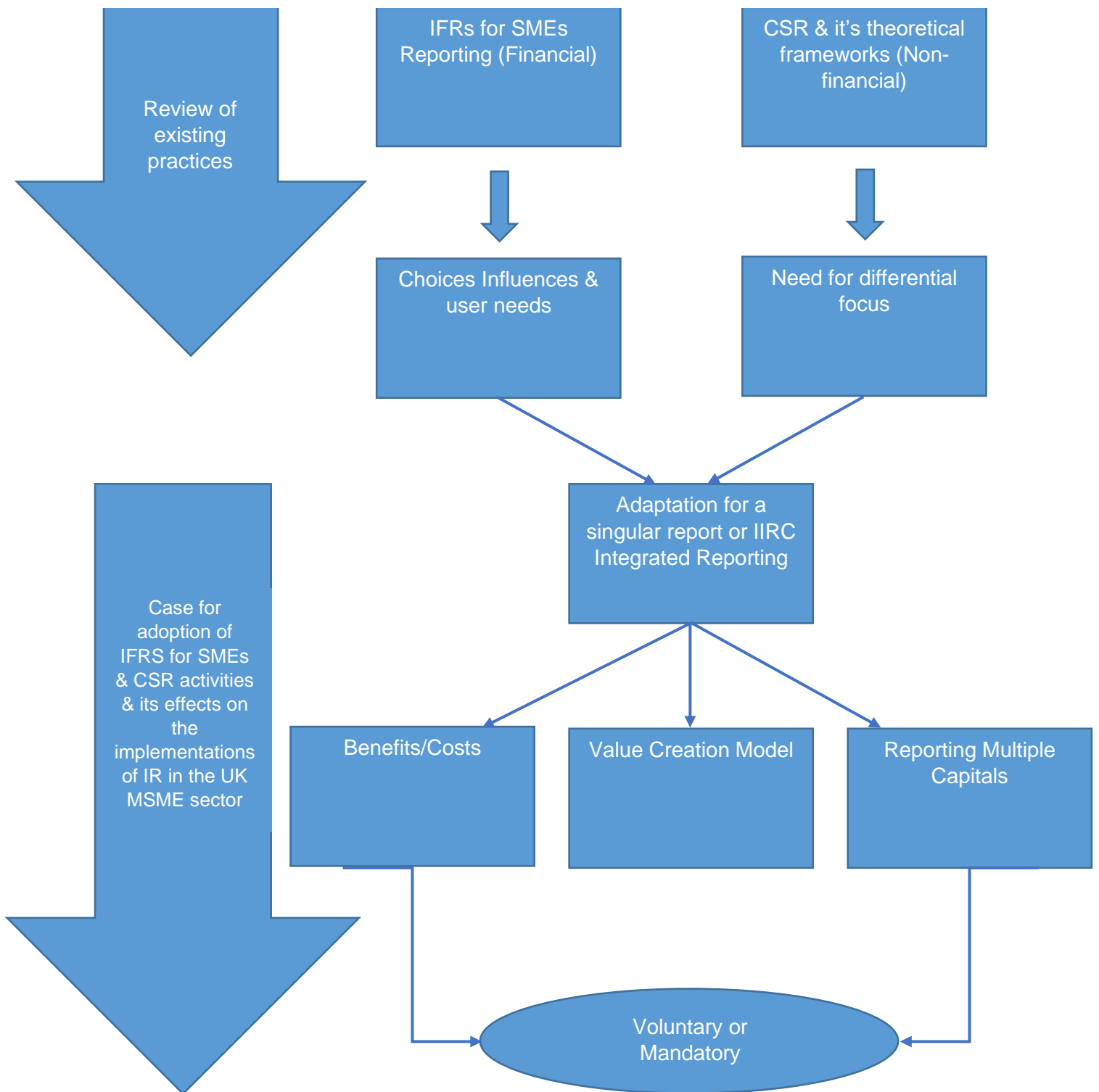
As cited by Robertson (2016, p17;) in her study, ‘Diffusion of Innovation (DOI) asserts that innovation diffusion is a general process not bound by the type of innovation studied, by who the adopters are, or by place or culture’ (Rodgers, 2003). DOI theory may be suitable for MSMEs as this sector tends to be more innovative as they take ownership of their business.

However, (Suchman, 1995, p 574) might be the appropriate approach in explaining firms' engagement in voluntary reporting initiatives (Deegan, (2002,2014). This study will adopt an integrated thinking approach (IIRC 2011, 2013a; KPMG 2011) by considering how existing MSME reporting practices can use or replicate the 'More Holistic' view on environmental, sustainability and governance (ESG) reporting needed by UK companies (Alberti, 2022); the debate on the diffusion of CSR/IR within the International Integrated Reporting Council (IIRC) Framework (IIRC,2013) that was adopted by Del Baldo, (2017) and adapting its principles to MSME needs and characteristics shall be considered. On a practical level, this research area is still vastly under-investigated in a UK context, with the MSME sector hardly touched upon and in its embryonic setting. Various CSR-focused literature reviews as cited in (Williams and Murphy, 2023, p 3), e.g. (Agudelo et al., 2019; Crowther, 2018 & Kolk, 2016) have widely researched the development of the CSR concept academically (Williams and Murphy, 2023). Crowther (2018) emphasises that company reports are merely past '*historical summaries*'. Effective CSR practices bolster MSMEs' reputation and contribute significantly to constructing a more resilient and sustainable society (Nustini et al. 2024).

Therefore, this phenomenological study aims to establish MSME owners/managers, their finance managers and accountants' perceptions of adopting these new reporting practices, the benefits and challenges they may face and the plausibility of integrating both the financial and non-financial into a 'Singular' report.

The literature review will, therefore, take the following form:

Figure 3 Literature review structure



This study will explore the perceptions of MSMEs adopting CSR reporting in disclosing information and their potential benefits and challenges to the end users.

Three approaches are available for the thesis: deductive, inductive and abductive. The approach in interpretative study is essential because it influences the research design (Alrajeh A. et al., 2012). Deductive involves quantitative aspects, aims for generalisation, and data testing, while inductive methods use qualitative elements, and the sample can be small. It relies on human interpretation and does not allow alternative explanations. The abductive approach uses both approaches, which embrace the phenomenological attributes that oscillate between the deductive and inductive approaches (Dubois and Gadde, 2002; Suddaby, 2006; Alrajeh A. et al., 2012). Lukka and Modell (2010) observed that abductive is gradually accepted as a vital part of interpretive research. This thesis follows the logic of abductive due to its usefulness.

In this thesis, a literature and technical review will examine the theoretical background pertaining to the two main constructs: the impact of International Financial Reporting Standards (IFRS) and CSR/IR and reporting practices on UK MSMEs. The following section critically evaluates the theories underpinning MSMEs' financial reporting practices.

2.2 MSME Theoretical Framework and Financial Reporting

SMEs are considered as little entities with a smaller scale (Shuman and Seeger, 1986) because of a myriad of factors, such as the differences in management structure and organisation, financing, less complex operations plus a more reduced risk of internal and external moral hazards (Cressy and Olofsson, 1997; Collis and Jarvis, 2000). The literature aims to use institutional theory, legitimacy, and public interest theory networks as a lens for this strand of the study, as well as an overview of prior literature in this area of *IFRS for SME* adoption.

2.2.1 Existing Theoretical perspectives on accounting regulation

Samaha and Khlif (2016) identify a gap in empirical research regarding IFRS adoption decision-making in developing countries at both country and firm levels. SMEs' decision to adopt the accounting standard IFRS for SMEs is grounded in compliance with economic rationality. The UK setting of adoption of *IFRS for SMEs* standard can be analysed using the NIS theory (DiMaggio and Powell, 1991) and the economic theory of networks (Katz and Shapiro, 1985). Salma Damak-Ayadi et al. (2020, p.3) highlight that "New Institutional theory (NIS) theory focuses on the social environment as an essential constituent in establishing the social structures of an institution as postulated by DiMaggio and Powell (1983); DiMaggio and Powell, (1991); Heidhues and Patel, (2012). The use of NIS in accounting research is well-established (Burns and Scapens, 2000; Carpenter and Feroz, 2001; De Villiers and Alexander,

2014; De Villiers et al., 2014; Lawrence, Sharma and Nandan, 2009; Modell, 2009; Scapens, 2006; Sharma et al., 2014) Meyer and Rowan (1977) reported in the absence of non-environmental constraints legitimacy is a valid practice.

DiMaggio and Powell (1983) state that legitimacy is achieved by respecting “institutional isomorphism”. These authors named three types of isomorphism– the first is a coercive isomorphism, which refers to the institutional pressures on economic actors to adopt full IFRS. Judge et al. (2010) affirm this pressure is instigated by the regulatory system and international financing organizations such as the World Bank and the International Monetary Fund (IMF). Second is mimetic isomorphism, which larger enterprises and the external environment influence, and firms model it on this basis (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). Wijekoon et al. (2021) affirm it is reasonable to believe that SMEs tend to copy or mimic what their competitors do. Further, as MSMEs face cost constraints and an uncertain environment, this might be a more accessible pathway for such adoption.

Finally, normative isomorphism relates to group norms, as postulated by DiMaggio and Powell (1983). Education and professional training are at the forefront of influencing the organisation. As Abu et al. (2011) confirm, the ‘Big Four’ accounting firms have a significant role in normative influences. This applies to large companies, and the accounting literature to date has paid attention to accounting standard setting of large, listed entities, whereas the literature on the adoption and use of *IFRS for SMEs* is at its infancy growth level (Weetman et al, 1996)

Kaya and Koch (2015) in their study established that the allocation of resources through the application of accounting standards in their reporting functions enhances social welfare, together with the effect of the public interest theory of regulation. Markets are perpetually changing and therefore, the corporate reporting world seeks constant regulatory actions (Ball 2009).

(Breyer 1982) highlights that regulation of markets acts as a deterrent to economic practices such as natural monopoly, information asymmetries and externalities under public interest. In the UK, there is a local GAAP which provides the basis of accounting information that can meet the informational demands of different stakeholders and, even more so, the internal MSME finance managers who are responsible for preparing the reports. Whittington (1993), Sunder (2002), and Kothari et al., (2010) all indicate from their studies that a simplified report is the most cost-effective. Given the vital resource constraints, this study examines this theme of warranting a singular reporting format.

In the UK, commentaries, comment letters, and comments on exposure drafts create and exert a direct form of lobbying. McLeay et al. (2000) German study identified that lobby groups exert the greatest influence on the regulator. Holder et al. (2013) confirm this viewpoint.

Furthermore, Arafat et al. (2020) indicated that the economic actors of the SME sector needed to be fully engaged in the exposure draft process (IASB, 2007a). In response to this, the UK is considered an Anglo-Saxon culture country; therefore, the usage of the English language and its systems will present little difficulty in adoption. However, the cultural diversity of these MSMEs in the UK may need help understanding the technical jargon of the reports. English-speaking countries like the UK have a more significant cultural influence on the development of accounting standards. (Abdelsalam and Weetman, 2003; Zeghal and Mhedhbi, 2006). Furthermore, Zahid and Simga-Mugan (2019) found that the cultural effect measured by the Hofstede uncertainty avoidance index did not have a significant effect on IFRS for SME adoption. Ramanna and Sletten (2010) noted that countries in their International trade and geographically located in proximity are more likely to adopt IFRS (see also Irvine, 2008).

This thesis examines the MSME sector at a firm level; the focus would be more on the micro, smaller, to medium-sized businesses. If exporting and importing are mainly involved, then the firm would be motivated to adopt the standard IFRS for SMEs, especially when its trading partners are adopting such reporting practices. To date, the literature on IFRS for SMEs is scarce (Wijekoon et al., 2021; Arafat et al., 2020; Gasson, 2017; Perera and Chand, 2015; Spencer, 2014; Sian and Roberts, 2006; Evans et al., 2005). Although some studies addressed the need for IFRS for SMEs (Aboagye-Otchere and Agbeibor, 2012), they are nevertheless few. This study advances the literature to address some of the deficiencies from an economic and sociological perspective and its decision-usefulness from an MSME perspective. The next session will consider the rationale for MSME financial reporting and requirements.

2.2.2 Rationale for MSME reporting

Recognising that SMEs are widely represented globally (Alp & Ustundag, 2009) is essential. This sector significantly contributes to employment creation, technological innovation, and economic output (Chen, 2006; Reddy, 2007). SMEs have brought more significant input to emerging economies concerning employment and country growth based on the benefits created through the internationalisation of these entities (Chiao et al., 2006). Traditionally, it was considered that the differences between large and small entities emanated from the different business strategies they pursue, with the SMEs focusing on autonomy, survival, and stability rather than financial growth (Collis and Jarvis, 2000; Nastav and Bojnec, 2008).

This poses a universal question regarding the financial reporting harmonisation across MSMEs reporting regimes and its ability to achieve uniformity, understandability, and comparability. For MSMEs engaged in an international perspective, comparability is an essential stakeholder mode for understanding financial statements. An important objective of

financial reporting is to provide useful information in decision-making. Financial statement information allows analysis to be performed through comparisons so various investors can make an informed judgement (Alon et al.,2022), and information asymmetries are reduced (Daske et al., 2008; Habib et al., 2020).

The MSME financial reporting sector is not widely reviewed, unlike larger companies' corporate reporting. Larger companies tend to feed the capital and market information stream, so the focus is more on this user group. The main users of MSME tend to be owners/managers, smaller investors, banks, other MSME financiers, trade suppliers, business advisors, and the public. This sector does not have public accountability; shares are not publicly traded. As cited in Fernley, S. and Hines, T.(2007), they are mainly owner-managed (Carlsberg et al.,1985), effectively removing information asymmetry and agency problems (Jensen and Meckling., 1976). Carlsberg et al. (1985) and Keasey and Short (1990) research studies showed external stakeholders for financial information were the banks.

The IASB definition did not include a size test and promulgated publishing general-purpose financial statements for external users(Ceustermans et al., 2012b). More than three decades ago, Carlsberg et al. (1985, pg. 83) noted that 'it was not a problem for SMEs. The IASB did not address the user needs specifically when FRSSE was drafted. Through its general-purpose model, it lacked the impact it was intended for, hence the current revision. Accountants and auditors (if accounts are audited) are perceived to engage in accountancy and business advisory services (Chittenden et al., 1990). Collis and Jarvis's (2000) study highlighted that accountancy and tax services were the epitome of services sourced by SMEs.

The Conceptual Framework (CF) for Financial Reporting (FASB, 2010) published Chapter 1 'The objective of general-purpose financial reporting' and Chapter 3 'Qualitative characteristics of useful financial information. The Conceptual framework is not an IFRS, so it does not overrule any individual IFRS, and if there is a conflict, the IFRS will prevail. The CF distinguishes between fundamental (relevance and faithful representation) and enhancing (comparability, verifiability, timeliness and understandability) qualitative characteristics for analytical purposes of financial statements.(IASB, 2018) The *IFRS for SMEs* Fact Sheet (2009) summarised the following types of simplifications:

- Some IFRS was omitted because of its irrelevance to SMEs.
- Accounting policy options in full IFRS are not allowed for SMEs.
- Simplification of many of the recognition and measurement principles.
- Fewer disclosures.

- Simplified redrafting.

The above summary is too generic and attempts to consolidate in a 'one size fit for all' scenario. The IASB is also presumptuous that users who use these financial reports are experts in the subject matter, with the expectation that they are reviewed and analysed diligently. One must assert that some phenomena can be complex and difficult to understand. One may question how much disclosure is required in the directors' report of MSMEs.

Until 1 January 2005, all UK companies, regardless of size and listing, prepared their financial statements under UK General Accepted Accounting principles (GAAP). Drawing from secondary data, this thesis will explore the recent Accounting Directive (Directive 2013/34/EU), UK GAAP, and the Financial Reporting Council's issuance of IFRS for SMEs (FRC, 2015).

2.2.3 MSMEs new definitions and regulation

Company law and accounting standards govern the regulatory framework for financial reporting by unincorporated entities, and the Companies Act 2006 (CA 2006) incorporates the requirements of the relevant Accounting Directive (Directive 2013/34/EU). In the UK, sections 382 and 465 of the Companies Act 2006 define what SMEs are for the purpose of financial reporting. The companies are defined according to them, satisfying two of the criteria in Table 2 below as set out by the Companies Act 2006.

Collis et al. (2017, p. 236) highlight the following- "According to the treasury online website in BIS/FRC, (2011) on '*Simpler Reporting for the Smallest Business – Discussion Paper*' sought the views from a wide range of stakeholders. A further consultative document was issued on '*Simpler Financial Reporting for Micro-entities*' (BIS, 2013). If companies meet the criteria meet the criteria set out in Table 2 below, they can be considered to fit into the respective category (Collis et al, 2017, p.239; BIS, 2013).

The true and fair principle is an overriding requirement of UK and EU law (FRC, 2011,p.3; Collis et al., (2017, p.239). See below Table 2- outlining the criteria for the three types of MSMEs:-

Table 2 Size thresholds for accounting and auditing in the UK from 2016

Criteria	Micro	Small	Medium
Turnover	£0.632m	£10.2m	£36m
Balance Sheet total	£0.316m	£5.1m	£18m
Average number of employees	10	50	250

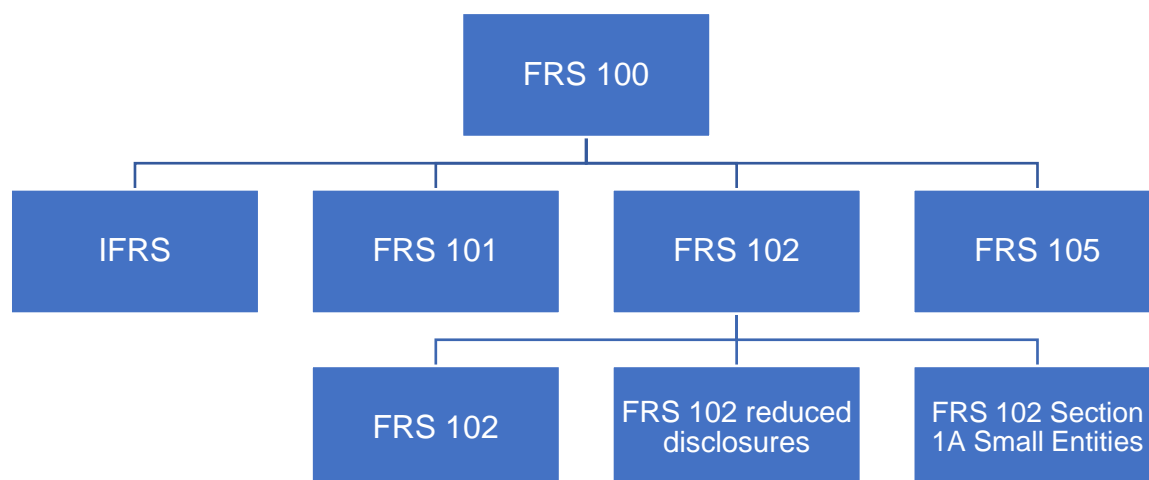
Source: Companies House (2016)

FRC (2015) enabled supporting accounting standards for small companies: FRS 105, FRS 102 with reduced disclosures, and Full FRS 102. Small companies that are part of a group can apply FRS 102 with reduced disclosures and FRS 101. The smallest companies in the UK, the coined phrase of ‘micro-entities,’ can use FRS 105.

It should be noted that the size thresholds for the above small companies have been increased by the Department for Business Innovation and Skills (BIS/FRC, 2011). The BIS has now been replaced by the Department for Business, Energy & Industrial Strategy (BEIS). To ensure there was a parallel between company law and financial reporting, despite most of the changes in disclosure, there was a need to make amendments to the accounting standards to ensure consistency in the application of company law, and its reporting requirements. (Collis et al, 2017, p237). FRC (2015) used this opportunity to address the new micro-entities, which pronounced that “All previous national accounting standards were withdrawn, and since 1 January 2016, UK accounting standards have been based on EU-adopted IFRS or adapted from the IFRS for SMEs”, and summarised below in figure 4 (Collis et al., 2017, p.237).

Legislation was passed for applying these FRS for small and micro entities, effective from 6 April 2015, and it is applicable for accounting periods commencing on or after 1 January 2016. The new financial reporting framework is summarised as follows:

Figure 4 Overview of FRS 100, application of financial reporting requirements



Source: FRC (2015, p. 4)

Collis et al. (2017, p 237) summarised the new requirements consisting of the above standards as per FRC (2015) which is as follows:- FRS 100 discusses which framework to follow and to which entities, FRS 101 relates to subsidiaries of group companies and the fewer disclosure requirements, FRS 102 applies to IFRS for SMEs with modifications applicable to the UK and Republic of Ireland and can be used by any non-publicly accountable entity with small entities able to use Section 1A of FRS 102, FRS 105 was specifically introduced for Micro-entities (as defined by CA 2006) in November 2013

Collis et al. (2017, p. 238) also provided a summary (see Table 3 below) of the effects of incorporating EU Directives in UK company law and the influence of IFRS incorporating the various tiers since 1998 in the 'Completion of National Accounting Rules'- A UK evidence perspective.

Table 3 Summary of key features of UK GAAP from 1998 to 2016

Public accountable entities		Non-public accountable entities		
From 1998 Full, audited accounts guided by SSAPs, FRSS,	Large Full, audited accounts guided by	Medium Abbreviated accounts for filing, but full	Small Abbreviated accounts for filing, but full audited accounts for shareholders guided	Micro

UITFs	SSAPs, FRSs, UITFs	audited accounts for shareholders guided by SSAPs, FRSs, UITFs	by the FRSSE	
From 2010 Full, audited accounts guided by EU adopted IFRSs	Full audited accounts guided by SSAPs, FRSs, UITFs	Abbreviated audited accounts for filing, but full audited accounts for shareholders guided by SSAPs, FRSs, UITFs	Abbreviated, audit exempt accounts for filing, but full accounts for shareholders guided by the FRSSE	
From 2015 Full, audited accounts guided by EU adopted IFRSs	Full audited accounts guided by FRS 102	Abbreviated audited accounts for filing, but full audited accounts for shareholders guided by FRS 102	Abbreviated, audit exempt accounts for filing, but full accounts for shareholders guided by the FRSSE	
From 2016	Large	Medium	Small	Micro
Full audited accounts guided by EU adopted IFRSs	Full audited accounts guided by FRS 102	Full audited accounts guided by FRS 102	Abridged, audit exempt accounts guided by FRS 102	Abridged, audit exempt accounts guided by FRS 105

(Source: adapted as per Collis et al, 2017, p238).

The above table shows that the new introduction to FRS 105 applies to micro-entities. In September 2022, a second comprehensive review of the IFRS for SMEs Accounting Standards was undertaken, and it proposed changes (IFRS, 2022a). The IASB published the Exposure Draft Third edition of the IFRS for SMEs Accounting Standard for comments to be received by 7 March 2023. As far as this study is concerned, it needs to explore the quantitative dimension of the IFRS for SMEs. The next section will examine the reporting choices available the MSME sector.

2.2.4 Reporting choices for the UK's new small companies' regime

As mentioned earlier, UK SMEs represent 99.9% of private sector businesses and 60% of private sector employment (Department for Business Innovation and Skills (BIS, 2017)). Traditionally, this segment of the economy has enjoyed deregulations (E-Agra, 1997), and in common with most other countries (Arafat et al., 2020), Various authors have identified regulations in SMEs as a burden (Barker & Noonan,1995, evidence from Ireland; Sian and Roberts, 2006; Collis, 2012).

As cited in Arafat (2020, p.187), Sian and Roberts (2006), in an IFAC publication paper, identified various user groups (tax authorities, venture capitalists, business angels and grant-awarding bodies) as key users of SMEs' accounts. More recently, Gassen (2017) identified 13 user groups, including statistical agencies, competitors, employees, media, and rating agencies. Given the nature of SMEs and the privacy enjoyed, it is a voluntary adoption of such standards (Kaya & Koch, 2015, p.97).

Arafat et al. (2020) argue that classifying stakeholders of IFRS for SMEs between users and preparers may need to be more generalised. This study will extend to answer these research gaps between micro, small, and medium entities. The assumptions used by the IASB in drafting its conceptual framework(IFRS Foundation, 2016) needed to be more specific to the different tiers of business entities, especially SMEs' nature of operations, and the irrelevancy of the application of the IFRS as per se.

In the future, SME companies can either file full, abridged or 'filleted' accounts (CA, 2006), introduced by 'The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015. Small companies can prepare an abridged balance sheet, abridged profit or loss account or both with abridged accounts. They must still comply with the small company disclosures the Companies Act 2006 requires. With 'Filleted' accounts, S444 of the Companies Act 2006 allows small companies to make choices in the filing of their accounts and directors' report disclosure. It was also affirmed by Arafat et al. (2020, p.187) that 'the need for a separate and stand-alone financial reporting framework for SMEs was highlighted in several studies' (e.g. Collis et al., 2017; Kilic & Uyar, 2017; Kirwan & Pierce, 2017).

These regulatory perspectives are concerned primarily with business compliance within societies and human behaviour. Saunders et al. (2019, p.132) highlight 'that much of business and management research can be classed as regulation research'. They further cite that Burrell and Morgan (1985) espoused four organisational analysis paradigms (in a 2 x 2 matrix). Burrell and Morgan interpret the paradigm(using their words) as a set of basic and taken-for-granted assumptions that underwrite the frame of reference, mode of theorising, and ways of working in which a group operates. The matrix represents four ways of viewing the social and organisational world (see Fig.13 later in Chapter 3). The bottom left corner of the matrix represents the interpretive paradigm, where reality is socially constructed, subjective, and could be perceived differently by different people; therefore, it is phenomenological in nature. The research study focuses specifically on the perceptions of individual owners/managers and other internal stakeholders of the MSME sector rather than aggregate findings. Therefore, the individualistic and subjective nature of individuals' interpretations and responses to the area of IFRS for SMEs are explored and led to the development of the first research question as follows:

This thesis will examine the perceptions and opinions of UK MSMEs and business entity owners/managers who are considering whether to incorporate the new framework in their reporting mechanism or explore why not to adopt it. The following section will explore the IFRS for SMEs internationally, examining their definitions and users.

2.2.5 The international boundaries of SMEs definitions and user needs

SMEs enjoy varied definitions (Briciu et al., 2009); likewise, there needs to be universal agreement on the categories or groups of SMEs (Ceustermans et al., 2012b). Baker and Noonan's (1995) and Demartini's (2006) research study revealed that due to their nature, SMEs need to be classified into their respective sizes. They represent a large diversity of types of enterprises, irrespective of size, category, and nature of the informational needs of their users. Maseko and Manyani (2011, p.172), in an African context SME research study, highlighted that evidence from the literature revealed no universally agreed definition of an SME across all academic disciplines; furthermore, none of the bases are at the same level across disciplines and national boundaries (Holt, 2008). Tiron Tudor and Mutiu's (2008) conclusions rest upon the diverse makeup of SMEs and are subject to differential reporting requirements. To some extent, the IASB has answered this in developing the IFRS for SMEs (IASB, 2009, p.16).

In a Romanian study, Deaconou, Popa, Buiga, and Fulop (2009) do not recommend a unique standard for SMEs for all accounting systems (e.g. IASB) because of the cultural diversity. The UK jurisdiction has accounting standards that it can follow; this study takes an abductive

approach, inductively understanding the diversity of the MSME sector and at the same time, questioning why the MSME aren't following the IFRS for SMEs, which is the deductive reasoning.

Samaha and Khlif (2016) identify a gap in empirical research regarding IFRS adoption decision-making at both country and firm level in developing countries. Wijekoon et al. (2021), in their Sri Lanka SMEs (developing country) study, indicated that the challenge for emerging economies is whether the reality of IFRS implementation can match the image of IFRS adoption. Carlsberg et al. (1985) asked owner-managers in their sample of 50 small companies in the United Kingdom what benefits they derive from producing annual statutory financial reports. Management users were mentioned in the responses received. However, Carlsberg et al. (1985) indicate that a significant proportion of these was expressed to confirm the financial results. Gibson & Wallschutzky (1992, p.10) interviewed 12 Australian SMEs concerning the role of accounting information in their strategic and operational decision-making, indicating a greater understanding of the role of accounting information in managing small organisations and its association with performance'. These studies provide evidence of conformity and objectiveness in the decision-making process.

In 2007, the United States Agency for International Development (USAID) analysed seven different definitions using quantitative criteria. Its conclusion proposed that SMEs are enterprises that employ between 10 and 99 employees, small enterprises employing between 10 and 49 employees, whereas medium enterprises would be those employing between 50 and 99 employees, with an annual sales and assets threshold of 1.4 million USD (Rana, Dababneh, and Tukan, 2007).

Ram (2012); Ram & Newberry (2013, p13) noted that the IASB also had trouble finding an appropriate title for the standard. The title was changed five times, and two months before its release, it was titled IFRS for SMEs. As cited in Di Pietra et al. (2008), Kirsch and Meth (2007) categorised SMEs concerning their size and users in the following way:

- Smaller SMEs.- Owner-managed, and banks are the main external stakeholders.
- "bigger" SMEs - External shareholders seeking comparable financial information.
- Big SMEs with primarily external shareholders...'They are primarily interested in financial information with predictive value for making decisions.

Kirsch and Meth (2007), with respect to these differing needs of users, conclude that restrictions should have been made for IFRS for SMEs.

However, this position taken by the Board, which is swaying towards a positive solution, is not agreed upon by some schools of thought. Furthermore, researchers do warn of the gap between the literature on users and financial reporting by SMEs (Collis and Jarvis, 2002).

There has been low-level participation by effective SME users and preparers in the IASB consultation process, as the larger part of involvement came from standard-setting agencies, public institutions, and professional firms like audit firms. The study by Di Pietra et al. (2008), as cited in Quagli and Paoloni (2012), confirms this viewpoint. This study will explore these users' perceptions of IFRS for SMEs, clarity, simplification, relevant disclosure of such reports, ease of understanding, and a possible new reporting framework, such as a singular reporting format.

In a German study, Eierle and Haller (2009) developed a survey asking German SMEs about their perceptions on applying IFRS for SMEs and confirmed that size has an impact. With the evidence provided by the various studies in the above paragraph, all *IFRS for SMEs* may not be welcome by some MSMEs. The characteristics of size, specific stakeholders, operating cash-flows, access to financing, future growth and owner-managed MSMEs may dictate and demand alternative propositions. Kaya & Koch's (2015, p.97) study stated that the advantages of voluntary adoption of IFRS for SMEs outweigh the mandatory option. Finally, voluntary adoption will lead to a more balanced situation in the universe of accounting standards, or voluntary adoption of full IFRS in private firms is associated with higher reporting quality (Bassemir and Novotny-Farkas, 2018). Therefore, this study will discern and recognise whether voluntary reporting is the approach to take or an incremental approach is an appropriate theme.

There are a myriad of factors, arbitrary distinctions and corporate life cycles that determine what constitutes an MSME, and this would cause potential differences in financial reporting. The International Accounting Standards Board (IASB) is the body that governs the conceptual and regulatory framework for accounting and the setting of International Financial Reporting Standards (IFRS), together with countries having their national standards within their jurisdictions. In Europe, the financial reporting standards need to be endorsed by the European Union (EU). The objective is to ensure enforcement of compliance within the framework initiated but does lack the power to compel any company to use its standards, primarily because the approach is principles-based rather than rules-based. The primary aims of the IFRS for SMEs are twofold: meeting the needs of SME financial reporting with simpler accounting and reducing the reporting burden on SMEs. Consequently, differential reporting has been the subject of much debate and concern by the accounting bodies and institutes in

Australia, Canada, Ireland, New Zealand, the United States, the United Kingdom and other countries (Maingot and Zeghal, 2006).

The issuance of *IFRS for SMEs* has been based predominantly on the advice and comments of board committee members, accountants, auditors, and lawyers, all professionally qualified and financially literate, at the exclusion of the principal stakeholders of MSMEs and their needs, a view that is strongly shared by other authors (Murphy and O'Connell 2013; Arafat et al., 2020).

The aims address, in a broad-based manner, lending itself to some form of intended regulation in place. However, choosing the optimum solution in terms of financial reporting, availability of technical expertise of MSME personnel, the accounting system's needs, and different cultural ownerships is still a challenge for national, regional and international standard setters. Recently, Zahid and Simga-Mugan (2019) found in their study that regulatory efficiency (business freedom), market openness (trade freedom), economic growth and legal origin have a significant effect on IFRS for SMEs adoption. MSMEs come in different sizes: large, small and micro sizes. Larger SMEs will be more prone to internationalisation and readily accept IFRS (Aboagye-Otchere and Agbeibor, 2012). In contrast, smaller SMEs will be more focused on user needs regarding simplified accounting and disclosure. The IASB's approach towards the SME dilemma was a unified conceptual framework, a set of basic rules for smaller entities and add-ons for other SMEs. The following user needs have been cited as reasons entailing the production of financial statements using IFRS for SMEs: Banks use financial statements to ascertain SMEs' capacity to repay and assess the level of profitability, security, and liquidity (Moyo and Mpofu, 2024). Prior research has shown that while some stakeholders require high-quality financial information produced through adherence to IFRS for SMEs, some do not (Perera et al, 2022; Wijekoon et al., 2023; Marina & Tudor, 2024; Suleman et al., 2019)

The requirements for MSMEs vary according to the jurisdiction. According to Holt (2016), the IFRS Foundation examined the application of whole and *IFRS for SMEs* in individual jurisdictions. The IASB has successfully promoted the standards globally, according to the IFRS Foundation (2020). By studying 84 jurisdictions, Pais and Bonito's (2018) study found that countries that are more familiar with applying IFRS and the standard law legal system (like the UK) are more likely to adopt this standard. Gassen (2017) observed that IFRS for SMEs has made strides internationally in financial reporting reforms. Kaya and Koch (2015) investigated the countries that adopted IFRS for SMEs. They concluded that countries with weak governance and a low capability to develop their own GAAP were likelier to adopt this

framework. Arafat et al. (2020) examined the public consultation carried out in the UK and Ireland and its reasons and noted (IASB, 2016) not all countries adopted IFRS for SMEs.

2.2.6 Summary

This section sought to establish whether adopting *IFRS for SMEs* within the MSME sector in the UK provides an avenue for greater transparency, accountability and decision-usefulness in its financial reporting mechanism. To meet this objective, it explores through the lens of the perceptions, opinions and experiences of owner-managers and personnel (internal stakeholders) directly involved with MSME. Since scant research is done in this sector, this section explored the existing theoretical perspectives on accounting and reporting regulation for MSMEs. A robust analysis was provided on the theories available for MSME's decision to adopt the accounting standard *IFRS for SMEs*, and the institutional and environmental factors influencing the adoption of the standard were examined. The UK is an Anglo-Saxon culture country, and the early prominence it played in the advent of IFRS as per se. Therefore, it is most likely that it considers the process of institutions being taken for granted and experienced by entities as objective reality rather than socially constructed (Van de Ven and Hargrave, 2004; Abernethy and Chua, 1996). However, in the context of the institutional theory, as proffered by DiMaggio and Powell (1983), MSMEs are more likely to follow the Mimetic isomorphism because they are acting as agents or suppliers in some capacity to support the activities of the large, listed companies in the UK economic spectrum. Furthermore, normative isomorphism strongly lends itself to the MSME sector as education and training are vital to fill the gap for the successful adoption of IFRS for SMEs.

This section considered the new regulatory and conceptual framework, definitions of the separateness and addition of Micro entities in the classification of the SME sector and motivations for adoption. IFRS for SMEs was largely adapted and simplified from FRSSE (ASB, 2009) to suit the features and characteristics of MSMEs. This study will explore and identify the relevance of this thinking, adding to the literature and filling the gap in its embryonic setting. The section further considered the users' needs for the simplified financial reporting form and whether voluntary adoption will play a significant part. The section then considered MSME international obligations and impacts to warrant adopting IFRS for SMEs, focusing on enabling comparison in its due process. This thesis will explore the existing position using interviews that capture the live dynamics rather than extant literature, which mainly depends on questionnaire surveys.

The next section will review and examine the literature on the second construct in the thesis conceptual framework, the diffusion of the perceptions of CSR activities in the UK MSME sector.

2.3 CSR evolution and its theoretical framework for MSME

Charitable giving principles, welfare for society and philanthropy can be traced back centuries (Carroll, 1999) and “the philosophies of corporate and individual philanthropy predate the current interest in CSR by hundreds of years” (Davies, 2018; Brooks, 2005 p.402). As cited in Davies (2018), despite its long history, CSR is still a vague and hotly debated topic (Davies, 1960; Lantos, 2001, p.595). To date, academics and practitioners alike still want a universal definition, although developments of a formal nature have been considerable in the 20th and 21st centuries (Carroll, 1991). However, a review of the literature during the last few decades shows there is an increase in the knowledge and research on this topic. This thesis explores its (CSR) impact on the MSMEs sector of the UK.

2.3.1 Defining CSR and its scope (1970’s).

As cited in Varenova et al. (2013), who draws on the origins of CSR, which was first defined in 1953 by Bowen. According to him, “ CSR is:

[...] the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society (Bowen, 1953, p.6).”

CSR has undergone several stages of evolution, including the rise of CSR activities amongst firms and organisations in the 1950s-1960s, as researched by (Lee,2008), to strategic management in the 1990s. Johnson's (1971) analysis of the concept of CSR included the following: conventional wisdom, long-run profit maximisation, utility maximisation, and lexicographic utility theory. This shows the importance of the stakeholder approach (Carroll, 2008, p. 29). Latapi Agudelo et al. (2019, p.6) noted that the 1970s gave birth to some of today’s most renowned companies concerning social responsibility, such as the case of the Body Shop, which was created in 1976 in the United Kingdom and Ben & Jerry’s founded in 1978 in the USA. Sadly, when writing this thesis nearly fifty years ago, a body shop company in the UK had just been put into administration. During this period, CSR understanding was influenced by social movements and new legislation. Despite these influential developments, CSR remained contested, with the likes of Levitt (1958, p.49), who described social responsibilities as “corrosive distractions” and implied that it is not for businesses to look after the welfare of the society but rather the government. Friedman (1970) stated that the primary objective of companies is long-term profit maximisation. Following Fredman’s publication, academic debate on CSR started to shift to find linkages associating CSR with the business case and its implications, which will be considered in the next session.

2.3.2 CSR boundaries, the business case and implications

During the 1980s and into the early 1990s, the concept of a related decision-making process evolved, and (Jones,1980) was the principal architect of looking at CSR from this perspective. However, Latapi Agudelo et al. (2019, p.6) drew a contrasting position that there was a political impact on the economies of the USA and UK at this time when free market capitalism was espoused (Pillay 2015). According to Latapi Agudelo et al. (2019, p.7), there were other contributors during the 1980s, such as Tuzzolina and Armandi(1981), where the focal point was on company performance based on a mix of financial and non-financial metrics. In 1991, Carroll (1991) observed that there was an increase in MNCs and internationalisation in global trade, and he presented the famous “Pyramid of Corporate Social Responsibility” to represent what he defined as the four primary responsibilities of any company (see later in Figure 7). Furthermore, Carrol (1991) developed the concept of firms being 'good corporate citizens', which was further explored in Carroll (1998).

During 2000, CSR was taking a more strategic dimension in the evolution process from an academic research standpoint. With greater public interest, the CSR agenda benefited positively (Smith,2001,p.142). Since then, Strategic Corporate Social Responsibility(SCSR) has taken hold of academic literature discussion (Werther and Chandler, 2005, p.322; Porter and Kramer, 2006). Carroll and Shabana (2010) echo Lee (2008) by asserting that CSR has evolved into a “key business goal” in an organisation’s strategic objectives. This is further reinforced by (Lantos, 2001,p.9) that there is an implicit social contract between the business and the society it engages in. Conversely, Friedman (1970, p.13) asserted that “the social responsibility of a business is to make a profit”, whereas, as alluded by Latapi Agudelo et al. (2019, p11) that businesses owe a duty to a broader set of stakeholders (Freeman, 2001; Friedman and Miles, 2002).

The history of the CSR concept and the changes in the conceptualisation of CSR as a practice was analysed by Varenova et al. (2013). There has been a shortage of literature on CSR for the last many decades, but little or scant research on CSR for MSMEs. This study will explore the nature of CSR's impact on MSMEs in the UK from a practical stance, hence adding to the body of knowledge within the MSME CSR sector. As a constant awareness and reminder of the CSR evolution process in the current era and as a matter of interest, this thesis is reproducing (see Table 4 below) the CSR development Figure 1. by Varenova et al. (2013, p. 4).

Table 4 CSR evolution by Varenova et al. (2013, p.4)

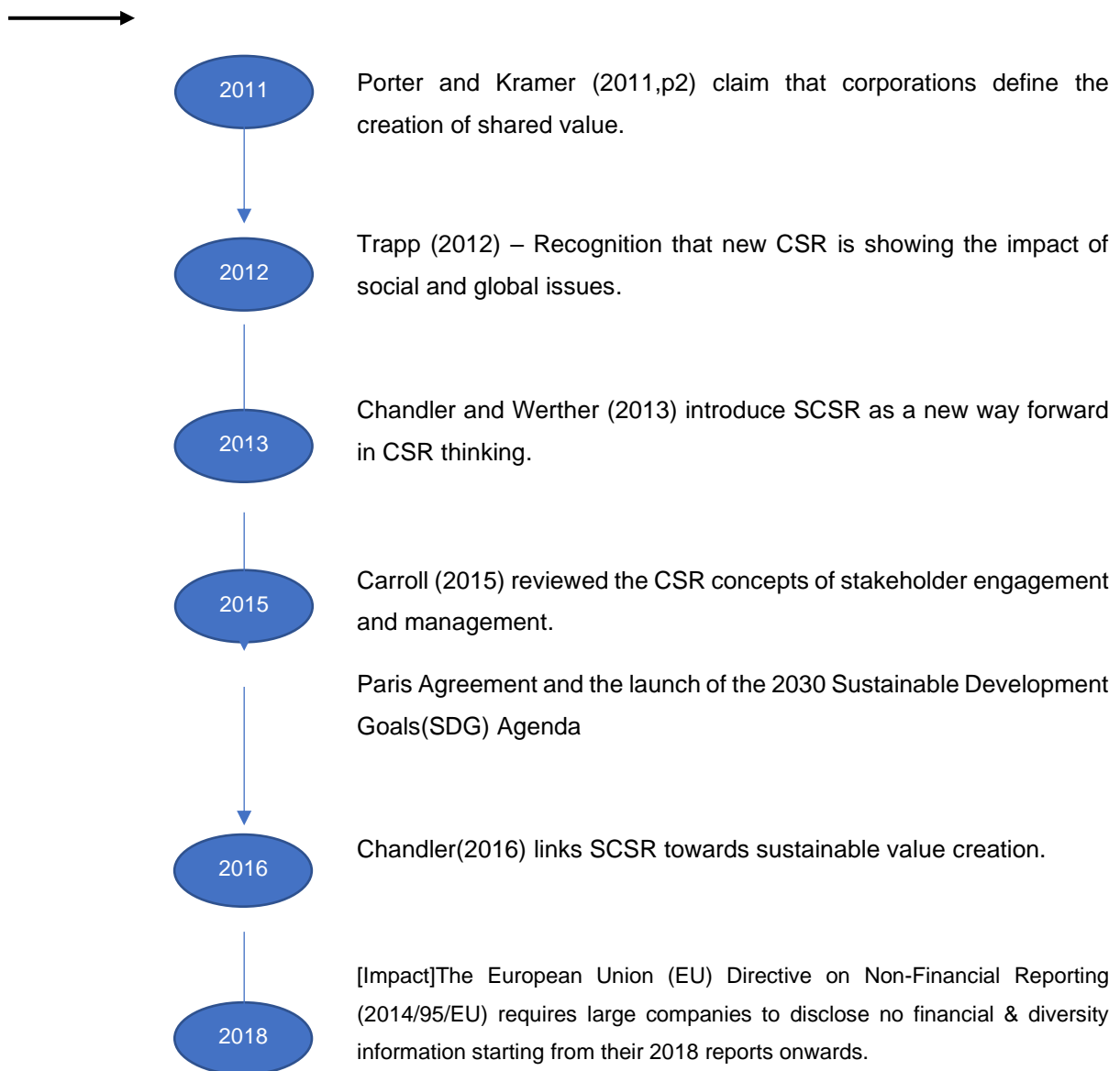
CSR development				
1950-1970 →	1970-1980 →	1980-1990 →	1990-2000 →	2000-2011
Identifying what CSR means and how important it is for business and society	The rationale for being Socially responsible and First CSR frameworks	Expansion of CSR research and development of alternative themes	Further development of alternative themes	New research
Abrams (1951): business to take into account interests of various groups	Wallich and McGowan (1970): develop enlightened self-interest model	Jones (1980): CSR is a process, not an outcome	Carroll (1991): introduces the pyramid of corporate social responsibility	Schwartz and Carroll (2003): introduce the intersecting circles model of CSR
Bowen (1953): defines the social responsibilities of businessmen	Committee for Economic Development (1971): Business is to serve the needs of society as the latter consents to business operations. Concentric circles model of CSR	Tuzzolino and Armandi (1981): a framework to assess corporate social performance, based on Maslow's hierarchy of human needs	Wood (1991): Criticizes CSP models by Carroll (1979) and Wartick and Cochran (1985) and produces her model of CSP	Margolis and Walsh (2003) and Hahn <i>et al.</i> , 2010: suggest a trade-off between CSP and CFP. Samy <i>et al.</i> (2010) identify a causal link between CSP and CFP.
Fredrick (1960) identifies five conditions for businesses to satisfy to be socially responsible.	Davis (1973): business to be socially responsible for its long-term interest	Strand (1983): model relating to CSR and corporate environment	Clarkson (1995): applies stakeholder theory to evaluate CSP	Pedersen and Neergard (2009), Pedersen (2010, 2011), Cacioppe <i>et al.</i> , (2008), and Hine and Preuss (2009) explore perceptions of CSR

Davis (1960): defines CSR	Sethi (1975): CSR framework to classify corporate behaviour. Introduces the term “corporate social performance.” Carroll (1979): three-dimensional model of corporate social performance Attempts are made to find the relationship between CSR and CFP	Freeman and Reed (1983), Freeman (1984): develop stakeholder theory, defining narrow and comprehensive view of stakeholders Drucker (1984): introduces “doing well by doing good” Research into the relationship between relationship between CSR and CFP expands	Berman <i>et al.</i> (1999): suggest strategic and intrinsic stakeholder management models Research into the relationship between CSR and CFP becomes the central theme	Research into relationships between CSR and CFP is popular
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(Source: Varenova et al., 2013 p. 4).

In the decade of the 2010s, the Paris Agreement and the launch of the 2030 Agenda for Sustainable Development Goals(SDGs) adopted in 2015 reflected a new social contract to achieve the SDGs (Agudelo et al., 2019, p.14). In addition to Figure 5 below, the chronological timeline can now be incorporated and updated as per Agudelo et al. (2019,p.12) visual history of CSR adapted as follows:

Figure 5 Chronology of CSR evolution post-2010 (adapted Agudelo et al.,2019, p.12-15)



The last decade saw the prominence of a more strategic orientation and a wealth of empirical exploration. Strategic choices replaced traditional philanthropy and pursued long-term competitive and economic advantages for businesses (McWilliams and Siegal, 2001; Lantos, 2001). Porter and Kramer (2002;2006) supported this strategic thinking. No doubt, the economic perspective represents the overarching presence in the literature. A case could be argued whether the financial and moral stance of the stewardship actors could be complementarily advanced in an MSME context.

Hack et al. 's (2014) critical review of CSR literature from the 1950s to 2010s concluded that CSR is still ambiguous and contested. Varenova et al. (2013, p.5) highlight some authors, such as Pedersen and Neergard (2009), on managers' perceptions of CSR and concluded 'that executives consider products, people and communities as the business' prime social

responsibilities'. Furthermore, they also considered Pedersen's (2010) affirmation that managers still make distinctions between financial and non-financial responsibilities.. Williams and Murphy's (2023) latest research confirms the above views of authors (Hack,(2014); Agudelo et al., (2019); Kudlak and Low (2015); Kolk(2016); Crowther, (2018) discussion in the current CSR academic literature. Through its primary qualitative research using semi-structured interviews, this study will draw inferences/themes on the owner's/managers' perceptions behind the institutional thinking of how MSMEs in the current digital era are dealing with CSR reporting and disclosure process. The following section will acknowledge some of the confusion and clarity exposed in the MSME CSR debate.

2.3.3 The conceptual confusion and terminology in MSMEs

Fassin et al. (2010) study pointed out that CSR understanding needs to be more transparent. CSR discussions are mainly centred on large organisations and not specific to MSMEs. With MSMEs, they might be engaging with it in their everyday business operations but may need to be more technically aware of the formalities or phraseology. Southwell's (2004, pp.100-101) study alludes that the phrase 'CSR' was not determined to be the most useful. Furthermore, there isn't a specifically designed SME CSR toolkit to follow (Russo and Perrini., 2010). Jenkins (2004, p.52) suggests "business community interaction," but this seems unduly restrictive to one dimension. Murillo and Lozano (2006, p.237) argue for "responsible competitiveness", a term which is recognised to be close to SMEs, while Lepoutre and Heene (2006) use "small business social responsibility (SBSR)". Soundarajan et al. (2018) study demonstrated that SBSR research is in the ascendancy. The other alternative term that cropped up in Southwell's (2004) study was "responsible business practice" (RBP)in SMEs. Avram and Kuhne (2008) highlight that CSR activities take different forms for different companies; further, Avram and Kuhne (2008) agreed with Russo and Perrini., (2010) terminology 'responsible business behaviour' instead of CSR for SMEs to follow. This study will gauge the perceptions of the owner/managers, entrepreneurs, and other direct stakeholders to inform them of their thinking of the term or whether it makes any difference. The following section will examine some of the issues that MSMEs face, as well as the motivations and business dialogue within the CSR debate.

2.3.4 MSMEs CSR classifications, motivations and dialogue

One of the issues in the literature is that various attempts have been made to classify SMEs about RBP discussed above (Moore et al., 2009). They added that Southwell (2004, pp. 99) 'classified SMEs into six different types', similar to the MSME sector. Firms operate as social enterprises; firms have financial-orientated objectives, minimal experience in responsibility practices, owner/managers who are independent thinkers, smart owner/managers who exploit business opportunities and owner/managers who are broad-minded

Spence (2004, p. 120) suggests that SMEs may be more “socialising” in their approach to RBP, incorporating a dialogic approach to accountability based on reciprocal relationships of mutual dependency. Fassin (2008) strongly advocates that RBP in SMEs should be informal.

The title of CSR is typically immersed in the vernacularism of large organisations and corporations. SME suffers from this corporate concept, and the smaller enterprises do not consider themselves corporate. This is evident from Spiers's (2017) research in his paper presentation at the BAM conference. The University of Leeds highlighted that during his interviews with owner-managers of smaller enterprises, they assert that they are not corporates. So, this is the dilemma: should we change the title of CSR to an alternative that fits the perception of SMEs? Spiers (2017) suggested “Boardroom Brilliance”. He further emphasised that in smaller companies, the executive and strategic decisions are made in ‘Inside the Black Box’, i.e. the board room. Contrasting this finding to a more diversified nature of business entities, for example, football club management, which involves societal implications, it was suggested recently (BBC sports, 2023) by the manager of the newly promoted Burnley FC to the premier league Vincent Kompany, commented on a report in 2022 that found just 4.4% of managers in the Premier League and English football league are black who make up just 14% of those with top coaching qualifications (according to the Football Association Diversity code) – *“I think the key is to have a change of the boardrooms in general. And once the boardrooms reflect society, then you will see decision-makers reflecting society as well”*.

After two decades, this study will explore Spence and Lozano’s (2000) evidence and discern any changes and improvements in the MSMEs sector, albeit the impact of cultural and diversity implications where the micro and small entities represent significant minority groups. With respect to social capital within SMEs, this study explores and examines these themes in the possible adoption of CSR via social capital (See Chapter 4, section 4.2.3.7). Therefore, there are challenges for SMEs to come up with a dimension that ranges from these various concepts and activities, which can be integrated under a singular umbrella reporting mechanism. This study will explore the benefits of integrated reporting for SMEs regarding its various capitals.

The CSR agenda is researched widely in large companies such as public limited companies and corporations. CSR implications for SMEs are still in their infancy. This study examines the stakeholder theory (SHT) from a practical stance considering FRSSE, financial performance, and integrated reporting, hence adding to the body of SME knowledge. As cited in Samy et al. (2010), significant prior research on large companies showed that there is no correlation between CSR and financial performance due to cost. Conversely, other important research

has argued that socially responsible corporations obtain internal benefits that influence financial performance. Curran's (2005) study showed the effects of CSR on indicators of financial performance and discovered that 24 of 34 studies (70 per cent) were positive. Given these paradoxical positions, MSMEs have to discover their legitimacy.

MSMEs' primary objectives are to maximise shareholders' wealth, maintain long-term profitability and sustainability, comply with policies and regulations, and be accountable to the communities and industry in which they operate. To this end, this study will explore CSR in the context of voluntary disclosure for MSME reporting purposes. Legitimacy theory (LT) and Stakeholder theory (SHT) are relevant theories within CSR, which will provide the theoretical underpinnings. LT and SHT have provided theoretical motivations for social disclosure... LT better explains corporate disclosure, and SHT better explains solicited corporate social disclosure (Van der Laan, 2009). As cited in Ogiri et al. (2012, p.269), according to Lindgreen and Swaen (2010), 'to achieve the successful implementation of CSR, managers must build bridges with their stakeholders through formal and informal dialogues and engagement practices'. Other studies have examined industry effects by comparing disclosures between and even within industries (Guthrie et al., 2006; Samy et al., 2010). Furthermore, sustainability reporting should not be done in isolation; an integrated approach must be advanced.

Two decades ago, there was increasing focus on community engagement practices such as triple bottom line reporting, sustainability reporting and CSR practices. Deegan (2002) identified this trend to reflect Gray et al.'s(1998, p. 303) view 'that consideration to social reporting and related accountability issues has re-emerged after a period of stagnation'. Currently, various other strands are emerging within CSR reporting. The reasons for the renewed interest may be varied; however, it is best to remember Gray et al. (1998), p.303) who articulated that the sustainability framework cannot be divorced from social issues and to account for these issues in the financials warrants the case for environmental accounting.

Porter and Kramer (2002), published in the Harvard Business Review (HBR), argued that companies that are not good for society would be unable to maintain their competitive advantage in the future. In 2011, they published another HBR article on 'creating shared value(CSV)'. Therefore, we now have CSR turning into another interchangeable concept, CSV. It would be mind-boggling for the MSMEs to confront these similar, different, or paradoxical concepts. It may be a win-win solution for large companies, but certainly not in the nascent setting or positional context of current MSMEs. It's comforting to know that seminal authors in this field have questioned the CSV as an instrumental concept (Jamali and Carroll, 2017). At the same time, 'strategy CSR' was emerging in the marketplace (Werther and Chandler, 2011)

Revisiting Freeman's (1994) viewpoint that business exists to produce products and services and sell them to make a profit and increase shareholder return, albeit ignoring societal issues, portrays a very narrow focus through the lens of multiple perspectives of SME stakeholders. The MSME sector is close-knit to the various stakeholders, such as customers, suppliers, and finance providers. D, Haski-Leventhal (2018,p.13) manifests the counterargument eloquently, saying, *"if we are going to use Adam Smith's (1776) narrow view of the invisible hand, we should also use his idea of the caring hand and promote a society that is built on morality, caring and empathy to drive our wealth and health...Furthermore, with information asymmetry (the inability of consumers, governments and others to know what truly occurs within a firm), companies can get away with immoral behaviour for years without being 'punished' by the market, if at all, and as such, the invisible hand is not always an effective regulator"*.

The above affirmation supports the evidence of failures of large companies in the UK, such as British Home Stores, Carillion, and Wilko, in the recent past. These companies are mature, successful, and age-old companies that owe a duty of care and socially responsible practices to their stakeholders. The MSMEs act as a fulcrum towards large companies and corporations, ensuring good relationships and social contracts are operational. While the profit motive may be the overarching aim of MSMEs, albeit shareholder wealth maximisation, the other secondary goals, such as survival, quality control and long-term trusted brand, are equally important to fit into the value creation puzzle for MSMEs. Indeed, the main goals shifted during the pandemic, and now, post-pandemic, the goals have been re-evaluated. Porter and Kramer (2011) claimed that if a business acts as a business, not a charitable donor, to address societal challenges, there is no limit to what can be achieved.

D, Haski-Leventhal, (2018, p.19), in her book 'Strategic CSR' indicated there had been many drivers of change for the shift towards the broader view of business responsibility, particularly in the last four decades; please see Figure 6 below of the drivers initiated by Haski-Leventhal:

Figure 6 Drivers for change by Haski-Leventhal, (2018, p.19)



2.3.5 MSME Managerial and Other Stakeholder Motivations

According to Aguilera et al. (2007), companies' motivations to participate in CSR can be divided into three groups: moral, relational, and economic motivations and society is at the heart of it. They can be deemed to be the primary stakeholders. For the business to gain legitimacy and a social licence, its behaviour must have high moral standards (Mclean and Elkind, 2013). Under relational motivation, socially responsible companies understand they need to respect people and the environment. Furthermore, companies tend to reduce restrictions by maintaining good relationships with other stakeholders (governments, consumers, employees, and others). The third set of motivations is called economic motivations, where brand, reputation, customer loyalty, financial performance and employee engagement drive the business to recognise its benefits. Carroll (2016), in his most recent paper, calls it the 'business case' for CSR... "scholars and practitioners who focus on the business case often strive to show a positive relationship between doing good and doing well".

Deegan (2002) observed that managers can voluntarily undertake CSR activities and report on them on behalf of their organisation. Sen and Cowley (2013, p.419) summarised the various author's contributions on 'Motivations of CSR in SMEs' in a table that is reproduced below:

Table 5 Motivation of CSR in SME by Sen and Cowley (2013, p 419)

Mankelov (2003)	<i>Long – term survival, increase employee morale, customer support, customer loyalty, business reputation, altruism, character/values of owner, recognition, expectations of community, etc.</i>
Castka et al. (2004)	<i>Business profitability, ethical operation</i>
Spence and Schmidpeter (2003)	<i>Gaining community support, long-term survival, business reputation, access to information, marketing</i>
Spence et al. (2003)	<i>Philanthropic, character/values of the owner, business reputation, long-term survival, creating network</i>
Fuller and Tian (2006)	<i>Business reputation, meeting stakeholder (mainly internal) expectations</i>
Murillo and Lozano (2006)	<i>Character/Values of the owner, social /economic model of the manager, competitive impact, innovation possibilities, basis for differentiation, legal regulation, vision/mission of the company</i>
Williamson et al. (2006)	<i>Legal compliance, business performance</i>
Udaysankar (2008)	<i>Basis for differentiation, access to resources, increased visibility, meeting stakeholder demands and expectations</i>
Russo and Perrini (2010)	<i>Increase trust, business reputation, legitimacy with specific stakeholders (suppliers, customers, employees and local community), external influences (cultural, institutional and political)</i>

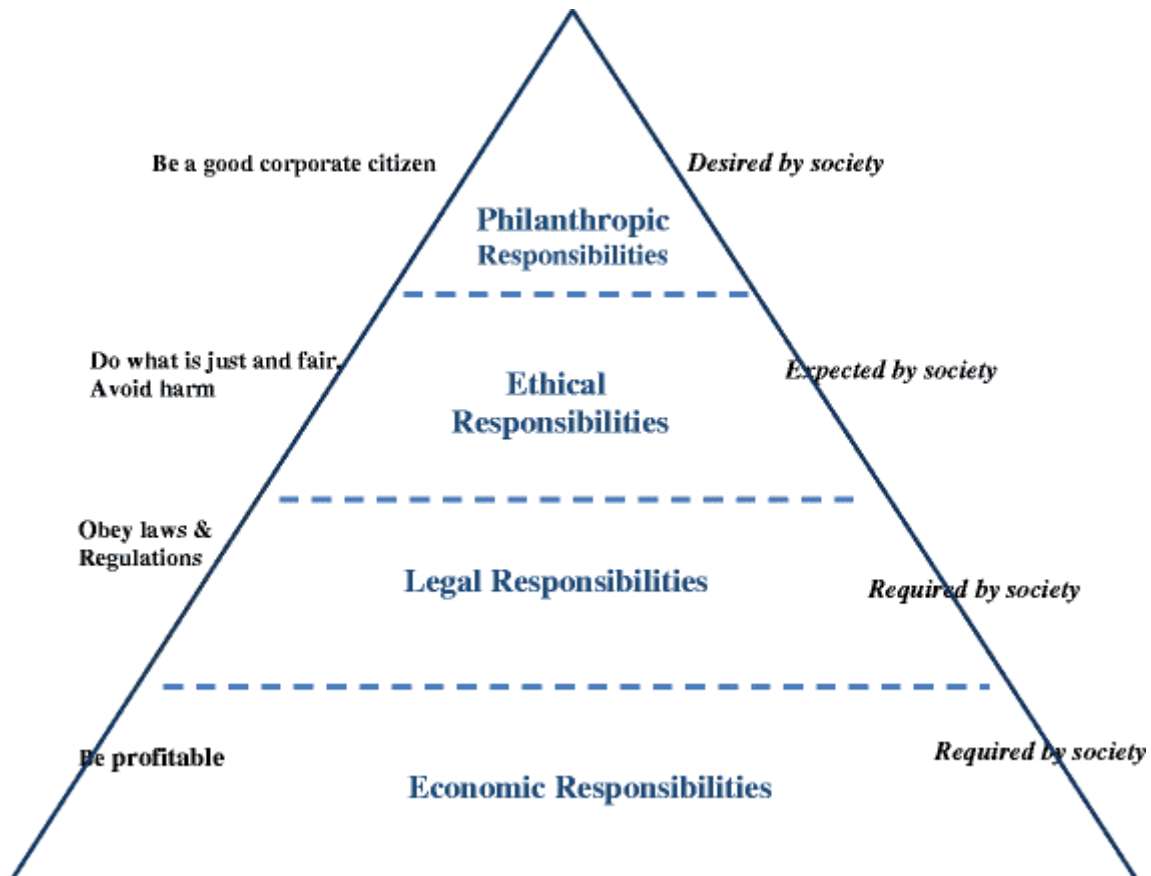
Source: Sen and Cowley, (2013. P.419)

A review of the above table shows that in the earlier studies, the motivational impact of SMEs' CSR involvement is mainly driven by business goals such as long-term survival, long-term profitability and business reputation. Later studies showed that access to resources, legitimacy, and meeting stakeholders' demands and expectations were motivating factors. Graafland and Smid (2004) opined that business reputation is not a top priority when engaging in CSR for SMEs.

Whilst at the theme of managerial and stakeholder motivations regarding the current evolving CSR since the 1950s, evidence of businesses seeking to improve society, the community, or

particular stakeholder groups may be traced back hundreds of years (Carroll,1999); it's appropriate to revisit Carroll's original four-part definition of CSR (Carroll, 2016, p.2) for implications in an MSME setting and they are reproduced below:

Figure 7 Carroll's Pyramid of CSR (1991)



Lee (2008) opined that Carroll's (1991) article in which the four-part model of CSR was published has become one of the most widely cited articles in the field of business and society. The MSME sector would necessarily incorporate the four segments of the pyramid structure. Carroll (1991) stresses that economic responsibility is paramount to being competitive in business (Carroll, 2016, p.3). It correlates well with the characteristics of MSMEs, where their primary objective is profit maximisation, as opposed to the larger firm setting of wealth maximisation objective. Carroll (1991) also adds that meeting legal responsibilities is an important expectation of business, thereby creating respectable, law-abiding corporate citizens. He also identified that ethical considerations are important when doing business in society.

This study aims to capture these CSR advances via its semi-structured interviews with the MSMEs, incorporating Carroll,(1991) conclusions on the four segments of the CSR pyramid. Carroll (2015) reaffirms that “CSR will continue to be the centrepiece of these competing and complementary frameworks”. Regarding this thesis study on the MSMEs sector, the views of (Smekalova et al., 2014) are worth sharing, i.e. economic rationality is the main driver for engagement in CSR activities.

As cited in Williams and Murphy (2023, p.3), Waddock.,(2020, p.1) argues, ‘business transformation is unlikely until surrounding ecosystems demand it... Businesses faced this predicament with the COVID-19 pandemic, which has raised some fundamental questions about CSR thinking. Crane and Matten (2021) recognise this and suggest that there should be closer involvement between businesses and stakeholders and that the vulnerabilities faced by some stakeholders should be identified. CSR is a voluntary activity; therefore, the impacts and consequences of the COVID-19 pandemic crises have been included in the thinking behind CSR activities and policies initiated, such as job losses and retraining new skill sets to fill employment vacancies in the MSME sector. The worst sector hit by COVID-19 was the hospitality sector. Given this development, the hotel industry also started recognising the relevance of social and environmental issues. (Khodaviren and Dhar-Bhattacharjee, 2024). CSR activities impact organisational commitment, employee perception, and consumer behaviour while improving stocks and gaining stakeholders’ interest (Johann, 2023).

2.3.6 MSME theories, business management, and sustainability

The literature review to date recognises that most CSR standards were geared towards large and multinational companies rather than MSMEs. A similar study using materiality analysis was conducted in Spanish SMEs, reporting the basic CSR issues that were useful, significant, and adaptable within its stakeholders (Munoz et al., 2013). Consequently, CSR may be considered an organisational instrument for implementing the concept of business sustainability (European Commission, 2002).

In recent years, Corporate social responsibility reporting in companies has accepted self-regulation (Rasche 2009) using various tools, such as the international standards GRI Guidelines (Global Reporting Initiative, 2002; 2006), for example, ISO 26000 and ISO 14000. Such tools, if implemented within the MSME sector, will facilitate greater comparison and verification. Various studies have been conducted to adopt the GRI international standards to integrate CSR and the generation of sustainability reports for SMEs (Weltzien

Hoivik, 2011; Perera, 2008; Borga et al., 2009). In its sample of interviews, this study will establish whether such confirmatory standards of integration are practised in the UK.

Fassin (2008) states that published reports do not reflect 'real' CSR; there is a degree of ambiguity or appear symbolic and, therefore, even be counterproductive. Nielsen & Thomsen (2009a;b) allude that CSR communication in SMEs is informal and an infant stage, understanding the local context and therefore stifles the communication of the messages to vested stakeholders. These factors play a vital role when business is conducted internationally and enhance the MSME brand worldwide, as confirmed (Parsa & Kouhy, 2008). Furthermore, Davies (2018) recognised the integrated elements of SMEs and cited that SMEs are rewarded for their flexibility in social engagement (Spence, 2016).

The next two sections will review and discuss the two prominent theoretical underpinnings of the study in a context associated with the MSME sector.

2.3.7 CSR and Legitimacy Theory(LT)

It has been recognised that large business CSR research and its theoretical underpinnings are the dominant landscape in the literature review. However, CSR in SMEs is under investigation, and evidence is shown from these studies (Jenkins, 2004; Lähdesmäki & Suutari, 2012; Spence, 2016). It's clear where the focus lies, rather than MSME sector which contributes significantly to society.

Fernando and Lawrence (2014), in their paper on ' A theoretical framework for CSR Practices: ...' highlighted that according to Gray, Owen and Adams (2010, p. 6),

“Theory is, at its simplest, a conception of the relationship between things. It refers to a mental state or framework and, as a result, determines, inter alia, how we look at things, how we perceive things, what things we see as being joined to other things and what we see as 'good' and what we see as 'bad'" (p. 6)..."

Fernando and Lawrence (2014, p.3) also acknowledge no universally agreed theoretical perspective to explain corporate behaviour towards CSR practices, citing (Gray et al. 1995a; Deegan, 2002; Belal, 2008; Gray et al. 2010). When a theory is accepted, there are supposedly variations (Deegan, 2002, p.288). Conversely, Thompson (2007) identified 33 theories used in CSR studies as theoretical frameworks, and his study findings show that the frequently employed theories are legitimacy, stakeholder, information usefulness, market, political economy, accountability, institutional, critical, contingency, and ethics. Gray et al. (1995b) affirm CSR practice as a phenomenon cannot be studied using just a single theory. Subsequently, in a future study (Gray et al., 2010, p.9), they reaffirm again that the assumption still needs to be completed in social sciences. Further, Deegan, Rankin, and Voght (2000)

assert that more theories must be reviewed to gain a better understanding. The two most prominent theories identified and discussed within the CSR agenda were SHT and LT (Ogiri et al., (2012, p. 273), and society grants legitimacy and power to business (Merkelsen, 2011). A watered-down CSR theory does not explicitly adhere to the MSME sector. This thesis study attempts to plug the gap on how the owners/managers and internal stakeholders of MSME make sense of CSR.

Studies are also presented on a related CSR variant, Corporate Social Disclosure(CSD), which was amplified by Parker (2005). which can be encapsulated with similar terms such as 'corporate social accounting', 'social responsibility accounting', and 'social disclosure'. Legitimacy Theory (LT) and Stakeholder Theory (SHT) have provided theoretical motivations for social disclosure (Van der Laan, 2009). Various explanations are also given on CSR variants in Vourvachis's (2008) working paper. (Golob and Bartlett, 2007) concluded that stakeholders have access to such information through CSR reporting. This form of reporting is a primary way to disseminate information to MSME stakeholders about the CSR activities that the company is engaged in, an exemplary method of public relations exercise creating a mutual understanding between the parties and achieving legitimacy. CSR reporting is not cheap; in fact, it could be a burden to a lot of MSMEs, and some schools of thought within the MSME sector may argue that it is counterproductive in terms of the employment of its resources, i.e. they could be put to better use such as helping the community and supporting non-profit organisations directly. Recent studies have demonstrated corporations do not exist solely for the satisfaction of their legitimate stakeholders (Waller,2009; Doove et al., 2004; Vallentin and Murillo, 2009; Moir, 2001) but for society.

However, there are some good reasons to invest resources in CSR reporting, particularly in creating company legitimacy. CSR reporting can increase the company's legitimacy, and several authors who have written about CSR reporting use the legitimacy theory (e.g. Patten, 1991; 2020; Golob and Bartlett, 2007). (Patten, 1991; 2020; Deegan et al., 2002), are some of the leading authors who recognise the importance of legitimacy. Legitimacy theory argues that corporate disclosure reacts to environmental factors (economic, social, political) and that disclosures legitimise its actions (Preston and Post, 1975; Hogner, 1982; Lehman, 1999; Lindblom, 1993). Disclosure of information is at the heart of the societal stakeholders, and their assessment of the business entity is that it represents a good corporate citizen (Carroll, 2016).

Tilling's (2004, p.4) viewpoints espoused that "it is from this level that most accounting research tends to draw its understanding of legitimacy". Suchman (1995:) then considered organisational legitimacy as an operational resource with objectives. Gray et al., (2010, p. 28)

believe that “organisations can only continue to exist if the society in which they are based perceives the organisation to be operating to a value system that is commensurate with the society’s own value system”. This example is typical and fits into a Western-oriented society such as the UK, where CSR practices are easily accepted and integrated. For instance, Galaskiewicz (1991) notes that cultural diversity instils and supports ethical behaviour in society. Boli and Hartsuiker’s (2001) argument states that CSR is adequately institutionalised and rationalised in Western countries using a social media reporting style. A Swedish company like IKEA is a classic example of institutionalising sustainability in its business operations. In the UK, employee stakeholders’ working rights through minimum wages have been institutionalised.

Legitimacy theory is based on a “social contract” between the organisation and the society it serves (Deegan, 2006; Deegan & Samkin, 2009). However, operating an entity in this manner is not always comfortable and straightforward because of society’s differing norms and expectations, resulting in gaps in the legitimacy theory. As cited in Gray et al. (1995), the clearest exposition is probably that of Lindblom (1994), who argues that we must first distinguish between legitimacy – a status or condition – and legitimation – the process underlying that state. Lindblom defines legitimacy as:

“...a condition or status which exists when an entity’s value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity’s legitimacy (p.2)”.

Gallardo-Vasquez & Lizcano-Alvarez (2020, p.57) recent Spanish study on MSMEs’ legitimacy opined that “the consistency of social systems within which organisations operate is a key factor for firms. Therefore, MSMEs need to consider since they must identify the relevant factors to achieve legitimacy”. The authors also cite that Bitektine (2011) considered legitimacy as the judgement of an organisation that the society develops., later, Bitektine and Haack (2015) point out that although legitimacy can be regarded as an organisational asset, a social evaluation from observers is fundamental. Gallardo-Vasquez & Lizcano-Alvarez (2020, p.57) also highlighted that more recently, Derakhshan et al. (2019) affirmed that organisational legitimacy highlights the importance of social acceptance of organisations. Lindblom (1994) espoused four legitimisation strategies that an organisation can adopt to legitimise its operations within the society in which it operates; see Milton (2010). MSMEs can adopt any or all of these strategies, and a summary of these four strategies is as follows:

- educate relevant stakeholders about its actual performance

- change the perceptions of the relevant stakeholders about the underlying issue without changing the organisation's behaviour
- distract or manipulate the attention away from the issue of concern and seek to divert the attention to a favourable issue; and/or
- seek to change external expectations about the organisation's performance.

The above legitimisation strategies, in some shape or form, could have a strategic fit into MSMEs' CSR practices and reporting disclosures. If MSMEs undertake these strategies, which then indicates the organisations are legitimising their operations would send a good signal to potential investors and other stakeholders. As stated by Tilling (2004), two streams exist in legitimacy theory; one is the wider perspective, and the other is the narrow perspective. The wider perspective is sometimes known as the institutional legitimacy theory, which is concerned with how organisational structures have gained legitimacy from society at large. Conversely, the narrow perspective is geared towards the individual organisational level. (Gray et al, 2010).

Environmental issues played a bigger role in CSR practices during the late 1980s and early 1990s. Puxty (1986,1991) has argued, "CSR may be little more than the crumbs of legitimation dropped from the table of powerful corporations". Organizational LT explains that businesses who want to maintain legitimacy as a reputational objective will do what it takes to establish that thinking (De Villiers and Van Standen, 2006), which is similar to institutional theory, where its survival depends on the organization's perceived legitimacy (Patel et al, 2005). CSR involvement would show there would be some form of competitiveness and legitimacy amongst MSMEs.

2.3.8 SME and Stakeholder Theory (SHT)

The origins of the term 'Stakeholder' appeared in the management literature in an internal memorandum at the Stanford Research Institute (SRI) in 1963, but later, Freeman (1984), p. 25, 31) revised its constructs. SRI defined stakeholders as the most prominent groups on which the organisation depends for continued survival. Stakeholder theory is the relationship between organisations and their stakeholders (employees, suppliers, customers, community, and financiers). Stakeholder theory focuses on co-creation and trade with stakeholders in a complex and uncertain world (Freeman et al., 2018, 2020). Freeman et al. (2010) claimed in their study that SHT is compatible with the seminal Friedman's(1962) expositions of financial objectives: "the business case of maximising profits maximises shareholder value. and to satisfy stakeholders". Stoian and Plakoyiannaki (2024) recently cited that as sound relationships with stakeholders are crucial for operating any business model (Freudenreich et al., 2020; Hristov & Appolloni, 2022; Nguyen et al., 2020), managers should develop and

maintain fair and long-lasting relationships with all stakeholders and aim to create the highest possible value for them (Dmytriyev et al., 2021).

However, in his study (2009, p.39), Stieb emphatically opposed Freeman's(2002) intention to revitalise the conflating agency principles and goal congruence theories. He further criticised it, claiming Freeman and Philips (2002) have contradictory opinions and interpretations of SHT. Scholars agree that organisational stakeholder interaction generated more benefits than the purely economic agenda (Freeman et al., 2020; Philips et al., 2019). From a modern-day perspective, it is imperative to establish the key players within the MSME sector in terms of the stakeholders and their varied relationships. Communities in which these entities operate create better relationships (Dunham et al., 2023).

There is still no conclusive model that exists in the CSR-SME relationships. Alternative terms have cropped up, such as Avram and Kuhne (2008), who used the term 'responsible business behaviour' (RBB) instead of CSR to describe their proposal for a strategic and holistic concept that should help MSMEs achieve their social agenda. Social capital can take different forms, such as transparency, goodwill, good citizenship, trusts, norms and networks (Spence et al., 2003).

Large firms are highly structured with well-defined managerial hierarchical systems, less room for flexibility, minimal personal touch services, and destitute of local-level engagement but with missions and goals that are geared towards national, multinational, and global levels; their differential view affects the content, nature and extent of their CSR activities (Dias et al., (2018). In this type of CSR paradigm, large firms will have a myriad of identifiable stakeholders with whom they can collaborate and cooperate. There may be numerous subsidiary companies within a group that can coordinate, structure, and specialise CSR activities with their external stakeholders. On the other hand, MSMEs exhibit a more flexible approach with more involvement with their immediate stakeholders on a day-to-day basis and less structured practices. This study will determine whether this practice is prevalent and whether it is a benefit or a burden to owners/managers considering the post-pandemic era. This will be one of the explored themes, resulting in companies challenging their assumptions about CSR and the new working practices it may adopt. This theme is evident in Chapter 4, section 4.2.3.2.

A myriad of typologies of stakeholders has evolved, but Clarkson's (1995, p.106;107) typology of stakeholders is the most widely cited and accepted. Clarkson (1995, p.106;107) distinguishes primary and secondary stakeholders; 'A primary stakeholder group is one without continuing participation, the corporation cannot survive as a going concern. Secondary stakeholder groups are those who influence, affect, or are influenced or affected by the corporation'.

Russo and Perrini (2010), in their study investigating Stakeholder Theory and Social Capital, provided an important insight into the analysis of SMEs and large firms idiosyncrasies, as per Table 6 below:

Table 6 SME and large firm idiosyncrasies

Strategic orientation	SMEs	Large firms
Consolidated	Independence Internally financed Cash -limited Multitasking Flexibility Economies of Scope Owner-management	Group Joint Ventures Alliances Externally financed Diversified Rigidity Economies of scale External management
Emerging	Competitiveness- keeper Informality Largely local Relational Personal relationship Trust Openness	Competitiveness – maker Formalised Visible to the media and NGOs National Multinational Global Transactional Structured relationship Branded

Source: Russo and Perrini, (2010)

The above idiosyncrasies highlight the key differences between SMEs and Large firms specific to their strategic orientation. SMEs are generally considered as independent firms compared

to large firms (Spence, 1999). (M)SMEs are predominantly independent, use more internal financing, and operate in a multi-tasking manner with the close involvement of the owners/managers. Their business transactions are mainly local and relational, personal relationships with their stakeholders.

It's easier for MSMEs, whose organisational structure is less complex, to volunteer in the community. However, CSR strategies by SMEs, such as volunteer programs, are expensive. They oversee the firm's management, thereby minimising agency conflicts, which is evident in large firms (Russo and Perrini, 2010). Furthermore, they have a myriad of different stakeholders embedded in their social capital. This would then back up a different framework of MSME-specific.

SMEs are generally suppliers/or logistic providers to larger firms- competitiveness keepers (Russo and Perini., 2010). Therefore, integration of CSR in their supply chains would be a more acceptable practice (Maloni and Brown, 2006). In this context, MSMEs will be involved more closely with the local community. This view within the SME context was supported by (Vyakarnam et al., 1997)

Mitchell et al. (1997) analysed the various types of SME stakeholders. They developed a stakeholder salience model to understand the importance of individual stakeholders based on their possession of one or more of the three attributes: power, legitimacy, and urgency. They were ranked in the order of higher to lower salience, as replicated below in Table 7.

Table 7 Mitchell et al,'s.(1997) Stakeholder salience model classification

	Attributes possessed	Salience classification
Owners	Power/legitimacy/urgency	Definitive
Employees	Power/legitimacy	Dominant
Customers	Power/legitimacy	Dominant
Suppliers	Power/legitimacy	Dominant
Investors	Power/legitimacy	Dominant
Family of owners	Legitimacy	Discretionary
Political groups	Legitimacy	Discretionary
Trade associations	Legitimacy	Discretionary
community	Legitimacy	Discretionary

Source: Mitchell et al,(1997)

Mitchell et al.,(1997) table above shows the importance of individuals stakeholders based on their possession of one or more of the attributes: power, legitimacy, and urgency. Depending

on the type of attribute, namely, power, legitimacy, or urgency, they are termed dormant, discretionary, and demanding, respectively. Summarising the above attributes, those with power and legitimacy are dominant, those with legitimacy and urgency are dependent, and those with power and urgency are known as dangerous stakeholders. Jamali and Carroll (2017), in capturing advances in CSR, cited Richter and Kevin Dow's (2017) article, drawing on Habermas's (1968) language pragmatic approach, which strongly emphasizes dialogue, participation, and procedural justice as the conditions of legitimisation.

The diverse characteristics of MSMEs, as evident in this review, tend to shape the distinguishing organisational features from larger organisations. The limited number of hierarchical levels further reinforces the relatively simple and flexible management structure (Dean et al., 1998) of SMEs (MacMillan 1975). It is recognised that decisions within the (M)SME sector are akin to be strongly influenced by the owners' values and intuitions rather than long-term planning and rationality, which in turn explains why SMEs, in general, are accused of being 'strategically myopic' (Mazzarol 2014). Tilley (2000) highlighted the assumption that SMEs are "little big companies" and that advances to engage companies in CSR can be scaled down to 'fit' SMEs (Jenkins, 2004). Large companies have the power and resources to implement CSR strategies that, in fact, impact the share price and valuation of the company. If it is not done responsibly, it could negatively impact the company's reputation and brand. The concept of sustainability is now featured as a common theme in CSR discussions, and indeed, MSMEs have to pay close attention. In their study on event management, Raj and Musgrave (2009) observed that "sustainability" was of prime importance for businesses.

As cited in Musgrave(2011, p.260), Porter and Kramer (2006) argue that prominent theories of CSR are so disconnected from business strategy that the actions "obscure many of the greatest opportunities for companies to benefit society". This draws in the discussion of the emergence of sustainability development (SD) within the MSME sector, which tends to align more closely with Porter and Kramer's strategic, holistic, and integrated approach to CSR activities within organisations. A diverse group with different cultural settings operates MSMEs in the UK. This line of thinking can be applied to an individual leadership trait and spiritual context, such as having a 'Constant Integrated Awareness' (CIA) in your daily lives (Sri Satya Sai Baba discourse by Balasubramanya, 2022) and the MSME sector owner/managers are a diverse group, where our friends from the Islamic community are exemplars of having CIA as they say "MashAllah" when something good has happened. They constantly reflect and thank God for the good things in their lives, businesses, and society. (Cooksvillesaicentre, 2017), which displays CSR in action.

The four prevailing components of CSR which are often used, as proposed by Porter and Kramer (2006), are 'Moral obligation', 'Sustainability', 'License to operate', and 'Reputation'. Montiel (2008) clarified the differences between CSR and corporate sustainability (CS). According to Montiel (2008), SD represents a broad basis due to its concept of the triple-bottom line. The framework of SD is ethically justified as it attaches importance to an integrated and strategic approach concerning the events management industry. The framework is represented under the "three pillars of sustainability" as postulated by Raj and Musgrave (2009) cited in Musgrave (2011, p. 261), covering the headings of "Economic, Environmental and Social".

As cited by Musgrave (2011, p.269) relating to events management:

"Why is this important to events? The event industry is a consumer facing industry and as Hall (1992) suggests it is the public sector's heightened awareness of these implications that has given rise to industry reaction. Coupled with a political will this has provided strength for an old concept to increase in popularity within a contemporary industry. Fredline et al. (2003) go further and question the long-term viability of events and suggest that events have a low probability of reoccurrence if event-specific objectives are not related to the values of sustainable principles. A future glimpse of the industry suggests challenges that face supply chain management, environmental and social regulation and industry-wide threshold competencies. Given recent austerity measures and current industry growth, adhering to principles of sustainable management will present a notion of due diligence in the market place and if integrated throughout the business functions, will facilitate sustainable profits through strategic performance and cost efficiencies."

The MSME sector is typically represented in event organisations; therefore, the challenges are typical of the above conclusion. Furthermore, the hospitality sector generates economic growth and employment, especially for young people, contributing to social integration (Khodaviren and Dhar-Bhattacharjee, 2024).

MSMEs can emulate some of the larger companies' CSR activities, albeit within the constraints of the financial burden, but more importantly, tailoring to the benefits of their closer and immediate stakeholders. In other words, should a different CSR reporting model exist for MSMEs? For example, they could add a few extra narrative notes about CSR activities to their existing financial reports, representing a singular report obfuscating figures in complicated annual reports and cost constraints. Owners/managers rely mainly on their intuition and attitudes, keep it small, and have no ambitions for expansion and growth. This study will explore and add to the growing CSR for MSMEs body of research, identifying the CSR

practices that MSMEs shareholders, owner-managers and other immediate stakeholders will generously accept. The theme identified in the study addressed in Chapter 4, Section 4.2.4.2, explored MSME expansion and growth as a goal and the inherent duty for accountability and responsibility to report CSR/IR processes.

One of the primary goals of MSMEs in the UK, Europe and the wider global world is to create, enhance and add value through the practices of their business model. The cost factor is one of the main determinants for MSMEs' consideration; therefore, implementing CSR initiatives within could be approached by a more recent concept engulfing larger enterprises and introducing integrated reporting (IR) in their external reporting functions. This would be welcomed by a myriad of MSME investors, especially venture capitalists. Drawing on the latest research, this study will explore the value of IR for MSME external reporting.

2.3.9 MSMEs CSR strategies, drivers and reporting focus

MSMEs occupy a unique position in the economic strata of the UK economy. They are the main driving focus of the economic growth engine in the UK, Europe, and globally. However, CSR in this sector is often overlooked at the expense of larger companies and multinationals. Furthermore, as aforementioned, (M)SMEs are different in terms of nature, practices, and extent of CSR activities (Spence and Lozano, 2000) and in “the amount of resources available, a specific strategy followed, the importance of managerial values, level of involvement and stakeholder prioritisation” as highlighted in (Coppa and Sriramesh, 2013, p. 32).

Santos (2011, p.491) highlighted in his study that “the understanding of CSR is critically influenced by the personal values of the owner or manager/director either by instinct or otherwise”.(Observatory of European SMEs, 2002; Perrini et al., 2007). The influence of owner/managers' personal attributes rests in SMEs choices of CSR implementation as they are in control (Quinn, 1997; Tilley, 2000; Jenkins, 2004; Jamali et al., 2009; Nielsen and Thomsen, 2009; Vo, 2011), strong influences of family pressure adds to that management (Jenkins, 2004; Vives, 2006) and the source of power in the owner/manager's control (Das et al., 2018).

Soundararajan et al. (2018, p.946) emphasised in their study the need for a distinctive focus on small-business social responsibility (SBSR) as those activities of smaller organisations result in positive social change rather than just thinking they are only resource-deprived. Their definition of the emerging acronym of SBSR is connected to the concept of CSR, which bears characteristics similar to those of the MSME sector under investigation.

MSME stakeholders who are more involved with the respective firms will naturally have a greater influence on them and their interests prioritised (Jenkins, 2006; Murillo and Lozano, 2006). During and post-pandemic periods, the long-term survival of MSMEs was the central

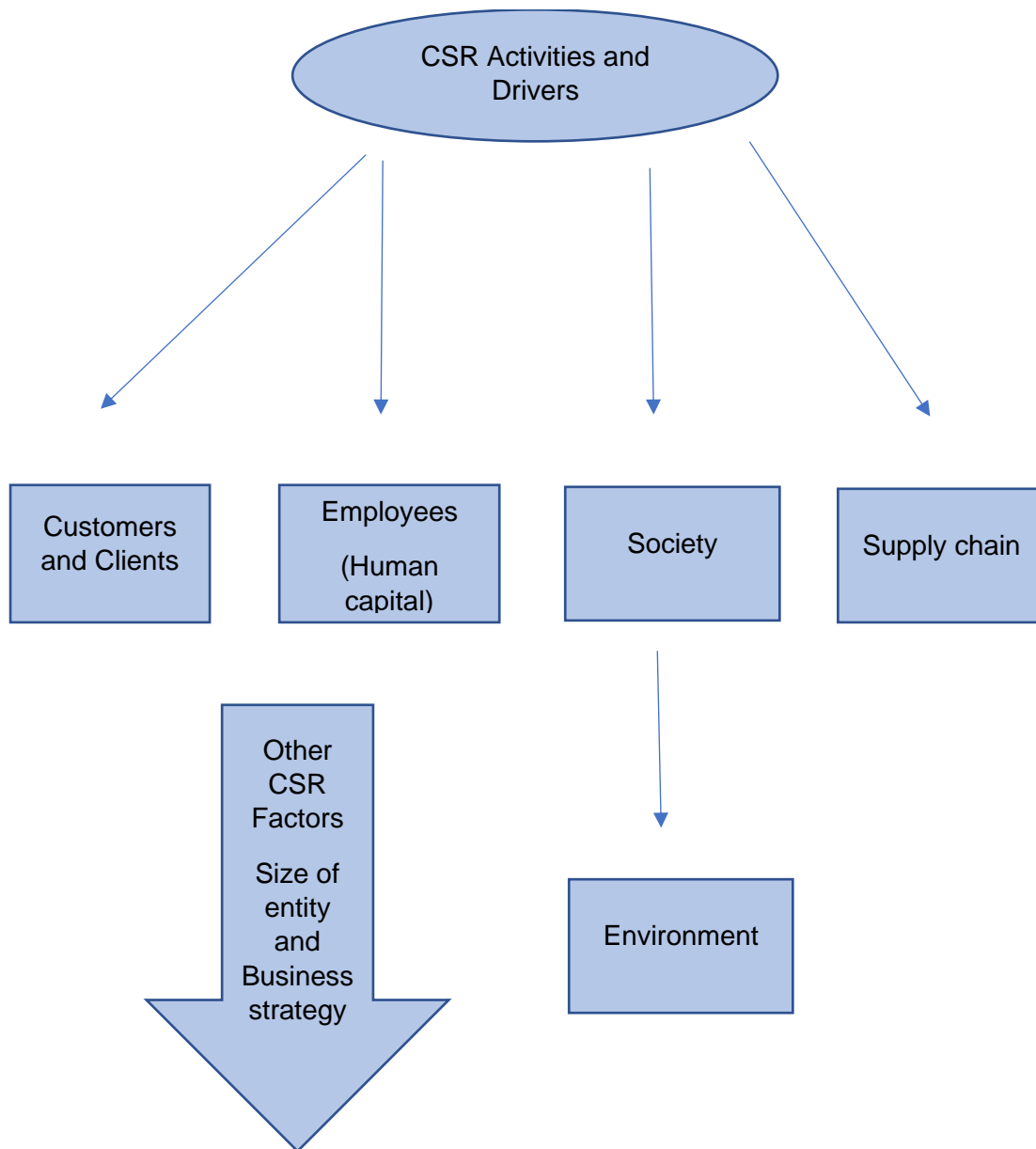
focus. Customers play a crucial link, and they are vital for the long-term survival of MSMEs. Customers are intuitive and natural stakeholders (Das et al., 2018). Recently, there has been a greater call for businesses to behave responsibly (Santos, 2011). Furthermore, different strata of the local population have placed social responsibilities on businesses where profit maximisation is not their main corporate goal (Gavurova et al., 2022).

Various academic CSR literature identified human capital as a fundamental stakeholder for SMEs (Spence and Rutherford, 2003; Longo et al., 2005; Brammer and Pavelin, 2006a; Vives, 2006; Perrini et al., 2007; Jenkins, 2009; Vo, 2011). With the micro and small entities, there would be closer dialogue between owners/managers and employees due largely to the absence of trade union involvement. Furthermore, community involvement is vital for the SMEs (Jenkins, 2006). More recently, Oduro et al. (2024), in their scholarly discourses on CSR in SMEs, concluded that, first, CSR research in SMEs is rapidly growing with over 136 peer-reviewed articles published in the last decade, appears significantly in top-tier journals, and empirically based; second, quantitative surveys and panel study designs such as qualitative case studies and conceptual models; third, firm performance is the topic/theme frequently investigated, fourth studies are preponderately Europe-centric, multi-sectoral and atheoretical and lastly there is limited adoption and development of novel theories and linkage between the conceptual and empirical studies. Therefore, this research study identifies the gap in the UK context and offers a synthesis of knowledge to this vastly under-investigated research area within the (M)SME sector.

Other CSR drivers for MSMEs include the size of the company and the business strategy pertaining to their CSR involvement. Business strategies lie mainly with the owner-managers and their desire for growth. Should SME owners/managers voluntarily undertake certain activities that appear to do the 'Right thing' rather than acceptance of any social responsibilities of business (Friedman, 1962)? This study will examine the relevance of Friedman's long-standing exposition of this business trait in current-day business. SMEs' informal nature and size lend themselves to closer stakeholder relationships (Nielsen and Thomsen, 2009). However, few MSMEs have the resources to establish a CSR office holder to promote their CSR advances or policies. The uncertainty of any influence on suppliers' decisions or consumer choices that are 'laissez-faire' and free will and not socially responsible may discourage SMEs from closer involvement in CSR practices (Accountability, 2002; CBSR, 2003).

In conclusion, a summary of the main CSR activities/drivers and relationships in MSMEs discussed above is depicted in the figure below:

Figure 8 Summary of main MSMEs drivers & relationships



Source: Author 2024

The next session will examine the possibility of MSMEs combining financial and non-financial reporting into a singular report.

2.4 Integrated Reporting (IR) for MSMEs, managerial perceptions and reflections.

It was highlighted in various studies that Integrated reporting IR (IIRC, 2013d,p.7,33) represents the new reporting practice for non-financial information, mainly incorporating CSR activities in their reporting mechanisms (Eccles and Serafeim, 2011; Higgins et al., 2014; Gray, 2001; Gray et al., 1996, 2014; Mathews,1997; 2002; Rowbottom and Locke, 2016; Lai et al., 2016) and driving organisational change towards more sustainable outcomes (Eccles and Krzus, 2010, 2015a, 2015b) and the implementation process in SMEs (Del Baldo., 2017). With the evolution of financial reporting globally through the IASB, I have developed a consistent approach to meeting the various market drivers and seeking simplicity and effectiveness in the reporting models in countries like South Africa (de Villiers et al., 2014).

Dumay et al. (2016) highlight, in the UK, in 2009, a meeting over a 'cup of tea' between Sir Michael Peat from the Prince of Wales Accounting for Sustainability Project (A4S), Paul Druckman from the Global Reporting Initiative(GRI) and Mervyn King, originally a justice of the Supreme Court of South Africa, discussed how "IR, the A4S and the GRI could become one" which was planned to guide in a self-regulation context, and later IFAC (International Federation of Accountants).

As cited in Gerwanski (2020, p.557), this coalition gave birth to the International Integrated Reporting Council(IIRC), a quasi-regulatory body that aims to develop a globally accepted IR framework and promote its international diffusion (de Villiers et al., 2014).

The IIRC (2013a) developed the principles-based IR framework that 'aims to coalesce a firm's different reporting formats into one holistic and succinct report and thereby intends to achieve supremacy as the future corporate reporting norm' as reported in Gerwanski (2020,p.557) study. IR captures how organisations think, plan, and report their business story. Attracted by the idea of incorporating and linking all capitals (financial, manufactured, intellectual, human, social and natural) that affect a firm's strategy and its value creation, as identified in his study on German managers (Gerwanski,2020), by the end of 2013, more than 100 firms had joined the IIRC Pilot Program Business Network (Italian study) and had their first experience with IR. Del Baldo (2017) highlighted in (IIRC 2011, 2013a, 2013b, 2013c, 2013d) that both public policy and organisational practices in this area have rapidly grown in the Italian context and confirmed by Zambon (2004) and Zambon and Guenther (2011).

In an ever-changing corporate and business world, the integration of financial and non-financial information for disclosure into one conclusive report enhances value creation (IIRC, 2013a). As cited in Robertson (2016, p.108), "a revision of the definition was provided in the

final framework as it became clear in the consultation period that many respondents were confused about what IR was.”

IR is envisaged as delivering more decision-useful information to investors and employees, benefiting applying firms in a competitive sense, enhancing corporate image and being recognised by academics (IIRC, 2013a; Steyn, 2014; Robertson and Samy, 2015). IR remains in its infancy (Gerwanski, 2020, p.554), with many businesses choosing not to adopt it, as highlighted by some authors (Burke and Clark, 2016; Adhariani and de Villiers, 2019), with some authors arguing that IR is in a “dormant stage” (Hahn et al., 2015). Gerwanski (2020, p.555)), further adds ‘that the increasing scepticism leads to the question: why, despite its envisaged benefits, have so few firms implemented IR as yet’ his study in a German context explored this question on 16 large German SMEs and the findings were three major impediments, ‘perceived lack of interest by the relevant publics, infeasibility of the IR concept to meet user needs and preparatory costs’. Therefore, there is research in this context gap of the MSME sector.

To reiterate, IR principles are applicable regardless of size, which is what this study will seek to establish in a UK context and mainly on a micro, small sector whether MSMEs can embrace and put into practice a singular (integrated) report at a minimum, in a holistic manner, to meet user needs and bring an awareness of this ‘unknown’ concept. At this juncture, it is important to note that MSMEs primarily do not have or engage in stewardship principles. It centres on the owner's/managers' attitudes. Therefore, goal congruence may not be the primary motive, unlike in the German study by Gerwanski (2020). In the recent past, sustainability reporting(SR) has drawn importance globally. This is not precisely integrated reporting but one element; the focus is primarily on non-financial information reported in one separate report. Setyaningsih et al. (2024) study on the challenges and opportunities in SR for SMEs in Europe and the USA found that SMEs encounter six different sorts of barriers while trying to develop a sustainable report: financial, general attitude, knowledge and technology, organisational, policies and regulations and social factors.

Where assistance is required on conflicting views, a key process of IR is the ability to combine quantitative objectives (profitability) and qualitative objectives (society well-being); thinking of the corporate actors results in an environment of “integrated thinking” (Robertson and Samy, 2015). Apparently, according to the IIRC (2013a), the integrated thinking and reporting cycle will lead to more efficient capital allocation, thereby enhancing financial stability and sustainability (Robertson,2016, p. 111) and the process of collective minds in integrated decision-making (IIRC, 2011; Adams, 2014). Particularly, IIRC (2011) emphasises that

“integrated thinking” overcomes the traditional approach to thinking in silos, as highlighted in (Robertson and Samy, 2015).

On International trade, practices and corporate reporting, the IIRC (2011; 2013a) proclaims the shared, common interest of a global coalition of parties in adopting IR. With this study, the MSME focus of IR will align more closely towards the investor stakeholder(venture capitalist and business angels) alongside other stakeholders. IR enthusiasts proffer benefits such as better decision-making, better dialogue with stakeholders & accountability (IIRC, 2013a), which together would stimulate positive capital market reactions (Lee and Yeo, 2016; Barth et al., 2017; Zhou et al., 2017). CSR and IR are complementary, and the stakeholder theory is at the heart of MSMEs. This may pose checks and balances on the IR framework document centred on the investors’ focus accountability.

Currently, IR doesn’t capture what it is supposed to convey; this was observed by (Yonkova, 2013, p115). IR is supported by growing number of academics (e.g. Robertson and Samy, 2015; Eccles and Krzus, 2010; Massie, 2010), governments (Sustainability SA, 2013), audit and accountancy firms (e.g.. KPMG, 2012; Main and Hespenhide, 2012; PWC, 2010), standard setters (GRI, 2013, International Accounting Standards Board (IASB), Sustainability Accounting Standards Board(SASB), International Federation of Accountants (IFAC) and companies (e.g. Microsoft and Unilever).

The Financial Reporting Council (FRC) has indicated that the IR framework and the guidance on the strategic report encourage the financial reporting qualitative characteristics and content, although the strategic report, being part of the regulated annual report, is mandatory in the UK. In contrast, the IR framework is now voluntary (FRC, 2014). No doubt this analysis is emanating and referring to the large FTSE 100 companies in the UK, which have the resources, albeit not generally a feature enjoyed by MSMEs, to develop corporate reporting and pave the way for the diffusion of IR in the UK. However, from the perspective of SMEs, the International Federation of Accountants (IFAC, 2017, p.3) strongly supports the IIRC’s International Integrated Reporting Framework for SMEs. But Burritt (2012) observes in his research paper that the focus of IR still centres around large, publicly listed companies, excluding SMEs and those in governmental and non-governmental sectors.

The Chartered Institute of Management Accountants (CIMA), within their SME & Entrepreneurship Taskforce of B20/G20[2], has recognised that IR allows SMEs better access to finance. The document Integrated Reporting for SMEs – Helping Business Grow – Case Studies (CIMA, 2015) provides practical examples and case studies to illustrate how SMEs can improve their reporting and disclosure to their immediate external stakeholders. This study will gauge and illicit whether MSMEs subscribe to this thinking or otherwise, and the theme

that explores this is reflected in chapter 4, section 4.2.4.3, 'Enhancing MSME value creation process and improving decision making'.

Financial reporting through its annual reports shows evidence of intangible information not being reported widely. The larger companies tend to have it as a separate report, where sustainability reporting (SR) is prevalent. This study will attempt to find out whether MSMEs would desire mandatory reporting rather than voluntary despite the prevalent financial constraint. Adding a few extra notes or narratives to the existing financial reports at the embryonic stage of implementation could be one step toward the milestone of overcoming the infeasibility criteria highlighted in the German study by Gerwanski (2020).

In addition, intangible assets that represent an organisation's primary source of valuation are not reflected in the financial statements (Graham et al., 2005). An interesting statistic that can be observed from the IIRC (2011) data shows, "while 83 per cent of market value could be explained by physical and financial assets in 1975, this value was only 19 per cent in 2009". This begs the question: Where is the actual value misplaced, and is it on intangible assets? Furthermore, an essential concept of 'value creation' in an entity is the resources used in their inputs to business activities, which should ideally be reported (Robertson and Samy, 2015). At the same time, companies have increased reliance on corporate reporting mechanisms beyond annual reports because of a reduction in stakeholder reliance on such reports (Simnett and Huggins, 2015).

The IIRC framework (IIRC 2013a, p.33) uses the term 'capitals' to denote these various resources, with six capitals being identified: financial, manufactured, intellectual, human, social and relationship and natural capital. The measurement of intangibles involves subjective judgement (Cheng et al., 2014; Adams, 2014; Robertson and Samy, 2015). However, in this research thesis, the measurement of intangibles is not explored but will analyse the relevant resource capital in the context of MSMEs. The following section will examine the IIRC framework of the Value creation model bolted for SMEs.

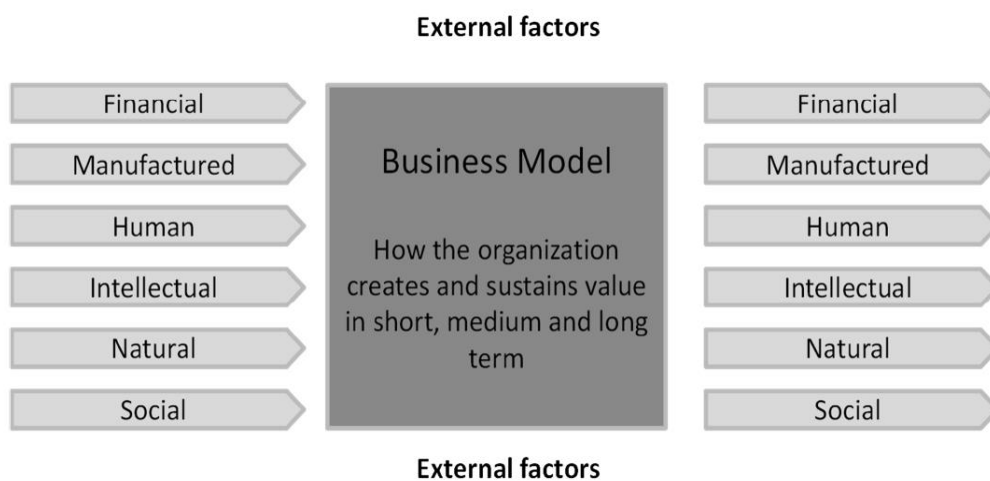
2.4.1 The IIRC Framework of Value Creation Model – The Multiple Capitals

The IIRC released its first discussion paper in September 2011, stating that an integrated report should be a single report [...], the organisation's primary report. Each element of an integrated report should provide insights into an organisation's current and future performance (IIRC, 2011). The publication is directed at SMEs, including those not-for-profit that can achieve significant benefits from adopting IR and the IIRC Framework. The Framework is principles-based; therefore, SMEs can adopt a more flexible approach consistent with financial reporting principles and use a personal touch in their affairs.

The International Federation of Accountants (IFAC) strongly supports the Framework document. IFAC’s policy paper 8, Enhancing Organisational Reporting: “Integrated Reporting key, highlights that IR is a way to achieve a more coherent corporate reporting system, fulfilling a need for a single report that provides a fuller picture of organisations’ ability to create value over time”. Central to IR is the so-called business model, the process by which an organisation seeks to create and sustain value enabled by integrated thinking (IIRC, 2011, p.10). The idea is to break down internal silos between people and departments for effective management of the business. Considering this, various stakeholders, both internal and external, will have an impact on the business value creation model.

According to the framework, an integrated report should display an organisation’s stewardship of financial capital as well as other “capitals” (e.g., manufactured, human, intellectual, natural, and social) and their interdependences (See Figure 9- IIRC, 2011 below).

Figure 9 IIRC Framework: Business Model and Value Creation (IIRC Fig.1, 2011)



The business model involves consideration of the various implications of linkages between capital, internal factors, and the external environment. Therefore, the model is a vital component of IR. The IIRC (2011) uses the term “capitals” to describe these various resources, and the definitions are shown in the table below.

Table 8 Summary of different types of Capitals

Capital	Definition (IIRC, 2013a)
<i>Financial</i>	<i>The pool of funds that is available to the organization for use in the production of goods or the provision of services, and obtained through financing, such as debt, equity or grants, or generated through operations or investments.</i>
<i>Manufactured</i>	<i>Manufactured physical objects (as distinct from natural physical objects) that are available to the organization for use in the production of goods or the provision of services, including buildings, equipment, and infrastructure (such as roads, ports, bridges and waste and water treatment plants).</i>
<i>Intellectual</i>	<i>Intangibles that provide a competitive advantage, including intellectual property, such as patents, copyrights, software and organizational systems, procedures and protocols, and the intangibles that are associated with the brand and reputation that an organization has developed.</i>
<i>Human</i>	<i>People’s skills and experience, and their motivations to innovate, including their alignment with and support of the organization’s governance framework and ethical values such as its recognition of human rights, ability to understand and implement an organization’s strategies, and loyalties and motivations for improving processes, goods and services, including their ability to lead and to collaborate.</i>
<i>Natural</i>	<i>Natural capital is an input to the production of goods or the provision of services. An organization’s activities also impact, positively or negatively, on natural capital. It includes water, land, minerals and forests, and biodiversity and ecosystem health.</i>

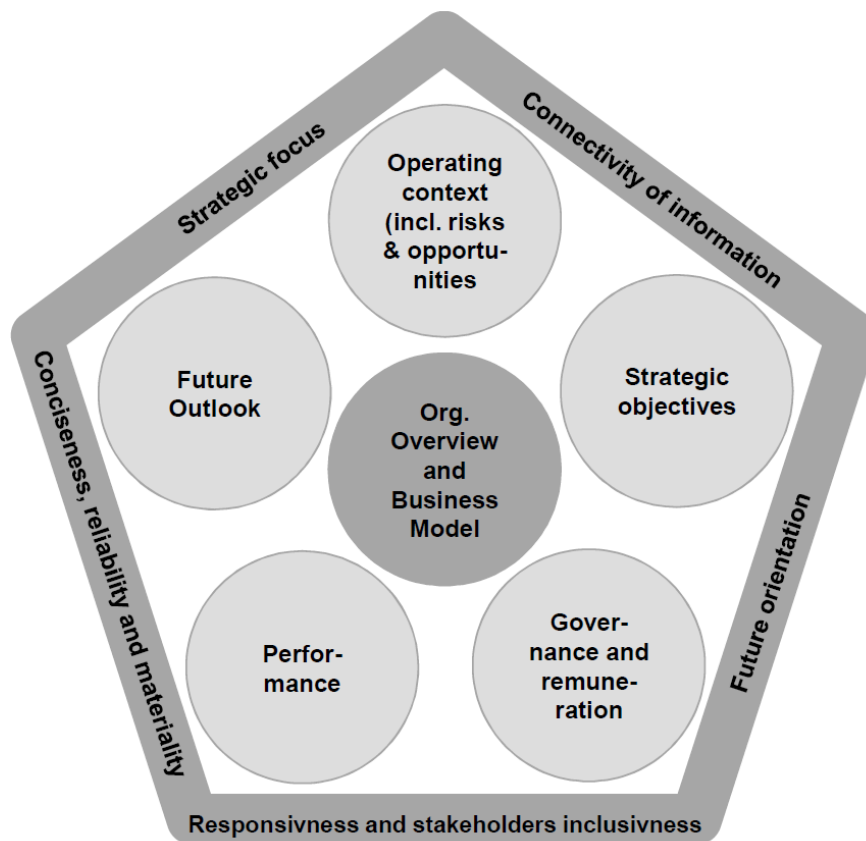
<i>Social</i>	<i>The institutions and relationships established within and between each community, group of stakeholders and other networks to enhance individual and collective well-being. Social capital includes common values and behaviours, key relationships, and the trust and loyalty that an organization has developed and strives to build and protect with customers, suppliers and business partners, and an organization’s social licence to operate.</i>
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Source: Capital Types, Table 1 (IIRC, 2013a)

Robertson (2016, p.116) cites Soyka (2013), who noted ‘that although financial capital is widely analysed and understood in financial reports, and natural capital and some components of social and relationship and intellectual capital are often addressed in stand-alone reports, the other capitals tend to be either ignored or discussed on a limited basis in a qualitative sense in the annual report’.

The IIRC (2011) framework requires how the business model and the underlying strategies link with the six capitals. The IIRC building blocks describe reporting principles and content (see Figure 10 below).

Figure 10 IIRC Building Blocks (IIRC, 2011)



2.4.2 Guiding principles(GPs)

For MSMEs to adopt a structure, the following guiding principles underpin the preparation of an integrated report and inform about the content of the report and how information should be presented (IIRC 2011,p.13): strategic focus, information connectivity, future prospects, relationships with the organisation’s key stakeholders, and the accuracy of its reporting practices.

This could be a good foundation and educational first step for MSMEs preparers who are interested in preparing such reports in the future. The IIRC (2011) also provided guidance on the report's content elements (CEs), which is summarised in the next section.

2.4.3 Content Elements (CEs) of an Integrated Report

The following are the content elements(IIRC, 2011) [2]:

1. *Organizational overview and business model: What does the organization do and how does it create and sustain value in the short, medium and long term?*
2. *Operating context, including risks and opportunities: What are the circumstances under which the organization operates, including the key resources and relationships, on which it depends and the key risks and opportunities that it faces?*

3. *Strategic objectives and strategies to achieve those objectives: Where does the organization want to go and how is it going to get there?*
4. *Governance and remuneration: What is the organization's governance structure, how does governance support the strategic objectives of the organization and how does it relate to the organization's approach to remuneration?*
5. *Performance: How has the organization performed with respect to its strategic objectives and related strategies?*
6. *Future outlook: What opportunities, challenges and uncertainties are the organization likely to encounter in achieving its strategic objectives and what are the resulting implications for its strategies and future performance?*

The IIRC (2011, p.13) referred to these GPs and CEs as the “building blocks” of an integrated reporting framework (Reuter and Messner, 2015). The consideration of these principles will lead to, inter alia, specific benefits to the company, such as discussed earlier (Roth, 2014): communication benefits, Risk Management benefits, and Cost benefits associated with MSMEs.

2.4.4 A contemporary debate on the IIRC Framework document

Integrated reporting gained significant attention in the academic world since its inception through the formation in 2010 of the IIRC and subsequently (IIRC,2011; 2013a, 2013b,2013c,2013d). Dumay et al. (2016, p.166) proffers that ‘from an academic perspective, there is a growing interest in IR and numerous research papers are appearing at leading accounting conferences’. However, they further reiterate issues to solve and further research to be conducted (Dumay et al., 2016, p.166; De Villiers et al., 2014; Cheng et al., 2014; Adams, 2015). The author's findings indicate that “although there is a growing trend for evaluating IR empirically, the normative approach prevails overall” (Dumay et al., 2016. P.174).

It should be noted earlier in Section 2.3.7 that the discussion on legitimacy theory (LT) (Preston and Post,1975; Hogner,1982; Lehman,1995; Lindblom, 1983), stakeholder theory (SHT) (Freeman, 1984), and stewardship theory (Donaldson and Preston, 1995) played an important role in determining whether to issue an IR document framework within institutions.

Jensen and Berg(2012) also used “institutional theory” to analyse the external and internal determinants that explain the decision to implement an IR. They concluded that companies in market-based economies are more likely to produce IR because of stakeholder pressure. On the other hand, Stubbs and Higgins (2014) used a qualitative-based exploratory study in Australia, where they studied 23 people across 15 organisations to understand whether IR is stimulating and innovative as part of the disclosure mechanisms. The findings showed they

were in their infant stages, and companies had difficulties understanding their implementations.

On the other hand, Frostenson et al. (2012), in a contrasting viewpoint, states that IR is an explicit tool to drive change within an organisation. According to Higgins et al. (2014), IR is suggested for the future. Other academics, Rowbottom and Locke (2013), Collins et al. (2007), and Greenwood et al. (2002), observe the IIRC role and aim to bring together the relevant collection of influencing bodies to shape the cognitive base for IR.

The IR framework (IIRC, 2013a) is only partially acceptable but is also subject to various criticisms. Del Baldo's (2017) studies on SMEs in the Italian context observed the over-representation of financial capital providers at the expense of the other stakeholders and understanding of the concepts of "multiple capitals" or "integrated thinking" (Cheng et al., 2014; Frias-Aceituno et al., 2014). It is important to note that at this stage of the IR debate, which is focussed mainly on large companies rather than MSMEs, the above criticisms, neither mention large or SMEs, are justified as large companies are accepting IR as an additional mechanism to the main reporting of their affairs encapsulated in the annual report. Furthermore, large companies will treat this as a "glossy document" (Solomon and Maroun, 2012), which will not be subjected to much comparative purposes as opposed to their annual report. Conversely, MSMEs, on the other hand, who are the main drivers of the economic engine of a nation, may find this additional reporting valuable to the local stakeholders or just an added burden. However, this study will discern the views of the owner/managers regarding this additional reporting.

Stoian and Gilman (2017) adopted a strategic approach to CSR in SMEs to enhance SME growth. They put forward a model of SCSR activities (Prahalad and Hemel, 1990; Wernerfelt, 1984) that enhances SME growth and argues that by aligning CSR activities with the firm's competitive strategy, SMEs enhance firm growth.

According to Mertins et al. (2012), the IIRC analysed the responses of its 2011 discussion paper (DP) and significant themes were captured: where most of the respondents (79%) supported the development of an integrated reporting framework and the challenges for an international format to be considered. Many respondents identified practical issues and provided recommendations on the framework's development (IIRC, 2012). Furthermore, some respondents identified other central problems for the future direction of reporting, e.g., stewardship, performance, or impacts such as financial or social (IIRC, 2012).

With regard to the 'six capitals' proposed in the DP, approximately 90 per cent of respondents agreed (with or without qualification) with this proposal (Q6 DP: 90.4 per cent), and this approach was retained as a fundamental concept of IR (IIRC, 2013b, pp. 10-17).

As regards the guiding principles and content elements, there was general support for the five guiding principles included in the DP, and many identified materiality as a crucial principle. Several respondents noted similarities between the principles, “strategic focus” and “future orientation”, and therefore suggested combining them. (IIRC, *Ibid.*, p. 35; Stoian and Gilman, 2017). Furthermore, several respondents from the IIRC DP proposed additional tenets (e.g., accountability, comparability, completeness, measurability, scope and boundary, and timeliness). The focus of this study is on MSMEs and their stakeholders. Therefore, investors would not take such priority as they are mainly owner-managed businesses, with the minority being external investors. External investors of larger SMEs could dominate the initial focus.

This further reinforces the above point in Mertins et al. (2012) analysis of the adaptation of the IR concept to SMEs, the public sector and non-profit organisations (Bornemann et al., 2011) reaffirms while most respondents (72%) agreed that IR could apply to small and medium enterprises (SMEs), the public sector and non-profit organisations, many thought that it would not necessarily apply “equally” to all sizes and types of organisations. The various concerns included several divergent views, e.g., that the investor’s focus and remuneration policies are not MSMEs context-specific. Furthermore, governance structures and remuneration aspects vary between the different types of organisations. With MSMEs mainly, understanding the concepts, describing the primary capitals and their benefits over the short-medium term, and the basic method of presenting them in a narrative style could be useful to the stakeholder users.

2.4.5 Recent Development in MSMEs & Dialogue

SMEs have different needs (Davies and Crane, 2010) and unique characteristics compared to large organisations (ACCA, 2012:4). According to the Network for Business Sustainability (2012), an SME presents the following factors: its owner often manages it informally addressing the problems without a strategic vision and characterised by flexibility, importance of personal relationships, but also by the existence of everyday issues with cash flow. Few SMEs have written intentions, formal strategies (Davies and Crane, 2010:127), and policies (DTI, 2002:5). The term corporate social responsibility(CSR) is not recognised, generally, by SMEs, so some research indicates the use of the term responsible practices about the social responsibility of SMEs (Vives, 2010:107). SMEs often need departments and specialised personnel for social responsibility (Serban and Kaufmann, 2011:189; TISK, 2013:106). Therefore, reporting becomes more of a voluntary issue or moral obligation to integrate non-financial elements within its activity for MSMEs.

The study conducted by Mandll and Dorr (2007) on the 35 best practice examples of social responsibility in SMEs from seven European countries revealed that there is a positive

relationship between socially responsible activities of SMEs and the increase of its own competitiveness. The same results are outlined by other studies too (EC, 2008,p.118; Turyakira et al. I, 2014,p. 168). Employees, the market, society/ community, and the environment are often identified areas (Mandl and Dorr, 2007:1; Turyakira et al., 2014:) which SMEs are addressed, but the social responsibility actions of an SME cover all these areas.

A good socially responsible strategy, according to Hohnen (2007, p.33), identifies the direction from where to start, stakeholder perspectives and interests, priority areas, an action plan, and a review process. According to Jenkins (2004, p.37), strategies of social responsibility for SMEs should not be developed as for large companies. The relationship between social responsibility and innovation is most obvious in the case of organizations that have integrated social responsibility into their business strategy (Mendibil et al., 2007,p.3). Social responsibility offers new opportunities to learn, innovate and manage risks (Zadek, 2007,p.91), which will lead to competitive advantage (Carroll, 2015, p.41).

The adoption of IR and integrated thinking through the lens of multiple capitals (Dumay et al., (2017) will greatly assist this process of CSR in MSMEs and their recognition that these practices could play a vital part in their decisions and actions. There are too few studies that explore the social responsibility of SMEs (Chamhuri and Siti, 200,p.9; Vo, 2011,p.89; ACCA, 2012, p. 3; Popa, 2012, p.154; Karam, 2014, p.1), research and initiatives for social responsibility focused on large companies and multinationals (Perinii et al, 2007:285; Goyal, 2014:90). According to Vo (2011:89), Massoud(2010) conducted research, identifying fewer than 15 articles published between 1980 to 2008, on the social responsibility of SMEs. Naturally, this has grown subsequently to date.

Yonkova, B. (2013, p. 115) provided a summary that, at present, there are two basic processes in the field of reporting of SMEs:

- *The IIRC (2011) guides the development of a global framework for Integrated Reporting*
- *The European Commission (2011) requires simplifying the Accounting Directives as regards financial Information obligations to reduce administrative burden, particularly for SMEs.*

This study is in the context of the UK; therefore, the second process may be null and void post-Brexit UK (2019). Nevertheless, the characteristics of IR will be similar to those of the European and global contexts and those of the UK. However, there will still be a cost burden in implementing IR in SMEs in the UK and this can be compared with the numerous benefits offered likewise. Yonkova (2013, p.115-116) highlighted, "to ensure that the mechanism of integrated reporting is *effective about SMEs, it is suggested that guiding principles of the*

integrated reporting should be subjected to the “universalizability test... The question of the meaning of ‘integrated thinking’ is raised, and every successive step involves seeking the opportunity to impact the organisation’s management to change the frame of thought and responsibility not only to investors but also to all stakeholders and to society at large”. This clearly resonates with the thought processes of owners/managers of the MSME sector; investors are not the primary stakeholders.

The modified FRSSE in the UK has been replaced with IFRS for SMEs, which is meant to be simplified and less complex, reducing the administrative burden for MSMEs. Consequently, this would provide the opportunity and create the necessary environment for developing integrated reporting for MSMEs. Furthermore, the qualitative characteristics of financial information recognised in the financial statements would provide credence for developing integrated reporting within MSME reporting. For example, relevance could be embedded in IR for decision-making, saving time and costs.

The various stakeholders, including owners/managers, shareholders/prospective investors, banks and other financial lending institutions, trade creditors, etc., will demand financial and accounting information, which will create desirable fundamental qualitative characteristics. The focus turns to an integrated approach that includes all financial and non-financial measures in one ‘Singular’ report.

The IASB has published the latest Conceptual Framework for Financial Reporting 2018 (the Framework), and within its scope, chapter 2 encapsulates the qualitative characteristics of useful financial information. It’s best to explore and decipher the meanings of the definitions of the above-mentioned qualitative characteristics that can be integrated. Relevance in accounting means that financial information can make a difference in decisions if it has predictive value, confirmatory value, or both. They are both interrelated. Predictive value helps users predict or anticipate future outcomes, and confirmatory value enables users to check and confirm earlier predictions or evaluations (IASB, 2018). For example, the purchased cost of a tangible non-current asset of an entity used during its useful economic life will now be considered irrelevant or sunk and, therefore, irrelevant in the current decision-making process.

In terms of ‘Faithful Representation’ as a fundamental qualitative characteristic, the annual reports of an entity represent economic phenomena in words and numbers that are both financial and non-financial. The reports should represent what they purport to represent to the outside stakeholders (UK GAAP, 1997). Comparability of information enables the stakeholders to identify and understand similarities in and differences among items disclosed in the entity’s financial reports. (IAS, 2.24 -2.25).

The European Commission in 2013 initiated a 'Guidebook – Toolkit for SME advisors on CSR, highlighted a set of skills that is required for each advisor of an (M)SME on CSR that can be replicated by MSMEs internal stakeholders and is summarised as follows:-

- *On Creativity – translate and adjust CSR concepts, methods and language for each individual SME, whether small or medium.*
- *Learning- recognise CSR as a fluid concept and be alert to new opportunities, such as those created by the rise of human rights issues on the business agenda.*
- *Active listening – hear and understand the unique challenges, needs and interest of each SME.*
- *Building networks – facilitate and design target-orientated networks or use existing networks, organise a sustainable financing model, facilitate learning opportunities and support cooperation among potential competitors and stakeholders.*
- *Identifying and communicating benefits – collect data that conveys the bigger picture, identify opportunities for individual SMEs and carry out a cost-benefit analysis for individual CSR activities, highlight the business side of the equation and make clear how CSR fits into the broader business model.*
- *Remaining practical – develop advice that is tailored to the needs of the client, is hands on, generates business value as well as positive social and environmental values, can be easily integrated into daily activities and offers solutions for problems.*
- *Adaptability – know how to cope with complex situations and ethical dilemmas, and how to deal with trade-offs between business benefits and social responsibility.*
- *Being an ambassador – support initiatives that reward good behaviour (e.g. public procurement, building consumer awareness), communicate benefits of CSR at the local or regional level, for instance by working with public figures to initiate grants or other types of civic involvement to help SMEs engage in social responsibility and finally generating motivation.*

2.4.6 Voluntary v Mandatory Disclosure

Full voluntary disclosure is not a privy of MSMEs, and firms typically do not disclose more than the regulation requires (Antonelli et al., (2016). Full disclosure is costly for firms to report, especially firms in the MSME sector. There is a chance of it losing its competitive edge or bargaining power. However, as Fishman and Hagerty (1998) pointed out, even if disclosure is costly, it does not imply that disclosure regulation is desirable; MSME firms may not subscribe to it. However, MSMEs could employ some of the above toolkit skills relatively well. The main issues would be identifying and gathering non-financial information for reporting purposes. The measurement issue is not a consideration for the integrated report as it would largely be

subjective and intangible. The question is on the reporting mechanism: e.g. who would decide on the appropriate principles for reporting? Should all SMEs adopt a similar structure of IR reporting, or should it be voluntary and left to the individual company devices, or should there be only one comprehensive report? In the UK, MSMEs (unincorporated) are not statutorily bound to produce financial statements, although it is required by the taxation authorities to keep a proper set of records and books. Ownership in private firms is typically with owner/managers that may resemble family ownerships, rather than publicly listed firms, who rely more on bank financing and often have close ties with their capital providers (Burgstahler et al., 2006; Hope & Vyas, 2017). However, Hellman et al. (2002) cited that voluntary adopting full IFRS in private firms is associated with higher reporting quality (Bassemir and Novotny-Farkas, 2018). So, should MSMEs in the UK adopt voluntary disclosure or subscribe to mandatory reporting, given its obviously different features?

Furthermore, different costs would also be incurred by various companies adopting IR. However, an important consideration that might be flagged up would be the risks and opportunities for each 'capital' as identified in the IIRC's vision of an integrated report and whether it would be short-term or long-term in creating value (IIRC 2011, p). Roth, H.P. (2014, p.64) stated that this type of integrated report provides information on all aspects of a company's performance, ranging from financial to non-financial information. He further cited an example of a South African government wholly owned company, Transnet SOC Ltd, using the IIRC framework to report integrated thinking (see pp.8-9 of the company's 2013 integrated report). Transnet (page 15) also identified the risks and opportunities in its integrated report that affect the different 'capitals'. This thesis will examine the benefits and difficulties associated with MSMEs in seeking such adoption.

2.4.7 Evaluating the Benefits and Costs of IR

The common theme shared by authors in this area of IR indicates that the main benefit of integrated reporting to an organisation might be that it leads to "integrated thinking", which is valuable in evaluating a company's CSR and long-term sustainability... and forces companies to consider decisions on the various capitals on a long term basis (Roth, 2014 p.64) The key driver is long-term rather than short term. The supposition of this view might be focussing on the time it would take to develop the governance issues and interactions with the various stakeholders of an SME. The above toolkit for SME advisors could quickly be adopted by their reporting cum external accountants, but at a practical level may still encounter difficulties in implementing the IR principles. MSMEs can vary in terms of size, growth and financial resources; therefore, taking on integrated reporting will be a huge task.

However, in the interest of understanding the concept of IR, it's appropriate to review what Roth, H.P. (2014, p.65) cited in his research paper, which summarised the following: In the IIRC, 2011 paper, "Integrated Reporting: A Better View?," Deloitte (2011), noted that separate reporting of financial, environmental, social, and governance (ESG) issues may lead to isolated thinking by managers and other stakeholders. The report concluded:

"Some parties may contend that separate financial and ESG reports provide sufficient information for stakeholders to determine if a company is "sustainable." However, such reports are usually produced in isolation and thus lack a "big picture" view. Correlations can be better understood when financial results are directly tied to overall strategy and business models. (p. 10)"

Roth (2014, p.65) further affirms that Adam M. Kanzer advocates integrated thinking in "Toward a Model for Sustainable Capital Allocation" (The Landscape of Integrated Reporting: Reflections and Next Steps, ed. By Robert G. Eccles, Beiting Cheng, and Daniela Saltzman, Harvard Business School, 2010, pp. 45-57). He reaches the following conclusions:

- *"Although many analysts ignore separate corporate sustainability reports, an integrated report puts this information in front of analysts and highlights its relevance to financial factors.*
- *Integrated reporting can ensure that corporate sustainability performance is not just an isolated consideration in a company's CSR department, but also the concern of senior management and the board. An integrated report should make this aspect of the company's performance more relevant to senior management because the relationship between the company's sustainability performance and the long-term value of the company is more clearly expressed and measured.*
- *If done properly, integrated reporting should improve both financial and sustainability performance, as well as ensure that the two are aligned".*

What the first bullet point is implying is that the respective stakeholder may not view the separate sustainability report with substance but bypasses it, thinking that it is a marketing gimmick or empty rhetoric (e.g. Solomon and Maroun, 2012). Therefore, by integrating that information with financial data information, depending on the size of the organisation it may be audited, or an accountant's report is provided, would show to the respective stakeholders' that this is a report of substance and credibility. Therefore, information presented concisely in a single report will become an influencing factor for decision makers, a viewpoint supported by (Yonkava, 2013).

In the European context for SMEs, as cited in Yonkava (2013, p.123) "The European Commission, (2008;2011) approach was outlined in the Europe 2020 Strategy for smart,

sustainable, and inclusive growth, aims were to reduce administrative burdens, improve the business environment, particularly for SMEs and to promote the internationalisation of SMEs”. Yonkova’s (2013) suggestion emphasises the role that integrated reporting and financial reporting can complement each other to enhance the quality of SME reporting. However, at the SME level, Kechiche & Soparnot.,(2012) indicated that a determining important factor is the critical role played by the business head of an SME. Further, Torres (2000) observed that the smaller scale of the business increases the combination of strategic and operational duties thereby reducing the gap between the two functional roles.

The same dynamic situation exists externally between the company and outside actors (Julien & Marchesnay,1996; Torrès,1999). According to several academics (Paradas, 2006; Spence et al., 2007a; Spence et al., 2007b), good public and moral accountability stems from a company’s manager’s personal convictions. In fact, according to Gond and Igalens (2008), “CSR in a SME depends very much upon the personal convictions of its managing directors”. Similarly, SMEs are common denominators in the value chain of big businesses and, therefore, can get support to implement their IR reporting practices.

Deegan, C. (2002) asked, ‘What theories best explain how we do report or, perhaps, how we should report social and environmental issues’? So, should the report’s owner/management and preparers give equal weighting compared to the financial data information?

A summary of the benefits cited for integrated reporting by Roth (2014, p. 65) is shown in Table 9 below:

Table 9 Benefits of Integrated Reporting

<p>Communications Benefits</p> <ul style="list-style-type: none"> • Better alignment of reported information with investor needs • More accurate nonfinancial information available for data vendors • Greater engagement with investors and other stakeholders • Development of a common language • Greater collaboration across different functions with organization • Greater clarity about relationships and commitments among various functions • More consistency and efficiency in internal and external reporting <p>Risk Management Benefits</p> <ul style="list-style-type: none"> • Higher levels of trust with key shareholders • Improved ability to identify and manage risks • Lower reputation risk
--

Cost Benefits

- Better resource allocation decisions
- Better identification of opportunities for operational efficiencies, brand differentiation, and innovation
- Lower cost of capital because of improved disclosure

Sources: Roth, H.P. (2014, p.65), Adapted from the International Integrated Reporting Council, *Towards Integrated Reporting: Communicating Value in the 21st Century*, 2011, p. 21; Robert G. Eccles and Michael P. Krzus, *One Report*, 2010, pp. 146-161; and Deloitte, *Integrated Reporting: A Better View?*, 2011, p.7

The benefits shown above in the table are classified into three categories (Roth, 2014): 1) communication benefits, 2) risk management benefits, and 3) cost benefits. The perception of the communication benefit is based on the premise that it is more reliable if it is included in a single report that includes audited financial information. There may also be risk management issues with an integrated report, i.e., reporting the organisation's specific risks can help it improve its reputation, see Eccles and Krzus (2010, p153). The consequence of preparing an integrated report is that it will enable management to identify risks and then manage those risks. The direct function of that will be minimising costs and maximising profits. Furthermore, from a financial management perspective, this risk management foresight should reduce the company's capital cost for investment because the business risk premium would be reduced.

Although IIRC(2011) was primarily aimed at investors, James (2013b) noted it is beneficial for other external stakeholders (employees, customers and local community) who are closely affected by the MSMEs' activities and can positively influence MSME's success in the long run. From the cost perspective, the implementation of integrated reporting can be a burden. The education and training costs will increase regarding the employees required to provide the compliance. The information-gathering process and the relevant data that needs to be included can range from human resources, operational functions, risk management, accounting, and information systems, where the initial costs will be significant. Once these costs are incurred, the future incremental cost will begin to diminish, and the benefits of integrated reporting will start to accrue.

Furthermore, the European Commission's Europe 2020 strategy showed it is difficult to measure the impact due to the specific unique characteristics of SMEs. No doubt if over 90%

of the European economy, the UK included, where SMEs are the drivers behind the engine growth of its economy, then they significantly contribute to controlling CO₂ emissions. With this viewpoint, there would be keen interest on the part of MSME lending institutions such as banks and the other stakeholders (suppliers, governments and the general public) to regard the importance of MSMEs, and therefore, a strong case for IR.

2.4.8 A theoretical framework model of multiple capitals around IR

The definition provided by the IIRC (2013a, p13) defines integrated thinking (an important part of IR) as follows:-

“the active consideration by an organisation, of the relationships between its various operating and functional units, and the capitals that the organisation uses or affects”.

Grounded in integrated thinking, IR is seen as a non-opaque document highlighting good quality non-financial business practices for external stakeholders (De Villiers and Maroun, 2017); clarity and specific disclosures enhance the relevance of the report (Solomon and Maroun, 2012). There have been questions on this theme, where it has been reported by one of the large accountancy firms that companies have struggled to report clearly on their strategy, risks faced and the management of non-financial capital (PWC, 2015)

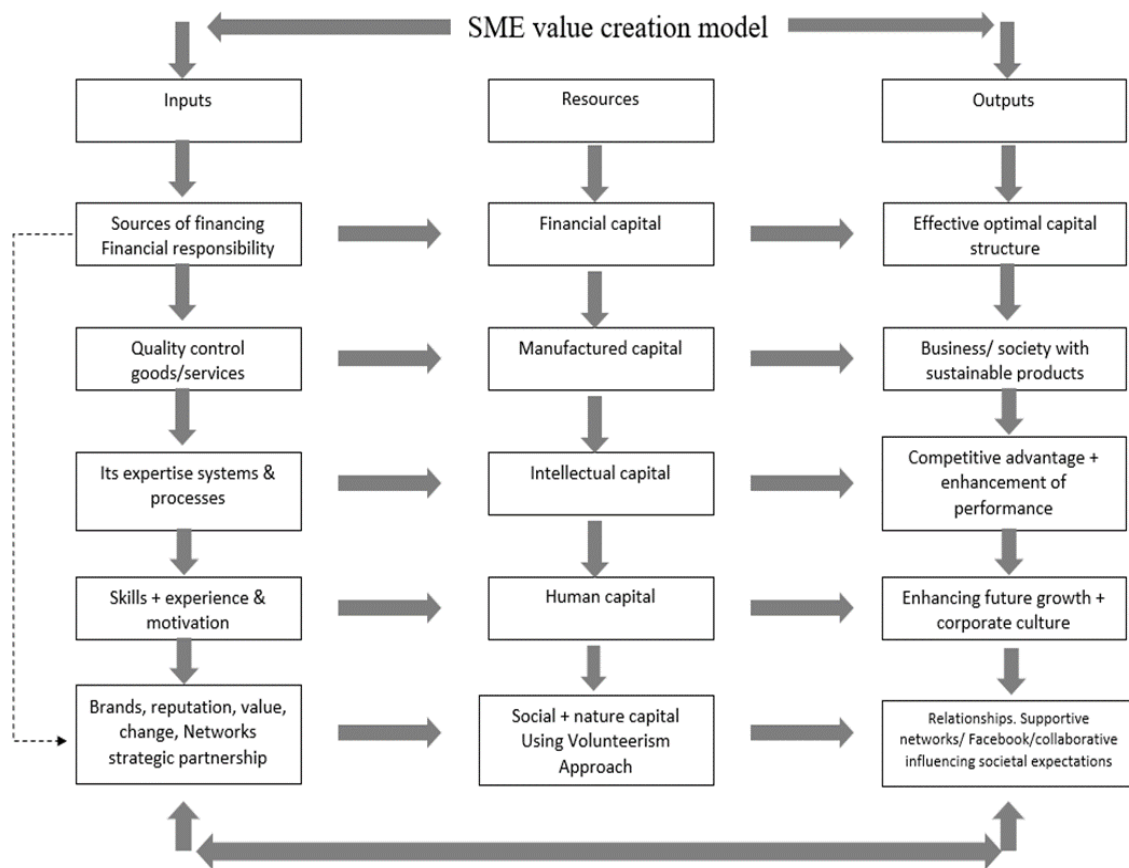
Large companies that provide sustainable reports, in addition to their financial statements and annual reports, tend to be highly waffled in their published narratives, subjective, not comparable, neither verifiable nor objective. However, Haji and Anifowose (2016) highlighted that information is reported in a disguised manner. On the other hand, MSMEs are not required mandatorily to produce such statements that large companies are required but can enhance their strategic visions and stewardship decisions by analysing, managing, and reporting their Multiple capitals. This can be generated in one single reporting mechanism called the Integrated report for SMEs.

This study will focus on constructing a theoretical framework model of Multiple capitals (see Figure 9 below) explicitly designed by IIRC through integrated thinking that MSMEs can apply. The model will capture the various specific inputs stored in its respective capitals and provide an outcome. It will be generic, but as the researcher analyses and manages the individual reporting capitals of the SMEs, a more focused evolving direction will be conceptualised into the IR processes. Although a high-quality integrated report may prove to be challenging, the attempt is to produce a value-creation model that can be used by SMEs generally. Still, it allows flexibility to bespoke to individual cases.

2.4.9 A case for the theoretical model - Inputs, Resource capitals and Outputs

The three guiding aspects; input factors, resources capital and output factors will share a linkage and provide connectivity between them; for example, creating a legal and ethical responsibility in the brands and reputation box may share a linkage with the overall financial responsibility and sources of financing box in figure 11 below, thereby creating shared value. The knowledge, skills, competencies and motivations of employees and management represented in the human capital will generate high-quality productivity, enhancing the quality of goods and services produced as defined by manufactured capital.

Figure 11 Adapted SME theoretical model of multiple capitals around IR



Source: Author(2024)

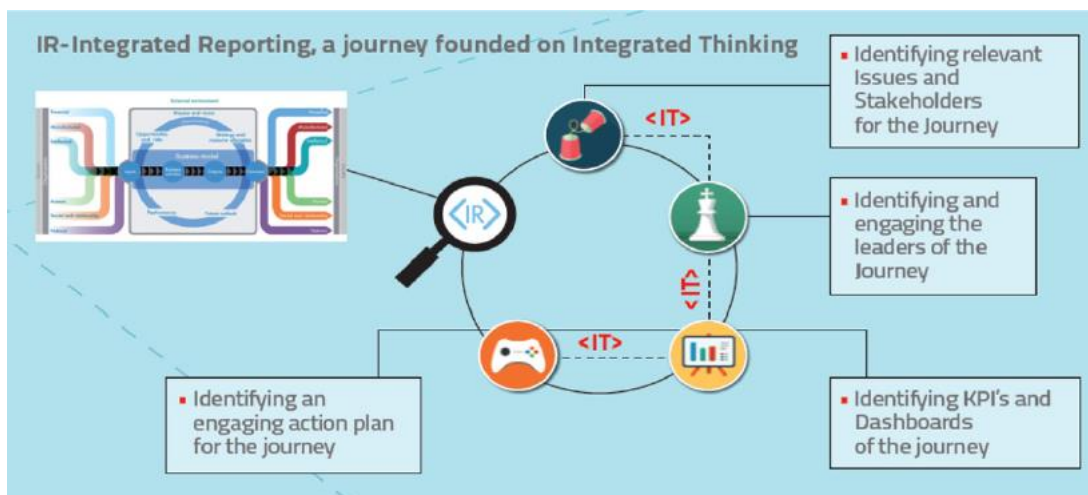
Prior research does not specifically involve SMEs, therefore, there has been virtually nil research in IR for the UK MSME sector. De Villiers et al, (2014) have echoed loudly in their research studies calling for more research in this area.

Drawing on Del Baldo (2017, p.512) study on IR implementation, the Italian Network on Business Reporting (NIBR, 2016a, figure 12 below) released the IR Guidelines for SMEs and pointed out the relevant aspects for guidance. Notably, it lists the following outcomes for the IR journey feasibility:

- *The need to understand how entrepreneurs can be sensitised and supported in this journey.*
- *The need to stress the benefits SMEs could obtain through implementing the IR; and*
- *The need to understand what the best channels are to communicate with entrepreneurs. (NIBR, 2016b)*

The NIBR suggests that owner/managers should identify their interest and stakeholders involvement and appropriately appoint a specific sustainability director to carry out the process.

Figure 12 Integrated reporting journey of Italian case study



Source: NIBR (2016a)

The process of IR adoption in SMEs should be gradual and transitional, allowing for an approach that would suit the individual business needs and satisfy the various stakeholders to some extent. The process should be transformative, recognising the other forms of prioritised reporting. Adam and Frost (2008) and Adams and McNicholas (2007) suggest that the process needs to be implemented stage-by-stage.

On the issue of whether there is a 'business case' for CSR for SMEs' by Castka et al. (2004) confirms some studies in favour (for instance, Debenham and Hutchins, 2002; IUCN,2002; AGSM,2002) that sustainable companies will deliver positive results. DTI (2002b) feasibility of the project highlights their key findings from a UK survey below :

Table 10 Key findings from UK survey on feasibility of CSR for SMEs DTI(2002b)

- *SMEs should devote more attention towards social and environmental responsibilities.*
- *When designing initiatives, attention should be given to avoid administrative burden for SMEs due to their characteristics.*
- *SMEs' exhibit disregard for formalisation of policies in their CSR endeavour.*
- *SMEs are already engaging in CSR activities but consciously not aware of it.*
- *Overall, SMEs CSR projects are driven by the moral and motivations of the human capital.*
- *Drivers of SME engagement include 'just good business practice'.*
- *Financial cost resources are the main hindrance for CSR engagement.*
- *Support needs to be simple, transparent and local orientated.*
- *Education and training using Case studies, are important for attracting CSR engagement.*
- *SMEs also want the experience of engagement to be simplified, relevant, and effective with greater networking initiatives.*
- *Lastly, closer involvement of various parties from specific related sectors with SMEs should be encouraged.*

Source: Cited in Castka et al., (2004, p.143)

Castka et al. (2004, p.144) also highlighted that discussions in the UK Parliament's House of Commons, this is nearly twenty years ago that the Corporate Responsibility Bill (CRORE), (2002) had proposed to introduce requirements on companies registered and operating in the UK for mandatory reporting, stakeholder dialogue and Directors' duties.

On the other hand, some have argued whether the above would be feasible, particularly for SMEs taking on the regulatory burden. In Castka et al. (2004, p.144), a case study on OLC(Europe) Ltd on organisational system and culture showed that the company could integrate CSR into existing processes and procedures.

The evidence from the case study OLC Europe LTD. used in Castka et al. 's (2004) research was on a practical level. The focus was on a business model geared towards a wider

consideration of stakeholder needs and evaluating their influence on the business rather than just the customer and market needs.

The next section will attempt to explain the meanings of the capitals stored reflected in the theoretical model suggested above, SMEs' uses and effects of the various capitals, and the challenges and role for SMEs to adopt this model in the context of the Integrated Framework model.

2.4.10 The conceptual development of the multi- capital store for SMEs

The IIRC's September 2011 discussion paper used "capitals" or "resources and relationships". In their different forms, these six capital stores will represent the inputs to the organisation's business model. The purpose is to use these capitals to enhance the value and benefits of the organisation via its business activities in the value creation model, as depicted in Figure 9 above. As seen in the model, the capitals are not operating independently, but there are linkages and interactions between them. For instance, when an organisation invests in modern technology, such as plant and machinery, for tasks which were predominantly done by labour previously, there is an investment in automation, and the financing aspect of this may be derived from the company's retained earnings. To demonstrate the impact of the flow of capital, there is an increase in manufactured capital via the utilisation of net assets and a decrease in financial capital via a decrease in equity reserves, or this may be offset by savings in human capital, representing a circular flow of the various capitals within the value creation model. Camilleri, M.A. (2018) research study confirms that firms are more transparent in disclosing information, which satisfies the stakeholders. Camilleri's study was geared towards larger organisations rather than MSMEs.

There is an absence of agency and stewardship theories regarding MSMEs. Furthermore, replicating and using the IIRC's framework and guiding principles and reporting multiple capitals is challenging. The basic example at the outset for MSMEs shows that the capitals are interconnected and constantly changing at different latitudes, generating different net positive outcomes. With the array of stakeholders involved, the study will probe and identify knowledge gaps prevailing within SME organisations' integrated reporting of capitals.

The IR framework's broader view of value creation and its multiple capital concept calls for enhanced stewardship of the organisations' capitals while promoting a better understanding of their interdependencies (IIRC, 2013, p.8). When organisations report to stakeholders, legitimacy is achieved (Adams, 2015), albeit to enhance their practical objectives; however, an approach of voluntariness should be advocated for MSMEs due to their embryonic setting.

The standard theory recently highlighted and discussed in large corporations is the agency and stewardship theory, authored in Manifold. The related academic literature has drawn on

many frameworks (Camilleri, 2018) and, principally, on the stakeholder theory and legitimacy theory, used to understand the institutional drivers of integrated reporting, all about large companies (De Villiers et al., 2014; 2017; Dumay et al., 2016; Dumay and Dai, 2017; Velte & Stawinoga, 2017). Camilleri M.A.(2018) states that corporations clearly distinguished between ownership and control of wealth in the twentieth century. The agency theory suggests that company executives and their principals are motivated by opportunities for their own personal gain (Eisenhardt, 1989). With MSMEs, the majority position is that the owners/managers are the same. Therefore, the agency theory is absent, as discussed above. They are investing their wealth in their businesses and are responsible for their business entities' productive management, performance, and success. There is no divorce between owners and managers when managing the business, as the owners will be aligning their objectives and goals in accordance with their satisfaction.

The organisations' intrinsic values mainly drive the stewardship theory. Owners/managers do what is right for the society and community they serve (Donaldson & Davis, 1991; Muth & Donaldson, 1998). Camilleri M.A. (2015a) has cited that the stewards should be committed to engaging in goal congruence. This theory's ideals are closely aligned with IR's principles for value creation, IIRC,(2013). Regarding MSMEs, the stewardship theory rests mainly on the interactions between the owners and their respective stakeholder's behaviour, where legitimacy and stakeholder theory were explored.

2.4.11 Summary

IIRC's (2013) framework document commends that its integrated reports are concise, reliable, and complete. Furthermore, it has provided a template to report both the financial and non-financial information in a single report, addressing issues in conventional, stand-alone CSR reports and bringing about a more comprehensive reporting mechanism. Additionally, translating complex issues to simpler mediums drives the creation of value for the business entity and the wider stakeholders. Various other authors above also commented on the merits and demerits of MSMEs following this reporting pathway, consolidating financial and non-financial reporting into a singular reporting mechanism.

This study has drawn out the themes emanating from this literature review and provides a thinking perspective from the owner/managers and internal stakeholders of the sample organisation in play. The case for a simplified financial reporting medium on the first instance and the understanding of the integrated report via greater dialogue, how IR provides benefits in decision-making for the MSME sector, and how they will differ to different industries within the sector and the challenges they will face. The idea of integrated thinking for the long term

will provide a suitable transformation for the MSME sector, embracing change and overcoming the traditional approach to thinking in silos.

2.5 The Value Creation Process & Multiple Capitals

The IIRC uses the term “capitals” to denote these various resources, with six capitals being identified: financial, manufactured, intellectual, human, social and relationship, and natural (IIRC, 2011). The capital models bring to the fore some element of the importance of recognising value creation. The definition the IIRC (2013a) assigns to these capitals is shown in Table 8 (see section 2.4.1)

Table 8 above summarises the different capitals according to the IIRC (2013a) framework document. Integrated reporting aims to address the limitations of traditional financial statements and how an entity's value is affected by its interactions with the external environment and society at large.

The multi-capitals store within the framework will reflect the value and stewardship of its qualitative non-financial capital base. Not all capital will affect or directly or indirectly impact all businesses, as the resources and relationships are varied and different in nature. Furthermore, the categories of capital are optional for integrated reporting, and organisations can choose their appropriate, relevant capital store for their reporting purpose. The primary objective of this form of communication will encapsulate the key decisions in sound financial management, i.e. investment, financing and dividends decision-making, that ultimately determine good governance and performance.

Robertson (2016, p.116), highlights that the IR framework focuses on a broader set of resources than those of a traditional accounting model and includes resources that organisations neither own nor control (Fried et al., 2014). Coulson et al. (2015) explore the question of capital and integrated thinking, how multiple capitals are conceived, and their relationships in a debate on sustainable development and practice.

As cited in (Coulson et al., 2015, p.291), there is a division within academia, accounting, in particular, on the appropriateness of applying capital beyond finance and economics to social issues and nature. The question that needs addressing is, do MSMEs know the meanings of the multiple capitals store; they may be subconsciously using similar terms in their everyday operations and practices, but are they able to report them, or do they know how to report them? The idea is to communicate better to its various stakeholders through the integrated report. No doubt, these are challenges for the MSMEs, and the next section will highlight the meanings of capital and the relevance and non-relevance and linkages of those capitals to MSMEs.

2.5.1 Financial Capital

This relates to the pool of funds available to SMEs to operate their business as a start-up, invest in assets, and generate profits and growth. These are common features and typical for all forms of business entities. The pool of funds comes broadly from equity and debt. Other forms of assistance within the SME financial landscape, such as government grants, venture capitalists, business angels and borrowings from family and friends, include inputs to the financial capital. Are these being utilised to the maximum?

Firms need working capital in the day-to-day operations of their business, for instance, paying suppliers, meeting overhead expenses, and paying taxes and dividends. This working capital will generally be derived from the short-term cash operating activities of the business. This process creates value over time, which contributes to value creation. Providers of financial capital are interested in the value the business creates for itself. This also leads to value being created for the other stakeholders, thereby enhancing the value of the business.

Another major source of capital SMEs overlook is the discount received on purchases on credit from suppliers. This is a form of free trade credit finance that potentially adds value to the financial capital store. When these interactions and activities between the different stakeholders are material, they add up and provide the business entity with the ability to create value for itself, and therefore, they can be reported.

It is not just the funding aspect or the financial statements; how are they serviced and the impact on the development and maintenance of capital with other organisations and lending agencies in the supply and value chain. For instance, being an SME, personal guarantees are common on debt covenants; therefore, one assesses whether debt covenants have fallen or increased, as this could have serious consequences. The other question one may ask is whether the owners have had regular or constant cash injections over the life of their trading activities. Furthermore, the SME may be involved with local emission trading schemes, charities, and environmental groups to which financial capital may be contributed. Are these publicised to the various stakeholders in the value-creation business model?

2.5.2 Manufactured capital

This form of capital relates to manufactured physical fixed assets or non-current assets as distinct from natural physical assets. For instance, if they are building factories, what materials are being used, and where are these assets located? They can use proper green exhaust and ventilation systems and solar energy, contributing to the carbon footprint. Are they close to city centres or residential centres? The environmental impact of these should be considered.

If there isn't a choice, MSMEs could play a vital role in the local economy by setting up greenery trees, flower gardens, or even planting saplings and allotments to enhance the

mutual interaction with the immediate stakeholders. These environmental schemes and practices could attract government environmental funding and aid. This would nullify the pollutive effects and the financial capital needed to fund these projects and schemes. The ultimate effect is the MSME benefits and enhances its reputation and intellectual capital.

Manufactured capital is often created by other organisations but includes assets manufactured by the reporting organisation for sale or when they are retained for its own use (IIRC, 2013). For instance, acquiring a new IT system to improve the information system of the firm would potentially improve the firm's manufactured capital, or rather introducing artificial intelligence (AI) technology, for instance, to the medical practice world, will improve the accuracy of the diagnosis involved. However, there would be corresponding conflicts and transformations on the other capital stores, such as human capital, in terms of redundancies and adding to the pool of unemployment. Furthermore, a haulage contracting business would have a fleet of vehicles in its fixed asset register. The management must decide on its replacement of assets policy and therefore has to decide whether to go with a hybrid, electric or a combination of both, including petrol, to save on emission costs. Companies owning factories may employ green exhaust and ventilation systems; for electricity, they would be using solar energy. The consequence of these management practices will be the minimisation of costs and the maximisation of profitability. This impact and their contributions will be highlighted within the integrated report for the use of the stakeholders. For instance, SMEs usually buy energy-saving or energy-efficient equipment, which lessens costs, preserves energy for the benefit of future generations and enhances sustainable growth (Marianne, 2013).

Doing a Google Scholar search on manufacture capital, the researcher found that this was the least used form of capital with human and social capital being the most widely used.

2.5.3 Intellectual capital

In the context of IIRC, 2013, and its principles, intellectual capital is one of the categories of intangibles, others being 'human capital'. Intellectual capital (IC) comprises intangibles that provide competitive advantage, including intellectual property, such as patents, copyrights, software and organisational systems, procedures and protocols, and the intangibles that are associated with the brand and reputation that an organisation has developed (IIRC,2013). The definitions accorded by the IIRC (2013) clearly differentiate that the IC is mainly attributable to knowledge-centric.

The goods that SMEs produce with their expertise would be patented. Hence, exclusivity is enjoyed when the demand for their goods is all-pervading. This establishes a reputation; the SME is able to earmark a standard which is accredited by the company's associated industry in which it operates. This creates value for the overall entrepreneurial activity of the

organisation and for the stakeholders. All these quality successes that are enjoyed by the SME can be translated and disclosed, mainly because of the subjective nature and measurement problems encountered. This type of reporting can be considered by the MSME sector, whether reporting it separately or in a singular report.

MSMEs are renowned for being at the forefront of innovation (Mancinelli and Mazzanti, 2009), and it is particularly important in the current global competitive thinking. Such an innovation system should be understood as Freeman (1987) defined it: "... the network of institutions from both the private and public sector, whose activities and interactions start, import, modify and diffuse new technologies". The success and survival of SMEs in an international context will depend on an ability to incorporate innovations into their strategies more and more each day (Van Auken, Madrid-Guijarro & García-Pérez-De-Lema, 2008: page 37). The problems of defining, recognising, and measuring intangible assets have been acknowledged in the financial world. However, in the absence of innovation, there is a lack of intangibles present in SMEs, which was highlighted in Hutchinson and Quintas (2008).

2.5.4 Human capital

The human capital concept was developed further first by Theodore Schultz (Schultz, 1961), and Becker (1964) advanced it. Human capital stems from individuals, such as their expertise, knowledge, experience, skills, etc.

Recent research shows the value of human resources within organisations and is seen as a key driver of organisational success. This is true for both large and MSMEs, irrespective. Human capital clearly matters, given that it is directly linked to the creation of value, and there is increased scrutiny on the way organisations are managed and operated with respect to the management of employees (CIMA, 2015). For instance, Dough Bailie, Chief HR Officer for Unilever (2014), stated, "People are our most precious resource, *and the effective investment and management of them is critical to the continued success of Unilever*".

Human capital is the main component of intellectual capital (Bueno et al., 2004). MSMEs managers would mainly be interested in knowledge, skills and experience as key elements of human capital. In addition, people's soft skills, attributes such as attitudes, willingness, and ability to learn on the job, as well as initiative and enthusiasm towards the role they have been tasked with. Furthermore, MSMEs are more flexible, have fewer bureaucratic structures to deal with, are more responsive, are timelier, and are more ready to experiment with new domestic and global challenges. These traits are valuable assets within the intangibles and should be explored and formulated into a forward-thinking strategy.

Human capital, which includes knowledge, know-how, and expertise skills, represents a major source of wealth for SMEs. There is a good support mechanism in an SME hub via training to

help employees develop and enhance their skills, remunerating fair labour wages above the minimum statutory rates, and employing flexible working conditions irrespective of gender differentiation and childcare facilities. The question is whether the MSMEs report those intangible elements. This is the benefit of generating an integrated report where the intangibles can be highlighted, and the various stakeholders can have an informed view of the MSME's operations and appreciate the transparency. In terms of diversity, MSMEs give their respective employees the opportunity to celebrate their cultural and religious festivals, time off work, and holidays, which are not reported. In a cultural sense, this promotes and enhances diversity within the MSME sector. Naturally, this engagement attracts international customers and increases customer capital. Therefore, this study questions whether cultural capital should be added as an additional dimension within the framework that has been discussed.

Since Becker(1964) introduced the above concept in economics, and for three decades, human capital has been included in entrepreneurship research as a prime determinant of entrepreneurial success (Unger et al. 2011). Human capital is part of the HRM process together with CSR, and these concepts, when executed in a complementary manner, will become sources of competitive advantage to SMEs.

2.5.5 Social capital

MSMEs business and trading environment is mainly attached to local communities, local behavioural patterns and social systems. (M)SMEs have a more direct connection with the local community. They benefit from being recognised as an embedded part of the community in which they do business. Therefore, they must work to improve their reputation, trust, legitimacy, and consensus within and among citizens (Vyakarnam et al., 1997). As we have noted earlier in our discussion on stakeholder theory, the local community is an important stakeholder for the MSMEs as opposed to the perceptions of the larger firms. The local community, therefore, is regarded as the customer, and to enhance the customer capital, MSMEs have to protect their customers seriously. This would naturally be embedded in the MSME's business model. Post et al. (2002b, p. 7) stated that "the long-term survival and success of a firm is determined by its ability to establish and maintain relationships within its entire network of stakeholders". So, Post et al. suggest that relationships with the firm's stakeholders enhance wealth creation.

Relationships, trust, loyalties and openness are the qualitative characteristics imbibed within the nature of MSMEs' style of conducting business, hence called the social capital it possesses. Usually, MSMEs have expertise in the nature of their business, owner-managed and therefore, close business relationships and networks are established and maintained in their business (corporate) life cycle. The firm would have a specific brand in which it thrives

and will differentiate its company and products from its competitors. For instance, using recycled inputs/sustainable inputs such as removing plastic packaging, customers bringing their own carrier bags, disposing of materials safely and minimising wastage. Furthermore, communicating clearly and transparently to its immediate stakeholders maintains the business relationships.

From a socio-economic perspective, economic action is rooted in social structures influenced by networking amongst firms (Granovetter, 1985). This also means that for SMEs, social capital accrues through formal engagement, networking within sectors, networking across sectors, volunteerism, and giving to charity (Spence et al., 2003). For example, community volunteering: 'Employees' donation of their time and talents and corporate support comprise one of the most satisfying of all forms of corporate social involvement (Kotler and Lee, 2005, p.1). MSMEs will find incorporating this form of social capital much easier due to the type of organisational structure they possess, albeit there may be a cost constraint. However, the nature of MSMEs' multitasking makes it easier for them to implement and operate along these lines. The MSME's social involvement will result in an enhanced reputation, a professional image, and an increase in confidence and loyalty. These are all elements that guarantee a stable workforce, an improvement in relationships with financial bodies, and, all in all, the company's sustainability over time (Vyakarnam et al., 1997). Furthermore, (Enderle, 2004) highlights that it is precisely the daily battle for survival in the market that conditions the SME's needs to strengthen its networking. Although this was espoused more than two decades ago, it is still relevant in the current advanced technological age.

MSMEs, with their restricted resources and financial capital where survival more often or not appears to be the main challenge, the manufacturing, retail and services sectors can, through stakeholder theory, use social capital to overcome them. Different sectors and industries via the so-called industrial clusters are explored to identify SMEs' exploitation of social capital to its advantage. For instance, a recent Korean study (Kim and Shim, 2018) used SMEs in a tourism cluster. Rosenfeld (1997, p. 4) defined clusters "as a geographically bounded concentration of interdependent businesses with active channels for business transactions, dialogue, and communications, and that collectively shares common opportunities and threats".

(Porter, 1998, p.91) explains 'clusters contribute to interconnections between firms, suppliers and related institutions within a geographical boundary, resulting in knowledge spillover based on geographical proximity' and greater ability to innovate (García- Villaverde et al., 2018; Martínez-Pérez and Garcia Villaverde 2016; Novelli et al., 2006) and compete (Porter, 1998; Rocha, 2004). Overall, society determines whether an organisation retains its social licence

to operate. (ACCA 2013). MSMEs in the UK could get associated with their similar kind of clusters, taking advantage of economies of scale, opportunities, innovation, and performance.

2.5.6 Natural Capital

The following definitions were cited in ACCA, NBA, (2013); “ The concept of natural capital, often understood as any stock of natural resources or environmental assets that provides a flow of useful of useful goods and services, now and in the future”. (Brand 2009, p.608), “Natural capital is a metaphor to indicate the importance of elements of nature (e.g. minerals, ecosystems, and ecosystems processes) to human society. Natural ecosystems are defined by several environmental characteristics that in turn determine the ecosystems’ capacity to provide goods and services.” (Ekins, et al, 2003, p.169)

SMEs' access to environmental resources can be used to provide a return and/or that it affects through its activities or the goods and services it creates (IFAC,2017, p.6).MSMEs can cultivate green policies by buying energy-saving or energy-efficient equipment for the production of their goods and services. This twin fold would result in a reduction in costs and the preservation of energy. This practice adopted would have an impact on the environment, protecting resources for future generations and helping sustainable growth for the businesses, the community, and the well-being of their community’s children for generations to come. In many cases, an organisation’s use or effect on natural capital is in sourcing raw materials through the supply chain. It was quoted that “SME activities can affect natural capital valued by the local community, as mentioned earlier in manufactured capital, pollution emitted by a factory, products bought by customers have material effects on natural capital” (ACCA, NBA,2013).

Engaging in these natural stocks of resources and applying sustainable practices contributes to society at large, and the benefits derived by SMEs would be to bring together the financial data with intangible information in a single report such as the integrated report. This might improve the view on SMEs' creditworthiness (Mertins and Orth,2012).

2.5.7 Summary

IRRC (2011) uses the term “capital” and the multi-capital model to recognise that value is not stored in financial capital alone but in different types of capital. Do MSMEs embrace the recognition or even understand the terms of the various other capitals? This study attempts to elicit and discern that understanding from owners/managers of MSMEs. Through integrated thinking, as per IRRC (2011), IR can help an SME build a better understanding of the factors that determine its ability to create value over the short, medium, and long term.

MSMEs are engaging in one way or another in their daily business operations, integrating and using at least four of the six capitals of the IR Framework (IIRC, 2013): financial, human, social

and intellectual capital but not reported in any of their reporting mechanism The capitals are considered as a fundamental concept of the IR Framework (IIRC, 2013). Gibassier et al. (2019, p.29) identified the following studies pertaining to the disclosure of capitals: Wild and van Staden (2013) found that, in general, four of the six capitals were reported in the IIRC examples database. Setia et al. (2015, p. 397) demonstrate that the introduction of integrated reporting in South Africa increased the disclosure of the listed companies' human, social, relational, natural, and intellectual capital information. Gibassier et al. (2019, p.30) further noted that, after the financial capital, the most mentioned capital is human and natural capital.

The discussion paper of IIRC (2011) questioned if IR applies to SMEs. The results published in the 2012 discussion paper(DP) noted that the majority of the respondents agreed, and another 16% agreed with some qualifications. However, this does not necessarily apply 'equally' (the expectation of the IIRC) when the size and the types of businesses, such as the MSME sector, are considered. The overriding factor that keeps coming up in the themes established for IR for MSMEs is the cost resource constraint, the cheaper to generate a 'singular' report and, most importantly, creating awareness of IR for MSMEs through education, training in the processes and creating channels of communications with stakeholders and providing a toolkit for MSMEs to follow.

2.6 Summary of themes identified from the literature review.

The literature review investigated the theoretical perspectives on accounting, definitions and regulatory frameworks and the introduction of additional tiers within the classification of SME reporting regimes. The review looked at the second strand of CSR in MSMEs, the research and findings of authors dealing with CSR practices, and the existing theories and justification as a lens for their adoption and limitations. Finally, it reviewed the IR research and findings that impact the diffusion of IR within large and smaller organisations.

As per Table 11 below, the research question(RQ1) on adopting IFRS for SMEs, a few key literatures have been critically evaluated on several objectives and sub-objectives. They are represented from the economic rationality, sociological and accountability perspectives. Figure 4 above in section 2.2.3 provides an overview of the new UK GAAP, which includes the UK MSME tier group. Collis, Holt, & Hussey (2017) highlighted several advantages to this UK-tiered compliance approach; the main advantage is that the compliance burden is reduced by applying the principle of proportionality (FRC, 2015, p.4). It also allows the flexibility for the entities to use them as they see fit in their reporting mechanism, enhancing the quality, simplifying the reporting function with clarity and purpose, and consolidating into a 'singular' report, thereby saving costs. Nobes (2010), from a sociological perspective, acknowledged that firms within the MSME sector (heterogeneous in nature) are private firms and, therefore,

tend to prepare a single set of accounts rather than group accounts. Kaya & Koch (2015) explored the international dimension of countries adopting IFRS for SMEs, suggesting that jurisdictions reduce the financial burden on SMEs. Arafat et al. (2020) key contribution of their study relates to classifying stakeholders of IFRS for SMEs between users and preparers as an oversimplification owing to the low participation by users in the standard setting process - was MSME participation included in the due process? Wijekoon et al. (2021, see section 8) study examined a developing country IFRS for SMEs reporting from a sociological perspective using the institutional sociological theory; findings showed that the adoption is unlikely to result in increasing transparency and accountability due to the underdeveloped legal and institutional framework in Sri Lanka.

Table 11 Adoption of IFRS for SMEs Themes

Rationale/Objective	1 st Order Themes/Focus	2 nd Order Themes
<p>Economic- To provide greater transparency and decision-usefulness.</p> <p>Sociological</p> <p>Accountability</p>	<p>To enhance the economic impact regarding the quality of MSME financial reporting.</p> <p>Filling MSME gaps through simplification & clarity of reporting financials; Perceptions in consolidating into a singular report.</p> <p>Owners' and managers' perceptions/opinions/thinking about the need to incorporate the new reporting framework; exploring the reasons not to adopt.</p>	<p>Apart from financial constraints, what other factors are preventing its inclusion?</p>

	The influence of main communication channels on stakeholder needs; to what extent did IASB influence MSME participation in its due process; and the influence of external networks in the harmonisation process.	Exclusion of the key stakeholders in the MSME sector is not incentivising the request for compliance.
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Source: Author(2024)

As highlighted in her thesis, SME CSR literature is still preoccupied with establishing a link between CSR and organisational success (Davies, 2018). Spence (2016), on the other hand, proclaims that the business case is less important than the social capital. She further highlights that there is increasing evidence to suggest that SMEs are driven by much more than economic rationality and profit, referring to the important role of the owner-manager.

As per Table 12 below, research question two (RQ 2) on the diffusion of CSR practices, the themes established are from the objectives of educational and motivational, sociological and stakeholder relationships. Key literature was evaluated starting from the seminal thinker of Carrol's pyramid of CSR (1991). The paper discussed the various responsibilities of businesses and singled out the definitional aspect of CSR. Castka et al.'s (2004) study discussed How SMEs can effectively implement the CSR agenda from a UK perspective. It was based on an action research case study, and their findings (2004, p.146) showed that CSR implementation improved the competitive advantage of the business...the major benefits were perceived as better strategic and resource planning, and the company also upheld its profit growth.

Morsing (2006) examined the drivers of CSR in SMEs and believed there is a need for specific SME knowledge on CSR engagement that can contribute to the development of understanding how to promote CSR among SMEs effectively. A recent paper by Sen and Cowley (2013) summarised the state of knowledge in terms of the motivations in CSR in SMEs by various authors, which varied widely ranging from community support, trust, survival, business rep and legitimacy with relevant stakeholders

More recent studies, such as Gavurova et al. (2022), looked at the differences in the perception of the use of the principles of CSR in MSMEs in the V4 countries, where differences

were found in the perception of the CSR concept and its use in business. Saveanu et al. (2021) conducted a qualitative study based on 17 interviews with owners/managers of small businesses in a Romanian context that looked at how they shaped the CSR activity of Romanian SMEs. Vrontis et al.'s (2022) study examined SMEs' adoption of digital technologies for sustainability and value creation, where the use could reduce the influence of external crises and introduce massive changes in business operations by providing better business models.

Another sociological perspective study was conducted around them, including what CSR meant for SMEs and how larger companies were engaging SMEs within their supply chains on CSR (Williams and Murphy, 2023). The findings suggested larger companies were moving away from the language of CSR to embrace what they describe as the broader concept of sustainability (Environment, Social, and Governance [ESG] and Social Development Goals [SDGs]). SME CSR communication is *personal*, especially regarding management's relationship with employees (Soundararajan et al., 2018). CSR in SMEs is close to home, with proximity playing an essential role in determining stakeholder salience (Lahdesmaki et al., 2019).

Table 12 Diffusion of CSR Practices Themes

Rationale/objective	1 st order Themes/Focus	2 nd order Themes
Educational & Motivational	<p>Understanding the CSR concepts and perceptions of willingness to engage in CSR practices.</p> <p>Owners'/managers' perceptions of current CSR reporting, Sustainable reporting (SR) practices and perceptions of environmental understanding.</p>	<p>Voluntary Social Responsibility (VSR), due to SMEs characteristics; other suggestions</p>

Sociological	MSMEs direct openness in their business dealings, better ethical tools for CSR practices, and adoption that relates to perceptions of 'big brother corporation' societal conformity pressures and motives.	Consumers in society and their expectations, minimum levels of quality, ethical conduct and the certification process.
Social Systems & Stakeholders Impacts	<p>Owners'/managers' perceptions of formal and informal dialogues justifying the influence of social networks.</p> <p>Influence of social network – internal and external.</p> <p>Owners/managers' perceptions/awareness of MSME stakeholder's understanding of MSME non-financial reporting.</p>	<p>In social systems, a set of interrelated units that are engaged in joint problem-solving to accomplish a common goal (Rogers, 2003, p.23)</p> <p>Suggestions for any alternative system of reporting</p>

Source: Author (2024)

As per Table 13 below, research question three (RQ 3) on the diffusion of IR among MSMEs represents a seriously under-researched research field. This study has drawn out themes from existing literature, such as the rational/objective stance of economic, legitimacy, and sociological decision usefulness for the firm, as well as the perspectives on communication and societal issues. Key studies were reviewed and analysed to examine and analyse the concept of IR, the benefits and challenges, the rationale deriving from the IR process, and the understanding of whether IR will represent an effective disclosure mechanism for the MSME sector.

The IFAC (2017) provided some general guidance and a starter kit to assist SMEs and the practitioners (or SMPs) acting as their consultants in implementing the IR framework. IFAC assert that IR can facilitate effective communication with key stakeholders and lead to better access to finance by illustrating to lenders how an organisation’s strategy creates value in the medium to long term. This study looked at the legitimacy of the use of resources and dependence on the various capital stores within the MSME sector. The economic argument for bringing the reporting norm into a singular format for the MSME sector was examined in the study in juxtaposition with the IIRC, (2011) developing a globally accepted IR framework to promote its international diffusion for large companies (de Villers et al., 2014) and IIRC, (2013a) developed a principles-based IR framework that aims to coalesce a firm’s different reporting formats into one holistic and succinct report. Lodhia (2015) calls for further guidance from the IIRC.

Del Baldo (2017, p.511) ‘attributes the scarcity in IR literature firstly to the fact that SMEs have only just started to approach IR, despite recent research into the extent of IR adoption worldwide revealing that 42% of IR adopters are SMEs (Gibassier et al., 2019). Del Baldo (2017, p 524) investigated the usability of the IIRC framework based on an Italian case study ‘that identified challenges regarding the assessment of non-financial information, which slowed down the reporting process in the Italian SME context’. In a German context, Gerwanski (2020, p.572) ‘explored the experiences of top and middle managers of large German SMEs and revealed three major barriers: firstly, managers perceived a lack of interest from the relevant public. Secondly, IR was regarded as infeasible to address user needs, e.g. lack of guidance, complexity of reporting framework, reports are lengthy and non-readable(non-decision-usefulness) and finally, given the fear of lack of financial capital and human capital resources of SMEs, the transition to IR was for large firms first, and this shaped a watch and wait brief among SMEs’. One of the themes drawn out from this study was the implementation in stages rather than a “ big bang” approach or instead, leaving the reporting as it currently is.

This study gathered insights and valuable practical implications by engaging with the MSMEs' owners/managers and internal stakeholders, unlike prior research, which was mainly “desk-based research” (Adams,2002; Deegan, 2002; Owen, 2008).

Table 13 'Singular' report/ IR adoption Themes

Rationale/objective	1st order Themes/Focus	2nd order Themes
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<p>Economic</p>	<p>They perceived bringing all fragmented information together in a single report with a balanced business view.</p> <p>Owners'/managers' perceptions of using IR over AR reporting practices and its advantages.</p>	<p>Adding extra narrative notes on non-financials to existing financial reporting</p>
<p>Legitimacy/Sociological</p>	<p>IIRC (2011) stated that IR has the benefit of making visible an organisation's use of and dependence on different resources and relationships or 'capitals' and its access to them.</p> <p>Owners/managers' understanding and perceptions of the benefits of multiple capital stores to MSMEs enhance the value creation business model.</p>	
<p>Decision usefulness</p>	<p>Owners/managers perceive that with IR, you can provide a different perspective, forward-looking approach to its business dealings and how positively MSME can run the business</p>	
<p>Communication & Societal issues</p>	<p>Challenges faced make it infeasible. Impact of Social Capital</p>	<p>Views of recent authors leading the SMEs IR (Lodhia, 2015; Del Baldo,</p>

	<p>Implementation as Big Bang or in stages</p> <p>Leave SME reporting as it is and no additional qualitative reporting</p>	<p>2017, 2019; Gerwanski, 2020), their perceptions and case study evidence on the diffusion of IR in SMEs.</p>
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Source: Author (2024)

Chapter 3 Research Methodology

3.1 Research Philosophy

Different methods of gaining knowledge apply to different ontological assumptions. These can range from interpretation when the knowledge of the subject matter is essentially personal to observation when there is a concrete external environment. Burrell and Morgan (1979) used the term 'functionalism' to describe mainstream accounting research, which combines an objectivist view of the world with a concern for regulation.

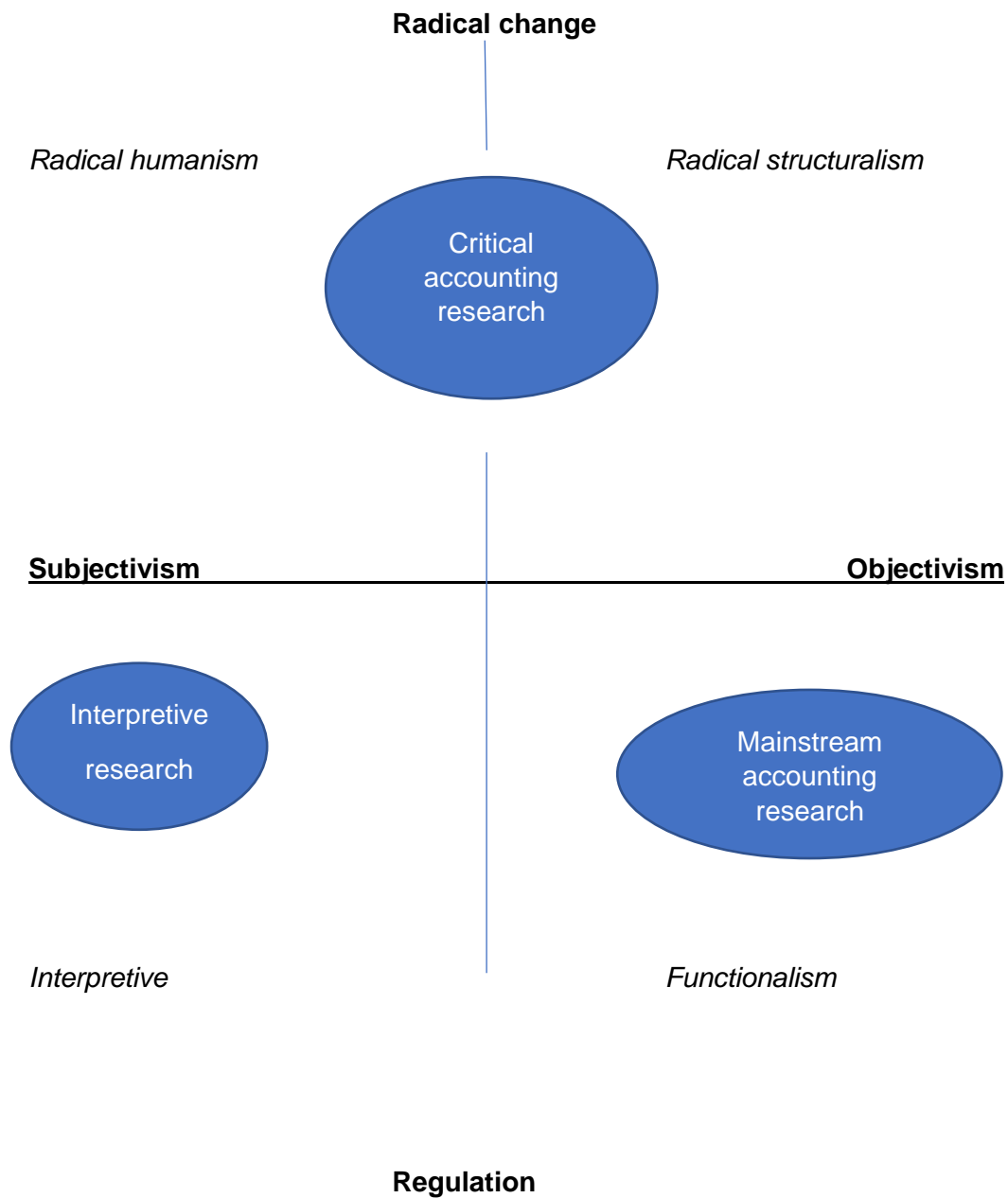
Research involves considering the different research philosophies or paradigms, mainly ontology, epistemology and methodology (Easterby-Smith et al., 2018; Robertson, 2016; Flowers, 2009; Denzin and Lincoln, 1998). This thesis will follow a similar approach in applying its research methodology. Robertson (2016, p. 170) highlights the Guba and Lincoln (1994, p. 105) definition of the research methodology as *'the basic belief system or worldview that guides the investigator, not only in choices of methods but in ontologically and epistemologically fundamental ways'*. This, therefore, includes perceptions, beliefs, assumptions and the nature of reality and truth, where proper discussion takes place and is in line with the aims of the research, and any biases are recognised and reduced (Flowers, 2009). This study's primary purpose is to explore and reveal owner/managers' interpretation and their understanding of the realities of the three strands examined. In the MSME sector, owners/managers are the key decision-makers with experience and, thus, "have extensive and exclusive information and the ability to influence important firm outcomes" (Aguinis and Solarino, 2019)

Built on prior research, the justification of the study will adopt an interpretive phenomenological approach to enable an in-depth study of owner/managers and financial personnel experiences of financial reporting and IR in MSMEs. Interpretive accounting research is based on the view that recognises the socially constructed nature of our institutions, making sense of the social character of business leaders in their daily operational lives (Broadbent and Unerman, 2011). The interpretivist position takes an alternate view, proposing that reality is multiple and created solely in the consciousness of each individual (Schwandt, 1994; Yin and Jamali, 2016). Meaning and knowledge are socially constructed, interpreted, and only properly understood in their context (Ozanne and Hudson, 1989). Interpretivist research, therefore, focuses on interpreting the meaning attached by social actors in a given situation (Saunders et al., 2009), with ideas drawn inductively from the rich data gathered to widen understanding of the situation (Easterby-Smith et al., 2012). Language is the medium through which knowledge is created (Rynes and Gephart, 2004), and the researcher is the subjective interpreter of the

meaning others attach to social phenomena (Saunders et al., 2009). Furthermore, with interpretivism, Berger and Luckmann (1991) identify the importance of language and communication as the most significant means to sustain, alter and reconstruct subjective reality based on shared meaning and understanding of concepts. In this study, business language plays a vital role.

The study will take the ontological view that organisational adoption of business reporting and IR for MSMEs depends on the social and institutional nature of organisational processes and practices. This study will seek socially constructed perceptions of the quality of MSME financial reporting, the adoption process of CSR in MSMEs and the integration process, the benefits and drawbacks of an integrated approach and how relevant IR will be for MSMEs. In the taxonomy of accounting research, Ryan et al. (2002, p.39) recalled Hopper and Powell's (1995, p.431) study, which drew on the earlier work of Burrell and Morgan (1979), who had produced a classification of organisational research. Hopper and Powell obtained the taxonomy of accounting research and set it out as per Figure 13 below:

Figure 13 Hopper and Powell's taxonomy of accounting research



Source: Adapted from Hopper and Powell (1995)

The four sections labelled above, 'radical humanism, radical structuralism, interpretive, and functionalism are the terms used by Burrell and Morgan to categorise organisational research, but they can be linked to three categories of accountancy research: mainstream research, interpretive research and critical research' (Ryan, B et al., 2002, p.41). This classification is useful for indicating the nature and different approaches available for the understanding of accounting, financial reporting and integrated reporting. This thesis adopts the interpretive approach.

The interpretive model is attributed originally to the work of social interactionists, such as Goffman (1959) and Blumer (1969). This research is concerned with understanding MSMEs in a social context and their reporting practices. As cited in Ryan et al. (2002, p.42), some writers (for example, Roslender, 199,p.142) have classified accounting studies which use Giddens' structuration theory as interpretive. However, Giddens would undoubtedly claim that his work has a critical dimension. Nevertheless, interpretive work is concerned with making sense of the social elements described earlier as per the bottom left quadrant of Hopper and Powell's taxonomy. Drawing on Kantian philosophy (Immanuel Kant, 1724-1804), Ryan et al., (2002, p.15) proffer, "For Kant, *reality is mentally constructed whereas the common orthodoxy in the social sciences is that reality is socially constructed*". Therefore, with this view, understanding becomes the primordial tenet upon reflection, not mere experiences only. The seeking to know becomes the knowledge base that transcends basic empirical enquiry.

Table 14 below summarises the main epistemological and ontological assumptions (slightly adapted) that Chua (1986) identified with the interpretive accounting research paradigm.

Table 14 Interpretive Accounting Research Paradigm

<p>A. Beliefs about knowledge</p> <p>Theory is used to provide explanations of human intentions. Its adequacy is assessed via logical consistency, subjective interpretation, and agreement with the actors' common-sense interpretations.</p>
<p>B. Beliefs about physical and social reality</p> <p>Reality is socially created and objectified through human interaction. Human action is intentional and has meaning grounded in the social and historical context. Social order is assumed, and conflict mediated through shared meanings.</p>
<p>C. Relationship between accounting theory and practice</p> <p>Accounting theory seeks to explain action and to understand how social order is produced and reproduced.</p>

Source: adapted from Chua, 1986

As a comparison of the three forms of accounting research, there are underlying epistemological and ontological differences given the complex and diverse aspects. This discussion provides an overview of the methodological research approaches used in

accounting and financial reporting instead of oversimplifying the debate. Conversely, one should not regard the so-called scientific approach as the only ideal approach for accounting research. The researcher intends to seek, discover, describe experiences and explore the phenomena surrounding the research questions. Given this, the qualitative approach is justifiable, as implied by Creswell (1998, p.99), where it was stated that qualitative research questions are “open-ended, evolving, and non-directional.”

3.2 Research Strategy

Research strategies provide a starting point for answering the research questions, which Blaikie (2007) categorised into four logics of enquiry (Robertson, 2016). However, the relevant strategy selected for this thesis study is highlighted below in Table 15:

Table 15 Logics of the abductive research strategy- adapted

	<i>Abductive</i>
Aim	<i>To describe and understand social life in terms of social actors' motives and understanding.</i>
Start	<i>Discover everyday lay concepts, meanings and motives</i>
	<i>Produce a technical account from lay accounts</i>
Finish	<i>Develop a theory and test it iteratively</i>

(Source: adapted from Blaikie, 2007, p. 8)

Blaikie (2018, p.638) explained: “ that most textbooks on social research methods if they mention logics of enquiry at all, refer to only two, *induction* (assumption is qualitative research) and *deduction* (assumption is quantitative research)”. Blaikie further comments that the authors say that *inductive* is being used broadly rather than narrowly, presumably incorporating abductive logic (Sim et al., 2018).

This study will adopt the above abductive research strategy (used in social sciences), where the aim is to discover the meaning social actors give to their social world by constructing the knowledge social actors use in the production and interpretation of the phenomenon under investigation, as pronounced by Blaikie (2007, p.10).

Therefore, the researcher must gather data by eliciting the social world of the actors involved to investigate their motives and reasons for social activity, and to abstract these from transcription, classify them into typical motives for typical actions in typical situations in the technical language of social scientific discourse, to provide an understanding of the activities to arrive at a more systematic explanatory account of the phenomenon being studied (Blaikie, 2007, p.10.) Robertson (2016, p.172) highlights that Blaikie (2007) labels *this “a ‘bottom-up’ approach, which involves deriving concepts and theories from the situation, as opposed to a*

'top-down' approach, where the researcher's ideas, concepts, or mechanisms, are tested to establish whether they represent reality". Qualitative research questions typically start with 'what', 'How' or 'Why' questions and focus on exploring a single concept based on participant perspectives (DiCicco-Bloom and Crabtree, 2006) contained in this research study.

There is a stance that the researcher can approach in addition to the choices identified above. It can be based on the relationship with participants and the researcher's role. It appears that may lie somewhere between the two extreme positions. This entails that the researcher stands back from the social phenomenon being investigated and uses methods that allow him or her to observe as an outsider or the other, which requires the researcher to be thoroughly immersed in the social situation explored and understood via their personal experiences. This thesis will use CSR, IFRs for SMEs, and IR theory to develop insights into factors that impact the diffusion of CSR and IR on MSMEs' reporting.

The researcher will analyse the ontological and epistemological positions, which will be explored further in the next sections. In Crotty (1998), the author comments, "The researcher's philosophical stance will inform the methodology and provide context for the research approach." When developing the methodologies, the focus will align between the two philosophical positions.

To answer the research questions, the relative discussion will centre between ontology and epistemology-related positions (Easterby-Smith et al., 2018; Flowers, 2009). consider how they contributed to this research strategy and design to demonstrate awareness.

3.3 Ontology research position

In addition to the scientific methods available in research, they are not necessarily the most appropriate approach in mainstream management or accounting research. As Ryan et al. (2002, p.23) cited, 'Researchers would develop holistic theories to interpret day-to-day accounting practices in the context of the wider social systems of which they are part. Scientific methods are based on abstraction, reductionism, and statistical methods, whereas naturalistic methods are based on realism, holism and analytical methods. Ryan et al. (2002, p.35) also comment that 'Tomkins and Grove's (1983) paper pointed out that selecting the most appropriate research methodology depends on the nature of the phenomenon being researched. In particular, the assumptions which the researcher holds regarding the nature of the phenomenon's reality (ontology) will affect how knowledge can be gained about that phenomenon (epistemology), and this, in turn, affects the process through which research can be conducted (methodology)'.

Ontology refers to the nature of reality and existence. There are various philosophical debates discussing the relationship between data and theory, and to proceed to understand them, we need to begin by looking at different ontological assumptions. Tomkins and Groves (1983) drew on the sixfold classification of the social world developed by Morgan and Smircich (1980). The six fundamental ontological assumptions are set out in the table 16 below:

Table 16 Six ontological assumptions

1	Reality as a concrete structure	Naïve realism
2	Reality as a concrete process	Transcendental realism
3	Reality as a contextual field of information	Contextual relativism
4	Reality as a symbolic discourse	Transcendental idealism [Kant]
5	Reality as a social construction	Social constructionism [socially mediated idealism]
6	Reality as a projection of human imagination	Idealism [Berkeley]

(Source: Morgan and Smircich, 1980, p.492)

A more plausible way of comprehending the above six assumptions is to regard them as six alternative ways of viewing the world, with (1) reality as a concrete structure being the most objective and (6) reality as a projection of human imagination being the most subjective. The others are between the two extremes. Therefore, social researchers must consider whether the reality being investigated is objective, factual and external to the individual or whether the reality is subjective in nature and a product of the individual mind (Burrell and Morgan, 1979). Burrell and Morgan (1979) added assumptions about human nature to ontology and epistemology, ranging from a free-will business-thinking individual to consideration of environmental factors (Ryan et al., 2002, p.39).

Viewers may hold different perspectives; truth and experiences can vary (Easterby et al., 2018). As Collins (1983: 2002 88) says, 'what counts for the truth can vary from place to place and from time to time'. The researcher agrees and will replicate the similar approach adopted by Robertson (2016, p.175), who cites Crotty (1998, p. 64), acknowledging social constructionism as relativist in context. It is this position that this thesis will adopt, as the author asserts that the adoption, application, and implementation of IFRS for SMEs, CSR and IR will be determined by past experiences, behavioural aspects, culture, mindsets and social networks of owner-managers, financial managers, and accountants alike.

Therefore, this thesis seeks to establish the socially constructed meanings and interpretations that social actors ascribe to the relatively new dimensions of SME entity reporting. The researcher does not assume the existence of reality as a concrete structure in the social world, but awaiting discovery, recognises the role individuals play in constructing socially mediated

idealism; reality is the accomplishment of individual sense-making, i.e. 'what is going on' and can thus be subjectively created. Therefore, the phenomenological approach is suited to this kind of study (Creswell and Poth, 2018; Moustakas, 1994). With this approach, participants will be recruited (who have experienced the phenomenon of interest) and asked mostly open-ended questions to elicit their responses about their experiences.

Table 17 below shows the linkages between the distinct but related elements within the social science dimension.

Table 17 Linkages between Ontology, epistemology, and methodology

Ontology	Relativism
Epistemology	Constructionism
Research Paradigm	Social Constructionism-Interpretivism
Methodology: Starting points Designs	Research Questions Semi-structure interviews
Methods and techniques: Data Types Analysis /Interpretation Outcomes	Mainly words and descriptive numbers Views, and experiences of individuals Theory generation for MSMEs IR using IIRC literature as a guiding lens

(Source: Adapted from Easterby-Smith et al (2018), p72)

3.4 Methodological justification

Depending on the underlying philosophical assumptions of the researcher, Burrell and Morgan (1979) polarise the choice of methodologies into "ideographic" and "nomothetic" approaches within social sciences. The ideographic approach "is based on the view that one can only understand the social world by obtaining first-hand knowledge of the subject under investigation" (Burrell and Morgan, 1979, p. 6). Its primary goal is the development of an

understanding of the way individuals create, modify, and interpret their social world and "stresses the importance of letting one's subject unfold its nature and characteristics during the investigation process" (Burrell and Morgan, 1979, p. 6).

The underlying epistemological assumptions of this approach would align with constructionism, where meanings are constructed. Therefore, Burrell and Morgan (1987) postulate that leaders' perceptions are derived within rather than externally and reflect the assumptions.

The above assumptions stem from an interpretative social constructionism philosophical orientation to seek to understand the relevant social actor groups' perceptions, meanings and intentions (Easterby-Smith et al.,(2018, 70). This suggests that qualitative phenomenological research, which attempts to understand social phenomena from the individual's perspective with "the important reality [being] what people perceive it to be" (Taylor and Bogdan, 1984, p.2), would be the most suitable approach for this study. This approach aligns more with Schutz's development of a social phenomenology rather than Husserl's more philosophical phenomenology. Social phenomenology asserts that social interaction constructs, as much as conveys, meaning (Holstein and Gubrium, 1994) and aligns with the author's social constructionism philosophy.

Interpretivism is often linked to the work of Max Weber (1864-1920), cited in (Blaxter et al., 2001,p.61), where the phenomenologist is seen to strive for *verstehen* (understanding), which relates to empathy, which is understanding the meaning of actions and interactions from the members' points of view (Eckstein, 2000). Notably, it refers to the intersubjective character of the world and the complex process by which the social actor becomes aware of their actions, and those of fellow actors, as meaningful' (Denzin and Lincoln, 1998). This is compared to *Erklaren (explaining), which forms the basis of seeking causal explanations and is the hallmark of the natural sciences* (Blaxter et al., 2001, p.61). An interesting conjecture here for comparative purposes is to consider what is the scientific approach (Chalmers,1999:1), 'Based on what we can see, hear and touch rather than personal opinions or speculative imaginations' An objective analysis, where knowledge is independent, unlike the interpretivist view, where our 'monkey mindset' selects and gives meaning to the world around us. Kvale (1996, p.60), on the other hand, 'take exception to the implication that qualitative interviews are necessarily 'unscientific', arguing that this depends on how science itself is defined...alternatively, the scientific method could also include systematically produced 'intersubjective reducible data', such as those produced in qualitative interviews'. Meanwhile, Denzin and Lincoln (2011,p4) further argue that' good theoretical research should also have applied relevance and implications'. Either way, there is a view 'that social research is at its

most useful when theoretical insights and social investigation are mutually enhancing, such that the collection of evidence is informed by theory and interpreted in the light of it' (Bulmer, 1982: 152).

This study will adopt a qualitative phenomenological approach, seeking the views and experiences of the owners/managers and their internal stakeholders.

Roberson (2016, p186) adds that 'qualitative research seeks to understand a particular social situation, event, role, group or interactions' (Locke et al., 2007; Cresswell, 2013), and investigatory thinking is the main motive behind the researcher. In qualitative research, according to Sexton (1997,p7), 'the perspective of the observer and the object of observation are inseparable; the nature of meaning is relative; phenomena are context-based; and the process of knowledge and understanding is social, inductive, hermeneutical, and qualitative'.

Debates on the choice of research methods have tended to revolve around the choice between quantitative and qualitative methods or a mixture of both. We can summarise the differences by adapting Bryman and Bell (2011,p27) in the table below:

Robertson (2016) discussed various merits of using the qualitative method, which also seems appropriate for this study, as it accommodates the most flexible way of collecting, analysing, and interpreting the data.

More specifically, the justification for adopting the qualitative method approach for this study includes:

- *concentrates on individual perceptions and experiences and how they make sense of their experiences (Fraenkel and Wallen, 1996; Locke et al., 2013)*
- *obtains descriptions of those experiences and perceptions through first-person accounts in formal and informal conversations and interviews (Moustakas, 1994)*

Therefore, the qualitative approach is in accordance with this thesis study, which interprets the phenomenon. Furthermore, it aligns with a social constructionism position and agrees with Crotty's (1998, p.19) assertion, gathering data from a diverse group of entities such as the MSMEs. Therefore, interpretivism prioritises the interpretation and meaning of human experience over quantitative aspects.

The next section will evaluate the specific qualitative research methods employed to answer the research questions.

3.5 Qualitative Research Method and its justification

To answer the research questions, which involved primarily to canvas owners/managers and their immediate stakeholders' perceptions, opinions, and rationale on the three constructs

investigated in this study, an explorative qualitative inquiry was deemed appropriate (Blaikie, 2007), together with 'people's spoken words and observable behaviour' (Taylor and Bogden, 1984,p.5.). A qualitative study may involve a variety of empirical materials - a combination of observation, introspection, life story, in-depth interviews with small sample sizes, dialogues with subjects of shared experiences, and case studies (Denzin and Lincoln, 1994). Qualitative research is a broad approach to studying social phenomena, consisting of various genres that are naturalistic, interpretive and increasingly critical, and they draw on multiple methods of inquiry (Mashall and Rossman, 2006).

Carter and Little (2007, p. 1316) summarise that the data collected and analysed is usually in words rather than numbers. The qualitative research method argues that the world should be approached with the assumption that nothing is trivial and that everything has the potential of being a lead that might open a more comprehensive understanding of what is being studied (Goddard and Melville, 2004). 'Meaning' is of paramount importance to the qualitative approach. Qualitative researchers are concerned with participants' perspectives and capturing the perspectives accurately (Kumar, 2016).

Given the underlying philosophical assumptions of the researcher's paradigm (Social Constructionism-Interpretivism) and the exploratory objectives of the research questions, which sought the perceptions of owners/managers and their immediate stakeholders, in-depth interviewing was considered the most appropriate method.

Interviews provide a useful way for researchers to learn about the world of others, although real understanding may sometimes be elusive (Qu and Dumay, 2011). Interviewing requires "a respect for and curiosity about what people say, and a systematic effort to hear and understand what people tell you" (Rubin and Rubin, 1985, p. 17).

In-depth interviewing is one of three forms of data collection that researchers can employ, the other two being direct observation and written documents (Patton, 1990). The interview is an interaction between the researcher and the participant (interviewee). The interview mode can take many forms, such as face-to-face, telephone, or social media platforms like Skype/MS Teams/Zoom. Qualitative interviews aim to gather information which grasps the meaning and interpretation of a phenomenon according to the interviewee's view of the world (Kvale, 1996, see chapter 8). Burgess (1982, p. 107) highlights the importance of in-depth interviews as providing "the opportunity to uncover new clues, open up new dimensions of a problem, and to secure vivid, accurate and inclusive accounts based on personal experience". In this study, interviews were conducted via MS teams, and the mode used was the conversational approach, confined to the questions in perspective.

Rubin and Rubin (2005) regard qualitative interviews as conversations in which a researcher gently guides and leads the discussions. Furthermore, they regard that the direction of a conversation in an interview is in the hands of a researcher. However, there are some obvious differences between normal conversation and in-depth interviews- their objectives and the roles of researcher and participant are quite different (Berg and Lune,2012; Miller and Glassner, 2011; Rubin and Rubin, 2012; Silverman, 2010). Ritchie et al. (2014, p178), explains 'In reality, although a good in-depth interview might look like a conversation, it will not feel like one for the researcher or the participant- both are working hard'. Qu and Dumay (2011) examined the perspectives on the interview approach by examining how interviews are conducted and how their data is viewed.

This study carried out the interviews online using MS Teams real-time 'chat' platforms exclusively, and the advantages of using this mode were it saved time, was convenient to the participant, the busy participant availability was quickly identified and accepted, no travel commitments and costs incurred from the researcher's perspective, and fully able to exploit the benefits of the digital era (both the interviewer and participant cameras are turned on), where some of the limitations of this mode have been overcome. This mode had to be taken (approved by the University ethics committee) against the backdrop of the COVID-19 pandemic. This was no different from the reality of a face-to-face interview at the participant premises, except the human tangible contact was not there. It provided equally a good rapport between the researcher and the participant, helping to create an environment where the interviewee can respond in a free-ranging and complete way and where the researcher can take non-verbal communication into account (Ritchie et al., 2014, p.180); such as the body language while responding to the questions when the camera is on.

A systematic literature review on IR from 2011 to 2020 by Soriya and Rastogi (2021) study found that out of 110 articles published in eminent journals from the year 2011 to the beginning of 2020 across different countries, the research methodology using empirical evidence had only 17 articles using interviews. The rest used perspective and arguments for conceptual, qualitative studies, content analysis, secondary data, panel data, balance scorecards for conceptual, quantitative studies and others (experiments, case studies and surveys). This mode of robust data collection should be used more often. Particularly, literature reviews of sustainability reporting have evidenced neglect of more exploratory and confirmatory approaches, such as interviews, surveys, and experimental studies and warrant a closer look (Fifka and Drabble, 2012; Hahn and Kuhnen, 2013; Parker, 2011b).

This study seeks to address this gap by using interview techniques to engage with owners/managers and their vested stakeholders to decipher the use of IFRS for SMEs, CSR

engagement and the possibility of adopting a practice of IR, which is gaining traction slowly in the SME world, to gain a deeper understanding of their processes, their outcomes and owner/management motivations and experiences of reporting them in a singular report. This approach ensures that the researcher engages with social actors at proximity, rather than at a distance, thereby facilitating penetrative insights and ‘unpacking from the inside, to consider organisational processes and the accounting interface with such processes’ to gain deeper understandings of organisational change (Parker 2012, p. 56). A similar approach was adopted by De Villers and Alexander (2014), who engaged directly with “insiders” involved in IR in Australia. In the same vein, in the SME world, Gerwanski (2020), a German study on managers' incentives and disincentives, used semi-structured interviews and Del Baldo (2017), in an Italian context, used semi-structured interviews on three pilot companies.

Semi-structured interviews will be used in this study to examine the two constructs, IFRS for SMEs and CSR practices in MSMEs, funnelling into the third phenomenon of IR with the owner/managers and immediate stakeholders. As Smith et al. (2012) put it,

“in choosing an Interpretative phenomenological analysis (IPA) for a research project, we commit ourselves to exploring, describing and situating how our participants make sense of their experiences” (p 40).

Semi-structured interviews facilitate the use of narrative data to gain insights into social and organisational realities by exploring individuals' and groups' views, perceptions and opinions (Easterby-Smith et al., 2012). They are commonly used in business and management research (Myers 2019). DiCicco-Bloom and Crabtree (2006, p.315) define semi-structured interviews as ‘organised around a set of predetermined open-ended questions, with other questions emerging from the dialogue between interviewer and interviewee/s’.

Gray (2014, p. 383) perceives interviews as an appropriate method when:

1. The research objectives are based on an understanding of experiences, opinions, attitudes, values and processes
2. Opportunities for probing are required
3. There is a need to attain highly personalised data.

DeJonckheere and Vaughn., (2019), highlight the key features of this data collection method, which is guided by a list of topics or questions with follow-up questions, probes and comments, as stated in Table 18 below:

Table 18 Key characteristics of semi-structured interviews

✓ Loose, flexible structure
✓ Iterative
✓ Groups or individual participants
✓ Scheduled in advance
✓ Gathers information from key informants who can inform the topic
✓ Insight into participant perspectives
✓ Deep exploration of participant thoughts and experiences
✓ Often the sole data source for a qualitative study

(Source: DeJonckheere et al, 2019, p.3)

The primary purpose of our study is to explore the themes in a voluntary nascent setting, further developed in response to an identified gap or problem in the MSME sector that needs to be addressed. The emerging concepts are new (IFRS for SMEs) and evolving (CSR/IR); therefore, the one-to-one interview process is seen as a primary advantage to seeking insights, thoughts, and probing perceptions of the participants. Taylor et al. (2016, p.113) highlight that “interviews are subject to the same fabrications, deceptions, exaggerations, and distortions that characterise other conversations between persons”. As the researcher explores emerging concepts, the participants may wish to appear knowledgeable and focus on perspectives they want the researcher to believe. Therefore, the rapport (or lack thereof) between interviewer and interviewee can also influence perspectives, making interviewees less willing or uncomfortable sharing certain perspectives with the interviewer (Flick, 2009). However, good, meaningful data information can be elicited from a well-organised interview (Qu and Dumay, 2011).

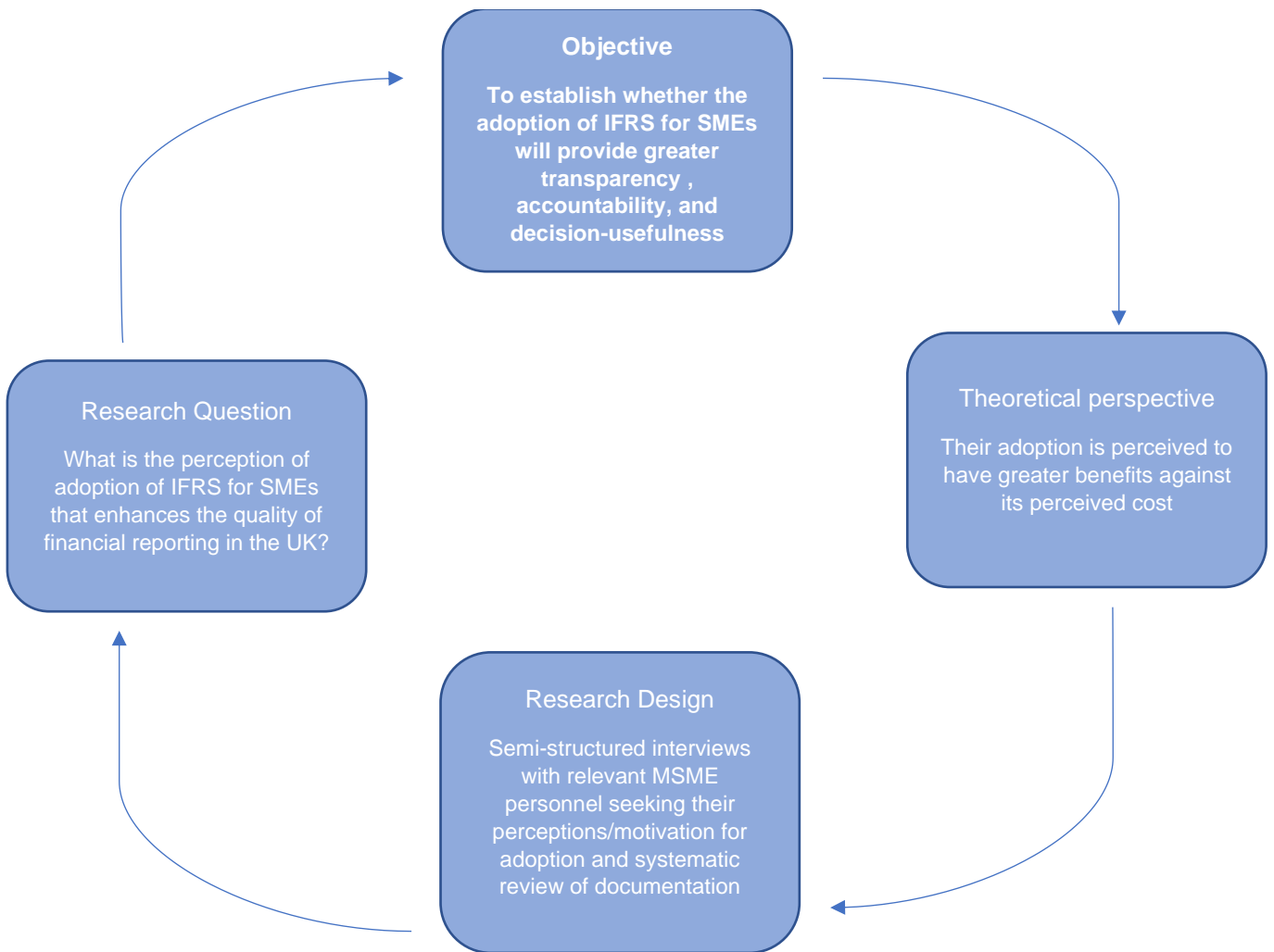
The following section details how the research methods were designed in this study to gather qualitative data evidence of the owner/managers and immediate stakeholders’ perspectives on the level of adoption of IFRS for SMEs, diffusion of CSR activities, and plausible implementation of IR within the MSME sector.

3.6 Research Design

This research study employs an interpretive mode of enquiry using a qualitative research design. It will engage directly with UK participants who are aware of and have some knowledge of the concepts of CSR and International accounting standards incorporating Integrated reporting phenomena in the context of MSMEs.

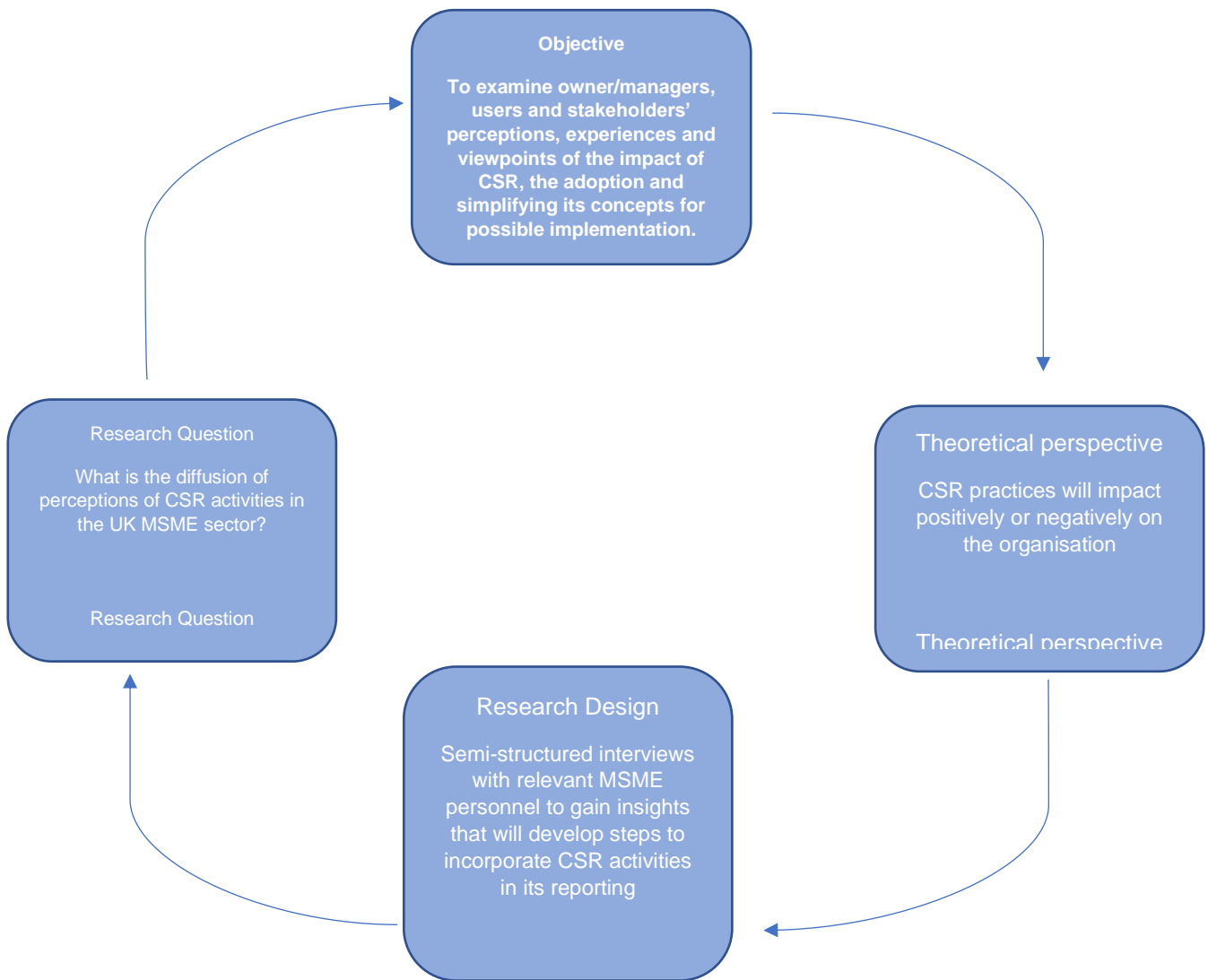
The main themes used in answering the research questions are shown in the following figures.

Figure 14 The relevant themes for answering RQ1



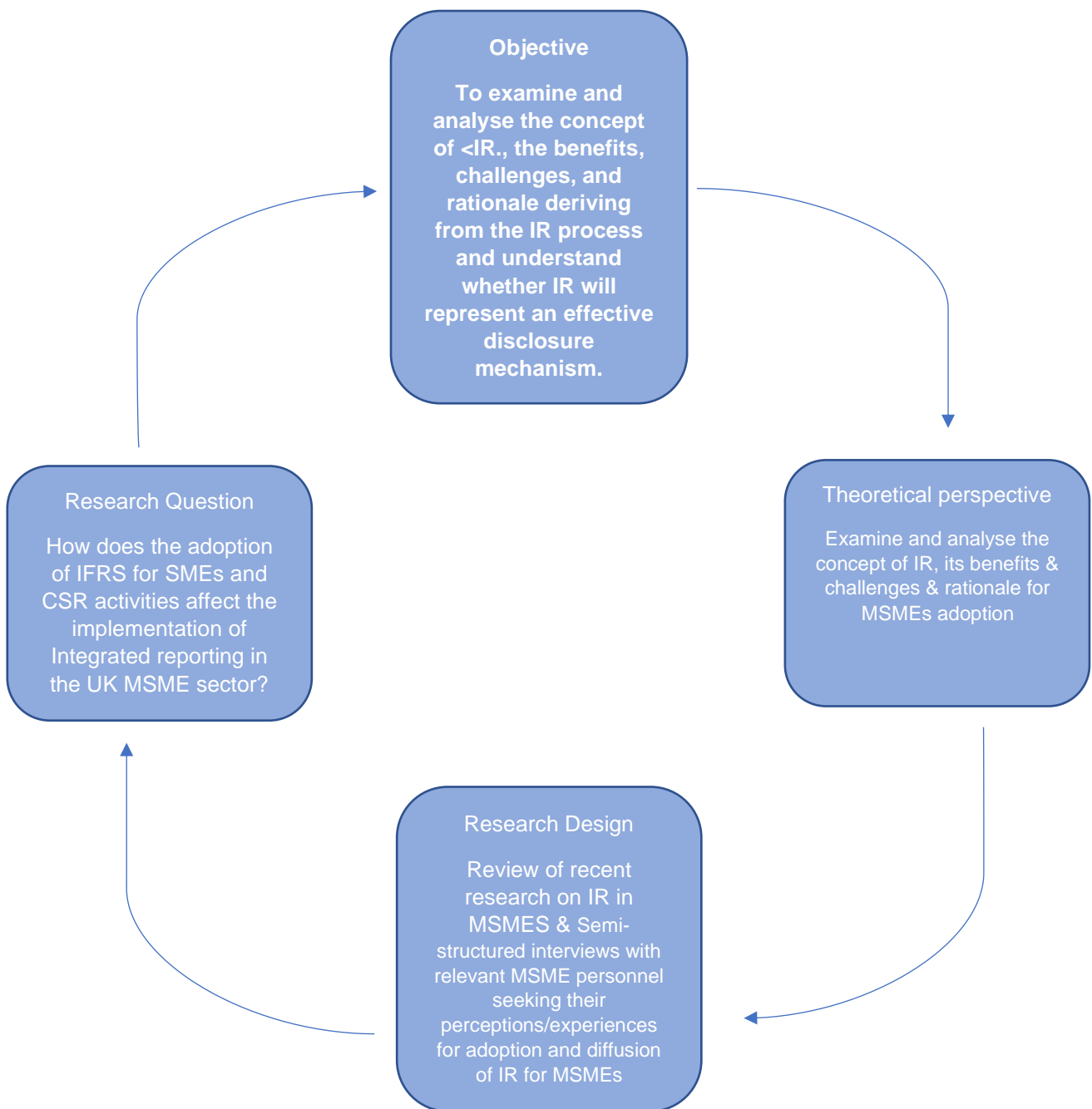
Source: Author (2024)

Figure 15 The relevant themes for answering RQ2



Source: Author (2024)

Figure 16 The relevant themes for answering RQ3



Source: Author (2024)

3.6.1 Data Collection Process

Creswell (2007, p.118) finds visualising the data collection process useful and ‘common to all approaches in qualitative enquiry – A circle of interrelated activities best displays this process, a process of engaging in activities that include but go beyond collecting data’.

In this study’s data collection process, it will follow Creswell's (2007, p.118) structure and adapt it, which is represented in Figure 15 below:

Figure 17 Data Collection Process



Source: Adapted from Creswell (2007, p118)

3.6.2 Selected Population

The study is based in the UK, and much research on UK-listed companies has been done in the area of corporate reporting. UK is regarded as one of the global leaders in demonstrating corporate reporting quality (KPMG, 2013; PWC, 2013a); therefore, it could provide best examples of best practices to the lower tier of business entities. A recent literature review by Velte and Stawinoga (2016) identified 44 empirical studies on IR, of which only one was in a UK setting, which was Robertson and Samy's (2015) prior research.

Business reporting in UK MSMEs is largely voluntary, and empirical research is needed in this area. Therefore, it was fitting for this study to choose the UK setting as an empirical example to investigate the recent issuance of IFRS for SMEs, the current CSR in SMEs, and the integration of the two into a singular report. This sector faces no compliance issues in its

reporting mechanism. Furthermore, it doesn't include larger SMEs with more than 500 employees, which would warrant providing non-financial information.

There is no generalisation in a statistical sense applicable to the qualitative study here; the most appropriate is purposive (Chein, 1981) or purposeful (Patton, 2002) sampling. Patton (2002) argues that " the logic and power of purposeful sampling lies in selecting information-rich cases for in-depth study. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry, thus the term purposeful sampling " (p. 230, emphasis in original).

As suggested by Creswell (2013), in terms of purposive sampling, a targeted audience of participants was selected. In this study, the research design was focused on, specifically, the owner/managers, the preparers of the financial statements, and the internal/external stakeholders who act as advisors and reporting accountants for the businesses. This was deliberately restricted to this group as they would be familiar with or have expertise in the research topic being investigated (Blackburn et al., 2018). It also covered their nature of business, firm size in line with the MSME threshold, and experience with or without non-financial reporting (Oberseder et al., 2011). Stoian and Plakoyiannaki (2024) also employed purposive sampling in their in-depth interviews with 45 owner-managers representing knowledge informants. This study, too, has chosen the same sampling technique, which is the most appropriate.

The selection of the participants coincided with the pandemic period. An initial random sample was launched on the website of SMEs 1000 companies in the UK (2019). This site was initiated by the London Stock Exchange Group report profiling some of the fastest-growing and most dynamic SMEs across the UK and Europe to facilitate their access to funding. Emails were sent out to the random selection in June 2020 for their participation. There were nil responses from the random selection. This was put on hold until the business environment improved and took a positive fold. During this pandemic period, businesses, particularly MSMEs, were feeling the brunt of the loss of economic activity. The researcher observed that most firms' primary objective of long-term profitability had shifted to survival mode objective. Given this, a different approach was taken to use the Prolific web platform, a paid website providing interview services. This was done in two stages for the selection procedure. First, an initial screening step was carried out on prolific to assess the targeted audience. Of 30 invitations for participation, 21 had passed the screening test. A follow of the second stage was conducted, and less than 5 accepted the invitation. When the interviews were organised, four of the five did not attend and emailed at the last minute to withdraw. The one that attended

was based in Scotland. It soon became clear to the researcher this was not coming to fruition, and they abandoned the approach.

Finally, the researcher focussed on individual district-level chambers of commerce via telephone calls to brief and instigate the purpose of the study. In addition, the researcher used the SMEs Networking Connections within the West Midland region and attended and participated in SMEs Enterprise for Success Discovery events held in Birmingham, making face-to-face approaches for the targeted audience. Follow-up emails and WhatsApp messages were exchanged with the participants. The researcher set a criterion that the prospective participants were familiar with and were aware of the interview topic in question. Some participants had requested sample questions to gauge the technicality, which was supplied to them in advance. It is important to select individuals who have all had some experience of the phenomenon being studied and can articulate their experiences (Creswell, 2007).

It resulted in 21 interviews conducted during the period between May 2022 to May 2023. Deciding on interviewee numbers for qualitative research is flexible. As Kvale (1996, p.101) highlights, "To the common question, "How many interviewee subjects do I need?" the answer is simply, "Interview as many subjects as necessary to find out what you need to know." Taylor et al. (2016) assert that the sample size should be determined towards the end of the research, not the beginning, and the author ought to obtain as many interviewee perspectives as possible within the sample of companies selected. Gerwanski.,(2020) carried out 16 semi-structured interviews within the SME sector. Del Baldo's (2017) study on SMEs focussed on three case studies in Italy, and 3 three semi-structured interviews were addressed. A case study approach on the UK MSME sector was not feasible due to insufficient depth. With large companies, Stubbs and Higgins., (2014) studied 15 organisations (with 23 interviews) in an Australian context to help understand how the organisations were managing the emergent IR process.

Once the interview sample was finalised, arrangements for data collection were made, which are discussed in the subsequent section after ethical considerations.

3.6.3 Ethical considerations

Birmingham City University's Research Approval Committee provided ethical approval before the commencement of the fieldwork.

The nature of the participation was the process of in-depth interviews conducted virtually via MS Teams/Zoom video calls at a convenient date and time to suit the participant's availability. Email communication was sent to the prospective participants, along with the participation information sheet and a consent form (attached in appendices). The participant information

sheet contents included the purpose of the research, the nature of participation and the confidentiality of the collected data information. It was emphasised that participation was voluntary and that if the participant decided not to participate, there would not be any negative consequences. Interviews were a semi-structured approach where participants were encouraged to express their perceptions and opinions freely. The interviews, with their permission, were recorded on MS Teams.

All notes and interview transcriptions remain anonymised from the start of the process and no names of personnel involved and the relevant companies' names will not be accessible to them. The data information will be stored separately in a file in the OneDrive folder at BCU in an anonymised format, encrypted, password protected, and only accessible via the researcher.

Participants were assigned identifications on an alpha-numeric basis because of their roles and designations in the enterprises concerned. This study has no conflict of interest, and participants are independent and mutually exclusive.

3.6.4 Data Collection

As mentioned above, the interviews took place between May 2022 and May 2023. They were conducted on MS Teams to suit the participant's availability. There are several ways different types of interviews can be categorised; Merriam, S.B. (2009, p.89), in her book, highlighted 'the most common way of deciding which type of interview to use in determining the amount of structured desired'. After analysing the literature, a semi-structured approach is the most suitable for this qualitative study. A summary of the key features of a semi-structured interview has been referenced in Table 18 above.

This study reflects the semi-structured type of interview given the key characteristics highlighted in section 3.3 above. They are more open-ended and less structured, given the study's exploratory nature. Less structured formats assume that individual respondents can define their world through experience and unique ways. This was particularly important given the construct under investigation, as both IFRS for SMEs and CSR/IR are relatively new emerging concepts where interviewees may have yet to think about the benefits or the challenges of their apparent adoption. Some interviewees may have been engaged in these practices but may have yet to subscribe to a standardised reporting mechanism. Regarding CSR activities, they may engage due to their moral compass but need to realise the benefits of reporting them. Therefore, the semi-structured interview style will provide grounded understanding and facilitate probing for perceptions and experiences where it is advantageous for interviewees to expand on their responses (Gray, 2014.p.386). According to Gray (2014, p.386), 'This is vital when a phenomenological approach is taken where the objective is to

explore subjective meanings that respondents ascribe to concepts or events". According to Paget (1983), the in-depth interview can be viewed as a 'search procedure' where both interviewer and interviewee work together to discover characteristics of the interviewee's experience that interest the researcher.

In the development of the interview guide, the construction of the questions was divided into sections relating to the three constructs (IFRS for SMEs, CSR and IR). They were open-ended questions that were clear and easily understood. The draft of the questions was pilot-tested by professionals who knew the areas investigated. (Rowley,2012) In addition, the questions used familiar language and avoided jargon to ensure clarity. Since some questions were context-setting, slightly more in-depth questions were incorporated in stages (Britten, 2006), enabling a convenient flow to the interview process. The use of open-ended questions can, therefore, help avoid researcher bias (Saunders et al., 2016). Using an interview guide suggests that the researcher has prior knowledge of the people he intends to study (Taylor et al. 2016). Wherever possible, the researcher was able to do a fact-finding mission of the participant's businesses via their websites in advance of the interviews. According to Saunders et al. (2016), access to this information during the interview builds credibility and allows the researcher to assess the accuracy of responses. A couple of overlapping questions were deliberately left to allow the respondent's recall and memory process to highlight and emphasise the point more clearly.

The logistics of recording were done on MS Teams online platforms. The advantage of MS Teams is that it records and does the transcription simultaneously. This allows the researcher to copy the transcript question by question, paste it onto the chosen MS Word or Excel tools, and edit them in Grammarly. This relative ease of use saves the researcher enormous time and shorthand note-taking skills. This digital technological platform enables the recording of interviews to the next level, a faster medium, better data management features, fact-checking the audio responses for any missing words, sentences or voices and better security options. It allows the researcher to go back to the recording to ensure all said has been recorded. Furthermore, the relative ease of use of the MS Teams technology avoids the need for fumbling with it during the interview. The researcher can confirm that all twenty-one interviews did not encounter technical issues. The video recording is then saved onto the researcher's drive directory of Birmingham City University. It is not shared with anyone, can only be accessed by the researcher, and is password protected.

The above audio recording of the interview has similar merits and demerits as that espoused by Saunders et al. (2016), which are detailed in the table below:

Table 19 Advantages and disadvantages of audio-recording the interview.

Advantages	Disadvantages
Allows interviewer to concentrate on questioning and listening.	Can adversely affect relationship between interviewee and interviewer (possibility of focusing on the audio-recorder rather than the interview process)
Allows questions formulated at an interview to be accurately recorded for use in later interviews where appropriate.	May inhibit some interviewee responses and reduce reliability
Can re-listen to the interview, especially during data analysis? Accurate and unbiased data provided.	Possibility of a technical problem Time required to transcribe the audio -recording
Allows direct quotes to be used	

Source: Adapted from Saunders et al. (2016, p. 463)

All interviews before the recorded interview had the details of the participant, company, nature of business, time and date recorded in a notebook entitled 'Interviews meeting'. This approach applied the traditional mode, which the researcher was comfortable with, as it breaks down the silos of constant modern technology. The table below reflects the descriptions of the participants:

Table 20 Participants' details/interlocutors

Actor ID	Interviewee Code	Firm Size Threshold	Nature of Business	Position/ Role With Enterprise
A1	PA1	Micro	Accountancy firm	Reporting accountant/PA
A2	OM1	Micro	Management Consultancy	Owner/Manager
A3	FC1	Medium	Property group	Financial controller
A4	OM2	Small/Medium		Owner/Manager

			Planning Consultancy/Retail	
A5	FC2	Small	Properties	Financial controller
A6	FM1	Small	Financial services	Finance manager
A6a	FC3	Small	Estate agents	Financial controller
A7	OM3	Micro	Solicitors	Owner/Manager
A8	OM4	Medium	Engineering	Owner/Manager
A9	FM2	Small	Technology	Finance manager
A10	FM3	Micro	Properties	Finance manager
A11	OM5	Micro	Management consultancy	Owner/Manager
A12	OM6	Small	Restaurant and catering	Owner/Manager
A13	OM7	Medium	Engineering	Owner/ Manager
A14	PA2	Small	Accountancy firm	Reporting accountant/PA
A15	PA3	Small	Accountancy firm	Reporting accountant/PA
A16	PA4	Small	Accountancy firm	Reporting accountant/PA
A17	OM8	Micro	Taxation services	Owner/Manager
A18	OM9	Micro	Management Consultancy	Owner/Manager
A19	PC1	Medium	Professional Consultancy	Professional Manager
A20	OM10	Micro	Engineering Services	Owner/Manager

Source: Author(2024)

3.6.5 Data Analysis

Authors such as Miles et al. (2014) and Forman and Damschroder (2007) suggested for data analysis that the process of analyses and interpretation, coding and reviewing the data are key to understanding the themes. The 21 interviews were video recorded and simultaneously transcribed (except for two done on Zoom) on MS Teams. A content analysis of each interview was undertaken using qualitative coding techniques (Strauss & Corbin, 1998); see details in the next chapter.

The transcribed interviews were copied for each interview and transferred into the Excel document, ready for input into the NVivo software system. Common to all qualitative analysis forms, the researcher must become intimately familiar with their data by reading and re-reading it (listening to audio-recorded data at least once, if relevant) and noting any initial analytical observations (Braun and Clark, 2006). This study analysis commenced with familiarisation and the subsequent labelling and sorting of data into codes/ nodes. Similar to Strauss and Corbin's (1998) data analysis, this study applied the same approach; under NVivo, the data for each question would be coded and refined into categories to draw out key themes. Richie et al. (2014, p277) share a similar point and highlights ...As Saldana argues:

“ code in qualitative inquiry is often a word or short phrase that symbolically assigns a summative, salient, essence-capturing and/or evocative attribute for a portion of language-based or visual data. (Saldana, 2009,p. 3)”

They further add that coding also involves making things part of a classification system so that data judged to 'look alike' and 'feel alike' are grouped (Saldana, 2009, p.8-9). Through coding at the word, phrase, sentence and paragraph level, patterns emerge within the data (Neuman, 2006; Patton, 2002), resulting in the key themes that will be discussed in the findings section. In this study, where there were questions of a binary nature, grouping them was more logical in drawing out the theme, elaborating, and collaborating with the literature review. According to Schutt (2018), the most important feature of qualitative data analysis is focusing on text rather than numbers. Therefore, the meaning becomes more prominent.

Transcriptions were uploaded into NVivo Pro 12 software to aid this content analysis. Using computer software can speed up the process of retrieving, exploring and theorising data, as well as demonstrating that the final results have been produced due to rigorous collection and analysis processes (Fisher et al., 2010). The researcher had attended courses delivered by Birmingham City University on data analysis and, in addition, educating oneself from the social media YouTube videos on NVivo software.

A thematic analysis approach was applied to this study, which, according to (Braun and Clark, 2006; and Saunders et al., 2016), involved coding data to identify themes or patterns about the study, which assists in describing and interpreting the data.

The summary of themes identified for this study in the literature review section 2.6 will be represented in a thematic framework as categories to link up with the data emanating from the interview. The analytic process involves the framework set up on NVivo on one panel under codes/nodes, which will have a subset for themes. There will be a Word document on another panel containing the transcript data from MS Teams. The researcher can then highlight the text to be coded and 'drag and drop' the transcript contents into the nodes' relevant section. The content passage from the transcript is now saved against that heading. It can be retrieved during analysis and any other content analysis from across the sample that has indexed against that part of the framework. Using technological platforms such as MS Teams/Zoom post-pandemic to collect the qualitative data has provided the following benefits and justification:

- Its relative ease of use.
- Cost effectiveness and time saved.
- Data management features to ensure accuracy and
- Better security options.

The researcher develops first-order concepts, categories, or classes and explains patterns and linkages within the data. This process also assists in interrogating existing theories and generating new knowledge grounded in the qualitative data present.

The next section will discuss the data analysis process, the coding strategy used, how the codes were generated, and how categories /themes are developed.

3.7 Data Analysis Process

The process this study is following is a qualitative data analysis process. As cited by Adu (2019, p 3), 'When thinking about the meaning of qualitative coding or qualitative analysis, the following phrases come to mind: data reduction, subjective process, credibility of the findings, transparency of the data analysis process, and generation of concepts, logical statements, models and theories'. Further, he notes that Bazeley (2013) characterises qualitative coding as a rigorous process which involves making meaning of the data collected, i.e. seeing, interpreting, reflecting on evolving themes and deciding what to follow up on.

The systematic process (Adu,2019,p.24) states will entails 'the basic steps, between collecting raw qualitative data and attaining refined themes are choosing relevant information from the data, labelling the selected information, and grouping the labels (i.e. codes) into

mostly abstract concepts-generating categories and themes (Saldana, 2016)'. The objective of a systematic process is to 'maintain consistency in the qualitative analysis process, to promote repeatability of the qualitative coding steps and to ensure believability of the qualitative findings' (Adu, 2019, p.24).

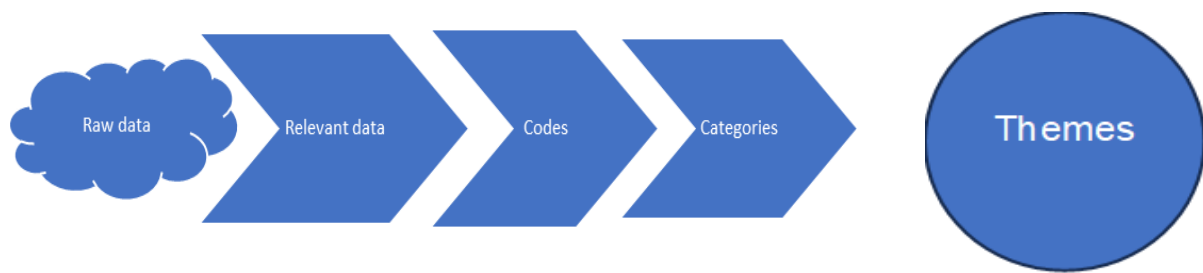
To maintain that consistency, this study follows the qualitative, interpretative approach analysis, following steps taken or suggested by previous qualitative researchers such as Smith et al. (2012) on conducting interpretative phenomenological analysis (IPA) method. As cited in (Adu, 2019, p12), Smith et al. (2012)'s five IPA steps are summarised as follows:

1. *Review the transcripts to learn more about the participant's responses to the interview questions*
2. *With the purpose of the study and research questions (RQs) in mind, go through the data – identifying relevant information*
3. *For the relevant information selected, write down your interpretations by addressing some of the following questions:*
 - a) *What does this information mean?*
 - b) *What is the participant trying to say or imply?*
 - c) *What is the intent of the participant based on this information?*
4. *Develop themes based on the interpretations.*
5. *Determine the relationship between the themes by comparing and contrasting them*

The qualitative coding process must be methodical in order to build sound knowledge (Adu, 2019, p.25).

In terms of data reduction, this study summarised data to the extent that the condensed form adequately represents participants' responses to the interview questions (Saldana, 2016, p.15). During the transformation process, relevant data, i.e. information that helps in addressing the research question, is separated from the raw data. Based on the relevant information, the researcher extracts words that connect to the RQs, labels them as codes for further examination, and categorizes them as themes. The data reduction process is depicted in the figure below.

Figure 18 Qualitative Data reduction process



(Adapted from Adu,2017b, Slide 1)

As qualitative researchers, it is incumbent upon us to make sense of the data collected by us, filtering through which relevant and irrelevant data are extracted. 'Although conducting a subjective inquiry in nature could be viewed as a methodological weakness, it is the best way of examining complex and unique issues that are difficult to quantify' (Adu, 2019, p.26).

This study predominantly follows thematic analysis (TA) in its approach to data analysis, where the researcher familiarises with the data on the transcripts first and identifies items of interest and relevance about the RQs. Then, the researcher records the initial observations and unpacks the data, generating codes, generating themes, reviewing the potential themes, defining and labelling the themes, and finally producing the reports (Braun and Clark, 2006).

3.7.1 The Coding strategies used.

Coding strategies indicate how codes are generated. Adu (2019, p 27) highlights three methods that can be used to code the data for qualitative method-specific data analysis techniques systematically and summarised as follows:

'It's called the DIP coding method, which is an acronym representing the three main coding strategies: Description- focused coding, Interpretation-focused coding, and Presumption-focused coding [This study will mainly adopt the description and interpretative-focused strategies as it is consistent with the purpose of the study and research questions and will help create uniform codes], It also will become easier to smoothly transition from generating codes to developing categories and themes'.

Description-focused coding involves describing events, settings, behaviours, experiences, or stories (Adu, 2019). This strategy is like descriptive coding, which 'summarises in a word or short phrase -most often a noun – the basic topic of a passage of qualitative data' (Saldana, 2016, p.102). This type of coding is normally used for research questions that start with 'what', 'where', 'when', or 'who'. This study comprises two RQs (RQ1 & RQ2) starting with 'what';

therefore, this coding strategy is appropriate when working with data with explicit empirical indicators (Adu, 2019, p.29).

The idea is to keep the codes as close to the empirical indicators and less with abstract ideas i.e. codes generated are more concrete. With this strategy, one is extracting relevant statements, understanding them, and tagging them by describing what you have found. Interpretation-focused coding (Adu, 2019, p.37) explains the main purpose is 'of exploring, explaining, or understanding specific behaviours, phenomenon, settings, experiences, or events. It's normally used for research questions that start with 'what' or 'how'. This study has the RQ (RQ3), which begins with 'How' and will adhere to such coding practice.

3.7.2 How codes and themes were generated.

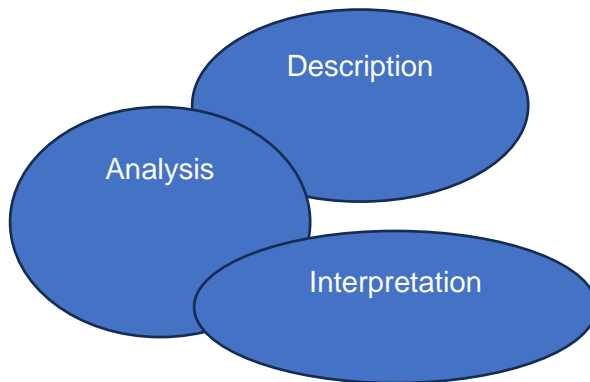
The researcher used NVivo 12 Pro software to generate the codes and themes. It followed the initial steps to undertake the inputs onto NVivo. Firstly, the qualitative data was prepared by importing the participant's interview transcripts that were conducted via MS Teams; data was edited and cleaned first. The 21 files were listed in the Files section by NVivo. Next, the participants' demographics summarised manually on an Excel sheet were Imported onto NVivo as a Case Classification. The next stage was reviewing each participant's transcript, highlighting empirical indicators about the research questions, and creating a code for each. A code is the label given to the empirical indicators (represented by words from the transcribed sheet). Using NVivo terms, a code is called a sub-theme or node (child node). These 'nodes' resulted in themes or categories (parent node) being developed under each research question. For RQ1 (IFRS for SMEs Financial Reporting & Quality), there were 137 references from 20 participant files; for RQ2 (Diffusion of CSR Activities), there were 296 references from 21 participant files; and for RQ3 (MSME Integrated reporting), there were 186 references from 21 participant files.

To ensure reliability, trustworthiness and validity in our data analysis, the researcher cross-checked the emerging themes multiple times to see if any new themes were emerging. Once it was assured that no new themes emerged (data saturation), reliability was nearly achieved (Hatch, 2002; Guest et al., 2006; Malterud et al., 2016). However, member checking was also initiated in the data collection process, where the validity procedure shifted from researcher to participant in the study. Two participants were deployed for this process (A1-PA1) and (A10-FM3), whereby the recorded interview data were transcribed, and the files were sent back to the participants for checking and confirming the narrative account of their verbatim (Lincoln and Guba (1985)

3.7.3 Interpretative Phenomenological Analysis (IPA)

The data analysis process for this study will primarily involve using IPA, a three inter-connection process.

Figure 19 IPA Process



Source: Author 2024

Description will entail explaining the data present in terms of nodes and themes. Interpretation involves making sense of the participants' experiences, what they are, how they are experienced, their meaning, and the context in which they are addressed. Finally, the analysis part draws inferences and forms conclusions about what the study has discovered and learned.

3.8 Chapter Summary

This chapter has considered the research methodology and methods that underpin this study. The author adopts an interpretive paradigm, utilising qualitative data collection and analysis methods influenced by epistemological and ontological positions to carry out exploratory research of this nature (Crane,1999). As per (Easterby-Smith et al.,2018, p.75), the social constructionist interpretative methods are somewhat complementary and assume that many different realities exist to understand people's meanings, increase the general understanding of the situation by a gathering of data (seen as natural rather than artificial), the opinions, viewpoints, experiences, and perceptions of diverse individuals of authority in terms of the understanding of the study researched. Semi-structured interviews are commonly used in qualitative research (Kallio et al., 2016), and this represents the data source for our exploratory research. The data collection process and methods as evidence for the study were explained.

The next chapter will explore the analysis of the results of the participants' in-depth interviews as they relate to the three research questions indicated above.

Chapter 4 Data Analysis, discussions, and findings

4.1 Introduction

In chapter three of this thesis, the researcher presented the methodological approach adopted in the study. This chapter will report on the results of the interviews conducted with 21 different types of MSMEs in the UK represented by 10 owner/managers (OM), 4 reporting accountants (PA), 3 Financial controllers (FC), 3 Finance managers(FM) and 1 Professional consultant (PC), (the participants' demographics will be presented in a bar chart later).

It focuses on interpreting the above participants' responses to the interview questions (see Appendix 4) about what they have experienced regarding the purpose of this study, which is to explore and understand the influences of IFRS for SMEs, the concepts of CSR, its practices, implementation, and the IR multiple capitals value creation concept for MSMEs, and its perceived benefits and challenges affecting the sector.

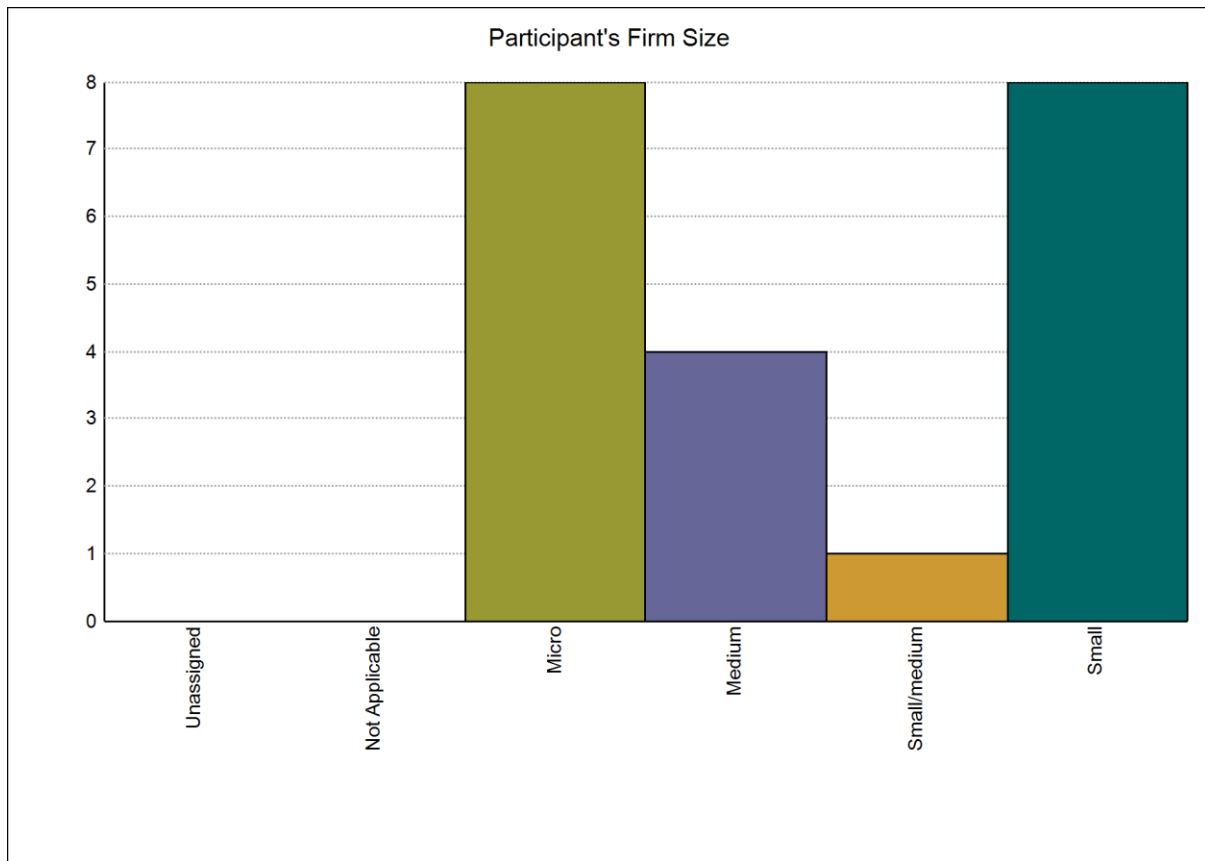
This chapter will provide the results of the interview analysis as they relate to the research questions (4.2).

4.2 Results of the analysis

The analysis begins by describing the participants' demographics regarding the 'Firm Size', 'Nature of Business' & participants 'Position/Role within the enterprise. (See Appendix 6)

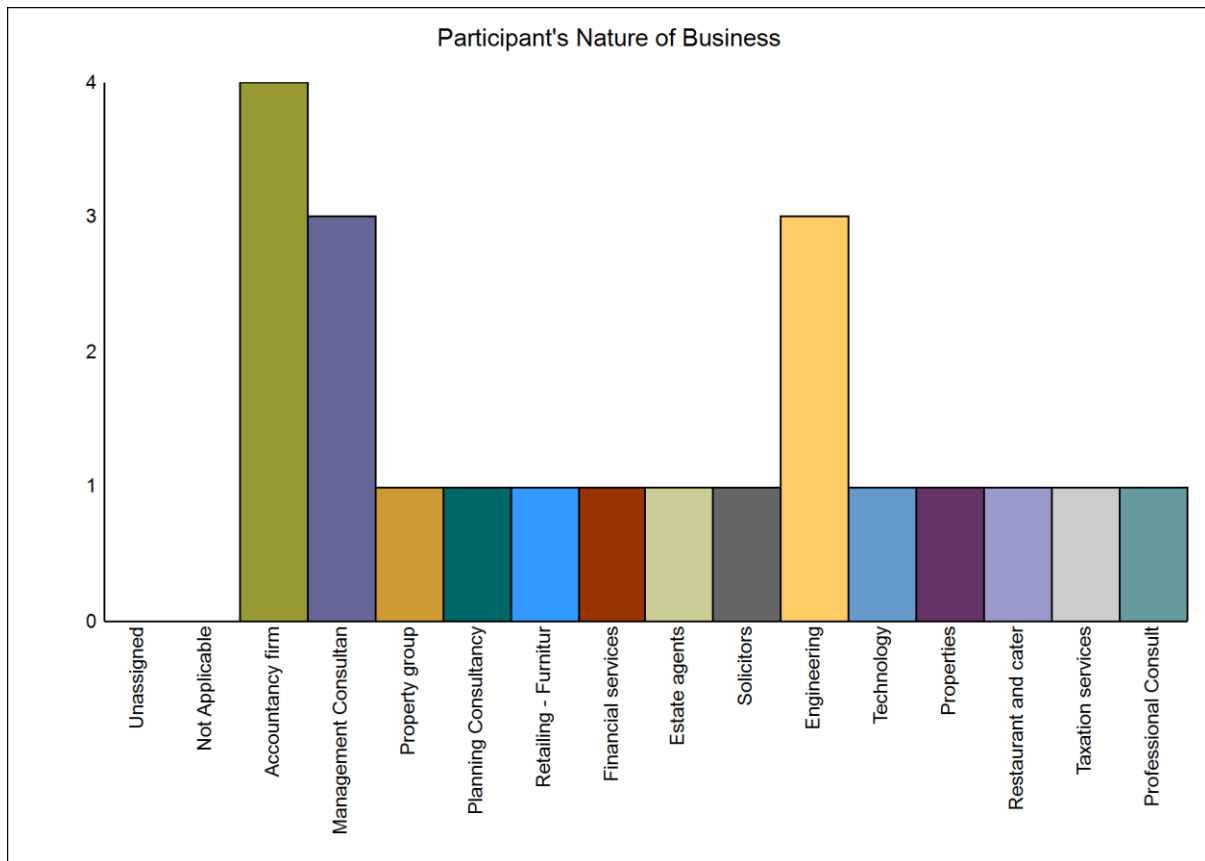
In this study, the MSME's firm size attributes indicate eight micro-entities, eight small entities, four medium entities, and one small to medium entity.

Figure 20 Composition of Firm Size



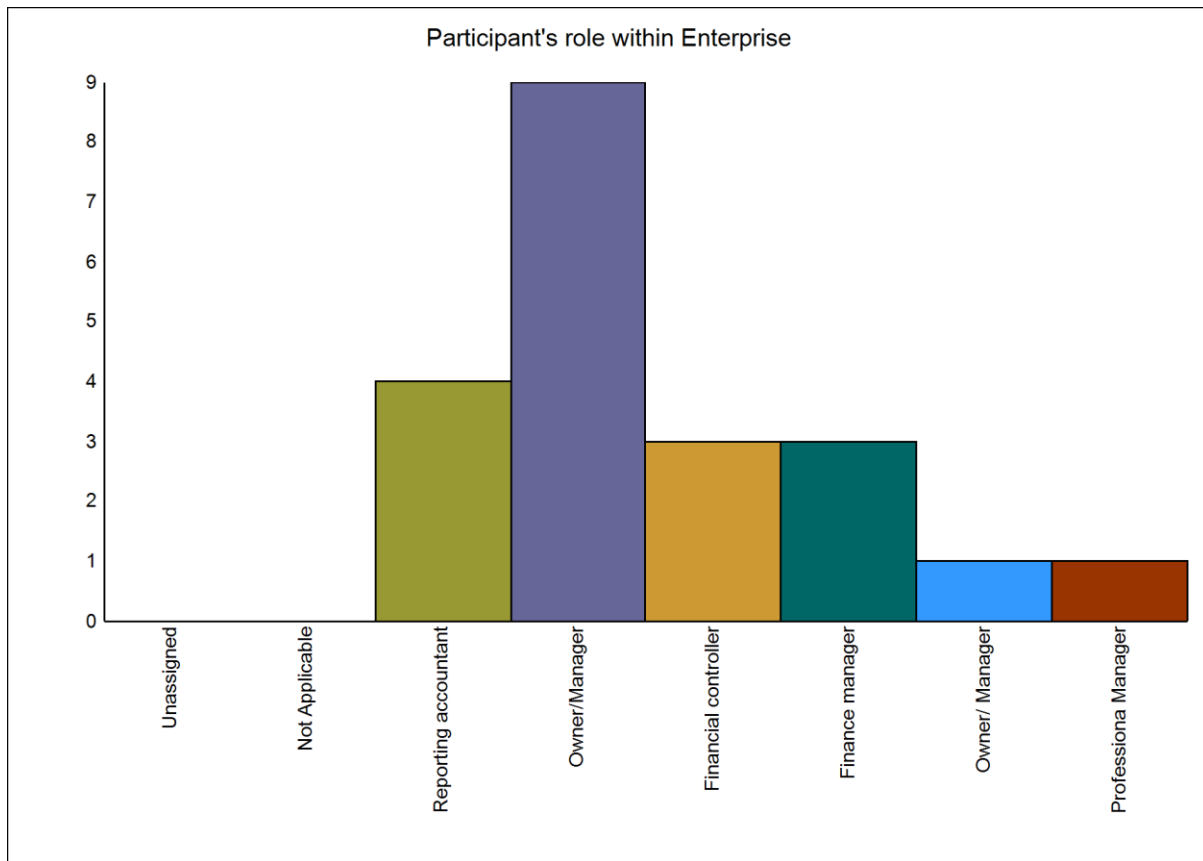
In terms of the nature of the businesses, because of the purposive sampling method employed in this study and the expertise required to generate the financial statements, there are present a myriad of businesses ranging from engineering, retail, technology, financial services, professional & management consultancies, properties, to accountancy services. These sectors are dominant in a generic sense as they combine the manufacturing, retail, and services sectors. One may argue that this may be insufficient in scope to warrant the legitimacy of the study; however, from the researcher's knowledge to date, previous empirical studies in this arena have focussed mainly on country-wide determinants rather than on specific sectors within the country profile. Looking specifically at business sectors could be a reference for future studies.

Figure 21 Nature of the Business



The participants' positions/roles within their entities comprise ten owner/managers (OM), four reporting accountants/professional advisors (PA), three financial controllers (FC), three financial managers (FM), and one professional consultant (PC). One of the criteria used in purposive sampling was whether they were familiar with the interview topic and aware of what the study was primarily intended to establish.

Figure 22 Composition of Participants



4.2.1 Progressive Themes Identification

The data process employed here is the creation of categories and themes based on the codes identified as per section 4.2.2. This involved assessing the characteristics of each code, reviewing commonalities among them, and grouping them based on their shared characteristics (Charmaz, 2014; Creswell & Poth, 2018; Dey, 1993; Saldana, 2016). This process is also called clustering or sorting. Consequently, themes normally emerge as the result of the further examination of categories- reducing them to concepts representing sets of codes and empirical indicators that address the research question(s) (Adu, 2019). The above approach was followed in this study, where the dominant code(s) with the highest frequency and connected to the most participants were labelled as a theme.

4.2.2 Themes identified under Research Question One (RQ1)

Four themes were identified in the qualitative analysis of the participant data that falls under RQ1: 'What is the level of adoption of *IFRS for SMEs* that enhances the quality of financial reporting in the UK?'.

- Clarity of statements, non-technical jargon & transparency
- Perception of users & vested stakeholders'

- Rationale for non–adoption
- Stakeholder needs & networking influences.

4.2.2.1 Clarity of statements, non-technical jargon & transparency

The thesis argues that with the MSME sector characteristics, the regulatory requirements suggested by the IASB, principles based *on IFRS for SMEs*, are not taken up with much interest due to various factors. The primary reason is that the framework doesn't fit the organisational requirements, although there are some suggestions by participants that a specific standardised template for MSMEs would be helpful.

Under this theme, accountability and transparency in reporting, as well as clarity and quality of reporting, were examined as they accounted for the greatest number of nodes represented or dominant codes.

With regard to accountability and transparency reporting, the main question posed was, *'Do you believe that IFRS for SMEs adoption will provide greater transparency to vested stakeholders'?*

Out of the sixteen companies' responses, the medium-sized companies felt there was no need for them to follow the standards as prescribed by the IASB, nor did they get any direct benefits from it. However, they do acknowledge that transparency is welcome, albeit subject to information disclosures to competitors and serious cost considerations.

Some of the comments from the small and medium-sized companies are highlighted in the text below:

"We use an external accountant... I wasn't even aware of what the international accounting standards were or how they differed until I read that question... from my perspective, you know, the only time I'm looking at other companies that counts is if I'm considering, you know, an acquisition or if I'm going against them in some bid or something like that... there are a wide range of direct stakeholders that I can think would be interested in anything different. I'm not saying it would be a negative either, but I wouldn't see a need for greater transparency than is already provided in our accounts".

(A13 – OM7)

"Yes, I think that's true. And um, we have a finance director based in the UK that handles those issues and the requirements... I mean, clearly, the accounts we publish. are on the company's House website so that they're there for everyone to see, and they are the full accounts, not just the balance sheet".

(A19 – PC1)

"I think it's going to largely depend on the corporate structure of the entity and who their stakeholders are. If you've got a company with a private equity investor, their KPIs and critical SuccessFactors are going to be different... So, I think it's dependent on industry and funding structure... I don't think it would attract readers from a wider spectrum". (A3-FC1)

"It would. and in a sense, but I do not believe that stakeholders want that information, and the SMEs do not want the additional cost... But, um, transparency without it influencing stakeholders or decision-makers is worthless".

(A11- OM5)

"all the vested stakeholders are usually the family-owned businesses... But so overall, I think it will provide greater transparency or the users will have a greater emphasis on reliance, and it'll be more in their interests and the other user's interest for that to happen" (A14 – PA2)

"Yes, but I mean, yes, I think it will, but whether there's in most microbusinesses, there's not many stakeholders. But of course, any standard that can be followed makes it easier for those stakeholders to have visibility of what's going on in the business... Is it relevant to a micro business? I don't think so much. But of course, it would offer transparency".

(A20 – OM10)

The above data response analysis is taken across the MSME sector and micro-, small---, and medium-sized enterprises. The first three responses in the above box represent the medium size companies. Inferring from the responses of the first two medium companies. An external accountant and a finance director deal with their financial reporting functions. Experts deal with these positions, and they have experience in these matters. However, the CEO of the first response company stated that he had no knowledge of IFRS for SMEs until this interview date. Furthermore, he sees no reason why his company stakeholders and a wide range of them would be interested in these external reports. The second medium company's response was the financial statements are in the company's house in the UK, and transparency is there already.

The third medium company financial controller indicated it depends on the corporate structure and who their shareholders are, what reports and in what format, in which they are already providing and doesn't think they would attract readers from a wider spectrum.

On the other hand, the micro companies' responses appear to have similar agreements to the medium-sized companies, thinking that they don't need such formal acceptable information as it is irrelevant to them and the added burden of the cost of compliance. Furthermore, there appears to be overall agreement for the need for transparency. Still, it should be limited to these enterprises' owners and immediate stakeholders (mainly family-owned businesses).

There is evidence that this sector doesn't need to adopt *IFRS for SMEs* due to its characteristics, and the mixture of responses weighs more towards this position. However, in the interest of positive acceptance and looking with more optimism, some participants shared that if the SME is exposed to exporting when comparing statements across different organisations for acquisition or merger purposes, there is a case to adopt. Furthermore, they can outsource their finance function or embrace digital adoption to help them in their journey. Therefore, this study questions the FRC (2012) exposition of regulatory requirements and how they were formulated. Was it just a generic presumption across the board to follow the larger entities by just incorporating a caveat that these MSMEs have different transactions? There was no further guidance on the matter. Moreover, this aligns with the findings in a developing country that follows IFRS for SMEs (Wijekoon et al., 2021).

With the empirical factor of Clarity & quality of reporting, three questions were posed relating to this area of reporting: –

'Do you believe that adopting a singular format approach will provide relevant disclosure and clarity to your organisations' reports, thereby adding value? ; In your opinion, do you think generating reports both financial and non-financial in a 'Singular format' report would attract readers from a wider spectrum'; In your opinion, do you think the use of non-technical jargon, layman's language will provide easier understanding of reports for stakeholders OR you believe there can be other major communication influences'.

A summary of the excerpts from some of the participants responses (>50%) to the questions are as follows:

"Yeah, , I think it gives clarity when it comes to comparatives... Yeah, I do think so. Especially if they are non-financial elements of the report, relate to, as an example, work that's been done saying the community... I think a singular performance approach would be the right approach... The disclosures are because, initially, you can imagine businesses will write disclosures in their own way. Some will write maybe one sentence, some will write more, I think over time, yes, there would be much more clarity on the organization's report and ultimately adding value..."

(A17- OM8)

“Yeah, I think we must make it easier for the reader to look at. If you give them a volume of words and pages, people get put off with it. So simple English, simple language, bullet points and as brief as possible... Where it's costly, and secondly, if it puts off a reader, basically you need to hit the points, give them all the necessary information in a concise way where it's easy to assimilate, whereas at the same time, it can give you all the information that you need.”

(A7 – OM3)

“It makes a difference when you're doing due diligence on companies or customers. Yeah, it'll be easier to understand... if you have it in one document, and it's also simplified; then it'll provide a greater element of understanding, won't it as well... They should always have plain English reporting of everything. I don't understand why we don't. We should always have plenty of English reporting” .

(A4 – OM2)

“I think it would, if the jargon is easily understood, and what the societal issues are such as environmental issues, with green parties as such, then more people are interested and will take note... It would be best if you captured the needs of the reader. Also, the jargon used is not too wordy.”

(A1-PA1)

“I think the answer is Yes to that question; it would make it more attractive – To the above second question... 100% layman' language - communicate it more frequently, say quarterly”.

(A2- OM1)

“Yes, you can see both the financial status of the company and also non-financial perspective, what the company have done. Yeah, it will be good in that format... OH, normally the clients would prefer to be explained to them, to have a conversation to explain the performance to them”.

(A16- PA4)

“Yeah, I definitely believe so. Yeah, we'll see the reports will be a lot clearer and less vague... You know, it shows more clarity on that type of enterprise. So yeah, I definitely think it would reflect the company more precisely in a specific way... And you know, I guess using simple types of, you

know, graphical methods like bar charts and flow charts will provide valuable insights to the layman”.

(A10- FM3)

“I still sometimes struggle to understand some of the things that people are saying and exactly where things are buried inside the accounts. I mean, obviously, the notes are always quite helpful if they're provided in the full context”.

(A13 – OM7)

“I don't think any singular format approach is going to be able to give any more detailed information that's going to add value... I do think, however, using non-technical jargon. is going to be beneficial for their stakeholders”.

(A3- FC1)

“Yeah, always the use of non-technical jargon is important, and you know these days we're always trying to do that... Yeah. If you know any external reports, they need to be as simple to understand as possible. So, if there is technical jargon, it needs to either be explained, particularly acronyms”.

(A14- PA2)

As evidenced from the above, many of the respondents agree that there should be clarity in their financial reports. They should not be too wordy, but simple English language should be used and understandable to a layman's reader. The 'singular report' format was clearly voiced in favour of it, (Spencer 2014, Collis et al, 2017) apart from one medium company's financial controller (A3-FC1) see excerpts above.

The researcher deliberately used the phrase 'Singular report' to fit the MSME sector category and anticipated the need for the plain language used to describe terms and to keep costs down, which is a primary consideration for this sector. We will see later in the analysis under the section on integrated reporting, where qualified accountants of MSMEs ask what IR is. These empirical results also point to the fact that the MSME sector needs a specific independent, stand-alone financial reporting framework model, allowing flexibility and choices to fulfil their obligations to users. It also raises the profound question of how and to what extent

the standard setters, such as the IASB, drew up this specific IFRS for SME standards?, or the internal stakeholders of MSMEs participated in the due process (see Arafat et al. 2020). Does the consultative process offer a 'lip service' to the MSME sector at the expense of the larger entities?

4.2.2.2 Perceptions of Users and Vested Stakeholders

The question posed for this response was, '*Do you think users of your organisation's financial reports would appreciate & welcome them through the lens of these external reports?*'

The sixteen participants' responses regarding users' perceptions were largely in the affirmative and positive. The perception of the reports being well presented and combined with the points discussed earlier on clarity and easily understood were amplified. Some of the excerpts are evident below:

" I think whether IFRS, etc, banks will understand them, it doesn't make much difference; they normally come back to management what they want".

(A1-PA1)

"In the format of FRS. Yes, they would. If they fall within the micro entity regime, they have the option of using FRS 102, Section 1A."

(A17- OM8)

"Yeah, I think the largest stakeholders might be. . I don't think it makes any difference to the banks at all, to be quite honest with you. I do think it would make a difference to people".

(A18 -OM9)

"I think if the reports are more precise and showing up more clarity, then I think there's also less chance that they will want to look at an organisation if they have any, you know, sort of investigation is such that it's going to be that, that there's a lot more information put forward."

(A10- FM3)

"And the government generally likes more information, which is not at their cost. So, there you will see it as a free good, but I do not believe they'll make any decisions based on the information. So, you know, if it's free, they'll take it."

(A11 – OM5)

"The FRS 105 gives very few disclosures for us. One or two give extended disclosures and extended figures based on that. What happens is that banks infer different results,

So, it becomes very important who your target audience is or what you're trying to achieve”.

(A15- PA3)

“Yep, our bank, we have to put a monthly report into the bank and we have, we prepare a group budget just to put some sort of measure of quantum on that this year will probably turn over maybe between anything between 25 and 28 million. So, a key stakeholder that I haven't mentioned yet is the bank”.

(A19- PC1)

“I do think they will be well received. And I think it also depends on your relationship with them. More banks than government because you know if. If you've got a bank that funds you on multiple levels most of the time, you'll have a relationship manager that knows your industry and therefore will understand those external reports.”

(A3- FC1)

“So, users of our current external reports. Yes, because they follow a standardised format. You know the traditional standardised format as well, so the people in those banks and government that would look at and end of year accounts would understand that.”

(A20- OM1)

Drawing from the above analysis of responses, what comes out evidently is that the key users of MSME statements are banks, similar to the findings of Gassen (2017). Government and tax authorities are less mentioned, and no mention of any other local authority grant awarding bodies. Other responses included that very often, owners/managers are not accountants, and the reporting functions are outsourced to external reporting accountants, where owners of the business meet once a year with them to discuss the results and performance of the business. Therefore, with this type of review, there is a greater reliance on reporting accountants as a stakeholder group, with their knowledge, expertise and professional judgement playing a major role in this sector in the reporting of their financial information.

The banks are identified as a key user. Still, the information banks require is limited to their specific interest in terms of the safety of the loans provided to businesses, such as the gearing ratios. The IASB (2010) identified investors and creditors (yes, banks are included in this category). We can see from the above evidence that the IASB has excluded many user groups of this sector in preference to mainly capital providers. Murphy & O'Connell (2013) argued that the excluded groups would no longer be seen as primary users of financial statements by standard setters and preparers. This MSME sector is largely not interested in acquisitions or

mergers, nor in an expansion to public company status, but in staying small and medium in their day-to-day operating affairs. They are mainly family-owned businesses and prefer to stay as such and are happy with that operating medium. Hence, there is a great reluctance on the part of these entities even to apply the basic IFRS for SMEs let alone the full IFRS for SMEs.

The next section explores the reasons for non-adoption.

4.2.2.3 Rationale for non-adoption

As per se, most respondents were neutral or favourable to adopting some form of formal presentation. Six participants had reservations and objections to adopting IFRS for SMEs' statements of presentation. Their reasons, as per comments, are listed below:

"I am not adopting; this practice and experience is more localised" (A5- FC2)

"...but I wouldn't see that there's a need for any greater transparency than is already provided in our accounts."
(A13-OM7)

"Does there have to be international reporting standards?

And all the vested stakeholders are usually the family-owned businesses, who are we accountable to"
(A14- PA2)

"It depends on the type of SME; if it's family-owned, they are limited in nature, and they are an added burden for them. I don't; in my experience, they care a million times more about the tax returns and lowering their tax".

(A2- OM1)

"And if you're telling people exactly what they must report, it's making them quite narrow-minded and can produce a sort of tunnel vision that isn't quite telling the story of that business if that makes sense.".

(A3- FC1)

"I am sceptical; SMEs are more interested in tax and cost factors; they are not mindful about CSR and IFRS Reporting. They are concerned with the production of Final accounts".

(A1- PA1)

"Requirements as standard reporting requires lots of money, it's a costly exercise for who's a benefit, certainly not me, the owner of the business; especially smaller entities, or if it's smaller than that, what we call micro-entities".

(A7- OM3)

Six participants found that preference is a fit with their entity's existing reports, and there is no justifiable case to follow IASB requirements in the presentation of their financial statement or, rather fittingly called final accounts. They consider this as an extra burden in terms of cost and time channelled to the development and progress of their entity business. The cost factor is an all-pervading issue that is constantly cropping in their thinking process and control, similar to the findings of Kilic & Uyar (2017) and Kirwan & Pierce (2017).

4.2.2.4 Stakeholder needs & networking influences

With stakeholder needs and influences, it has already been noted that apart from the needs of the owner/manager, banks, the external stakeholder was mainly at stake as far as the MSME sector was concerned. Some actors pointed out that most stakeholders knew exactly what sort of financial statements they were expecting and what exactly they meant. Furthermore, they acknowledge that reporting for public consumption is not mandatory and that a company's house in the UK doesn't have a requirement for small businesses or small or medium-sized enterprises to report very much at all. It depends on the type of SMEs, whether they export to international markets and what influence will impact the international standards operated; MSME transactions are primarily local within national boundaries (Earle and Haller, 2009).

Banks look at information slightly different from other stakeholders, more specific to their needs, they understand IFRS and infer different results. There is growing evidence amongst the MSME sector that banks should play a greater networking activity whatever size, and balance sheet totals they possess especially in the current climate where there has been massive closure of local bank branches.

4.2.3 Themes identified under Research Question Two (RQ 2)

There were three broad themes identified in the qualitative analysis of the participant data that fall under RQ2: 'What is the diffusion of CSR activities in the UK MSME sector'?

The purpose was to examine owner/managers, users and stakeholders' perceptions, experiences, and viewpoints on the impact of CSR, its adoption and simplifying its concepts for possible implementation. The following themes (prevailing codes) were identified from the responses:

- Understanding CSR concepts & perception of engagement
- CSR implementation, use of current terminology & Business image
- Social capital & stakeholder impacts

4.2.3.1 Understanding CSR concepts & perception of engagement

This thesis explores the extent the target participants of the MSME sector understand the CSR concepts, its engagement and practices based on individual perceptions and experiences in a UK context and not global.

The primary question posed to cover the understanding of CSR was, *'Do you understand the concepts of CSR and IR, and if yes, what do these terms mean to you and your organisation'?*

This question was particularly posed for this MSME sector considering the evolution of CSR, which is currently embraced with new terms such as environmental, social, and governance (ESG) and sustainability reporting by larger corporate entities such as John Lewis and Marks and Spencer. In relation to the question, there were nineteen respondents from the twenty-one interviews who had some or less knowledge of what it is; several interviewees linked it to responsibility towards society, community, and the environment. There were thirty-two codes/notes attributed to them. Some excerpts supporting this trait of thinking as follows:

"CSR is more familiar to me; you can have environmental, charitable, social, and economic responsibility. How would corporates use them, and how will profits be delivered"?

(A1-PA1)

"The CSR, the responsibility again, is showing that you know they're aware of what people are and what's important to people these days. So, I guess the obvious one is, you know, the green environment and the carbon footprint and what have you.

(A10- FM3)

"I do understand the whole issue of corporate social responsibility, which speaks to a broader ethical understanding of what the organisation, what is the purpose of the corporate organisation is or should be because sometimes people tend to forget that incorporation around gives limited liability. For public benefits, not for personal gain, and therefore, to enjoy limited liability, there must be a public good, which is a trade-off.

And I think that needs to have reminded them". (A11- OM5)

"I think I understand it. To me, CSR is really all about our wider responsibilities outside of our own business. In looking after the environment, the local population, society, etcetera. So, it's everything around that how we can contribute and play our part within broader society...There's not that much obligation on us for CSR. It's more down to what we as nice people, if you like to choose to try and do". (A13- OM7)

"More than just a company, so the local community, for example.

Um, and beyond. So, the companies have more of a responsibility outside of the organisation as well as to the organisation”

(A17-OM8)

“I think this is the difference between I know, and they know, so I know because I should know because I'm delivering part of that... Again, it's just like, oh, well, we've all heard of it. But if I said Okay, what do you understand by those terms? I think they'd struggle to answer, and I ran a workshop the other week... Actually, when I covered ESG, they really didn't understand what it actually meant. They did by the end of it”.

(A18- OM9)

“I've got it in my hand now. The ethical policy statement and the values about our relationship with customers, suppliers, the local community, and the environment go on to specify lots of other things in that policy. So, CSR's not been a thing if I'm being quite honest; it's occupied; it's the mindset when we're in survival mode. But now that we've moved out of survival mode, we are looking to see what our role is.”

(A19- PC1)

There is an array of points made above by the interviewees, summarising the expectation from them that CSR is about environmental issues, community engagement through charitable giving practices, reduction of carbon footprints and an acknowledgement that there is, in finality, an economic impact in terms of profits. However, there is a medium company perspective, which is quite organised in its managerial functions, stating they have an ethical policy statement and corporate governance handbook, but its focus is mainly on survival mode. Does this explain the consequences of the pandemic, which may have impacted? Furthermore, did the pandemic result in these companies challenging their own assumptions about CSR and the benefits that may accrue? There appears to be confusion with the terminology used specifically within the MSME sector; this has been highlighted in other study findings (Soundararajan et al., 2018; Morsing and Spence, 2019).

The minor but important viewpoint is from the respondent (A18-OM9) above, who points to the fact that the concept of CSR needs to be understood in the mainstream within this sector. As a consultant dealing with MSMEs predominantly, he emphasises that there is a failing in the understanding of the concepts, and a need remedy was via an education process. He said that unless they are in a specific sector that demands it, the understanding is just general. Therefore, no meaningful insights and output from this sector will be engaged fully. In this respect, the term ESG was used instead of CSR, which is fundamentally drawing in the concepts of economic, environmental, and social impacts. Another owner/manager (A13-

OM7) of a medium engineering company states that *'there's not much obligation on us for CSR. It's more down to us as nice people if you like, choose to try and do'*. This is directly in agreement with (A11-OM5) that there must be a public good, which is a trade-off. They do these things differently from the business entity, but as owners/managers, they are doing well from their personal perspective. The micro-business respondents indicated the lack of activity in CSR is mainly due to financial constraints, survival mode, and limited requirements for championing public-facing goods.

In terms of awareness of the concept of Integrated reporting (IR), there were disappointing results from the interviews. Only three out of the twenty-one interviewees (14%) understood it. What is more disappointing was that there were three qualified accountants in this sample who needed to be more knowledgeable about this term. Furthermore, the researcher had couched a non-technical alternative term, 'Singular reporting', for use in this sector in his interview questions. IR is primarily associated with large companies and what can be inferred from this observation is MSMEs generally are not aware of it, and it appears this form of reporting is restricted to specific corporates where there is a demand for it. Gerwanski, (2020) attest to this observation in his German study. This also calls for greater consultation and collective, integrated thinking within the IIRC's IR framework document as regards the MSME sector. Further, it can also be noted that there hasn't been much education in IR in the courses taught in the accountancy and finance world that gravitate toward the understanding of these terminologies and explanations.

4.2.3.2 CSR activities, practice, and acceptance

The next question posed under this theme was *'Based on your experience, can you give any examples of CSR practices in action that can be adopted and developed further by SMEs market'?*

The purpose of this question was to gauge their perceptions of CSR engagement within their businesses and whether they are reporting them in any shape or form to the outside world, i.e. the communication of their practices to their external stakeholders. Further, what motivates them to indulge in these practices; is it the 'big brother corporation' societal conformity pressures or is it an alternative form of advertising for the business or is it just the *'Right thing'* to do, to enhance and coordinate their business to meet societal expectations or is it just to achieve competitive advantages in their relationship with external stakeholders or lastly, the tax breaks given to businesses in the UK?

For this MSME sector, all the above lines of questioning will ultimately depend on the foresight and values adopted by the owners/managers of the businesses. There are few formal management structures (Bolton, 1971), which lends to the personal attitudes of

owners/managers (Hopkins, 2003) and the heterogeneous behaviour of SMEs (Maldonado-Erazo, 2020). The small firm's ownership and entrepreneurship (Beaver, 2003) are taken for granted or sidelined and ignored. It's best to recall and remind readers of the Bolton Report UK (1971, p.24), which professed the following:

“As to the social standing of the independent businessman, it is our impression that it may now be lower than it has ever been”.

The overriding examples of CSR activities that the firms operated were mainly charitable giving and supporting local stakeholders, such as schools' sponsorships, which correlates to the tax advantages offered to businesses in making donations. This partly explains why SMEs are reluctant to engage in self-driven initiatives and indicates external pressures to initiate changes in the business process concerning CSR (Krishnan and Ahmad, 2019). Some firms have engaged in moving away from plastics to recyclable materials, moving to electric vehicles and supply chain sourcing, planting trees, and moving from paper-based to digital practices.

Some of the excerpts by the respondents pertaining to the above examples are cited as follows:

“Do more investment in electric vehicles, using less plastic and more recycled materials, Increases profit performance metrics... reducing the carbon footprint is what you want? I also say supporting local communities or investing in.”

(A1-PA1)

“ ...so, there's many practises of that kind are being undertaken by small businesses”.

(A17- OM8)

“I was, regarding charities, will help a lot of charities.

Yeah, I mean, helping children in autism”.

(A12-OM6)

“Well, let's start with the environment. So, we're not, again, we're not obligated to do so, but we have gained accreditation to ISO 14,000 and one, the environmental standard, and we take a lot of care around making sure we, you know, we're trying to do the right things there, trying to minimise the well driven by cost as well. Now, we're trying to minimise energy usage, fuel usage, all that sort of thing. You know, take care of that, make sure we don't let any nasty chemicals go into the canal, all that sort of stuff...”

We get involved with trying to help and encourage young people into the industry, so we get involved with schools. We're part of another little organisation. We're a member of a group called the Manufacturing Assembly Network. There are eight companies, and we kind of work together to do these sorts of things. “

(A13-OM7)

“It is basically sponsoring and doing charitable events. So, a lot of businesses, make donations to their local charities, they sponsor schools, games, squash or, you know, any of that kind of events. But they don't actually report that on their financial statements. Yes, it could be on their website”.

(A15-PA3)

“Now most of the mini markets that they did not charge for the plastic bag, they just provide free initially. But due to the rules from the government that they start to follow it”.

(A16-PA4)

“Oh well, we give to charity a bit, or we don't pollute the environment or, I'll get sort of answers like that if I said, what do you think corporate social responsibility is, or they'd say, you know, it is mainly for larger organisations like the corporates, not us...I think where I've seen the basic big excuse to me, or biggest example, is probably their supply chains. So, a lot of them are looking at how they can be more responsible and ethically sourcing...

...Reskilling was a huge factor actually. Because the pandemic got organisations thinking in a very different way. It was forced on all of us. We probably wouldn't be on teams now if it weren't, so that's one of the things.

...think about responsibility of their staff a bit more and how they could integrate them and make sure that they're well-being became a big part of it...

...If tree plantings become a bit more, um, prevalent, and ways you can do that across the globe, local schools can have their land where trees are planted by local firms and at the same time initiating the Clean Air Act.”

(A18-OM9)

“ We are very active in the local Chamber of Commerce and support the Chamber in many, many ways by providing expertise by speaking at their annual events and the likes...We are certified with ISO certifications in environmental practise and support the local schools with their engineering courses”.

(A19-PC1)

“ Larger organisations do mainly, however, in the more ethnically diverse led businesses, they do charitable work; I have built a chicken coop and the eggs generated were used for food provisions for the occupants, leading these into community type projects”.

(A2- OM1)

Analysing the above data shows that the respondents have yet to go beyond the charitable notions and determine whether they are beneficial to their entities or incorporated into their business process as a strategy for a prospective model. It shows they are aware of the concept and participating in this so-called CSR process in a limited way. They are not asking the question, “What is in for our business?” or are they just giving ‘lip service’ to the big companies? Ketola (2007) argued that adding economic value to corporate social action reduces moral validity.

Respondent (A15-PA3) highlighted the fact that they don’t report on their financial statements; they could at least report on their website. The expectation is that in the current digital age, most of these can be easily incorporated into their company’s website or dashboards to report and publicise such activities undertaken. Signage on their vehicles, “This is an electric vehicle”, is insufficient. Measurements are easy for the companies via their car park named spaces and the number of motor or bicycle sheds to assess their involvement in these practices; therefore, they can report them in whichever electronic medium or otherwise to get the message across to the stakeholders.

A mandatory approach by the government seems to have been heeded (A16-PA4) above in terms of the charge imposed on plastic bags, so is there an argument that the MSME sector can be initiated into CSR reporting practices using a mandatory approach rather than on a voluntary integrated basis as perceived to date (European Commission, 2001)

The responses from the medium companies (A13 -OM7) and (A19-PC1) have indicated they have been accredited to ISO14,001 on the environmental standard. The owner/manager responds that they take a lot of care in making sure they are doing the right things subject to

the cost constraint. So, there is evidence and strong trends towards CSR and sustainability that the smaller SMEs are moving towards energy efficiency. However, this will take time and much-needed support from the environmental agencies, local authorities, government assistance and the IRRC. This support mechanism is virtually non-existent. The researcher perceives there needs to be more intensity and desire on the part of these agencies to encourage and implement these practices. Likewise, on the other hand, it was noted that in SME cases, progress in the integration of the CSR concept and practices is not visible with the same intensity, partly due to the use of informal communication channels and tools (Nielsen and Thomsen, 2009) or because of its proximity to the stakeholders (Lepourte and Heene, 2006).

Respondent (A18-OM9), who runs a management consultancy specifically for MSMEs, alluded that in his experience, CSR is viewed by many of them as, 'it is mainly for large corporates, not us'. He feels the term CSR has to be broken down, or the problem is it ends up as 'greenwashing'. The main issue in this sector is that it is probably in their supply chain; this was a key theme emanating from the findings of the study of Williams and Murphy (2023). Many want to learn how to be more responsible and ethical in sourcing. He also added that the pandemic has driven many businesses to rethink in a different way; in fact, it forced upon them their policies towards their environmental agenda beyond the confines of merely the notion of charitable giving. Reskilling was a huge factor; they were thinking about the responsibility of their staff a bit more, how they could integrate them and making sure their well-being became a big part of it. Furthermore, he amplified the most prominent example of CSR in this sector, which probably concerns waste production, ethical sourcing, energy usage, and how they maintain their fixed assets and vehicle fleets. A supposition here might be that this is a reaction to the current climate of continuous increases in cost in the energy sector. So, one can view the consequence of the pandemic as driving this change positively towards the importance and appreciation of CSR as a strategic business policy.

Concerning developing social capital, tree plantings were also mentioned by two respondents (A8 – OM4; A18-OM9) who were popular with their business. They are given some land and space to encourage school children to grow trees, enhancing the environmental impact.

However, there was a contrarian view on this aspect by respondent (A14- PA2) on the talk of greenhouse gas emissions and said,

'But they are probably also chopping down forests and not disclosing it.'

A valid scepticism is driven by conscience in this debate. The respondent also suggested the following.

“In a small way, what a lot of small businesses could do is they could adopt some of the practises that the large companies are doing, which is to perhaps bring in a non-exec director and have that person overview the corporate social responsibility strategy and look to see if they can guide them from their experience because a lot of small businesses don't have that experience in the house so that they could bring that in”.

A thoughtful and constructive suggestion and integrated thinking to take on board by the IIRC in its recommendations for MSMEs.

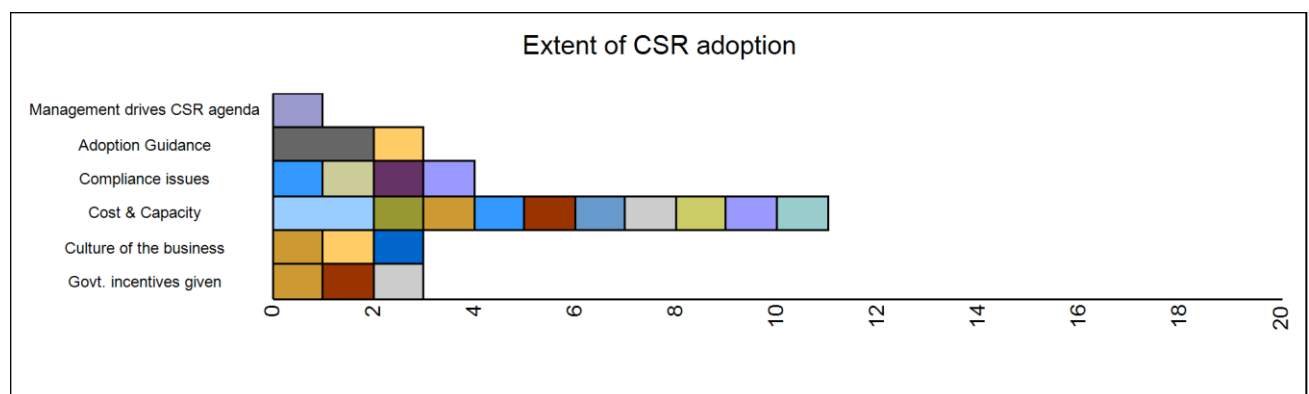
4.2.3.3 Extent of CSR Adoption

The main question posed under this node within the theme of perception of engagement was.

“In your opinion, given the existing style of micro type of operations and culture by SMEs, how easy and compatible would adopting such CSR/IR practices be”?

The figure below 21 shows the extent of CSR adoption and its contributing factors by the interviewees:

Figure 23 Extent of CSR adoption & its contributing factors



In response to the code of the extent of CSR adoption, it can be observed that most of the respondents attributed the fact that the overriding cause that is inhibiting the MSMEs in embarking on this social responsibility is the cost factor, capacity that is available and may be training in CSR strategies. They do acknowledge or perceive that the benefits tend to outweigh the costs in the long run. The minority voiced out a serious lack of motivation given to MSMEs by or through government incentives, both central and local. And the big, large companies. Harness et al.(2018) investigated the different routes the power large companies may take to promote CSR orientation in their smaller partners. Their study on an extensive sample of ‘Finnish SMEs’ showed that expert power (transfer of knowledge regarding CSR aspects from large companies appreciated by small and medium companies) and reward power (giving

rewards to SMEs that display CSR interest) positively affect CSR to SMEs. Coercive power had a statistically insignificant impact. Out of the positive types of power, reward power was proven to be used to more positive effects compared with expert power.

These businesses argue that they are mainly family-owned and recognise their obligation to society. However, the vested stakeholders must be encouraged to follow suit and publish their participation in CSR activities. Local awards and schemes can be put in place to drive this through the MSME sector by large corporates, who tend to rely significantly on the supply chains of these companies.

Some interviewees also stated that if there were compliance issues imposed and made mandatory, then businesses may take stock and explore the idea; however, coming out of the backdrop of the pandemic, this might take some time and not focus on it at this moment. Another respondent added that anything that simplifies the regulatory paperwork that a small business must do will be an advantage. Nevertheless, the cost burden still prevails.

Respondent A18-OM9, in his experience with MSMEs, these issues need to be explained first to the benefits of the concept, how they can adopt it and what it means for them. Others indicated that the importance of culture within the business is a serious consideration; if it is supportive, enabling, and positive, then things will happen. One respondent (A3-FC1) from the medium company stated that their management drives the CSR/IR agenda, and there was too much information in their integrated reporting to report to their investors. Further, he added that their company had a designated sustainability director who was explicitly looking at those CSR issues. It can be observed that this is the only company that has direct investors involved, and therefore, the requirement is specific to meet the needs of that stakeholder.

4.2.3.4 CSR implementation, use of current terminology & Business image

Having analysed the theme of CSR understanding and perceptions of its engagement, the thesis now explores the theme of CSR implementation, acceptance of current terminology and the possible impact on the reputation and image of the business. The major question posed for implementation was as follows: *“Do you think that CSR and IR should be implemented in stages, allowing for cultural and organisational change to cascade across the organisation?”*

Overall, an overwhelming response from all of them indicates that any implementation of CSR and IR must be done in stages. This is evidenced in some of the interviewee’s excerpts:

Yes, it should be done in stages; what are the benefits to SMEs in the medium to long-term
--

How is it to be done, and is it improving its margins?

Whether it's beneficial to the community, it's probably a medium to long-term project. “

(A1-PA1)

“It could evolve over time, but you need to see what? What's the current position as regards environmental concerns?”

(A10-FM3)

The respondents indicate an evolution of the time horizon, a medium—to long-term project, and linking it to performance metrics.

“I mean, yeah, the answer is yes to that for sure. Yes, for us to absorb.

So, you know, if we have to, we do end up having to provide a lot more reporting.

We're a small organisation, so we have to take that in bite-size chunks, so yes.

(A13-OM7)

“Yes, definitely. Like I said, obviously, lots of small businesses who do this kind of, you know, social activities or other social media channels that this is what we have done, but there is nothing on the financial statements. It would be a good idea to have this kind of reporting for CSR and IR”

(A15-PA3)

“Bringing it in as notes to the accounts, and if it's just going to be not staged, then bring it in as a big bang (mandatory?)... OK. And then, if you want to develop it further into having a separate report in the accounts, maybe doing that as a second stage at a later date”.

(A17-OM8)

The above two agree that it should be implemented in stages, emphasising the point of the size of their business. Respondent (A15-PA3) acknowledges nothing on the financial statements, implying that non-financial reporting will be welcome. The last respondent is alluding to the fact that they can be brought into the notes to the accounts, let alone a separate report.

The two respondents below agreed but had reservations. They added that the owner/managers required attitudinal behaviour and motivation.

“Yeah, it's always going to be a step change approach because you can't change the world in a day. And I think what's got to really happen is the attitude in the of the board has got to change. That can be changed overnight, but then the implementation is going to take some time and it's better if it does take time because they can do it properly and they can and they can grow whilst implementation is taking place and allow it not to affect their overall aim of profitability and creating shareholder wealth”.

(A14- PA2)

“You can't do it in intervals, but to tell you the truth, you need leaders to drive it, and it's the power and the driver of the individual that makes it change”.

(A11- OM5)

“What have we got to change? What have we got to adopt now? So, I think without a doubt smaller stages to make it manageable rather than just a massive thing thrown at them for all sorts of reasons. It's not just about money. It's about people's way of work. It's about skills”.

(A18-OM9)

The above respondent's (A18-OM9) message encapsulates the sensitive nature to this MSMEs sector and its desire to accept changes rather than a reaction and not dismiss it instantly.

Another respondent (A2-OM1) added.

“It wouldn't improve it, it is an extra layer of burden, SMEs are mainly focussed on the business, a voluntary approach first and then Govt making it a mandatory step”.

This viewpoint and perception have been shared by a few other respondents; as small businesses have enough to do, if there is too much coming their way, it's a massive confusion

for people. Furthermore, things get embedded if they are done in bite sizes, and the culture and user-end acceptance of them will work. (Bello and Kamanga, 2020). In this regard, a voluntary approach appears to be the 1st step in the journey of the evolution of CSR in MSMEs. Saveanu et al. (2021), in a Romanian study on CSR and SMEs, indicated SMEs are closer to their communities, employees and clients and consequently respond in a direct manner to the pressures of these stakeholders.

4.2.3.5 Use of current terminology -CSR

The next main question posed under this theme code was, *“Do you think the terms CSR and IR should be reclassified and use an appropriate terminology that reflects SMEs primary characteristics and operating medium”?*

The study sought perceptions on this theme to identify whether the current terminology (CSR) for the MSME sector needs to be updated, outmoded, complex or still very much in the thinking and normalcy of operating CSR activities and reporting.

There were seven respondents (35%), see figure below, who opinionated that they do not like the word ‘Corporate’ or associated with it as far as MSMEs are concerned. They suggest that the word CSR is more in tune with the larger enterprises. The common ‘Joe Bloggs’ coming through their doors is thinking SMEs. Reaching a good compromise of a good definition for this sector is a debate considering the different terms flaunted in the CSR world, as already discussed above (ESG, Sustainability reporting). The myriad of terms used in the public domain causes confusion among MSMEs and likely arrests interest in the green agenda. It is, therefore, necessary to revisit the question posed by Morsing and Perrini (2009) on the table again, leading to reflecting and questioning whether a study based on the characteristics of the company is the right way or if it is necessary to try to establish a better understanding of the CSR and SME relationship (Maldonado-Erazo et al., 2020).

On the other hand, 65% of respondents felt there was no need to change the term CSR. It is quite understandable, but it should be provided with more education/explanation of the sector rather than changes for the sake of doing it. They acknowledge that the term is quite common and popular.

“No, I don't think it needs to be reclassified. I think that most people know broadly what they are, and they're sort of an overarching term that linked to a load of detailed categories anyway”.

(A3-FC1)

Please keep it simple and meaningful in plain English. Give it a more punch line, rather than boring abbreviations (A4 -OM2)

“But I think it doesn't matter, but what I've said right from beginning this session which is that you know we should all produce everything in plain English.
Yeah, keep it simple. Keep it short. Yeah, keep it meaningful. All that stuff still applies”.

(A4- OM2)

“I think it's broadly understood. I think they're fairly simple terms that most people can understand what they are.”

(A20-OM10)

I am not changing the name, and I am not certain it would work.(A20-OM10)

“But I would argue that the CSR also asked them to think about their ethical purpose.
Whereas, um, what they're saying is the sustainability and the the green agenda, which is what is known as now right that is been imposed upon organisations, and there's a lot of green washing and a lot of organisations trying to find out what is the minimum I need to do to get away with ticking a box as opposed to who signs up from it. From an ethical point of view and therefore no, it's the right thing to do”.

(A11- OM5)

Fassin et al. (2011) indicated that business ethics has come to be used interchangeably in the CSR literature. Jenkins (2006) also attributed the different characteristics that make social

responsibility different in many ways from large to small firms. SBIR (Small Business social responsibility).

4.2.3.6 Adoption leads to enhanced business image

The main question posed under this code theme was “ *Do you believe, in your experience of SMEs management style, will CSR/IR provide a new avenue of deserved publicity for your org and thereby enhance its corporate image.*”

This question is explored against the backdrop of the benefits that CSR may provide if actively pursued within the business context. In Maldonado-Erazo et al. (2020) study on CSR and performance in SMEs found that the CSR of SMEs follows a strong philanthropic approach, which improves the image and reputation. What do image and reputation do for the business? One might argue they would not improve performance as the results of the business are the deciding factor. This study will seek perceptions of the owners/managers of the MSME sector in the UK, whether this correlates to that notion or otherwise.

Some excerpts from the respondents indicating the positive vibes emanating from their experiences within their business context:

“Whatever the small business can do, it will need to try and promote that as well and make sure that that if you are doing these things, you've got to make sure it's being publicised, that you can improve, improve your image”.

(A14-PA2)

“Working with corporate social responsibility, and they said we are very successful in that because a lot of businesses come to us because we're doing good, giving something back to the community.”

(A15-PA3)

“Yeah, absolutely. I think if you're doing something that is good, safe for the environment, for the community. And you're not shouting about it, then it can only lead to a positive and a good image for you”

(A17-OM8)

“There's evidence to suggest it does show that they can do more PR out of it, and it helps through. It helps their image. So, because a few of them are becoming aware to say, look, we, we need to put something on our website to say we're doing it.”

(A18-OM9)

The above excerpts, it does indicate the MSME's engagement in CSR is potentially enhancing their business image as more business is transacted, regular customers turn up, networking is broadened, and the thinking behind the owner/managers' values and beliefs drives these social and environmental positioning. On the other hand, there were a couple of respondents in terms of their business feeling it didn't really matter to their customer base (A20-OM10) & (A5-FC2). Two other respondents indicated it depends on the type of SME and the nature of the business being operated. One participant (A11-OM5) stated that the attraction of CSR activities by businesses is supported a lot by the younger generation; the younger you get, the more aligned the cause is; it's a generational trend in environmental awareness.

Taking these small steps within the MSME sector in the UK, not only attracting business via customers and suppliers, a business's ability to succeed in the long term depends on its ability to create lasting and high-quality sales networks for its products (Polasek, 2010:138) but also the potential of attracting the needs of outside investors is seriously in play within a closed owned sector. The study also established that two medium companies were recognised for driving sustainability throughout their business, gaining the ISO14001 rating.

4.2.3.7 Developing Social capital & stakeholder impacts

The key question highlighted for this theme node was, "In your opinion, does networking within and across sectors, mutual relationships with customers and community and charitable giving *develop social capital?*"

The focus of this rationale is to assess owner/managers' perceptions of formal and informal dialogues justifying the influence of social networks, whether internally or externally, the set of interrelated units that are engaged in joint problem-solving to accomplish a common goal (Rogers, 2003). The MSME sector is largely non-contract and relationship-based in terms of transactions, placing more importance on the local suppliers, customers, and community, which itself gives significance to the creation and maintenance of social capital. The owner/managers are largely flexible and multitasking in their management styles.

The array of responses recorded for this theme highlights MSMEs actions are mainly targeted to their local networking ecosystems and recognise the benefit and importance of CSR, Waddock et al (2002) profess to this claim.

Some of the excerpts are presented below:

"I think it would, SC is a fundamental concept, society needs trust with businesses, enhances both parties to the transaction."

(A1-PA1)

"Yeah, I would say so, because obviously, when people are networking, You know, help each other, they share knowledge."

(A10-FM3)

"Definitely, and that's what I do and that's why I say it works with the not-for-profit, the government sector or public sector as well as the private sector. You get to know a lot of people in providing networking. Cultural capital is developed, emotional capital is utilised."

(A11-OM5)

It's interesting to note the third respondent above (A11-OM5) is highlighting the importance of networking and promoting cultural and emotional capital, which clearly are fundamental attributes attached to MSMEs and their owner/managers. Furthermore, this study can contribute that these capitals should be added to the existing six capital store designated by the IIRC, therefore giving legitimacy to the MSME sector.

"We've worked quite a lot with various universities to help us do stuff on net zero. So, we've worked, with the manufacturing group little bit, we're visiting university so that people in here helping us identify how we could reduce our energy usage in various ways. And we've made investments to do that simple things like rapid action doors to keep the heat inside the building ... I do quite a lot of networking both within the engineering sector and outside it."

"I'm not so worried about social capital in the sense of do we look like a good company to the outside world? We're not really driven by that. We're really driven more by doing it because we believe we have a contribution to make...".

(A13-OM7)

“Unless you mean will it have other derived benefits to the business over and above profitability, but a lot, a lot of small businesses already do like to sort of become active within their community. So, they might sponsor a local football team and or they might be seen to be supporting a local Hospice or something like that. And at the back of that they're going **to get promotional advertising.**”

(A14-PA2)

“I've got personal experience of that where you know when occasionally we do go for networking events or sessions and you meet people from other industries, whether it's banking, whether it's the charitable sector, whether it's in the manufacturing sector, and you invited in to give those talks absolutely.”

(A17-OM8)

“I think Connections with specifics are really important and they're better props with some of the smaller ones to say, this is what it does with networking. A lot of them, It's really useful because they just like now they said, well, how do you deal with this? How do you deal with your vehicles? How do you deal with that? So that definitely builds social capital.”

(A18-OM9)

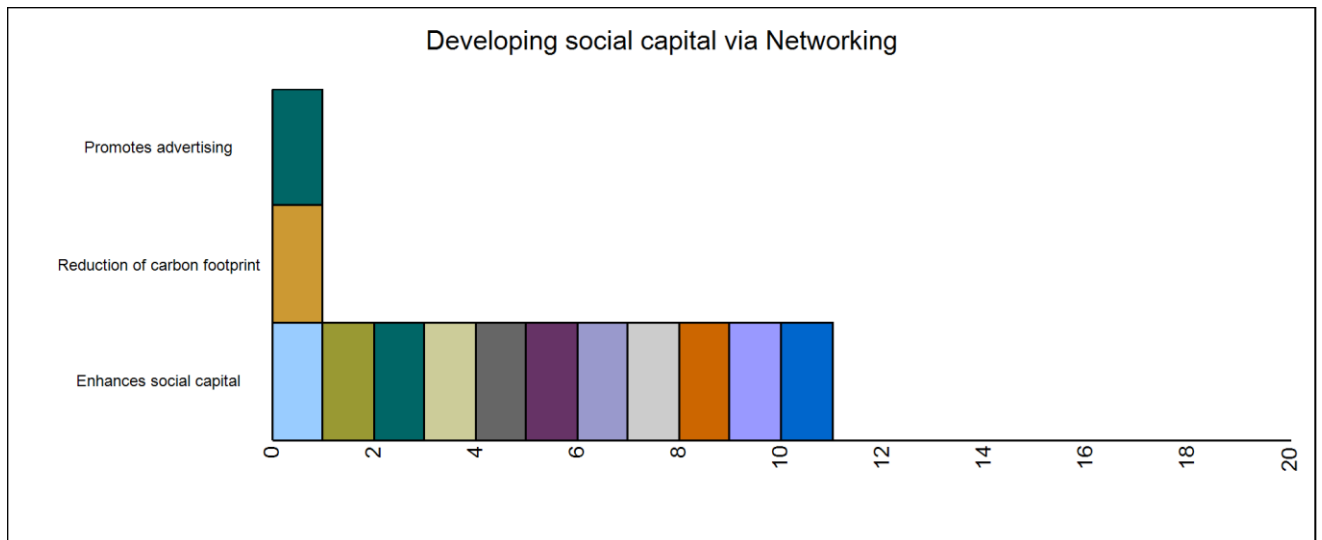
“I mean take for example, if your organization is tying up with local communities and providing charitable elements, yeah, then ,wouldn't that enhance your company's brand and your company's activities which translate as social capital?”

(A3-FC1)

Examining the respondents feedback from the above selected excerpts, it clearly points that MSMEs are favourable and committed to the development of CSR activities through networking with stakeholders. Further it has pointed out that they are not specifically after social capital or how they are perceived by the outside world, but they are driven by what they in the positive contribution to societal and environmental protection. They are recognising the various stakeholders in their ecosystems and the principal drivers for MSMEs to engage in CSR. Customers are a central stakeholder for any company (Dias et al, 2018) which corresponds to one of the respondents in this study (A12- OM6):

“80% of our customers are regular” within the restaurateur trade

Figure 24 Developing Social capital via Networking



Another respondent indicated on a point that the development and carrying out CSR activities within MSMEs are not in any way captured in the financial statements or otherwise.

“...but that matter, as the value doesn't capture, for example, that during the year, I might have taken on five or six interns from a local school to train them. Now that's a benefit that is added to the society and that is not even measured by the balance sheet.”

(A4-OM2)

The question then arises from this study whether there should be a targeted and specific framework which would provide some measurement yardstick for the MSME sector to capture and report on, separate from the idiosyncrasies of the large companies. But the IIRC principles-based framework states that qualification of all values is not a necessity (Robertson and Samy,2015).

4.2.3.8 The importance of Banks as a main stakeholder

Now turning to the main stakeholder of MSMEs which are the banks, under this theme, the following question was posed to the participants “Do you think that particularly Banks should lead & adopt SME social networks via personal shareholder engagement, rather than the current centralised mechanism?”

This study is probing the main external stakeholder how it can develop networking with the MSME sector to enhance the environmental agenda which it does with the large companies,

There is a recognition there may be a conflict of interest, however, as a financial lending institution they are ready to provide ESG 'green' loans to the larger enterprises at the expense of the smaller businesses who are mainly the drivers of the economic growth of a nation. Their relevance as a business stakeholder to this sector has significantly declined. This is evident in this study, that sixteen out of the twenty business entities (almost 80%) have responded that the banks do not pay much attention to the smaller firms and in fact most of the local branches in the UK have been closed. An argument for the non-involvement of banks with the business community is that in finality they are there to lend money and charge interest and to make a profit. That is the bottom line, and no interest is shown to engage with SMEs in the CSR social capital dimension.

Some of the excerpts of the participant responses to the banks non-involvement with them directly are summarised below:

"I think banks used to do that [social networks] when you had branches and you had bank managers in branches, they used to have those sorts of meetings ...they understood the community and the business community and the local area and this was always an issue of our bank manager.'

(A20-OM10)

"The problem in the banks today is, as you know, you ring your bank up and you go to some call centre and some meaningless nameless person talks to you. They try and pretend to have a first name and everything else back to his meaningless best way to deal with this kind of stuff...but not the bank manager you want to deal with on a one to one basis"

(A4-OM2)

"That is one of the downsides, they have closed all the local branches, we have to go to some city centre main office, It would be better if we have direct access to the bank such as relationship manager."

(A6- FM1)

"They are fulfilling their responsibilities towards large companies. They are attracting large companies because what these days banks are all about, but in reality practical life or SME they have closed all the branches."

(A8-OM4)

“In my experience, and my company, there is a one person is assigned to the company, but you are right the current operating mechanism is using a call centre, which tends to exclude social dynamics and capital to be built upon.”

(A2-OM1)

“I don't think they have an interest in the businesses they serve anymore because they don't even provide a range of services. So, you know what they used to be and what they are now are two different things and I don't see them going back to.”

(A11-OM5)

The evidence clearly indicates that as one of their major stakeholders, they need to be held in better perception, when they represent the embodiment of society linking the entrepreneurial nature of businesses and society. They should be seen to be more engaged with this sector, bring back the managers with the long desk in front of their offices and taking a close interest with their client's businesses. This absence of engagement with the smaller firms can be contrasted with the four medium companies in this study.

The four medium companies in this sample have acknowledged they have close contact with their banks and a relationship manager having regular meetings with their companies.

“And they’re very integrated in our business. We meet up a few times a year, discuss our operations and way they can help us with platforms they may have. So, we have a very good relationship with our bank, and I don't see a centralized mechanism like robotics getting in the way of that.”

(A3-FC1)

“I mean that's useful to have that and we have you know we bank with... and we have a good relationship. Yeah, we have a good relationship with them even though we don't borrow from them at the moment.”

(A13- OM7)

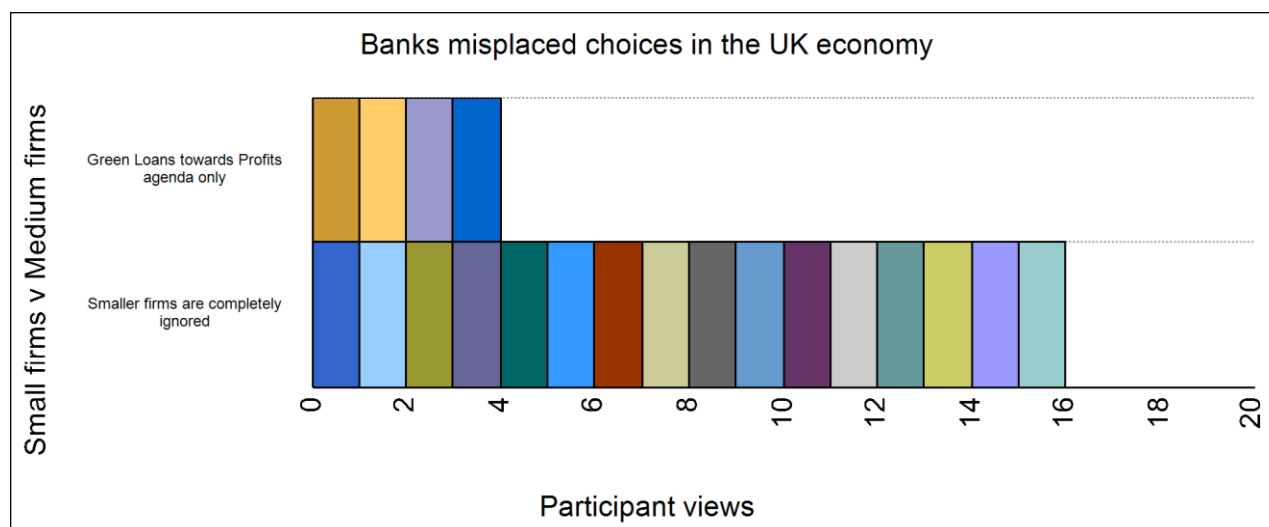
“we've had our relationship manager who attends to, maybe. well, he might be a function of size and turnover, Vijay, but we have our relationship manager. I won't say which bank it is, but our relationship manager would attend the board meetings once a quarter.”

(A19-PC1)

“Yeah. And well, we bank with ... and we have a relationship manager with ... And he comes to see us, and when necessary, but certainly two or three times a year.

(A8-OM4)

Figure 25 Banks misplaced choices in the UK economy



The study reveals the disparity between the smaller and larger company constructs, the banking sector can fill this void and make a difference to the MSME sector with more prominence, such as outreaching the markets and opportunities beyond national boundaries i.e. expanding the export market and being a major facilitator in this regard, however, the Enterprise surveys (2020) also suggested that access and cost of finance also deter smaller firms in the developed countries such as the UK. This also further inhibits MSMEs from investing in greener technology, advance processes and research and development because of the limited funds.

4.2.4 Themes identified under Research Question Three (RQ 3)

There were three broad themes identified in the qualitative analysis of the participant data that fall under RQ3: *'How does the adoption of IFRS for SMEs and CSR activities affect the implementation of integrated reporting in the UK MSME sector?'*

The purpose of RQ3 was to examine and explore the concept of IR within the MSME sector, the perceived benefits, challenges faced, the rationale of incorporating IR in their reporting mechanism as a 'Singular document' rather than as a separate report as promulgated by the IRRIC on larger companies.

There were three themes that were detected from the nodes generated from the interviewees' empirical data:

- Exploring the rationales of CSR, IR & possible benefits OR burden
- Enhancing MSME value creation & improving decision making
- Presentation as an Integrated Singular Report

From research Q2, it was established in this study that nearly 86% of the respondents did not understand the terminology of Integrated reporting. However, they acknowledged what it is after the interviews when explained by the researcher. Therefore, in this section of the thesis, the above themes were identified to connect the research's two main constructs, *IFRS for SMEs* and CSR and funnel it down to reporting in a 'Singular report' (both financial and non-financial) analogising as integrated reporting for the MSME sector. Due to the term <IR> not having sufficient understanding, but only gaining an awareness, neither operating in any form of infancy, the study explores the views from the owner/managers, reporting accountants and MSME consultants' perspective with the idea of integrating both financial and non-financial information for reporting purposes.

4.2.4.1 Owner/Managers motivations in voluntarily reporting initiatives

One of the nodes established was 'Voluntarily undertaking activities to do the 'Right thing' pertaining to this theme. Some of the excerpts of the respondents pertaining to this theme are listed below in the table:

"It has to be voluntary for small businesses, and there should be an option for them to basically either to have an independent report how they are achieving on corporate social responsibility, or maybe something integrated into the financial statements."

(A15-PA30)

"You implement CSR, then you're going to have some businesses. Conduct those activities to appear to be doing the right thing. Ultimately, they want to be so, if it's mandatory for example, you can have CSR report."

(A17-OM8)

"I think one is that don't forget, many SMEs are resource poor. They don't have a lot of time to do anything, and that's even managing the business. So, there's so much forced on them now anyway through our bureaucracy, through all these things like that. It's like another thing to do to say, you should do something voluntarily there, even if they might want to do it, I think it's probably difficult to ask them to do it."

(A18-OM9)

"They should, but I will ask them do it with the more established ones, but not start-ups."

(A2-OM1)

“I think larger businesses do what they think is the right thing, whereas I think a small business because it's based on the character, the moral fibre of the person that runs the business, as smaller of is, probably pays more attention to it.”

(A20-OM10)

“But I think, you know, when you talk about CSR corporate social responsibility, it's a whole view of key data you want to collect, or you want companies to do.

Yeah, I don't want companies to collect data. I just want companies to do the right thing... The non-financial elements of companies rolled in the wider community is important.”

(A4-OM2)

There was a mixed bag of responses ranging from the ethical and moral aspect to do the right thing for the wider society and community, albeit the major resource constraints present to the acknowledgement they can be reported in some form to the outside world. There is almost a belief by the owner/managers to take the moral ground of doing business and simultaneously not losing sight of the business case.

Another respondent (A1-PA1) remarked that the firm's CSR activities be reported on the narratives of the Directors reports as part of the annual reports and filing in companies house in the UK.

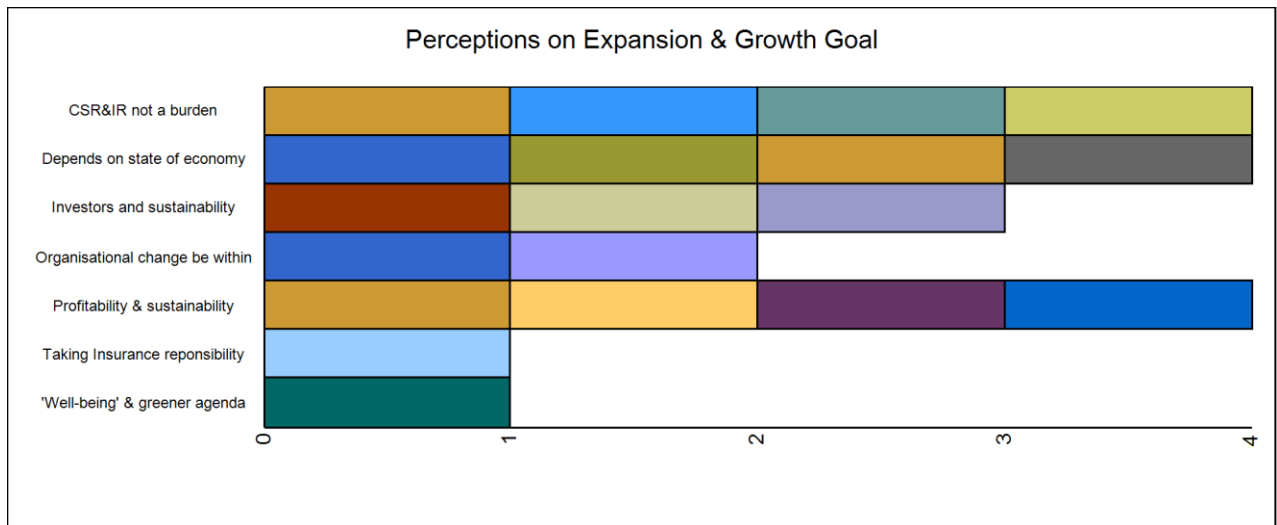
There is a common agreement that MSME owners/managers should voluntarily do it because it's the right thing. The influencers are leading the way, and that hopefully helps to produce a tipping point by which everybody then takes it on. This study's findings also contribute to the so-called contemporary literature on initiatives such as the social and environmental accounting and reporting (SEAR) discussed by Gerwanski (2020).

4.2.4.2 MSME expansion & growth as a goal, hence CSR reporting

The interview question that aligned with this node was, “If expansion and growth are the primary goals of SMEs, do you think *SMEs have an inherent duty for accountability and responsibility to report CSR/IR processes?*”

The owner/managers and their immediate internal stakeholders provided their perceptions and motives for the theme of MSME expansion & growth as a business goal and its implications; their interviews reveal seven factors that can be considered and shown in figure below:

Figure 26 MSMEs goal of expansion & growth



Participant (A14-PA2) from his firm highlighted, apart from agreeing, that there is a duty to report a CSR activity and that the goal can be supported in the recruitment drive for their companies, especially young graduates. In his perception, the young people, some of the best graduates in the country, are looking at where they want to work, indicating that their well-being and green agenda are supported and initiated by the MSMEs. Evidently, they do not particularly want to join large companies but prefer to serve the MSMEs marketplace where they have the right policies in those graduate interests.

Participant (A10-FM3) stated that when they pursue expansion as a goal, which digresses from their original goal as a business (say profitability or survival), the impact becomes greater, and they should have an insurance responsibility, which is in line with Godfrey et al.'s (2009) “insurance-like” property of CSR information.

Four respondents emphasised that profitability and long-term sustainability are their ambitions to be in business. Participants (A13-OM7) stressed that their goal is to remain a family business and focus on growing it and making it sustainable. Another echoed that

“I think lots of SME & my business, we were looking for growth from a turnover point of view and a profitability point of view. We were now never looking for growth from employing people, having different branches, having different locations that was never on our agenda and our agenda was to provide a comfortable lifestyle and to do some interesting things. So that is a caveat and. that's not the same for everyone” (A20-OM10),

another stated, “If expansion and growth are primary goals, then they're not, our primary goal is actually making money” (A8-OM4).

With regards to organisational change within, it was highlighted by (A7- OM3) that.

“If you get the foundation right, whether being in a small company or micro entity that may have a minimum disclosure to do, they can build on that”.

Another (A1-PA1) added to this is that for economic and ethical responsibility towards society, there should be change within. This certainly calls upon the desire and mindset of the business founders to project their entities to the various external stakeholders (Porter and Kramer, 2006).

One medium entity's financial controller (A3-FC1) emphasised their business involves sustainable investors as one of their primary stakeholders. In fact, they have a sustainability director who oversees their sustainability projects. He added that over the past three or four years they have seen a lot more banks and investment institutions invest. Apparently, these investors are asking them what their carbon emissions, etc, are, and this interest is very much against the backdrop of providing loans and funding to companies that are forward-looking in their sustainability projects. In his perception, he believes that these investors are coming in because, in the next five years, they will be reaping the benefits of tax breaks accorded by the government if they invest in certain environmentally friendly projects.

On the other hand, another (A17-OM8) from a micro-entity viewpoint was it depends on the type of investors they are. Are they interested in green projects solely from a marketing perspective indirectly, or are they 'Angel' investors just looking at the numbers for a short-term gain? It can be said that the latter is more applicable in terms of investors showing an interest in MSMEs projects. Expansion will attract investors, and therefore, CSR reporting is standard and crucial (A16-PA4).

With the question of adopting CSR/IR practices in the MSME sector is primarily the resource constraint. (A15-PA3) has alluded to this notion in a paradoxical manner, which is as follows:

“...if an organisation is growing, it's very important how the organisation is leaving its footprints on the wider part, whether it's on the cost of labour, whether it's the cost on the economy, losing these sustainability practises, maybe not going very green. So, all of these factors do take into account the overall population or the mindset of people in Great Britain, or the developed economies take that very seriously”.

There is recognition that firms in this sector should be involved as (A6-FM1) amplifies.

“Yeah, definitely, otherwise at some stage they may lose out, if they don't report they are missing out on the govt schemes and subsidies that are freely available”.

Furthermore, (A13-OM7) adds.

“I don't feel there is an inherent duty for us to report CSR and in IR, although I'm saying that, you know, it wouldn't be a problem if it wasn't a burden to us to do that”.

Reflecting on the owner/manager perceptions, it shows an underlying administrative and cost burden, in terms of time, the specific expertise required, any accounting systems change, and digital operations that need to be scaled up. These are clearly challenges and significant barriers for the MSME sector to overcome soon.

The pandemic, Brexit implications, and energy crises due to the Ukraine-Russia war have badly affected the MSME sector within the UK economy. So, the question of expansion and growth as goals have been decimated due mainly to the state of the economy. There has been a significant reduction in M&A activities within the UK capital markets during this period.

Four respondents have cited the state of the economy as a factor in getting engaged in priorities. (A1-PA1) stated

“In the current climate, it just depends on the economy, so objectives will be less for expansion, the mindset will loosen up if the economy is doing well not having a long shelf life, if recession, objectives are more about survival”.

Furthermore, (A11-OM5) took a more direct forthright juxtaposition

“If you think about the objectives of why people set up a business, it is not I want to be rich. Therefore, I'm going into business. Many people do business for many different reasons; I, for example, do not maximise profit for everything I do, I may want to be tax-free, I may be thinking about work-life balance, etc. There are a lot of different reasons. Some people are doing business because it's the only thing they can do”.

Another (A18-OM9) echoed

“Yeah, they might be forced into something else, but the goal probably dictates it.”

Therefore, it can be inferred that goals change when there are different states of the economy, but the central theme is that the business case is primarily in the thoughts of the owners/managers. Other dimensions, such as CSR/IR, are merely subordinate to the main prevailing objectives during this period.

4.2.4.3 Enhancing MSME value creation process

This theme focuses on owner/manager understanding and perceptions of the benefits of multiple capital stores to MSMEs and enhancing the value-creation business model.

The empirical data generated two main nodes: one was MSME's understanding of the multi-capital store and its benefits, and the other was complying with community expectations.

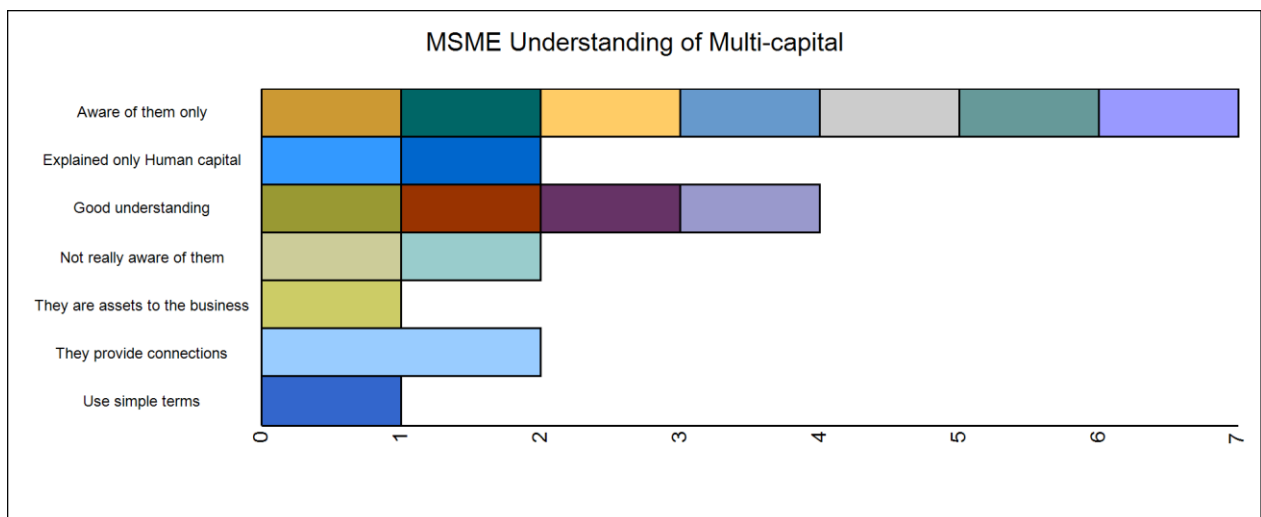
4.2.4.4 MSME understanding and benefits of Multi-capitals store

This theme is an under-investigated research aspect of integrated thinking within the MSME world. How can the multi-capital store help MSMEs in the value creation model in the short to medium or long term? This thesis attempts to build a better understanding of the factors that may create value for the benefit of the MSME.

To attain the initial understanding of MSME of the multiple capitals, the following question was posed to the participants – “ What do the terms social capital, human capital, financial capital and intellectual capital mean to you and your organisation, OR are you not aware of any of these terms?” The understanding process excluded manufactured capital and natural capital in the line of questioning primarily to check the MSMEs (at least in this sample) are mainly associated with these capital stores.

There were some interesting replies, some convincing, and some that were least convincing or confusing and did not elaborate, i.e., just focused on one capital, which was the employees.

Figure 27 MSME understanding of multi-capitals



The figure above shows the qualitative perceptions expressed by the various participants. About seven participants stated they were only aware of them.

It, therefore, shows the extent of their understanding of the multiple capitals store that was designated by the IIRC and championed by the International Federation of Accountants. Analysing them shows most of the participants are aware of the term but not necessarily comfortable in explaining what they are and how they contribute to the firm. A typical excerpt from respondent (A19-PC1) is listed below:

“Yeah, I’m very much aware of them, and I’ve never heard those terms used at any board meeting in our company in the last 13 or 14 years.”

(A19-PC1)

Another owner/manager (A7-OM3) echoed the following:

“I am aware, but I think you will find that many micro entities or small entities would not be aware of that. I think these are terms and jargon used by the big boys.”

(A7-OM3)

“I’m aware of those terms, so you know a business is only as successful as it’s as the people it employs. It’s probably the people which are its greatest asset”.

(A14-PA2)

There is an analysis that mainly focuses on human capital in their business model at the exclusion of the other capitals, as the MSME sector clearly values the employees as their main capital driver. The following excerpts highlight this point:

“The people, the captain in relation to people. Yes, that is very important, kind of, yeah, but it dominates one SME because they obviously have key staff members, and a lot of them obviously invest in them. They innovate in them. This is basically by training. And by looking after their mental health issues. So that is really important, and obviously, they do invest in all of that. The social side of things is not very important because it’s sometimes like I said, that it doesn’t add much value to their core.”

(A15-PA3)

“Well, certainly, I'm aware of them.

Well, I mean, we look after these areas very much; we've got a very long-serving set of people.

Part of the organization and the human capital is something that we aim for. We do not like people to leave us now. We don't like people to leave us who are 30 or 40 or 50. And I always tell people who are going to retire, Are you sure? Are you absolutely sure you want to retire? I'm 78. I love doing what I'm doing.

If I was at home, would I speak to a guy named ...? Would he? And here I am, talking to an eminent person, asking really interesting questions. Surging questions.”

(A8–OM4)

One respondent (A1-Pa1) remarked to keep it simple with non-technical jargon: –

“Why don't you use terms that are simplified and watered down, not creating fanciful terms, e.g., employee incentives and welfare, job satisfaction? Terms are complex, and they need to be watered down. The big boys are making life difficult for the small boys.”

In the larger scheme of things, the main purpose of showing information on a broad range of capitals is to communicate concisely how the organisation has created value over time IIRC, (2013), para' 1.13. However, the MSMEs must be supported by providing a 'level playing field' for all types of firms within this sector. A comparative finding done twenty years ago as part of a UK survey on the feasibility of CSR for SMEs, Castka et al. (2004) appears to be repeated, which indicated that support needs to be simple, transparent, and local and case studies are important for MSMEs to emulate. SMEs want the experience of engagement to be simplified. Since then, the CSR agenda for MSMEs has not moved much.

4.2.4.5 Complying with community expectations

The thrusting question that was embedded within this theme, extracting the participants' view was *“To comply with community expectations do you believe SMEs should focus on establishing and reporting on social media platforms e.g. blogs, Facebook, & Instagram OR reporting on Kitemarks; benchmarks and reporting winning awards which ultimately enhances the brand and reputation of your business.”*

This line of question aims to address the issue of linking community expectations with CSR tools that MSMEs can rely on as a benchmark for enhancing the business case model. There

are several reporting awards given under the umbrella of CSR. They mainly come in the form of tools and instruments such as ISO 26000, the Global Reporting Initiative(GRI,2007), the United Nations Global Compact (UNGC), Zinenko et al. (2015), and the most recent B Corp Certification scheme which considers CSR activities and accomplishments (Wilburn and Wilburn,(2015).

The study focuses on MSMEs, and in the sample, there were two medium companies that were awarded ISO 14001 (A13-OM6) and (A19-PC1). Twelve participants representing their business entities, including the two, have overwhelmingly agreed that reporting awards enhance the brand and reputation of their business. Some selected excerpts of the respondents as follows:

“OH yeah, we definitely do with these awards. and we do enter them as well. We have home builders award, we set benchmarks that is followed in the industry and that we have set standards.”

(A3-FC1)

“...and that is something worthy that can contribute to society and should not be missed as well as, as you say, kite marks benchmarks, you know, winning awards. Well, winning awards is some of that and is an objective.”

(A11-OM5)

“Yeah, we do have these star rating like mine is four-star. My rating is on the window, I've never advertised my business anywhere.”

(A12-OM6)

“Yes, if you show these, they actually have those or certificate as an environmentally friendly business, yeah, this will help if they ever come onto contact through those social media platform.”

(A16-PA4)

“I think they will naturally refer to social media because it's a very easy thing for them to adopt. I think it's already there. I think they're probably scrutinised on social media quicker than they would be from a benchmark.”

(A18-OM9)

The above participants' views support these CSR instruments to help the MSME sector improve, provide clear guidance for them, and achieve a sense of trust with their local community, thereby satisfying their expectations.

However, some participants had reservations about this reporting certification and awards. (A4-OM2) remarked

“ I don't think winning awards miscommunicates expectations; just engaging with communities locally is all it needs to do. It doesn't need to do it necessarily in awards...It's not a model that has the word; it's worked in the hotel industry. It's worked in the restaurant and food businesses and is also a marketing tool for the good ones”.

Another (A8-OM4) questioned

“First of all, is there much community expectation? I also question that I don't think there is as much as we would like to think SMEs should focus on establishing and reporting on. Yeah. Well, I think what we've missed out, there is the media”.

(A10-FM3) suggests building trust as a whole and communicating clearly with their external stakeholders. A micro entity owner/manager (A20-OM10) questioned

“ why would they not do it, it's a free way of advertising what they do...and if you are not doing that, then you are not a very good marketer”.

4.2.4.6 Presentation or reporting as an integrated 'Singular report.'

It has been acknowledged in the literature review chapter of this thesis that IR is primarily used by large corporations such as the Financial Times Stock Exchange Index 100. Academic scholars have explored the managerial perspectives of IR in these companies, confirming that the interest in IR centres around corporate legitimacy and image, as well as satisfying shareholder and stakeholder needs, Adhariani and de Villers (2019); Robertson and Samy (2015).

This study explores the owner's/managers' perceptions of this integrated thinking within the MSME sector, the first of its kind after more than fifteen years of studies done on CSR in SMEs in the UK, Castka et al., (2004). Crowther and Aras's (2009) study on CSR in the Mico-enterprise sector came against the backdrop of the 2008 global financial crisis, which squarely blamed the financial companies (i.e. banks) for preventing the recovery of this micro-sector. In a similar vein, this study is coming from the backdrop of the global pandemic crises, and the MSME sector is in a similar economic situation.

4.2.4.7 Reporting in a 'Singular' format and its benefits

Now examining their views on the theme of reporting in a singular format and its perceived benefits or challenges, a summary of the following respondents' excerpts are extracted for discussion:-

"Singular reporting is beneficial if it is keyworded with specific bullet points one of two paras would be good"

(A1-PA1)

"I think the singular format will have massive cost savings. The biggest challenge that you will have is if it's going to be an extra report which needs to be lengthy, which needs to have a lot of detail, and it's going to cost."

(A17-OM8)

"First time it will be costly, but once the start-up prepared reports are in place, then it will become customary for the ensuing years".

(A6-FM1)

" the accountant is preparing for us. Therefore, there will be an additional cost."

(A2-OM1)

The above excerpts of the respondents' views show that the cost factor is the major overriding concern. There is no evidence of a complete rejection of cultivating this practice, which tends to speak volumes about the sector. They are open to suggestions but want some form of assurance and support to follow the agenda of the larger corporations.

Another (A13-OM7) remarked,

"... it would be easy if everybody in the entire chain did it so that all the information could just be collated together. But if I'm sitting here trying to do the right thing and other people aren't providing me with information in a nice format, then it's a burden."

The firms within the MSME sector are seeking business transformation, and this is in accord with Waddock (2020), who argues that 'businesses are unlikely to transform until the surrounding ecosystem demands that they do so'. Crane and Matten (2021, p. 281) further vouched for this, suggesting that the future CSR research agenda advocates for more inclusive approaches to understanding and involving stakeholders.

Another major contribution from the analysis of the respondents in the financial and non-financial reporting mechanism is the current digital age and how information can be supplemented and provided for stakeholders' consumption. A few respondents' excerpts articulating this transformation are as follows:

“ It would be more cost-effective if you interface with the accounting software programmes”.

(A10-FM3)

“I think it goes back to the IT, but before that, I think that depends on how easy it is to adopt, to be honest with you... the fact that they gave the reporting in a particular way and enabled it to link with what you've got, the more, the easier you can make it with that software, which will be easier for them to do. So yes, it probably would help if they could do that.”

(A18-OM9)

“In order to be digital, so the digital reporting world now should automatically generate any of these kinds of reports, so it shouldn't be a burden. I think that it needs to move that way probably.”

(A14-PA2)

The latest technological advances have been, to a certain extent, embraced by most MSMEs in their day-to-day operating activities will find this additional form of reporting, whether it may be in the form of a 'Singular' reporting or Integrated reporting, not much of a burden if the right kind of digital tool kit and guidance framework are clearly promulgated in the reforms particularly undertaken by IIRC. The IIRC cannot just sit on the sidelines and wait for this sector to play a prominent role until it matches its dictum when professing its aims. The International IR Framework (IIRC,2013b) aims to simplify company reporting and improve its effectiveness by focusing on value creation “ as the next step in the evolution of corporate reporting” (IIRC, 2015). The next step is to target smaller businesses closely on 'business reporting' and not 'corporate reporting', which will become a more legitimate practice for the MSME sector- they will then view it as desirable, proper, or appropriate.

4.2.4.8 Leave MSME reporting as it is

The next node within the theme examined the converse notion of leaving MSME reporting as it is. The question posed was, “ Finally, do you think SME reporting should be left as it currently is and not introduce any additional form of qualitative reporting because it may be perceived to be complex and irrelevant?”

The IIRC (2013a) developed the principles-based IR framework that aims to coalesce a firm’s different reporting formats into one holistic and succinct report and thereby achieve supremacy as the future corporate reporting norm (Gerwanski, 2020, p.557). In terms of MSMEs, a simplified system of reporting is the central theme despite the limitations faced.

The respondents of all the medium companies, (A3-FC1), (A19- PC1), (A13-OM7) and (A8-OM4) agreed with the question that they should leave the existing reports of MSMEs as it is. They echo that too much administrative work is foisted onto them when they already have a lot of controls, and it is time-consuming and unnecessary. Added bureaucracy makes running smaller businesses more difficult; it increases complexity but does not really increase the benefits. However, (A13-OM7) stressed.

“If everyone in this sector is expected and legally obliged to do a lot more CSR-type stuff, then it's fine, and let's report on it, but then give us a simplified report for us to follow in this country.”

(A5-FC2) of the small company emphasised

at the outset there is no proper framework for CSR in MSME. There should be some sort of explanation to say what exactly you should do. Therefore, education and training are required.

The remaining eight respondents to this question showed some positive interest and opportunity to embrace the production of a report that would enhance their non-financial CSR activities. (A1-PA1) suggested there should be a hybrid approach, in stages, with the government bringing in some form of mandatory directives for MSMEs to follow; leaving it on their own is not going to achieve the desired objectives. This was echoed by (A2-OM1). He agreed with the statement that if the government provides better incentives, then there would be an incentive to replicate the image of big companies.

Overall, smaller companies are attracted to the idea of engaging in some form of integrated reporting but are not keen on the rhetoric of standard setters. Only substance, ease of reporting, and value for society will suffice.

Lastly, the study tried to discern if there was an alternative model.

4.2.4.9 An alternative model of reporting

Owner managers recognise that this is a complex branch of business, especially the MSME sector; without any incentives either by the government or standard setters, there wouldn't be much of a take-up. They will still be fulfilling to their primary stakeholders. As suggested by (A11-OM5)

'We need standards so that we can quantify the qualitative, and we do it all consistently. Then we will get engagement in transformation'.

This sector looks at profits and cash as the primary motive in business and environmental issues are secondary, but they do recognise in today's climate, it is becoming more relevant. In finality, the question then arises whether it should be mandatory rather than voluntary to report on the non-financials, to reiterate Crowther and Aras (2009) findings were the question of sustainability and the conditions under which sustainability becomes possible and available to micro-entrepreneurs.

The next section considers the summary of the key research findings from the themes arising in the study and the specific research questions.

4.2.5 Summary of Findings

In this section, the results of the in-depth interviews outlined in the previous section are considered the research questions. This section aims to highlight the key findings of the thematic analysis of the qualitative data in the current thesis study and relate them with existing studies as identified in the literature review.

This study adopted an interpretive qualitative approach using an abductive research strategy where the aim is to discover the meanings and interpretations, the motives, and intentions that social actors use in their everyday working lives and which direct their behaviour by constructing such knowledge and use in the production and interpretation of the phenomenon under investigation (Blaikie, 2010), in this case using the lens of IFRS for SMEs, CSR and IR within the MSME sector.

The research sought to answer three research questions:

1. What is the perception of adopting IFRS for SMEs that enhances the quality of financial reporting in the UK?
2. What is the diffusion of perceptions of CSR activities in the UK MSME sector?
3. How does adopting IFRS for SMEs and CSR activities affect the implementation of Integrated reporting in the UK MSME sector?

The findings in relation to these questions, as analysed in the preceding section, are discussed below. They have implications for policy and practice and recommendations to encourage the adoption of IFRS for SMEs, CSR reporting, and integrated reporting within MSME sector organisations.

4.2.5.1 Factors enhancing the quality of financial reporting

This study is responding to some of the concerns raised in the literature review regarding whether a basic *IFRS for SMEs* can be applied. There has been much discussion of the burden on SMEs for financial statement preparation and additional statutory financial reporting, Collis and Jarvis, (2000); Keasey and Short, (1990); Spencer (2014).

The study established the following themes in the context of IFRS for SMEs: clarity of financial statements, non-technical jargon, and transparency; perception of users and vested stakeholders' and rationale for non-adoption.

4.2.5.2 Clarity. Non-technical jargon and transparency

Owners/managers, reporting accountants, and professional advisors of the MSMEs were asked about their overall perception of the clarity, disclosure, and usefulness of the financial reports within *IFRS for SMEs*. The key findings from most respondents, given the MSME sector characteristics, the model regulatory requirements of the IASB framework do not align or fit this sector business entity, nor are any benefits derived. Instead, a standard specific template, particularly for this sector, is requested due to the impracticalities of administering it. They needed to be more certain about the usefulness of following such accounting standards to their stakeholders and the apparent value it may add. One respondent (A20-OM10) echoed that most micro-businesses have few stakeholders. This finding parallels an *IFRS for SMEs* study done in Sri Lanka (Wijekoon et al., 2021), a developing country.

To a certain extent, this UK study resonates with the above viewpoint, and it is important to be cognizant as we live in a globalised world. All business entities in this sample employ expertise to deal with their reporting functions; therefore, if given a standardised format, it should not bear an extra cost burden because MSMEs only provide the bare minimum information. However, some respondents reiterated the need for education in digital reporting, as once set up, the future will be just a formality and will only erode a little into the cashflows. The defining threshold, post-2016, allows MSMEs to choose how they report them. Transparency is evident for those already reporting to Companies House in the UK. Collis(2012,p.463) also identified concerns about disclosing turnover as a 'powerful determinant' for non-micro small companies to file accounts, 'followed by the belief that the accounts they file at Companies House are useful to users'. This study has confirmed this particularly by participants (A13- OM7) and (A19-PC1). Furthermore, Owner/managers of

MSMEs in this study also argued that these reports to be published must incorporate non-technical jargon in their usage, reports to be concise and clear in the dissemination of information and possibly include both financial and non-financial information into a singular report rather than in multiple reports. This study confirms the prevailing research gap in the literature as the need for a separate and stand-alone financial framework for SMEs was highlighted in several studies (e.g. Collis et al., 2017; Kilic & Uyar, 2017; Kirwan & Pierce, 2017).

4.2.5.3 Perception of users and vested stakeholders

Key findings arising from this emerging data theme are that apart from the main drivers of business profitability, cash generation, and taxation factors, the primary users targeted by the MSMEs are banks and not investors. Banks are part of the creditor group, and MSMEs are not interested in Mergers and Acquisition (M&A) activities, neither as an expansion to a plc status, but to stay as it is. These firms are largely family-owned and prefer to operate as such, and therefore, IFRS for SMEs, basic or advanced at this stage, appears to be irrelevant and viewed negatively. The banks are identified as a specific user, and they infer different results specific to the business entity, particularly their interest in terms of the loans provided. As pointed out in the previous chapter, some participants pointed out that most stakeholders knew exactly what sort of financial information they were expecting and what they meant.

The owner/managers, reporting accountants, and professional advisors considered that micro and smaller business transactions, trading, lending, and borrowing were within the domestic markets. Therefore, they believed that IFRS for SMEs did not apply to them. This is consistent with the previous research conducted in developed countries by Eierle and Haller (2009) and the Conseil National de la Comptabilite (2008). Most owner-managers and accountants do not perceive any benefit from internationally comparable accounting information. The medium firms (A19-PC1; A13-OM7; A8-OM4) acknowledge that where exporting and international transactions are involved, there is a case for *IFRS for SMEs*, mainly for comparative purposes.

Finally, the standard setters during the discussion period on IFRS for SMEs (in Wijekoon et al., 2021) standard excluded the very user groups of (M)SMEs, Murphy & O'Connell (2013). Furthermore, their paper argued that classifying stakeholders of *IFRS for SMEs* between users and preparers may be an oversimplification owing to the low participation by users in the standard-setting process and the myriad preparer groups that expressed interest in IFRS for SMEs, Arafat et al. (2020). Ram and Newberry (2013,p.13) explicitly state that 'in reality, there was little or no serious consideration of users' needs'. Potter (2013, p.2) clearly defined the problem: 'What needs to be established is whether the information being reported is meeting the needs of the preparers and users of financial reports, in light of the costs involved'.

4.2.5.4 Rationale for non-adoption

Most respondents were neutral, indicating that their existing reporting fits as well as it could and that there is no justification to follow the IASB's requirement as per se. However, six participants voiced their reservations and objections. The primary factor was that vested stakeholders are usually family-owned businesses; therefore, they are accountable to themselves. Next, MSMEs are limited in nature, and complying with apparent complexities and processes becomes an added burden that appears to MSMEs as just symbolic rather than substantive benefits that would accrue to them.

Finally, as espoused by (A1-PA1; A2-OM1), scepticism, tax, and cost factors are the overriding factors channelling the development and progress of MSMEs rather than the actual diffusion of *IFRS for SMEs*.

4.2.6 Diffusion of CSR activities in the UK MSME sector

Research objective two sought to examine owner/managers, users, and stakeholders' perceptions, experiences, and viewpoints of the impact of CSR, its adoption, and simplifying its concepts for possible implementation. The rationale is to view it from the educational, motivational, and sociological impact perspective. Hence, there is both an empirical and theoretical case to consider Small Business Social Responsibility (SBSR) as a valuable field of enquiry in its own right (Soundararajan et al., 2018).

4.2.6.1 Understanding CSR & perception of engagement

Out of the twenty-one responses received in this sample, they all connected their understanding to an array of CSR signalling activities and actions, highlighting that the small businesses have some knowledge of CSR terminology. However, respondent (A18-OM9), who provides consulting services to significant SMEs in the Midland region of the UK, indicated that the concept of CSR needs to be understood in the mainstream within this sector. He further remarks that unless they are in a specific sector that demands CSR reporting, the remedy is through the educational process. Indeed, the current terms used are ESG instead of CSR, which will add to the confusion and permeate a reluctance within the sector to engage with. Further, a couple of respondents (A1-PA1; A12-OM5) felt the word corporate should not be used, as they regard themselves as small businesses. This was evident in the study on SMEs conducted by Soundararajan et al. (2018), entitled 'Small Business Social Responsibility' (SBSR). Morsing and Spence (2019, p.1927) stated that the idiosyncratic language of CSR for SMEs is possibly the most consistently acknowledged feature in the literature. Murillo and Lozano (2006, p.236) find that the term 'CSR' is felt to be an external imposition in SMEs, which does not easily relate to the existing internal cultural practices of SMEs. Jenkins (2006, p.246) concurs, adding that large firm-associated CSR terminology

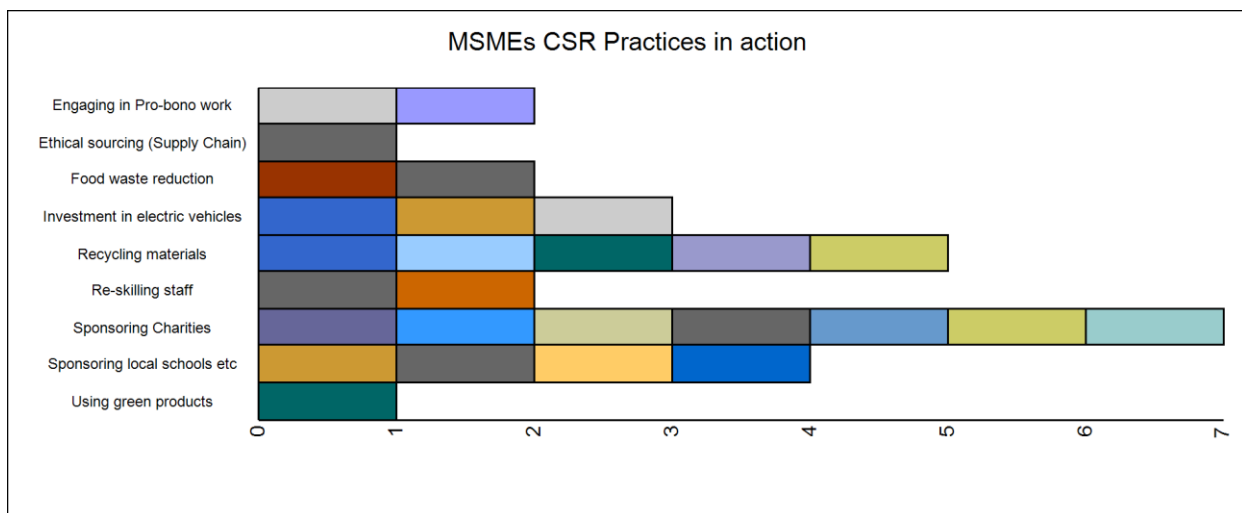
does not chime well with smaller firms. Therefore, there is a need to develop the emerging concept of SBSR in place of CSR.

In terms of engagement (A13-OM7), the owner and manager of a medium engineering company, stated that their engagement in CSR activities is purely moral from a perspective of doing public good, not from a business obligation standpoint. This accords to “situations in which firms exceed compliance or engage in actions that promote social good, beyond the interests of the firm or the requirements of the law” (McWilliams et al., 2006).

4.2.6.2 CSR practices in action and acceptance

The Figure below reflects the types of activities undertaken by the MSMEs in the study sample:

Figure 28 MSMEs CSR practices in action



Based on the responses related to the type of CSR activities undertaken, the above figure shows the myriad types of social activities, indicating, in this sample, that there is a fairly strong commitment and a higher level of engagement in social responsibility. Seven out of twenty firms in this sample are attributing mainly to sponsoring charities and charitable giving activities; two firms are involved in the reduction of food waste and chemical emissions and engaging in pro-bono work; three firms highlighting investment in electric vehicles and four firms are involved with sponsoring the local schools and sports clubs. This is a directed focus on the future generations by the owner/managers, highlighting its importance and effectively showing the environmental concerns.

The above figure demonstrates a high level of engagement/impact towards collective social responsibility by the smaller firms. Firms are engaging in various ways: investing in electric vehicles in their fleet, using recycled and green materials in their office environment, reducing carbon footprints, investing in energy-efficient products, ethical sourcing in their supply chains

and doing 'Pro-bono' work. Furthermore, the Covid-19 pandemic has also changed the working practices where staff are working from home and not using their vehicles. More importantly, re-skilling of the workforce is actively taking place in this sector. There is also evidence of owners/managers acting as patrons to public health societies.

The findings show that there is a presence of self-motivation and the will by owners/managers to engage and disseminate in CSR activities, barring the overwhelming cost considerations that are usually highlighted in the literature. The willingness of companies in this sector to implement and use CSR is related to the economic aspects (Smekalova et al., 2014). This is in direct contrast to the criticisms that MSMEs have a low activity level in implementing and using CSR practices (Gallardo-Vasquez & Lizcano-Alvarez, 2020). Although MNCs are the main torchbearers of CSR concepts and active promoters in practice (Virglerova et al., 2020), SMEs get involved in CSR either as a reaction to external or internal pressures expressed by different stakeholders (suppliers, clients, employees, the community etc.) or because "it makes sense to do so"(Morsing & Perrini, 2009, p.4) as members of the local community. This was echoed by respondent (A13-OM7).

As this is a qualitative study examining perceptions of current CSR reporting, it is in good stead that MSMEs can be considered active players in the sustainability development space. To add rigour to this interpretation, a future quantitative study can be conducted to test the attitudes of owners and managers regarding the type of social responsibility actions that they undertake.

4.2.6.3 Extent of CSR Adoption

The qualitative empirical data relating to the extent of CSR adoption revealed six key contributing factors representing the economic rationale, organisational rationale, sociological, regulatory, and external institutional rationale. The contributing factors can be summarised as follows:

- Cost consideration and capacity building
- Depends on compliance issues – mandatory implications.
- Importance of culture within the business
- Political motivations via government incentives
- Guidance and educational perspectives towards adoption
- Internal management aspirations

Over fifty per cent of the respondents advocated that the major overriding factor was the availability of resources. Although the economic factor is traditionally the case (Nisim and Benjamin,2008), in an organisational context as a supply chain unit, this may eventually leave

them vulnerable and depend on social capital they acquire through their inter-governmental and other support network structures (Soundararajan et al., 2018, p.943). Twenty per cent of the respondents voiced out that there is a lack of support for this sector by large companies; furthermore, they insist that if there were compliance issues imposed and made mandatory rather than voluntary, there would be a serious case of taking stock and venturing into the idea of adoption. However, they reiterate that incentives and educational training need to be provided to these firms so activities are organised more effectively to fit their characteristics rather than be seen as undertaking some public-facing marketing gimmick. For example, Nisim and Benjamin (2008) echoed this and argued that the resource dependence of small businesses constrains them from engaging in the grandiose social responsibilities of smaller firms; thus, most of these sector's activities are small, subtle and invisible, often being embedded into everyday practices. As cited in Soundararajan et al. (2018), Small businesses are not 'little big firms' and, as such, warrant attention and understanding in terms of social responsibility orientations that enable the identification of distinctions from the large firm perspective (Aragon and Iturrioz, 2016; Tilley 2000)

It is also important to recognise the cultural settings and the context in which CSR is practised. Respondent (A19.PC1) in this study remarks whether theory X or theory Y manager determines the company's entire culture; if it is in the right direction and supportive, then positive things will happen. This reflects a distinctive and differentiated focus on MSMEs as opposed to the large firm-oriented theory. This was supported by earlier studies (Spence, 2016) from leading figures in the entrepreneurship and small business field (e.g. Blackburn and Kovalainen, 2009; Shane and Venkataraman, 2010).

An experienced SME respondent (A18-OM9) reiterated that in his dealings with this sector, the CSR issues need to be explained first, its benefits, how they can adopt it, and what it means to them. Therefore, these findings show that to narrow the gap for MSMEs to engage in CSR activities and its adoption actively, what is needed is more educational training on the knowledge base, access to information regarding available mechanisms, networking collaborations with stakeholders so that they can influence the MSMEs in different ways, economically and socially. As cited in Soundararajan et al. (2018, p.940), an example was Allet (2017), who argued that microfinance institutions can promote environmental risk-management techniques and practices among microenterprises in favourable government support contexts. More NGO business partnerships with the MSMEs sector would legitimise social responsibility.

4.2.6.4 CSR implementation, reclassification & Reputation

Without any regulatory intervention and laws, CSR in MSMEs will stay the same for a while. The previous analysis on CSR acceptance shows support and interest in pursuing CSR strategies. For it to accept changes, the respondents are suggesting a step-by-step approach (or baby steps) in the implementation process. This also depends on the size of the business, the culture, and the attitudes of owner-managers to get things embedded in their day-to-day activities. However, some authors argue that businesses need a practical regulatory framework to participate in sustainability practices (Alotaibi et al., 2019; Doane, 2005). This study has shown that the majority of participants are engaged in some form of CSR activity rather than to practice any. So, the question of voluntariness is more acceptable than being mandatory and not being a critical barrier (Bello and Kamanga, 2020).

Regarding the usage of CSR terminology for this sector, the findings show that the majority (65%) of respondents are happy with the CSR term as understandable, common and popular, and there is no need to make changes for the sake of doing it. However, Soundararajan et al. (2018) opined that terminology is important here. Since corporate social responsibility (CSR) research and theory are not transferable wholesale to small businesses (Murillo and Lozano, 2006), they adopted the SBSR acronym. There have been various definitions of CSR since its historical development from Boven (1953) to Carrol (2021). Carrol (2021) postulated, *'In my construct of CSR, my objective was to give the concept of CSR more specific analytical or categorical delineations and to spell out more specifically the nature of the responsibilities business had to society that composed CSR'*. This study assumes that Carrol's definition includes the different sizes and characteristics of business organisations that pertain to the MSME sector.

Regarding adoption leading to enhanced business image (reputation), the findings show that if reported, there is a general feeling that they are doing good and giving something back to the community. There is recognition as more businesses are transacted, networking is broadened, and the social and environmental position of the business is better placed within the business community. However, where organisations are specific to their industry, have requirements to spearhead the green agenda and sustainability issues, and meet investors' expectations, they are readily engaged in CSR and gaining environmental ratings. Furthermore, they are in the supply chain of the larger enterprises, which calls for MSMEs to comply with their agenda. Again, reference is made to Soundararajan et al.'s (2018, p.940) observation that Knudsen (2013) examined how private multinational buyers increasingly pressure their small suppliers to adopt the Business for Social Compliance Initiative (BSCI). Considering the resource-deprived nature of these MSMEs, they effectively navigate between

these incentives and constraints to obtain and maintain their reputation and image through their stakeholder relationship networks. (Fuller and Tian, 2006).

4.2.6.5 Social capital and stakeholder impacts

Based on the findings, the MSMEs are mainly targeted to their local networking ecosystems and recognise the benefits that may accrue. They are primarily driven by doing it because they believe they have a contribution to make to society. They also think engagement is good because they indirectly promote their business advertising, so a unique monetary budget is not warranted. The sector highlights the importance of networking because it develops social capital through their participation, e.g., how you deal with your vehicles and charging points, reduce energy usage, what new products are there to keep the heat inside the building, etc.

The findings point positively to the fact that although there are financial constraint issues faced by MSMEs, they tend to have more relational network capital than larger companies (Soundararajan et al., (2018, p. 945). They further add that research shows that firms that are more networked effectively overcome financial, knowledge and human resource constraints (Hoang and Antoncic, 2003), are more embedded in a community and have better relationships with employees and other stakeholders than their large counterparts (Soundararajan, 2018, p.945). This enables the MSMEs to understand their stakeholders' expectations better.

More than fifty per cent of the respondents in this study agreed that networking developed and enhanced knowledge and social and cultural capital. They identified that banks have a major role in developing social networks within the MSMEs business sector, especially in the provision of 'green' loans to these businesses. They contest that banks are focussing only on large enterprises at their expense. The study also reveals that almost eighty per cent of the respondents felt that banks do not pay much attention to the smaller firms as most local branches in the UK have been closed. The data analysis section shows the banks misplaced choices in the UK economy. The Enterprise survey (ibid) suggested that access and cost of finance also deter smaller firms in developed countries such as the UK.

4.2.7 MSME Integrated Reporting (IR)

The findings in this section relate to the third research question, where the idea of RQ1 and RQ2 are brought together to represent a singular or integrated report, i.e. the financial and non-financial information are embedded in a report for the benefit of both the internal and external stakeholders or presenting as a burden at this stage to the MSME sector. It was noted in RQ2 at the outset that the findings in the study found that nearly 80% of the respondents were not aware of what IR was. This research question aimed to explore the opinions, views, and attitudes of this sector's owners/managers, reporting accountants and professional

advisors to infer their benefits. If they were not aware of it, how could they practice it? Therefore, the publicity of this concept has yet to be delineated by the IFAC (2017) to the MSME sector, which promulgated the benefits of IR to SMEs but has yet to achieve its outcome. A few managers have heard about the concept but need to prepare it as well. In a similar German study, Gerwanski (2020) on 16 top and middle corporate managers of German SMEs (it appears the larger SMEs) noted in their findings on managers' knowledge of and experience with IR that the average participant had little or no prior practical experience with IR. This comparison may not be like for like. However, it can safely be concluded that they are following the same trait in the Western economies. Therefore, more research needs to be done in this area; although Gerwanski (2020) suggests that IR is enjoying awareness among SMEs, it is still in its infancy in reporting practice.

4.2.7.1 Owner/managers' Motivations & voluntarily reporting

The themes identified from the empirical data within this context were examined, and the Owners/managers' motivations for voluntarily engaging in these reporting initiatives were examined. The findings showed that there is almost a belief by the owner/managers to take the moral ground of doing business and simultaneously not losing sight of the business case. One respondent (A1-PA1) opined that the firm's CSR activities are reported on the narratives of the Directors report section as part of the annual reports for filing purposes. This could at least be a step forward in tackling the acceptance of IR reporting in this sector. There is a danger here that they could possibly call the annual report an integrated report as part of a 'marketing tool'.

However, the MSME sector in the UK currently is not subject to the European Commission. This should now come under the local jurisdiction, like the Financial Reporting Council (FRC), to amalgamate simplified financial reporting with non-financial reporting to produce integrated reports for smaller firms. In 2014, the FRC in the UK drew attention to the fact that "the IR Framework and guidance on the strategic report encourages similar qualitative characteristics and content although the strategic report, being part of the regulated annual report, is mandatory in the UK, whereas the IR framework is at present voluntary" (FRC,2014; Robertson and Samy, 2015).

One of the benefits of IR is that it will allow 'SMEs to release more inclusive and useful reports on all aspects of performance, including environmental, social and governance, as well as economic, in a concise and user-friendly format' (Yonkova, 2013, p.116). The participants in this study agreed that IR engagement should be voluntary and facilitated by governments, NGOs, local chambers of commerce, local professional accountancy bodies, the International Federation of Accountants(IFAC), and the IIRC.

4.2.7.2 MSMEs expansion and growth goals

The findings from this theme aimed to gauge their responses when preparing integrated reports. When this interview question was posed, there was a word of caution about the realities that impacted the world(COVID-19); the findings come against the backdrop of a pandemic crisis. Naturally, the objectives of the firms may have shifted. The interviews on perceptions of expansion and growth reveal seven factors, as highlighted in Figure 26 previously, as follows:

- Depends on the state of the economy.
- If CSR and IR weren't a burden, embracing its reporting would be no problem.
- Investor focus is the main theme for sustainability.
- Organisational change should be within
- Profitability and sustainability are the main focus
- Young graduates seeking 'well-being' and 'greener' agenda.
- Taking insurance responsibility.

The findings show they want to be an MSME, and there is no preference for expansion. Participants (A13- OM7) and (A8-OM4) emphasise this point: they are to remain as a family business and focus on growing from a turnover and profitability perspective and make it sustainable. Their primary goal is making money, providing a comfortable lifestyle and pursuing interesting things. Another important theme that arose was in the recruitment drives of their businesses, targeting the younger generation. In their perception, some of the best graduates in the country are looking at where they want to work, indicating their well-being and green agenda as the priorities of their choices (A14-PA2). So, the MSME sector is filling the gaps in place of the larger companies, with graduates preferring to serve the MSME marketplace.

Taken together, the factors, the COVID-19 pandemic, its impact and implications for businesses and stakeholders, and its continued unprecedented financial shock to global economies (Carroll,2021) make the business case primarily the focus of the owners/managers of this MSME sector.

4.2.7.3 MSMEs value creation process

The IIRC believes that 'IR is a more effective reporting approach because it focuses on value creation through the lens of the six capitals (financial, manufactured, intellectual, human, social and relationship and natural) rather than sustainability reporting's focus on environmental and social impacts through the lens of stakeholder materiality' (Nugent, 2015). SMEs create value in various ways through their multiple capital store (IFAC, 2017).

With regards to MSME understanding of the concept of 'multiple capitals', thirty-five per cent of the respondents (the highest) stated they had an awareness of them only; twenty per cent had a comprehensive understanding of them; ten per cent explained only the human capital; ten per cent stated they provided connections with stakeholders; ten per cent indicated they were not aware of the various capitals; one finance manager said they are assets to the business and finally one respondent (A1-PA1) questioned the definitions of the capitals store, 'why these fanciful terms, keep it simple'.

The IFAC (2017) stated that creating value for SMEs was done through integrated thinking, which provides a better understanding of the factors determining value creation over the short, medium, and long term. IR uses the term "capitals" and a multi-capital model to recognise that value is not stored in financial capital alone but in all sorts of capital. This study examined whether the owner/managers properly understand and manage these other capitals. It is apparent from the above respondents' perceptions and opinions that establishing some form of connectivity articulating the principle of integrated thinking applied to respective businesses is a long way off. As cited twenty years ago by Castika et al. (2004, p147), their case study research demonstrated that the CSR agenda can serve as a vehicle for business improvement and building of competitive advantage that MSMEs can emulate. None in this sample practised any form of integrated reporting. However, it might be for a future study to explore a UK case study of an MSME which has developed or practised IR. Gibassier et al. (2019, p. 5) report makes several contributions, and one of them is: 'analysed IR and the diffusion of the six capitals, one of the key elements of integrated reporting, which is currently shaping the future of non-financial accounting (Gleeson-White, 2015)'.

4.2.7.4 Singular report or Multiple reports

This study's findings show that resource constraint is the overriding influencing factor. However, the diffusion of integrated reporting is not totally rejected, but with some valid contributions and suggestions. They recognise this form of reporting is specifically guided to the large companies where the annual reports and integrated reports are separately published. This sector looks at a medium to long-term set of objectives; acquisitions and mergers are not the goals. However, given the direct support and assurance from the FRC, IIRC and larger organisations' charitable contributions, the firms within the MSME fold can achieve transformation. Gibassier et al. (2019) commented that companies are incentivized to implement integrated reporting with larger organisations because of reputational risk. Nearly all the interviewees by Robertson and Samy(2015) cited integrated reporting as a way of improving corporate image and enhancing corporate legitimacy.

The other important decision under consideration among these owners/managers and stakeholders, the respondents, was the need to shift to digital information dissemination. They argued that interfacing their existing accounting software with CSR reporting would save many costs. Moving in this direction will enable firms to easily accept a singular reporting format. No doubt the initial software and training costs are involved, but initially, it will be a startup cost, and then it becomes second nature (A6-FM1). This would alleviate the cost burden but amplifies the benefits for the future.

4.2.7.5 An alternative model of MSME reporting

It is appropriate first to recognise that most of the firms within the MSME sector are largely family-owned and individuals who partner. Therefore, the question of reporting will centre on this group of internal stakeholders.

The findings show that the respondents of the medium companies indicate that they should leave the existing reports of MSMEs as they are. Their financial reporting is governed by the member's threshold of the MSME sector, which has already been discussed in the literature review section. This study mostly addresses the non-financial reporting part. The respondents want to avoid more bureaucracy being foisted on them, and calling for more reports is unnecessary when their internal and external stakeholders are indifferent to its reporting.

The business case of the MSME sector is not enhanced by merely adding more administrative functions, increasing its complexity, and not matched by its immediate benefits. The respondents also alluded that if the MSME sector is expected to engage in integrated reporting, there must be clear demarcations issued by standard setters to undertake this reporting. As it was appropriately concluded by one respondent (A1-PA1), there should be a hybrid approach, i.e. in stages for the implementation to take effect, with the government introducing some form of selective mandatory directives for MSMEs to follow, as a voluntary approach may just be left at the wayside. Respondent (A2-OM1) concurred with the point and added that the government had to incentivise to pursue the path of the larger companies' reputation on integrated reporting. The task at hand is complex, considering that the sample of the companies in question does not even attempt non-financial reporting. The study on singular reporting (which includes both financial and non-financial information) was to gauge where the sector positions itself currently, thereby drawing the perceptions of the owner managers to add empirical knowledge to the subject matter to extant literature.

It was noted and acknowledged by Dumay and Dai (2017) that the initial introduction of IR into an organisation is confronted with a lack of internal control systems, weak information systems and the administration within the organisation. At the outset or the first stage, the businesses in the MSME sector did not understand the IR framework or its guidelines. This characteristic

is typical of most MSMEs that generally lack a low culture of accountability, further reiterated in the Italian study context, lack of management and performance control systems (Silvi and Bertolini, 2011).

Respondent (A11-OM5) reiterated that if it is a limited company in the MSME sector, they have a moral duty to report non-financial information,

“To provide a public good, the public should understand what is being produced. If you're not doing that, then you're failing your duty to provide a public service, and that's why all limited companies, in my view, where they have limited liabilities, have to justify that limited liability by providing some of this agenda”.

It is how you communicate that has an impact on the public.

The following chapter concludes with the study's findings and research contributions, makes recommendations for policymakers and implementers, and suggests some future research.

Chapter 5 Conclusions and Implications of Study

5.1 Introduction

Chapter 4 considered how the three research questions were answered in the thesis, the respective discussions on each theme identified from the literature review, and summarised the key findings and their implications. This chapter concludes with the key findings highlighting the major themes identified in the context of the research questions and how they were perceived and influenced, as well as the integration of financial and non-financial reporting by the MSME sector in the UK. The study also identifies the theoretical, methodological, and practical contributions to knowledge, followed by the limitations. The final section makes some recommendations for future research.

5.2 Conclusions relating to the research questions

5.2.1 Clarity of reporting, non-technical jargon and transparency

This study firstly considered the perceptions from a sample of UK participants on the clarity of reporting financials, the usefulness of such reports and the disclosure from the perspective of incorporating the new *IFRS for SMEs* framework of reporting mechanism and explored the reasons for non-adoption and impact to the stakeholders. The key findings from the interviewees represented that the economic rationale was predominant compared to the sociological implications.

The key findings were as follows:

- a) The model requirements of the IASB framework do not align with or fit the MSME sector business entities due to their complexity or arbitrary selectiveness.
- b) No exclusive benefits are derived from adopting this reporting model; costs tend to outweigh them.
- c) The interviewees question the usefulness of such reporting to their stakeholders.
- d) In the majority of cases the reporting is primarily directed towards the owner/managers and the internal stakeholders
- e) There is a call for education about digital reporting to overcome future cost-resource factors.
- f) Reporting should be simplified, with non-technical jargon applied to reports representing both financial and non-financial reporting in a singular report (Beck et al., 2017, p.194; Collis et al., 2017).

The above findings can be elaborated by considering the challenges the MSME sector faces. Does following the UASB framework bring any benefits in the long run? Authors argue that they would be helpful in obtaining financial assistance from lenders(Perera et al., 2023) and

enhance transparency and comparability of the financial reporting for SMEs(Krawczyk,2021). However, the MSME sector is not primarily involved in International trade; therefore, this study proves that IFRS for SMEs in this sector is irrelevant. Aboagye-Otchere and Agbeibor's (2012) study confirms this prevailing viewpoint. As previously discussed, the availability of education training programmes (Goncalves et al.,2022) and a simplified guide for reporting for the MSME stakeholders would be very valuable in recognising the standard's benefit to the sector.

The definitions per the FRC(2015) allow MSMEs to choose the choices they would like to adopt and report accordingly, which fit the nature and size of their organisation. Apart from any social influence, the radical choice perspective, which is a process which organisations adopt for economic reasons, avoids transient fashions and social influences (Sturdy, 2004). There is clear evidence of transparency for those already reporting them to Companies House in the UK from this sample; however, reporting just on turnover and or profits is a debatable issue for future studies.

5.2.2 Perceptions of users and vested stakeholders

The key finding arising from this theme is the principal external stakeholders and their position on their association with the MSME sector. Apart from the owner/managers and the government as vested stakeholders, banks are the other primary stakeholders. They represent the creditor group, not the investor group, the two groups proffered by the IASB (IFRS Foundation,2016) for the MSME sector.

This study found that the MSME entity's objectives are not expansionary; therefore, it was established that activities such as M&A are separate from their investment portfolio. Hence, as promulgated by the IASB for this sector, the investor's criterion needs to be revised. Broadly speaking, the typical users of financial information who make economic decisions include present and potential investors, suppliers and other trade creditors, customers, governments and their agencies, financial lending institutions, and the public (AASB 2010b para 12). The standard setters, by advocating investors as a primary group for the MSME sector, show their lack of understanding of the importance of determining users' needs in practice. When implementing the IFRS for SMEs standard, the standard setters also excluded the very user groups of MSMEs. (Murphy & O'Connel, 2013).

The study identified banks as specific users, and the information demanded varies from business to business, as loans granted are the primary consideration. The other consideration was the status of IFRS for SMEs implementation in this sector. Most of the firms in this study sample, except for three medium-sized firms, concluded that mainly their transactions and trade were within the domestic markets rather than international exposure. (Eierle and Haller, 2009,p.204). The medium firms acknowledge that where importing and exporting to global

markets took place, there was a possibility of following the international standard in the reporting mechanism, primarily for comparative purposes.

Regarding the theme of non-adoption of IFRS for SMEs, most of the study's respondents indicated that their existing reporting suffices and fits well with the owners/managers of these MSME entities. Overall, two respondents concluded that scepticism, tax, and cost resources are the overriding factors keeping the MSME sector economically and socially viable rather than the actual diffusion of IFRS for SMEs.

Furthermore, in most cases, the expertise function of financial reporting is mainly outsourced in this sector. Therefore, there is a growing need for interventions by the IASB to include this sector more meaningfully and provide the necessary resources and training programmes to attract the MSME sector to adopt and implement IFRS for SMEs.

5.2.3 Diffusion of CSR in MSMEs

The main qualitative research findings for research question 2 of this thesis have been discussed and summarised in chapter 4. There were themes identified under this empirical construct, as follows:

- Understanding CSR and perception of engagement
- CSR practices in action and possible acceptance
- Extent of CSR adoption
- CSR reclassification, reputation, and implementation
- Social capital and stakeholder impacts

This section will synthesise the above phenomenological findings to answer the research question from an educational, motivational, economic, and sociological perspective.

5.2.4 Understanding CSR & perception of engagement

Key findings on the understanding of CSR process, out of all the respondents showed they had some understanding of the concept and how it related to their business. As they were signalling examples of activities, in its truest sense of experience, this was questioned by an experienced owner/manager who provides consulting services to the MSME sector. He opined that the concept of CSR is not really understood in the mainstream part of the sector. He argued that the understanding process would be at the surface level unless they are in a specific industry that demands CSR reporting.

They tend to mix CSR with other aspects, such as corporate governance and business ethics, at one level and ignore other aspects. However, CSR considers all an organisation's stakeholders, including customers, employees, the community, and society, as well as the

impact of environmental factors (Mackey and Sisodia, 2014). Carroll's (ibid) classic pyramid must be postulated and encouraged in the understanding process. The consultant also remarked that the remedy was through the education process. The concept of CSR is an evolving theme, with too many new terms voiced out in the public domain, especially at the larger company sector and country-wide level; thereby, a clear confusion is created within this sector. Internationally, in the tourism industry in southern Africa, it was noted that a lack of understanding about CSR is a critical barrier that hinders an organisation's adoption of CSR (Bello and Kamanga, 2020). Again, the issue of education from government and local authorities is seriously lacking in the MSME sector. Broadly, they consider CSR activities an expensive burden, apart from the emotive aspects of the owners/managers in the pursuit of such activities. They consider CSR and sustainability to be two different elements, depending on whether they are cultural, economic, social, or environmental.

Two respondents highlighted a relevant point about using the word 'Corporate'. They echoed that corporate should not be used, as they are small businesses. This observation accords with the study of Soundararajan et al. (2018), who addressed it as 'Small Business Social Responsibility' (SBSR). This emerging theme is important, and it should be taken note of and not marginalised and ignored. More debate and studies on this aspect of terminology are needed within CSR for MSMEs in the future.

Regarding MSME's engagement in CSR, the findings show that the legitimacy is due to something other than organisational, legal, or stakeholder perspectives. Still, the owner/manager's view of taking a moral stance (philanthropy), doing public good and not from a business obligation standpoint, is affirmed by (Santos, 2011,p.492). Therefore, from an individual level perspective, this is further supported by studies cited in Soundararajan et al. (2018, p.942), such as, Sen and Cowley (2013), who argued that engaging in SBSR activities based upon their personal ethical and moral values gives owner-managers a sense of emotional satisfaction and encourages them to engage in more such activities. Therefore, the researcher highlights that emotional (or emotive) capital be considered the seventh capital to be included in the definitions of capital as per IIRC (2013a), justifying the individual ownership level centric perspective, a prominent stewardship function of the MSME sector. The IIRC should be seen and acting that they are listening to the views of the MSME group instead of primarily the focus of the larger entities.

5.2.5 CSR practices in action

This study shows that from the sample drawn, there was a presence of a myriad of social activities undertaken. The description of the CSR practices is concluded as follows, ranging from the most popular types to the least common activity:

- Sponsoring charities and charitable giving
- Using recycled materials and reduction of waste
- Sponsoring local schools and sports clubs
- Investment in electric vehicles for their fleet
- Reduction of Food waste and chemical emissions
- Re-skilling and changing working practices.
- Engaging in pro- bono work
- Using ethical sourcing and 'Green' products

The above list shows that owners/managers view charitable giving and environmental recycling practices as more valuable to the community and environment and that they may have an economic impact on their business model. Investment in electric vehicles appears to be a direct influence of government intervention to reduce carbon footprints, which the MSME sector is engaging in and playing a part in. The study also that revealed engagement in pro-bono work is more of a personal intention and emotive capacity rather than a business perspective.

The re-skilling and changing working practices were the effects of the COVID-19 challenges, where firms realised the new change was inevitable. The MSME sector was seriously impacted, and businesses had to be closed due to the economic impact. This is reflected by (Carroll, 2021, p.318): *'The economic category represents the heart and soul of free-enterprise systems and, if considered from the perspective of individual businesses, represents a fundamental condition or requirement for survival and sustainability ... economics and economic expectations can be viewed as social responsibility because society expects businesses to produce goods, services and jobs whilst maintaining their primary objectives'*.

The findings in this study show a strong sense of self-motivation among owners/managers when implementing CSR activities. Ethical-social values are also emerging for the UK MSME sector as the key driver for being involved in social responsibility practices, like studies of SMEs in Portugal (Santos, 2011,p.491; Observatory of European SMEs, 2002). Undoubtedly, economic factors are a constant reminder to pursue such activities. However, investor welfare is positively accepted (Palupi, 2023).

5.2.6 Extent of CSR Adoption

The findings regarding the extent of CSR adoption in MSMEs are mainly influenced at an organisational level. [M]SMEs are 'traditionally concerned with resource constraints rather than legitimacy' (Cardon and Steven 2004, p.297). One-fifth of the respondents indicated that large companies do not support this sector.

There is a strong argument presented that incentives and educational training need to be encouraged and supported by large companies as the MSME sector is the main supply chain to these large firms. Given the sector's characteristics, this study also highlighted that the cultural settings and the context in which CSR is practised should be recognised. Soundararajan et al. (2018, p 943) cite that 'studies have shown that [M]SMEs lack the available resources necessary to get involved in standardised and often imposed CSR practices' (Baumann-Pauly et al., 2013). Even if they do engage in such practices, the level of access to factors such as time and information moderates their CSR-outcome relationships (Soundararajan et al., 2018, p.943). It shows factors that emanated from this study. Furthermore, the study reveals that narrowing the gap for MSMEs to engage in CSR activities actively and its adoption rests on more educational training on the CSR knowledge base, access to available information, and networking collaborations with stakeholders to influence MSMEs economically and socially. In the context of the organisational level, their structures are informal (Pindado and Requejo, 2015). More significant incentives and relevant training engagements should be initiated by local authorities and agencies as ownership of businesses in the MSME sector is more private rather than public.

5.2.7 CSR reclassification, reputation, and implementation

The findings addressed the legitimacy of using the term CSR for MSMEs. This was in response to the study by Soundararajan et al. (2018), which adopted a differentiated focus on the small-business approach and the emerging acronym SBSR (Small Business Social Responsibility). In this study, two-thirds of the respondents were comfortable with the CSR term, which is understandable and does not need any changes. This empirical data contrasts Soundararajan's study motives and lines more with Carrol's (2021) objective of CSR.

Adopting CSR enhances a business's image and reputation. If it is consistently implemented, there is an added attraction from the consumer's perspective. The findings generally agree that if they report it to the public, the local community will be more likely to transact business with the firms associated with CSR activities. However, the study showed that medium firms are engaged in CSR and gaining environmental ratings and certifications, which tends to correlate with their larger counterparts. Environmentally conscious consumers tend to support MSMEs with strong CSR practices (Vives, 2022).

MSMEs operate in an informal way and are owner/manager-centric in their dealings. They are independent and take risks whilst being innovative and engaging genuinely – and not just symbolically, like most large firms – in social responsibility (Wickert et al.2016). Large firms operate in a formalised way, conforming to the guidelines of the IIRC. This study's findings show that if CSR is to be implemented, a step-by-step approach (baby steps) must be

articulated. However, some authors take a different perspective regarding having an effective regulatory framework to enhance participation (Alotaibi et al, 2019; Doane, 2005).

Finally, most of the respondents in this study agreed that networking developed and enhanced social, human, cultural, or relational capital compared to larger organisations (Hoang and Antonic, 2003).

5.2.8 MSME Integrated Reporting IR

This section concludes on the themes identified in the third research question, exploring the normative views and opinions of the internal stakeholders of the MSME organisations on the possible diffusion of integrated reporting to this sector. At the outset, it is important to recognise that most owners/managers and other internal stakeholders interviewed were not aware of the term IR. Similarly, the recent German study by Gerwanski (2020), in interviews with 16 top middle corporate managers engaging with integrated reporting, noted in their findings that average participants needed more practical experience with IR. This research study sought to understand the motivations of the owners/managers regarding voluntarily engaging in these newer reporting initiatives.

As previously stated, these businesses are operated mainly by owners/managers who tend to behave ethically (morally) and simultaneously drive a business case agenda.

A respondent suggested that the current annual report would be the ideal starting point for MSMEs to add financial and non-financial information into a singular report, avoiding the unnecessary implications of generating multiple reports. This normative statement should be examined further against the backdrop that the IIRC (2015) framework on IR for large companies was established only ten years ago. It was left to the managers' discretion to apply the IR principles. This is good evidence that the MSME sector should start engaging in this infancy setting and its perceived benefits; it allows more inclusive and valuable reports to be concise and user-friendly (Yonkova, 2013).

Because of generating integrated reports, the next theme questioned whether expansion/growth plans were a realistic objective for MSMEs; no doubt, this took place against the backdrop of a pandemic. The findings were conclusive—they want to be an MSME, have no preference for any expansion, prefer to be a family business, and focus on turnover and profitability as performance measures. This confirms that the business case is primarily the focus of this owner/manager-centric position.

As regards the MSME value creation through the lens of the six capitals, the findings in this study reveal that thirty-five per cent of the respondents were aware of the concepts of multiple capitals, with twenty per cent having a comprehensive understanding of them and about ten

per cent having no knowledge of them. One respondent echoed and questioned the definitions, creating unnecessary confusion in language, and suggested keeping it simple and not these fanciful terms. It still shows a long way to create and articulate the principle of integrated thinking within this sector and internal stakeholders. It's left for future studies to explore this context further with a case study approach in the UK, analysing the diffusion of the six capitals present in this sector and the previously suggested additional emotive capital.

Despite the resource constraint, lack of understanding of IR and the publication of non-financial information, the diffusion of IR is accepted. Although this is a priority with larger entities and IR is more geared towards these companies, the sector wants more direct involvement and assistance from the FRC, IIRC and the larger enterprises to spearhead the concept of IR within the MSME sector. The bottom line of the thought process that starts the debate is whether IR will improve the corporate [business] image and enhance its legitimacy within this MSME sector. However, findings show that adopting digital technologies to incorporate within the accounting functions of these MSME firms will enhance the prospects of IR becoming acceptable. Therefore, a strong case exists for MSME's value creation and sustainability. It only needs to bear the initial start-up costs, including digital technologies that the larger corporates or government assistance can subsidise.

Finally, the study sought to answer whether there is an alternative model; the previous chapter has provided a clear discussion of the findings. The key point highlighted is that the actors of this sector do not want more bureaucracy to be foisted on them, calling for more reports and paperwork. Furthermore, the MSME sector did not understand the IR framework or its guidelines; therefore, a concrete foundation must be established first to tackle the 'culture of non-financial information', governance within this set-up, its expertise management, control systems available and the data management systems (Dumay and Dai, 2017). In conclusion, the respective bodies mentioned above must initiate and promote more significant financial assistance, education, technical training, and formal guidance reports.

5.3 Developed vs. Developing Economies

The three strands of this research study for SMEs have similar worldwide characteristics but face similar challenges in adopting and implementing the IFRS for SMEs, implementing CSR practices, and formulating an integrated reporting mechanism. Furthermore, the definitions of an MSME may differ between jurisdictions nationally and internationally. Then you have the added problem of whether it is a manufacturing, engineering, technology, or service sector economy. Micro-finance and funding can take different forms, from Western nations to emerging and developing economies. Western economies generally have more muscular financial and regulatory systems and human capital, making accepting changes easier to

implement. IFRS for SME compliance can be mandatory or voluntary depending on the size, nature and complexity of the threshold presented. In the context of IFRS for SMEs, there are far more challenges to adoption and implementation. A systematic study of the challenges was confirmed by Segotso et al. (2024), where literature reviews of 37 studies across the globe were conducted, which highlighted they were a financial burden, insufficient skill to operate, lack of support from regulatory bodies and the complexity of the standards. CSR practices in MSMEs have been noted to be primarily driven by the decisions of owners/managers. However, stakeholders' expectations play a vital role. There are no regulatory mandates for this sector nationally or globally, but more left to the devices of local cultural norms, geopolitical situations and developmental needs. The developed countries with sound capital markets and firm sizes are devoting more to the ESG debate and agenda at the expense of the developing countries, who often need to catch up to priorities such as grassroots problems, maintaining economic stability and alleviating the burden of poverty. These comparison areas could be useful for future quantitative and qualitative research studies and for developing frameworks economically, regulatory, and culturally.

5.4 Research contributions to knowledge

This research study sought to understand and discover the motivations, meanings, perceptions, and interpretations for adopting IFRS for SMEs, the diffusion of CSR and IR within the MSME sector, and the influencing factors that impact them. The evaluation purported to establish whether the possible adoption of IFRS for SME accounting standards by the preparers of financial statements of MSMEs would provide greater transparency, accountability, and decision-usefulness to improve the quality of financial reporting. It further explored and examined how Corporate Social Responsibility (CSR) and Integrated reporting (IR) are undertaken, practised and reported in MSMEs. This research study within this sector is one of the first in the UK. Such knowledge has primarily contributed to MSME literature in the UK context. Unlike large firms, the MSME sector is primarily centred on owners/managers, and their understanding of the researched topic perceives a unique combination, particularly altruistic, of the business case and affordable, sustainable practices.

This is the first empirical study of IFRS for SMEs, CSR, and IR within the MSME sector in the UK and the possible implementation practices in the UK post the IASB Foundation framework (2016) and the IIRC IR framework (2013) and the IFAC (2017) Policy Position Paper 8. The research findings advance to the body of existing knowledge in the following areas:

- In the context of IFRS for SMEs within the MSME sector, it has rejected the IASB framework model requirements and calls for a simplified, standardised, specific template to be followed.

- It has enhanced understanding of a possible adoption with relevant reasons or why they would not embrace it. The study also provides evidence that the owner/managers do not perceive disclosure of IFRS for SMEs to stakeholders as helpful in making decisions.
- The exclusion of critical stakeholders in the MSME sector from the standard-setting process does not encourage possible adoption and compliance if needed.
- Within the MSME sector, awareness and an improved understanding of the factors impacting the diffusion of CSR within organisations and their moral perspectives have been raised.
- It provides an understanding of the lack of embracing IR and the diffusion of the six capitals stored in the value creation process. It further recommends 'Emotive capital' to be added to the list in the IR framework, recognising the individual entrepreneurship of MSMEs.
- It concludes that network collaborations with key stakeholders are commercial success signalling for this sector.
- It provides recommendations and guidance for policymakers, implementers, practitioners, business owners/managers, and academia and, therefore, complements previous research conducted in Europe and internationally.

This study also contributes to the potential for MSMEs' contribution to CSR literature by identifying that the nature of CSR is different; a different school of thought must be applied and not following a strategy synonymous with large companies. This study has brought out some dynamic aspects of CSR for an MSME, aiding the evolution of CSR practices better for the future, addressing calls by leading authors for more in-depth analysis required to explore the relationship between CSR and SMEs (Perrini et al., 2007).

Furthermore, the study also contributed by examining the financial viability of diffusing these CSR practices and the rationale behind the owner/managers' centric decision-making process. The study also found the legitimacy of stakeholders' participation via networking enhances social, cultural, and relational network capital. In addition, there is a clarion call for assistance from the larger companies/implementers. This can be a toolkit for the owner/managers and the internal stakeholders. Morsing (2006) made conclusions that there is a clear direction for future research in CS: to provide SMEs with guidance and tools that enable them to implement and report on their CSR policies, processes, and performances effectively (Castka et al., 2004:141).

Specifically on IR and the multiple capitals literature on MSMEs in the UK, this study extends the SME theoretical model adapted and developed as evident in the literature review under

section 2.4.9 in chapter 2 above, further advancing the debate and contributing to MSME literature in response to the existing European studies (Del Baldo, 2017; 2019; Gerwanski, 2020; Moneva and Hernandez-Pajares, 2016; Morsing and Spence, 2019; Gibassier et al., 2019; and Gavurova et al., 2022). On the broader larger companies' perspective, de Villers et al. (2017) critiqued the IIRC framework that "based on interviews with various stakeholder groups, Van Bommel (2014, p.1159) in a Dutch setting reports that stakeholders hold different views on what IR should emphasise to gain legitimacy in society...Van Bommel (2014) also claims that the current state of IR generates bias instead of a legitimate compromise". This highlighted the importance of this UK study from this perspective, which examined the IR in a nascent setting.

5.5 Recommendations for policymakers, implementers & practitioners

Drawing on the findings of this study, many of the MSMEs considered can successfully balance their economic, social, ethical and environmental with shared values with their stakeholders. The analysis offers some practical suggestions and applications for the above interlocutors to consider for future directions, which include:

- Bringing closer awareness of the standard IFRS for SMEs through conducting regional seminars on the topic to local MSME firms
- Seek sponsorship from Development banks & Government assistance to fund these seminars and conduct workshops at regular intervals with these firms.
- Developing and writing up a manual MSME Toolkit to address the financial and non-financial reporting issues.
- Invitation to IASB MSME board members to regularly engage with the MSME sector, providing updates and technical resources readily available on their websites (the purpose is to create a closer relationship and to encourage active participation).
- Provide simplified interpretations and guidance on the accounting and IR reporting standards.
- Aid with modern technology to be equipped by MSMEs in their accounting and finance departments, e.g., existing accounting software to complement both financial and non-financial information to generate an integrated report.
- MSMEs should develop quasi-relationships with larger organisations, preferably in their supply chain portfolio, enabling the larger entities to provide mentoring services in understanding and implementing integrated reports.
- Revisit the IIRC (2013a) definitions of capitals and consider 'Emotive capital' in the listings as it epitomises MSME ownership.

5.6 Limitations of the research

As this study was a phenomenological exploration of the three constructs identified, it was limited by the small purposive sampling of organisations that participated; however, due care and significant efforts were made to ensure that the sample representation demonstrated the necessary expertise and experience to address the topic in context and interview questions. The researcher recognised that certain participants might be more knowledgeable and have significant business experience to answer the questions. However, the researcher recognises that subtle differences may exist in the chosen sample of perceptions and practices across some MSMEs.

Chapter 3 addresses data reliability, trustworthiness, and validity. Another limitation of the research was that it was done in the UK, giving a single country focus. Therefore, it represents a unique context of organisations in that UK setting only. The focus was primarily on internal stakeholders, and therefore, external stakeholders' views were not explored, leaving it for future research in this context.

Another area for improvement was the difficulty in collecting data during the Covid-19 pandemic, as many MSMEs prioritised their business survival over research participation, leading to time and administrative constraints experienced during the study. Despite this, sufficient data was collated post-pandemic to validate the findings, particularly the perceptions of the internal stakeholders of IFRS for SMEs, CSR and IR, ultimately satisfying the aim of the study.

5.7 Future Research Recommendations

Further studies are required within this sector to debate this reporting phenomenon. As MSMEs are characterised by a culture of weak accountability and lacking management and performance control systems, it is difficult to implement more sophisticated forms of reporting such as IR, as evident in the Italian case study by Del and Baldo (2017).

More in-depth case studies within this sector may provide 'rich' data in the exploration of CSR and IR diffusion, which may be specific to an industry. Further studies exploring external stakeholders of these organisations will assist in understanding the factors that help or hinder CSR/IR diffusion. Furthermore, a comparative analysis study may be offered between an MSME case study and its larger counterpart company case study to discern the key differences in approach, perceived benefits, and challenges. Given that this is a qualitative research study, the study cannot generalise its findings beyond the research. Therefore, a quantitative research design could be adopted for future research.

Additionally, the possibility exists of plugging knowledge gaps in measuring CSR/IR in this sector. Questions may be posed, e.g. 'How can we meaningfully measure MSMEs' business environmental responsibility?'. This further draws into the question of benchmarking in MSMEs. This could respond to the call by Cassell et al. (2001) where it was stated, 'There is work to be done in benchmarking in SMEs ...the firms focus in this sector has been on 'hard issues' such as financial performance rather than 'soft' issues which are mainly qualitative in nature'. Other relevant studies that may be initiated would explore the relevance of the social development goals (SDG) agenda to the MSME sector. In the contemporary world, the language of CSR is substituted for SDGs, which can be explored further in the MSME sector.

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Appendix 1 Participation Information Sheet

Participant Information Sheet

Purpose of the research

The overarching aim of this research is to evaluate those MSMEs adopting, intend to adopt or explore Corporate Social Responsibility (CSR) practices and International Financial Reporting Standards (IFRS) for SMEs, which will improve audited financial statements, simplified financial reporting and the introduction of Integrated Reporting (IR) opportunities nationally and globally.

This study aims to investigate those factors that may impact MSMEs, their perceived benefits and the voluntary diffusion of Integrated Reporting within MSMEs in the UK to gain a better understanding of this emerging concept. The beneficiaries of this study will be the principal stakeholders, i.e. owners/managers of SMEs, the other associated stakeholders such as the banks and financial lending institutions, SME accountants and auditors, suppliers, customers, society at large and governmental and non-governmental agencies, especially policymakers.

Nature of participation

SMEs account for 60% of all private sector employment – drive growth, innovation and job creation and are the lifeblood of the British economy.

You have been chosen to participate in an interview, as you will have direct experience in managing SMEs or knowledge of SMEs. The research needs to be relevant to the proposed study. This interview will be conducted virtually, either via MS Teams, Zoom or Skype calls at a convenient date and time to suit the participant's availability. The duration is expected to last approximately between 30 minutes to 45 minutes. Participation is voluntary, and if the participant decides not to participate, there will not be any negative consequences. The participant has the right to terminate their involvement in the research at any point before, during and after the virtual interview. The researcher assures that there will be no implications that identify the individual or organisation if the virtual interview is withdrawn at any stage. The participant needs to be aware that they can decline to respond to questions or prompts at any point in the interview. A consent form is attached for your agreement prior to the commencement of the participation. Upon completion of the virtual interview, within a reasonable period, a complete transcript of the interview would be sent to the participant on request, for any final agreement and approval to undertake content analysis for the research study.

The interview will take the form of a semi-structured approach, literally from your perspective, which is going to feel like a ‘conversation with a purpose’, a discussion or a chat about the research topic. Questions are usually open-ended, and the participants are encouraged to express their perceptions and opinions freely. Examples of interview questions may be ...”In your opinion, do you think using non-technical jargon(i.e. layman’s language) will provide an easier understanding of reports/brochures/advertisements for SME stakeholders” ... “ In your understanding, can you give any examples of CSR practices in action that can be developed by SMEs?”.

Collected Data Information

All notes and interview transcriptions will remain anonymised from the start of the process, and no names of personnel involved and the relevant companies’ names will be accessible to them. The data information will be stored separately in a file in the OneDrive folder at BCU in an anonymised format, encrypted, password protected, and only accessible via the researcher.

The study's outcome will be used for subsequent publication purposes. Participants who wish to be informed of the research's outcome will be sent copies of the results or articles developed from the studies. They will have the option to leave their email addresses with the researcher, and these will also be stored securely in a OneDrive folder, as mentioned above and removed accordingly when requested.

If you are unhappy at any point in the study or have a problem, please contact the Business, Law & Social Sciences faculty ethics committee directly at blssethics@bcu.ac.uk.

Contact me for further information.

Don't hesitate to get in touch with the lead PhD researcher:

Vijay Ramachandran at vijay.ramachandran@bcu.ac.uk

Others associated with this research.

Name	Role	Email
Dr Simeon Babatunde	Director of Studies	simeon.babatunde@bcu.ac.uk
Professor Martin Samy	1 st Supervisor	dr.martin.samy@gmail.com
Professor John Sparrow	2 nd Supervisor	john.sparrow@bcu.ac.uk

Appendix 2 Email letter requesting research participation.

Vijay Ramachandran

PhD researcher

Birmingham City University

Faculty of Business, Law and Social Sciences

4 Cardigan Street

Birmingham B4 7BD

[Date]

Company Name

Company Address

Dear...,

Re: International Financial Reporting Standards (IFRS for SMEs)/Corporate Social Responsibility (CSR) and Integrated Reporting (IR) for MSMEs in the UK

I have followed the IFRS and CSR reporting through IR in large companies, particularly those listed on UK stock exchanges. IR is mainly targeted at large companies, excluding MSMEs, which are recognised as the main drivers of wealth creation and economic growth in the UK. Recently, the relevance of IR for SMEs – in particular for allowing MSMEs better access to finance, improving relations with stakeholders, strengthening reputation and promoting company growth by creating lasting and sustainable value – has been recognised by the Chartered Institute of Management Accountants (CIMA) within the SME & Entrepreneurship Taskforce of B20/G20.

I would like your participation in my research into the CSR/IR and IFRS for SME practices within MSMEs in the UK. This research will form part of the requirements of my PhD thesis and aims to aid the promotion of CSR/ Integrated Reporting within MSMEs in the UK.

This research aims to investigate factors which will assist the possible adoption of Integrated Reporting in MSMEs within the UK to gain a better understanding of this emerging concept.

This will involve interviews with owners/managers or senior officers in the strategic decision-making process within your organisation. These interviews will likely be approximately 30-45 minutes long. They will be conducted via Skype/MS Teams/Zoom video calls at an appropriate time selected by participants to minimise disruption to day-to-day operations.

I hope that [company] will benefit from this research, as I hope to identify the possible benefits MSMEs can acquire, probable solutions to its implementation process, and the future sustainability of integrated reporting for MSMEs.

As I am governed by Birmingham City University's ethical principles, the company name and the names of all participants will remain anonymous. In addition, all interviews recorded will be communicated back to the participants to confirm accuracy. The company and participants maintain the right to withdraw from this research.

If you are willing to discuss participation in this research, which aims to raise the profile of innovative SME reporting practices in the UK, I would be grateful if you could either email me at (vijay.ramachandran@bcu.ac.uk) or telephone me (xxxxxxxxxxx) and we can discuss further.

Kind Regards,

(Vijay Ramachandran)

Appendix 3 Participant Consent form

CONSENT FORM

Project Title: "Adoption of International Financial Reporting Standards (IFRS), Corporate Social Responsibility (CSR) and Integrated Reporting (IR) in Micro Small to Medium-Sized Enterprises (MSMEs): Evidence from the UK"

Name, Position and Contact Address of Researcher:

Vijay Ramachandran
PhD Researcher
Faculty of Business, Law and Social Sciences
Birmingham City University.

Email: vijay.ramachandran@bcu.ac.uk

Please initial box

1. I confirm that I have read and understood the information sheet dated [insert date] for the above study. I have had the opportunity to consider the information, ask questions and have these answered satisfactorily.
2. I understand that my participation is voluntary and that I am free to withdraw at any time without giving any reason and without any consequences for me.
3. I agree that the interview should be audio/video call recorded.
4. I understand that all information I provide will be treated as confidential and will be anonymised.
5. I agree to the use of anonymised direct quotes from interviews in publications and presentations arising from this study.
6. I agree to take part in the above study.

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Name of Participant	Signature	Date
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Researcher	Signature	Date

Appendix 4 Actual interview questions

SECTION A – Adoption of IFRS for SMEs enhances MSME external reporting.

1. Do you believe that International Accounting standards adoption for SMEs' financial reporting purposes will provide greater transparency to vested stakeholders?
2. In your opinion, do you think generating reports, both financial and non-financial, in a 'Singular format' report would attract readers from a broader spectrum?
3. Do you believe adopting a singular format approach will provide relevant disclosure and clarity of your organisation's reports, thereby adding value?
4. In your opinion, do you think using non-technical jargon (i.e. layman's language) will provide an easier understanding of reports for stakeholders? – Ask also if they have ideas of other forms of communication.
5. Do you think users of your organisation's external reports would be well received from their perspective – mainly the banks and government?

SECTION B - Perceptions of SMEs in adopting CSR & IR

6. Do you understand the concepts of CSR (Corporate Social Responsibility) and IR (Integrated reporting), and if yes, what do those terms mean to you and your organisation?
7. Based on your experience, can you give any examples of CSR practices in action that are being adopted by SMEs and can be developed further for the SMEs market?
8. In your opinion, does networking within and across sectors, mutual relationships and charitable giving develop social capital?
9. Should CSR and IR be implemented in stages, allowing cultural and organisational change to cascade across the organisation?
10. Do you think the terms CSR and IR should be reclassified and use appropriate terminology due to their characteristics?

SECTION C - Perceptions & awareness of SME key stakeholders

11. Do you think financial and non-financial reporting by SMEs should be concise, brief, and easily understood, such as using diagrams, chats and colour schemes where appropriate? Any other ideas you may have...?
12. Do you think that particularly banks (SMEs' main lending stakeholder) should lead and adopt social business networks via personal shareholder engagement rather than the current centralised mechanism?
13. In your opinion, how compatible would the adoption of such CSR/IR practices be with your existing micro type or style of culture of operations?
14. Do you believe, in your experience of SMEs management style, that CSR/IR provide a new avenue of deserved publicity for your organisation thereby enhancing its corporate image?
15. Do you think adopting a 'Singular format' type of reporting will provide cost/efficiency savings or an unnecessary burden?

SECTION D – To what extent <IR> will be relevant to SMEs

16. In your opinion, should SMEs owners/managers voluntarily undertake certain activities that appear to do the 'Right thing' rather than acceptance of any social responsibilities of business?
17. If expansion and growth are the primary goals of SMEs, do you think SMEs have an inherent duty for accountability and responsibility to report CSR/IR processes?
18. What do the terms social capital, human capital, financial capital and intellectual capital mean to you and your organisation, OR are you unaware of these CSR terms?
19. Do you believe, to comply with community expectations, SMEs should focus on establishing and reporting on social media platforms, e.g. blogs, Facebook, & Instagram, etc OR reporting on benchmarks and winning reporting awards?
20. Finally, do you think that SME reporting should be left as it is and not any additional form of qualitative reporting because it may be perceived as complex and irrelevant, OR is there an alternative reporting business model?

Appendix 5 Thematic analysis of Interview questions

Research	Focus/ Themes	Main Interview	
Question 1		Questions	
What is the perception of adoption of International Financial Reporting Standards (IFRS) for SMEs that enhances the quality of MSME financial reporting?	<p>Economic impact in terms of quality in financial reporting.</p> <p>Filling performance gaps through simplification & clarity of reporting financial statements</p> <p>Owners/managers perceptions of adding the narrative reporting within the existing annual reports (AR)</p> <p>The influence of communication channels on adoption</p> <p>The influence of external networks in the harmonisation process across SMEs</p> <p>The ultimate aim is to achieve uniformity, understandability and comparability.</p>	<p>Do you believe that IFRS for SMEs adoption will provide greater transparency to vested stakeholders?</p> <p>If you are in the process of adopting or adopted, what are your experiences of generating financial reports in this singular format?</p> <p>Do you believe adopting will provide relevant disclosure and clarity of your organisation's reports?</p> <p>What are the primary communication influences such as non-technical jargon, clarity and easier understanding for stakeholders?</p> <p>Do you think users of your organisation's financial reports would welcome greater scrutiny through the lens of these external reports?</p>	

Research	Focus/Themes	Main interview	
Question 2		Questions	
What is the diffusion of perceptions of Corporate Social Responsibility (CSR) activities in the UK MSME sector?	<p>Owners'/managers' perceptions of willingness to engage in CSR practices.</p> <p>Analysing the direct openness in its business dealings</p> <p>Owners'/managers' perceptions of current Sustainable reporting (SR) practices and perceptions of environmental understanding.</p> <p>Owners'/managers' perceptions of using IR over AR reporting practices and its advantages.</p> <p>This study will seek Owners'/managers' perceptions of the complexity and compatibility of using IR</p>	<p>Do you understand the concepts of CSR and IR? If yes, should the title CSR be reclassified specifically for MSMEs?</p> <p>Should MSMEs develop better ethical tools for CSR practices to have an economic impact?</p> <p>Does formal engagement, networking within and across sectors, mutual relationships and charitable giving develop social capital?</p> <p>Do you believe that the society and environment you operate make business possible, likewise reciprocated by your organisation, enhances your company's intellectual capital (IC)</p> <p>What do you understand by the term 'Integrated Thinking', and would you subscribe to IR?</p> <p>Do you think that CSR and IR should be implemented in stages, allowing for cultural and organisational change to cascade across the organisation?</p>	E.g. Voluntary Social Responsibility (VSR), due to MSMEs characteristics

Research	Focus/Themes	Main Interview	
Question 3		questions	
How does the adoption of IFRS for SMEs and CSR activities affect the implementation of IR in the UK MSME sector?	<p>Owners'/managers' perceptions/awareness of MSME stakeholder's understanding of MSME reporting.</p> <p>Owners'/managers' perceptions of formal and informal dialogues justifying the influence of social networks.</p> <p>Owners'/managers' perceptions of the benefits of multiple capital stores to MSMEs enhance the value creation business model.</p> <p>The study will establish owners'/managers' perceptions of following a surrogate large organisation's motives.</p> <p>Influence of social network – internal and external.</p>	<p>Do you think that reports should be concise, brief, and easily understood, with diagrams, charts, and colour schemes used for both financial and non-financial items?</p> <p>Do you believe having a shareholder engagement exercise with the MSMEs would be useful?</p> <p>Do you believe MSMEs should primarily focus on the relevant capital, as per IIRC, 2013a, in the value creation process to pursue their respective corporate objectives viz-a-viz long-term profitability, quality control, sustainable trusted brand, and survival?</p> <p>Should MSMEs owners/managers voluntarily undertake certain activities that appear to do the 'Right thing' rather than accepting any social responsibilities of business?</p> <p>Do you believe that due to MSMEs nature and primary business goals, the only way to maximise value sustainability is to satisfy stakeholders through social capital</p>	<p>Do you suggest any alternative system of reporting?</p> <p>Examining the relevance of Freedman (1962) exposition of this business trait in current day business.</p> <p>The set of interrelated units that are engaged in joint problem-solving to accomplish a common goal (Rogers 2003)</p>

Research Question	Focus/Themes	Main Interview questions	
	<p>Owners/managers' perceptions of the non-financial parameters and strategy followed, which are the drivers, opportunities, and revenue streams generated.</p> <p>Investors/stakeholders looking closely at IR narratives, are they adding value</p> <p>Their perceptions on bringing all fragmented information together in a single report with a balanced view of the business.</p> <p>Owners'/managers' perception that with IR, you can provide a different perspective, forward-looking approach to business dealings and how positively you are running the business</p> <p>The study gauges the IIRC's stated benefit of IR, which is that it makes visible an organisation's use of and dependence on different resources and relationships or 'capitals' and its access to them.</p>	<p>Do you believe there will be cost or efficiency savings in reporting through IR in a single report?</p> <p>Do you think that MSMEs owners/managers should consider that they have an inherent duty of accountability and responsibility to report, bearing in mind that relevant stakeholders have a right to such information regardless of associated costs?</p> <p>To comply with community expectations, do you believe SMEs should focus on establishing and reporting on Kitemarks, benchmarks, and winning reporting awards, which ultimately enhance the brand and reputation of your enterprises?</p> <p>Which capitals do you think SMEs feel are important and why?</p>	<p>Combining financial and non-financial</p> <p>IR can facilitate lower reputational risk through more provision of integrated data to assess material areas of risk by considering not just economic but also environmental and societal risks and their impacts (Eccles and Krzus,2010)</p>

Appendix 6 Participants Company Demographics

Actor ID	Interviewee Code	Firm Size Threshold	Nature of Business	Position/ Role With Enterprise
A1	PA1	Micro	Accountancy firm	Reporting accountant/PA
A2	OM1	Micro	Management Consultancy	Owner/Manager
A3	FC1	Medium	Property group	Financial controller
A4	OM2	Small/medium	Planning Consultancy/Retail Chain	Owner/Manager
A5	FC2	Small	Retailing - Furniture	Financial controller
A6	FM1	Small	Financial services	Finance manager
A6a	FC3	Small	Estate agents	Financial controller
A7	OM3	Micro	Solicitors	Owner/Manager
A8	OM4	Medium	Engineering	Owner/Manager
A9	FM2	Small	Technology	Finance manager
A10	FM3	Micro	Properties	Finance manager
A11	OM5	Micro	Management consultancy	Owner/Manager
A12	OM6	Small	Restaurant and catering	Owner/Manager
A13	OM7	Medium	Engineering	Owner/ Manager
A14	PA2	Small	Accountancy firm	Reporting accountant/PA
A15	PA3	Small	Accountancy firm	Reporting accountant/PA
A16	PA4	Small	Accountancy firm	Reporting accountant/PA
A17	OM8	Micro	Taxation services	Owner/Manager
A18	OM9	Micro	Management Consultancy	Owner/Manager
A19	PC1	Medium	Professional Consultancy	Professional Manager
A20	OM10	Micro	Engineering Services	Owner/Manager

Appendix 7 Interview NVivo Analysis Table

Name	Participants	References
Other relevant Findings	0	0
(RQ1) IFRS for SMEs-MSMEs Financial Reporting Adoption & Quality	20	154
(Themes) Rationale for Non-adoption	7	11
Scepticism	2	2
Tax & cost factor is overriding issue	3	4
Reasons for not-adopting	5	5
(Themes) Stakeholder needs & networking influences	12	18
IASB influence on MSME participation process	0	0
MSMEs can report different formats	3	4
Depends on MSME size structure	5	5
How Banks view such reporting	7	9
(Themes) Perceptions of Users & Vested Stakeholders	16	56
Challenges & legacy factors	1	3
Digitalisation & technology setups	1	3
Production of final accounts is enough	2	3
Perceptions of such reports & its importance	16	47
(Themes) Clarity, Non-technical & Transparent	20	69
Accountability & transparency for reporting	16	30
Clarity & quality of reporting	18	39
(RQ2) Diffusion of CSR Activities	21	392
(Themes) Understanding CSR concepts & perception of Engagement	21	192
Embracing CSR will enhance business profits	1	2
Are CSR practices merely for advert purposes	6	15
Extent of CSR adoption	18	66
Our management drives our CSR and IR agenda	1	1
Guidance via explanation how to adopt it	2	3
Motivation given to MSMEs via Govt incentives	3	3
Importance of culture within the business	3	3
Depends on compliance issues- mandatory	4	4

Cost consideration and having capacity	10	11
CSR is familiar to me & understand them	19	32
CSR activities cited & positive acceptance	21	77
Using green products	1	1
Using ethical sourcing in supply chains	1	1
Reduction of food waste & chemical emissions	2	2
Re-skilling workforce & practices post pandemic	2	2
Engaging in Pro-bono work	2	2
Investment in electric vehicles	3	3
Sponsoring local schools & sports clubs	4	4
Using recycled materials & Reducing Carbon footprint	5	5
Sponsoring Charities	7	7
(Themes) Social capital & stakeholder impacts	21	105
Developing social capital through Networking	17	48
Helps in reduction of carbon footprint	1	1
Promotes advertising	1	1
Enhances knowledge, social & cultural capital	11	11
Banks should lead CSR debate & networks	21	57
Green Loans towards Profits agenda only	4	4
Smaller firms are completely ignored	16	16
(Themes) CSR implementation, use of current terminology & business image	21	95
Adoption leads to enhanced business image	20	24
Implementation of CSR in stages	21	30
Reclassification of CSR for MSME	21	41
Don't like to associate Corporate with MSMEs	7	8
(RQ3) MSME Integrated Reporting	21	224
(Themes) Exploring the rationales of CSR,IR & possible benefits OR burden	19	81
Growth is main goal, therefore, report CSR	18	47
Taking Insurance responsibility	1	1
Young graduates seeking 'well-being' & greener agenda	1	1
Organisational change be within	2	2
Investor focus is main theme for sustainability	3	3

Depends on state of economy	4	4
If CSR&IR wasn't a burden, No problem reporting	4	4
Profitability & sustainability the main focus	4	4
Voluntarily undertaking activities to do 'Right thing'	18	32
(Themes) Enhancing MSME value creation process & Improving decision making	20	67
MSME understanding and benefits of multi-capitals store	18	40
Why fanciful terms, Keep it simple	1	1
They provide connections	1	2
They are assets to the business	1	1
Explained only Human capital	2	2
Not really aware of them	2	2
Good comprehensive understanding	4	4
Aware of them only	7	7
Complying with community expectation	18	27
(Themes) Presentation as an Integrated Singular Report	21	76
Alternative model suggestion	4	5
Leave SME reporting as it is	16	21
Reporting in a Singular format & its benefits	19	50