

**A PHENOMENOLOGICAL STUDY OF
PURCHASING MANAGERS AND PURCHASING
SOCIAL RESPONSIBILITY ACTIVITIES
WITHIN ELECTRICAL AND ELECTRONICS
INDUSTRY IN NORTHERN MALAYSIA: A
FOCUS ON LABOUR AND HEALTH & SAFETY**

by

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LIST OF ABBREVIATIONS

CSR = Corporate Social Responsibility

PSR = Purchasing Social Responsibility

EICC = Electronic Industry Citizen Coalition

**KAJIAN FENOMENOLOGI PENGURUS-PENGURUS PEMBELIAN DAN
AKTIVITI-AKTIVITI TANGGUNGJAWAB SOSIAL PEMBELIAN DALAM
INDUSTRI ELEKTRIK DAN ELEKTRONIK DI MALAYSIA UTARA:
TUMPUAN KEPADA BURUH DAN KESIHATAN & KESELAMATAN**

ABSTRAK

Kajian fenomenologi kualitatif ini yang berlandaskan pengertian aktor sosial, menghuraikan pengalaman hidup secara langsung oleh pengurus pembelian tentang tanggungjawab sosial pembelian, dengan member tumpuan kepada buruh dan kesihatan & keselamatan. Temuduga mendalam dijalankan dengan 15 pengurus pembelian yang bekerja di syarikat-syarikat multinasional elektrik dan elektronik di kawasan Malaysia utara. Lima intipati yang menghuraikan pengalaman pengurus-pengurus pembelian tentang sifat aktiviti-aktiviti tanggungjawab sosial pembelian. Pengalaman-pengalaman ini ialah: aktiviti-aktiviti tanggungjawab sosial pembelian adalah dalam peringkat awal dan tidak menyeluruh; keutamaan yang lebih tinggi diberikan kepada aktiviti-aktiviti berkaitan dengan kesihatan & keselamatan berbanding dengan buruh; penguatkuasaan ringan terhadap pelanggaran buruh pembekal, tahap aktiviti-aktiviti tanggungjawab sosial pembelian adalah berbeza mengikut sifat syarikat; persepsi pengurus terhadap kepentingan aktiviti-aktiviti mempengaruhi tahap aktiviti yang dijalankan. Lima intipati menghuraikan pengalaman pengurus-pengurus pembelian tentang halangan kepada aktiviti-aktiviti tanggungjawab sosial pembelian. Pengalaman ini ialah: aktiviti-aktiviti ini diberikan keutamaan yang lebih rendah berbanding dengan objektif utama pengurus; wujudnya kekurangan kuasa untuk melibatkan diri dalam aktiviti-aktiviti; kekangan sumber untuk menjalankan aktiviti-aktiviti; pembekal-pembekal kurang berminat untuk meningkatkan standard buruh dan kesihatan & keselamatan; dan buruh-buruh dari organisasi pembekal lebih berminat dengan waktu kerja yang lebih panjang. Kajian ini menyumbang kepada teori pihak berkepentingan/pemegang taruh melalui penemuan enam intipati pemegang berkepentingan yang signifikan. Intipati-intipati ini termasuk: pelanggan dan ibu pejabat adalah pihak berkepentingan yang nyata, yang

menonjol pada tahap tinggi, dengan memiliki ketiga-tiga atribut, iaitu hak kekuasaan, kekuasaan dan keadaan mendesak; media dan rakan-rakan industri wujud bersama-sama sebagai pihak berkepentingan yang mempunyai harapan untuk menyerlah, yang menonjol pada tahap sederhana dengan memiliki atribut kekuasaan, dan keadaan mendesak; kerajaan, pengarah urusan, jabatan tanggungjawab sosial korporat, jabatan sumber manusia dan jabatan kesihatan & keselamatan adalah pihak berkepentingan yang mempunyai sifat terpendam, yang menonjol pada tahap rendah, memiliki hanya satu atribut, iaitu hak kekuasaan; pesaing adalah pihak berkepentingan yang mempunyai sifat terpendam yang menonjol pada tahap rendah dengan memiliki atribut keadaan mendesak; pihak berkepentingan yang nyata mempengaruhi objektif utama pengurus, akses kepada sumber-sumber dan kekuasaan yang seterusnya mempengaruhi pengalaman pengurus; dan pihak berkepentingan yang nyata belum lagi mengamalkan sepenuhnya kekuasaan dalam penguatkuasaan aktiviti-aktiviti tanggungjawab sosial pembelian. Implikasi-implikasi kajian ini adalah: pengurus-pengurus pembelian disyorkan supaya melibatkan diri secara menyeluruh bersama pembekal-pembekal utama di dalam aktiviti-aktiviti tanggungjawab sosial pembelian, terutamanya, keperluan buruh dan kesihatan & keselamatan; ibu pejabat sebagai pihak berkepentingan yang menonjol pada tahap tinggi disarankan menggunakan kuasa sepenuhnya, dan menyokong dari sudut peranan tertinggi pihak berkuasa, pemberian sumber-sumber, dan pembentukan petunjuk prestasi utama untuk pelaksanaan aktiviti-aktiviti tanggungjawab sosial pembelian; pelanggan sebagai pihak berkepentingan yang menonjol pada tahap tinggi dicadangkan supaya menggunakan sepenuhnya kuasa dan melaksanakan perkongsian kos dengan pengurus-pengurus pembelian untuk meningkatkan prestasi aktiviti-aktiviti tanggungjawab sosial pembelian; dan kerajaan sebagai pihak berkepentingan yang menonjol pada tahap rendah perlu menggunakan kuasa dan menuntut hak kuasanya dalam keadaan mendesak, justeru mengubah statusnya kepada pihak berkepentingan yang menonjol pada tahap tinggi, dan seterusnya, menguatkuasa undang-undang buruh dan memberi insentif cukai kepada pelaksanaan aktiviti-aktiviti tanggungjawab sosial pembelian.

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ELECTRICAL AND ELECTRONICS INDUSTRY IN NORTHERN
MALAYSIA: A FOCUS ON LABOUR AND HEALTH & SAFETY**

ABSTRACT

This qualitative phenomenological study which is transcendental in nature, describes purchasing managers' lived experiences on purchasing social responsibility (PSR) activities, specially focused on labour and health & safety. In-depth interviews were conducted with 15 purchasing managers working in electrical and electronics multinational corporations located in northern Malaysia. Five essences describe the purchasing managers' experiences with regard to the nature of PSR activities. These experiences are: PSR activities are in the initial stage and incomprehensive; health & safety are more prioritised than labour standards; mild enforcement on supplier labour violations; extent of PSR activities differs according to the nature of the company, and perception of PSR activities influences the extent of PSR activities. Five essences describe the purchasing managers' experiences pertaining to barriers to PSR activities. These experiences are: PSR activities are lower priority than purchasing managers' primary objectives; there is a lack of authority for the managers to enforce PSR activities; there is a resource constraint to implement the activities; suppliers are reluctant to improve the standards of labour and health & safety; and the suppliers' workers prefer longer working hours. This research contributes to stakeholder theory through its discovery of six essences on stakeholder salience. These essences include: customers and corporate headquarters are definitive stakeholders with high salience, possessing all three of the stakeholder attributes: legitimacy, power, and urgency; media and industry peers together, are expectant stakeholders with moderate-salience, possessing two attributes: power and urgency; government, managing directors, corporate social responsibility departments, human resource departments, and health & safety departments are latent stakeholders with low salience, possessing the attribute of legitimacy; competitors are latent stakeholders with

low salience, possessing the attribute of urgency; definitive stakeholders influence purchasing managers' primary objectives, and access to resources and authority, and subsequently influence the purchasing managers' experience on PSR activities; and definitive stakeholders have yet to fully exercised their stakeholder power with regard on enforcement of PSR activities. The key implications of this research are: purchasing managers are recommended to be fully involved in PSR activities and include all the key suppliers in fulfilling the full requirements of labour and health & safety; corporate headquarters as high salient stakeholders are suggested to fully exercise power and support purchasing managers with full authority, resources and key performance indicators to perform PSR activities; customers as high salient stakeholders are proposed to fully exercise power and undertake cost sharing with purchasing managers to upgrade PSR activities; and government as low salient stakeholder is expected to exercise power and claim its urgency in order to be high salient, and subsequently, enforce labour law and provide tax incentives for implementation of PSR activities.

CHAPTER 1 - INTRODUCTION

1.1 Introduction

Companies are expected by stakeholders to practice corporate social responsibility (CSR). However, due to the current trend of globalisation and outsourcing, companies purchase materials from many suppliers in different parts of the world. Hence, companies' reputation and their own CSR programme will be affected if their suppliers in value chain fail in any aspects, involving environmental or labour issues. As such, companies are obligated to monitor their suppliers' CSR.

Purchasing function or professionals in companies have the highest level of interfaces with, and influences on suppliers and they are capable of playing the most important role in suppliers' CSR. The involvement of the purchasing function in the CSR of suppliers is known as, purchasing social responsibility (C.R. Carter & Jennings, 2000). Previous research revealed that there were issues of fraud supplier audits for Asian supply chains from the perspectives of factory managers, CSR experts and CSR managers (R. Welford & Frost, 2006). Apart from Asia, these fraud supplier audits were not found in case study researches of PSR activities conducted in IKEA and Marks & Spencer (Andersen & Skjoett-Larsen, 2009; Johnson, 2004).

Labour issues were reported in the supply chain of South East Asia, which included Malaysia (Bormann et al., 2010; Jiang, 2009; R. Welford & Frost, 2006). The labour issues reported were sub standard living quarters, excessive working hours and late payment of wages. However, there is a lack of research on PSR activities focuses on labour issues in Asian countries and Malaysia in particular. There was a survey on CSR, which mentioned that about a low level of

PSR in Malaysia (Bursa-Malaysia, 2007; CSR-Asia, 2008). However, the above-mentioned researches did not explore the barriers to this low level of PSR or PSR activities in Malaysia.

1.2 Research Background

This section explains the background of PSR and the importance of conducting research on PSR activities in Asia and Malaysia in particular. The section continues with labour issues in Malaysia and the importance of focusing on labour issues in the research on PSR activities. Subsequently, the importance of stakeholder salience on PSR activities is explained.

PSR (purchasing social responsibility) was defined as the involvement of purchasing function in CSR (C.R. Carter & Jennings, 2004). To be more specific, PSR is the involvement of purchasing managers in suppliers' CSR. The aim of PSR is to improve suppliers' CSR, which includes the dimension of labour, health, safety, environment, philanthropy, ethics and diversity. PSR is also called socially responsible purchasing, ethical sourcing or CSR in Purchasing. CSR were expected by the stakeholders namely customers, investors, shareholders, NGOs, regulatory agencies and the media (C.R. Carter & Jennings, 2000; Ki-Hoon & Ji-Whan, 2009). The business trend now is that numerous global brands do not own any manufacturing operations as they outsource the manufacturing to their contracting companies or contract manufacturers. Good examples of these are Apple, H & M and IKEA. Thus, they are closely associated with their suppliers' manufacturing operations that related to CSR, such as labour, health & safety or environmental issues. For example, Apple Inc. was responsible for managing its contracting supplier, Foxconn when child labour was found in Foxconn factories in China (Verge, 2012). In addition, Samsung Electronics Co. was responsible for managing the CSR of its contracting supplier, HEG Electronics, when child labour and excessive working hours were found in the supplier's production facilities of Samsung products (Bloomberg, 2012). The above cases show

that when CSR issues crop up in a contracting company or a supplier, the purchasing companies' CSR image is affected and they need to take countermeasure to manage the suppliers' CSR.

PSR is important because purchasing is the most important and influential function in having key interface and close interaction with suppliers. Hence, it can play a very important role to manage supplier's CSR practices (Novak, 2004, Carter and Jennings, 2000). Purchasing managers are the middle persons between focal companies' internal functions and suppliers in term of CSR implementation. Therefore purchasing function's involvement in suppliers' CSR will assist in strengthening the CSR implementation process in the focal companies (Mamic, 2005). In fact stakeholders are now expecting social responsibility from purchasing function because their image is greatly affected by the companies' PSR activities (Isabelle Maignan, Hillebrand, & McAlister, 2002). Purchasing function's pressure for suppliers to be involved in CSR would act as an additional incentive for suppliers to have more involvement in CSR (Baden, Harwood, & Woodward, 2009).

The previous PSR researches included PSR dimensions, PSR drivers, PSR barriers and PSR activities. Carter & Jennings (2004, 2000) initiated researches in the United States on the aspects of PSR dimensions, drivers and barriers. Later, Antonio (2011) conducted the similar research on PSR dimensions but in Hong Kong/ Pearl River Delta. The research on PSR drivers was then followed by Oksana & Charlotte (2009) in Sweden and replicated by Salem (2009) in Thailand. Subsequently Oksana & Charlotte (2009) also conducted PSR barriers in Sweden and later, Antonio conducted it in Hong Kong/ Pearl River Delta (2011). However, the findings from the abovementioned researches were different by regions and countries. The different findings encourage more PSR researches in other countries.

Case study researches on PSR activities were conducted for IKEA and Mark & Spencer (Andersen & Skjoett-Larsen, 2009; Johnson, 2004). However, the result of the abovementioned case study researches may not be true for other companies. In addition, two-third of IKEA's suppliers and many of Marks & Spencer's suppliers were still located in the United Kingdom. However, the abovementioned case study researches in PSR activities may not reflect the situation in Asian countries.

There was a research on Asian supply chain, which found flawed and fraud supplier audits (R. Welford & Frost, 2006). However, the abovementioned researches were conducted from the perspectives of CSR managers and factory managers but not purchasing managers and hence, it was not a PSR research. In addition, supplier audit is just one of the aspects of complete PSR activities. PSR activities consist of supplier audit, supplier selection, supplier monitoring, contract signing, training and education, rewards and partnership (Johnson, 2004; Maria, 2010). Thus, there is lack of research covering all aspects of PSR activities in Asia.

A research on Asian supply chain which included Malaysia as one of the countries with labour issues such as late payment of wages, excessive overtime, exploitation and harassments (R. Welford & Frost, 2006). A Nike CSR report mentioned the labour issues for one of their supplier in Malaysia, Hytex Apparel, Ltd. The labour issues included sub standard living quarters with hygiene issues (Nike, 2007-9). Another research revealed labour issues in electronics companies namely Jabil and Flextronics, Malaysia. The labour issues included excessive working hours, passports were withheld by employers and overcrowded living quarters (Bormann et al., 2010). Nevertheless, Flextronics and Jabil may be the suppliers of many multinational companies located in Malaysia. However, the role of purchasing managers or PSR activities were not mentioned in all the above mentioned researches or articles pertaining to labour issues in Malaysia. In addition, PSR research focused on labour conditions is still lacking in the last ten

years (Hoejmosse & Adrien-Kirby, 2012). In fact the previous researches of PSR activities were general and did not focus on any dimension, neither labour, health nor safety standards (Johnson, 2004; Maria, 2010).

In the last ten years between 2000 and 2010, 51% of the PSR emphasized on environmental issues, 23% emphasized on both social and environmental issues and 20% focused solely on social issues. On top of this, for those who did emphasize on social issues, the focus was on corruption and bribery rather than on human rights and labour conditions (Hoejmosse & Adrien-Kirby, 2012). It showed that PSR research on labour and health & safety standards was still lacking.

CSR researches have been conducted in Malaysia since ten years ago but the research in 2013 still mentioned the lack of understanding and emphasised on the concept of CSR in Malaysia (Abdul & Ibrahim, 2002; Amran, Zain, Sulaiman, Sarker, & Ooi, 2013; Lo & Yap, 2011; Lu & Castka, 2009). In addition, CSR implemented in Malaysia were mostly limited to large local organisations and multinational corporations (Ching & Wad, 2009; Lu & Castka, 2009; Palaniapan, 2007).

So far, there is lack of PSR research in Malaysia although there were CSR researches which briefly covered PSR and supply chain (Bursa-Malaysia, 2007; CSR-Asia, 2008). However, the abovementioned researches revealed that Malaysia faired poorly in supply chain and lacked implementation of CSR key concepts in the supply chain (Bursa-Malaysia, 2007; CSR-Asia, 2008). Apart from this, no further details were mentioned about PSR. There were several researches conducted for just one dimension of PSR, which was green purchasing or environmental purchasing (T. K. Eltayeb & Zailani, 2010; T. K. Eltayeb, Zailani, & Jayaraman,

2010; GPNM, 2003). Nevertheless, there was no research on PSR in the dimensions of labour and health & safety standards.

PSR is closely related to stakeholder and thus it is justified for PSR researches to adopt stakeholder theory. In fact PSR are activities that involve the pursuit of the interests of multiple stakeholders (C.R. Carter & Jennings, 2000). There were several PSR researches based on stakeholder theory but more empirical research is required from within, other countries and industries. Isabelle Maignan and McAlister (2003) made a proposition that the more powerful the stakeholder community is, in advocating a purchasing issue, the more proactive the PSR strategy of the focal company will be, on that issue. However, the abovementioned research is a conceptual paper and lacks empirical support. Moreover, the conceptual paper did not identify the powerful stakeholders for PSR activities. Furthermore, the conceptual paper only investigated stakeholder power as the sole attribute of stakeholder without including the other two essential attributes of stakeholder, namely legitimacy and urgency as proposed by Mitchell, Agle, and Wood (1997) on stakeholder salience.

Park-Poaps & Rees (2010) examined the salience of four stakeholder forces on PSR in proactive labour management, which included consumers, industry peers, the media and regulation. However, the research was focused on apparel and footwear industry and not other industries neither did it cover all the PSR activities except for internal direction and partnership. In addition, the research only focused on four stakeholder forces and not other stakeholders as mentioned by Freeman (1984, 2010). Beside this, the research merely covered purchasing managers in the United States and the findings may not be applicable to other countries, especially Asian countries showing lower levels of PSR.

A conceptual research concluded that not all stakeholders have a direct effect on PSR implementations and that there were certain conditions attached to their salience. The research mentioned that customer is a salient stakeholder of PSR implementation. However, the research mentioned that PSR is only effective if an influential stakeholder from the purchasing function such as a chief purchasing officer promotes it. The paper also mentioned that corporate management is a salient stakeholder of PSR implementation if there is a corporate CSR strategy. However, competitors, regulatory authorities and NGOs are salient stakeholders if they influence corporate management, customers and suppliers to adopt CSR strategy. NGOs are salient stakeholder of PSR implementations if they influence government authorities (Schneider & Wallenburg, 2012). However, the research did not focus on any dimension of PSR when in fact, companies could be proactive in different PSR dimensions.

In conclusion, the research on PSR activities is lacking, especially on labour issues, when the current situation indicates that challenges with labour and health & safety are happening in Asia and in Malaysia in particular. In addition, investigation into the role of stakeholders must be integrated in any research on PSR activities.

1.3 Research Problem

Multinational companies encountered labour violations from their suppliers located in Asia (R. Welford & Frost, 2006). Branded companies like Apple, Samsung and Sony discovered late payment of wages, long working hours and child labour from their suppliers in China (Bloomberg, 2012; David Pierson, Oct 30, 2012; Verge, 2012). The issues become more serious to multinational companies after the media identified their suppliers as those who violated labour and health & safety. This bad publicity of labour and health & safety issues greatly affected the

corporate image and reputation of multinational companies. It is high time for multinational companies to manage suppliers' labour and health & safety. However, the responsibility of managing suppliers' labour and health & safety has been assigned to the purchasing function in the companies. It is because the purchasing function has the most interfaces and distinct relationship with suppliers, and it will be most influential for them to manage suppliers' labour and health & safety. Hence, purchasing managers are required to incorporate labour and health & safety in in PSR activities, which include supplier selection, supplier audits, supplier contract, supplier training, supplier incentives and supplier partnership.

Suppliers' labour issues have also affected purchasing managers of multinational companies located in Malaysia. It is because labour and health & safety issues happened to suppliers located in Malaysia, such as Jabil, Flextronics and Hytex (Bormann et al., 2010; Nike, 2007-9). The issues included poor accommodation, lack of hygiene, work permit issues, unequal treatment, wage discrimination, non-payment of wages, long working hours, no freedom of association, health, safety and human right issues (Amnesty, 2010; Bormann et al., 2010; E. Devadason, 2011; E. S. Devadason & Meng; FLA & Bar-Council, 2009; D. P. Hill, 2012; Kanapathy, 2008; Nike, 2007-9; Wahyono). Since purchasing managers' primary task is to manage suppliers, it is crucial for them to implement PSR activities in order to address supplier issue related to labour and health & safety as mentioned above. However, there is lack of information pertaining to the nature PSR activities in Malaysia except previous CSR literatures (CSR-Asia, 2008; R. Welford & Frost, 2006), which mentioned very briefly about supplier audit, one type of PSR activities. Hence, this research fills the research gap to study the nature of PSR activities in Malaysia context.

There was low level of PSR activities in Malaysia and it is crucial to examine the barriers that associated with it. CSR literatures reported about low levels of support initiative for suppliers,

low level of supplier audits, flawed methodology of audits, low CSR standards for suppliers and lack of understanding for CSR concepts in supply chain (Bursa-Malaysia, 2007; CSR-Asia, 2008; R. Welford & Frost, 2006). However, the barriers to PSR were quite different among different countries such as Hong Kong, the United States and Sweden (Antonio, 2011; C.R. Carter & Jennings, 2000; Oksana & Charlotte, 2009). For example, resistance from supply chain members was found as a barrier in the United States but not in Hong Kong and Sweden. Communication with uneducated workers was found as barrier in Hong Kong & Pearl River Delta but not so in Sweden and the United States. In addition, the above three researches of PSR barriers emphasized on PSR in general without focusing on PSR activities and any specific dimension of PSR such as labour and health & safety. Thus, there is need for this research to include barriers to PSR activities focused on labour and health & safety in Malaysia context.

Stakeholders greatly influenced the PSR in Sweden and the United States (Oksana & Charlotte, 2009; Park-Poaps & Rees, 2010). In fact it was proposed much earlier that PSR was adopted as the result of stakeholder power and the degree of PSR activities were affected by the characteristics of stakeholders (Isabelle Maignan et al., 2002). However, little is known about the influence of stakeholders on PSR activities in Asia. R. Edward Freeman (2010) mentioned that stakeholders differ overtime and rely on industry and issues. Mitchell et al. (1997) proposed that stakeholder salience is identified by the cumulative of three stakeholder attributes, which are legitimacy, power and urgency. However, there is lack of empirical research to examine stakeholder salience of PSR activities on any specific issues in different industries. Isabelle Maignan et al. (2002)'s PSR research was conceptual propositions with sole attribute of stakeholder power without considering urgency and legitimacy. The research of Oksana and Charlotte (2009) was on PSR in general without emphasising on any industry, labour issues or any stakeholder attributes. The research of Park-Poaps and Rees (2010) focused on labour issues and stakeholder salience in apparel and footwear industry in the United States but it did not

cover all types of PSR activities except supplier partnership. Thus this research fills the above research gaps by studying stakeholder salience of PSR activities focused on labour and health & safety for electronics and electrical industry in Malaysia. In fact this research contributes to stakeholder salience differently by studying more types of PSR activities in different industry and location as compared to the research of Park-Poaps and Rees (2010).

It is not clear whether purchasing managers practice PSR activities exactly as what documented on their corporate websites. The reason being serious labour violations were still found in suppliers of multinational companies located in Malaysia such as Jabil and Flextronics (Bormann et al., 2010) even though PSR activities are documented clearly in the corporate websites of many multinational companies. It is not known about purchasing managers' direct experience of practising PSR activities in order to manage suppliers' labour issues in Malaysia. Thus, it is appropriate for this research to be conducted in phenomenological approach, which emphasize on lived experience, first hand experience or direct experience instead of second hand experience, theoretical explanations or philosophical concepts. Moreover, phenomenological approach of studying lived experience has rarely being conducted on PSR activities. In addition, the phenomenological approach has rarely being used to study about purchasing managers in particular. For instance, the lived experience of purchasing managers was missing when the previous qualitative research on CSR in Asian supply chain was conducted from the perspectives of CSR managers, CSR experts and factory managers/owners (R. Welford & Frost, 2006) The lived experience of purchasing managers was also missing on case study researches conducted in IKEA and Marks & Spencer (Andersen & Skjoett-Larsen, 2009; Johnson, 2004). The reason being the case study approach focuses on organisation or programs, which neglects the lived experience of purchasing managers. Thus this research adds to the knowledge of qualitative methodology by studying PSR activities in phenomenological approach.

In conclusion, phenomenological study is required to describe the lived experience of purchasing managers with regard to the nature, the barriers and the stakeholder salience of PSR activities.

1.4 Research Objective

The objective of this study is to describe the lived experience of purchasing managers in PSR activities. Specifically, this research explored the lived experiences of purchasing managers with regard to purchasing social responsibility (PSR) activities focused on labour and health & safety. As transcendental phenomenological approach is chosen for this research, the research objective being to develop a textural and structural description of a phenomenon called PSR activities. The research objective is not to identify variables or to test hypotheses but to describe the lived experience of purchasing managers with regard to PSR activities focused on labour and health & safety.

1.5 Research Questions

The research questions comprised a primary question and three sub-questions. The primary question is broad, thus do not limit the discovery of emerging data. The sub-questions, which are related to each other, and expands on the primary research question, narrow the focus without constraining the research (Creswell, Hanson, Plano, & Morales, 2007).

Research questions for this research sought to describe the experience of purchasing managers in PSR activities. Thus, the word experience is stated in primary research question in order to emphasize the direct experience of participants rather than second hand experience, expectations, theoretical explanations or philosophical concepts.

Primary Research Question:

What is the lived experience of purchasing managers with regard to PSR activities, which are focused on labour and health & safety?

The following sub questions break down further the context of research on the ‘experience’ of purchasing managers by investigating three aspects in order to be specific in questioning the nature, the barriers and the stakeholder salience of PSR activities:

- What is the nature of PSR activities?
- What is the nature of barriers to PSR activities?
- What is the nature of stakeholder salience in relation to the PSR activities?

Blaikie (2008) mentioned that ‘What’ questions seeks descriptive answers, discover and describe the pattern of the social phenomenon in question. Thus, this research used ‘What’ question in order to describe the pattern of a phenomenon called PSR activities. This research did not use ‘Why’ questions, which seek understanding or explanations to the relationship between events. This research also did not use ‘How’ questions, which seek to intervene or solve problems (Blaikie, 2008).

As research on PSR activities in Malaysia is a very new topic or phenomenon, ‘What’ questions are sufficient and suitable to describe the meanings and essences of these PSR activities. In addition, ‘What’ questions were used for previous phenomenological dissertations (without usage of any ‘How’ or ‘Why’ questions). For example, ‘What’ questions were used for a previous dissertation to study CSR for U.S. Fortune 500 companies (Berger, 2013) and enlightening leadership (Mays, 2008). Finally, the qualitative questions are open-ended,

evolving and non-directional and thus “What” questions were capable to generate a lot of data from the experience of participants in this research of phenomenological study.

1.6 Scope of Research

The scope of this research included the lived experiences of PSR activities for purchasing managers in the northern region of Malaysia. The scope of lived experience included direct description of experience and what participants lived through. It was not second hand experience, philosophical concepts or theoretical explanation. The study was mainly descriptive in nature.

The research scope focused on electrical and electronics (E & E) industry in northern region of Malaysia because this E & E industry is the biggest industry, contributing to almost 45% of total exports in Malaysia for 2011 and 2012 (MITI). The E & E industry contributed RM250 billion of total exports and employed about 522,000 skills and semi-skilled employees in Malaysia in 2011 (Pemandu, 2011). The E & E industry has 1900 active companies in Malaysia as reported by Pemandu (2011) and approximately 200 of these companies are situated in Penang according to Penang state government (investPenang). The two largest industrial areas in northern region of Malaysia are Penang and Kulim Hi-Tech Park. This phenomenological research employed a small sample of 15 purchasing managers from the available companies of approximately two hundred E & E companies at Penang and twenty E&E companies at Kulim H-Tech Park. Another reason for selecting Electrical and Electronics are the labour issues in this sector of companies in Penang such as Flextronics and Jabil (Bormann et al., 2010).

Thus the research scope is on electrical and electronics companies, which were using supplier code of conduct as a tool in PSR activities. The research participants are purchasing managers

working in electrical and electronics companies with at least a year's experience on PSR activities on labour and health & safety. However, the research focused on the experience of participants and it is relevant regardless the numbers of years are. Rich data should come from the interview discussions but not the years of participants' experience. In addition, it is understood that PSR activities are a very phenomenon in Malaysia. The participants (purchasing managers) are responsible for any related PSR activities and hence this research did not include CSR managers, owner/factory managers or CSR experts as participants. This research added value to previous research on CSR of Asian supply chain (R. Welford & Frost, 2006), which did not include purchasing managers in its research. However, CSR experts, CSR managers and owners/ factory managers may appear as part of the important themes as salient stakeholders of PSR activities and this research would reveal the findings. Hence, the role of other functional managers would be described as stakeholders from the perspectives of purchasing managers.

1.7 Significance of the Study

This research provides theoretical contributions to the knowledge on stakeholder salience that developed from stakeholder theory. This study contributes to stakeholder theory by examining the salient stakeholders and their influence on purchasing managers' PSR activities. In addition, this study provides practical contributions to corporate headquarters, customers and purchasing managers of multinational companies with regard to the nature of PSR activities and the barriers to PSR activities. Moreover, it provides practical contributions to policy makers and government pertaining to the amendment and enforcement of labour law. This study also contributes to qualitative phenomenological approach as the first few PSR researches to be conducted in this approach, to examine the lived experience of purchasing managers. The significance of the study is further explained in the following sub topics of 1.7.1 and 1.7.2.

1.7.1 Theoretical Contributions

This research contributes to stakeholder theory by studying the nature of stakeholder salience on PSR activities. This study contributes to stakeholder salience, which consists the three attributes of legitimacy, power, and urgency (Mitchell et al., 1997). This research studies the degree of existence of each stakeholder attribute and their impact on PSR activities as perceived by purchasing managers. This study adds to the knowledge of stakeholder salience by examining purchasing managers' perception of high salient stakeholders who possess all the three attributes, moderate-salient stakeholders who possess two attributes and low salient stakeholders who possess only one attribute. Moreover, this study examines the influence of high salient stakeholders towards the nature of PSR activities and the barriers to PSR activities.

This research contributes to stakeholder salience by providing empirical evidence to previous conceptual paper, which proposed the stakeholder power on PSR activities without identifying the specific stakeholders who possess power (Isabelle Maignan & McAlister, 2003). Apart from stakeholder power, this research includes stakeholder urgency and legitimacy on PSR activities. In addition, this research provides empirical evidence to another previous conceptual research (Schneider & Wallenburg, 2012) by studying internal and external stakeholders and their salience on PSR activities with a focus on labour and health & safety.

Stakeholder theory mentioned that stakeholders differ over time and rely on industry and issues (R.E. Freeman, 1984). This research contributes to stakeholder theory by studying stakeholder salience with regard to PSR activities focused on the current issues of labour, health and safety in Malaysia. Previous research studied stakeholder salience for PSR activities in footwear and apparel industry (Park-Poaps & Rees, 2010). Thus, there is research gap to study stakeholder salience for PSR activities in other industries. This research contributes to the concept of

stakeholder salience by studying stakeholder salience on PSR activities in electrical and electronics industry.

1.7.2 Practical Contributions

This research offers a number of practical implications and insights of purchasing social responsibility to business sectors, policy makers and NGOs. This research on lived experience of purchasing managers in PSR activities, can serve as living inspiration, clear understanding and benchmarking for other purchasing managers who have yet to implement PSR activities. The nature of PSR activities described in this research will provide the valuable feedback for top management of multinational companies to review and support their PSR activities. Based on the research findings, they could compare and evaluate their current PSR activities. They can then work with their purchasing managers to upgrade their PSR activities to the desired level.

This research studied the barriers to PSR activities, which is unique and relevant to Malaysian scenario as compared to previous researches conducted in other regions. Thus, the research finding will be very useful for top management of companies to assist in removing or overcoming the barriers to PSR activities. To purchasing managers, the awareness of these barriers would get them to get prepared in overcoming the barriers. By overcoming the barriers to PSR activities, purchasing managers could have greater involvement in PSR activities.

This research of PSR activities focuses on labour and health & safety would improve the welfare of suppliers' workers such as higher wages and better accommodation. This may then inspire workers to work harder to increase their work productivity. Subsequently it may increase suppliers' production volume and profits, which in return will be passed to participants'

companies. In fact the increase of worker productivity could potentially increase a country's gross domestic product (GDP) and also competitiveness in the global market.

To Malaysian government and policy makers, this research adds value in assisting the decision and formulation of regulations, policies, incentives or subsidies to promote and upgrade PSR activities in companies, which would subsequently upgrade the CSR efforts in Malaysia. It is because PSR activities of focal companies will improve the CSR of their suppliers, which will subsequently improve the CSR of more and more companies in Malaysia, which ranged from SMEs to multinational companies. Finally, this PSR and CSR improvement will safeguard the company image and reputation of firms located in Malaysia in order to stay competitive in the global economy. The reason being labour issues affect company image and reputation, which cause some customers to boycott or support the company products. Subsequently they affect the company revenues and national economy. For labour unions and NGOs who are labour advocates, these PSR activities focus on labour and health & safety standards may be worthwhile for their reviews and supports.

Previous research concluded that purchasing social responsibility is not universal in different regions (Antonio, 2011). This research will add to the knowledge of the PSR activities focus on labour and health & safety standards in Malaysia context and how do they differ with other countries or regions. So far, very few empirical studies on this topic has been conducted in Malaysia, thus, this study could add considerable knowledge in this area and provide as base for future studies of this issue.

This phenomenological approach used this research differs from previous quantitative and case study researches because it emphasize on lived experience of individual purchasing managers in

PSR activities. This phenomenological approach of research in PSR activities focuses on purchasing managers' perspectives based on the organisations they are attached to. Thus this phenomenological research contributes differently from case study research, which solely focuses on organisations as social units.

1.8 Definition of Terms

Corporate Social Responsibility (CSR)

Continuing commitment by companies to improve the quality of life of the workforce and their families as well as the community and society at large (World Business Council for Sustainable Development).

Purchasing social responsibility (PSR)

The involvement of purchasing function in suppliers' labour and health & safety (C.R. Carter & Jennings, 2004).

Code of Conduct

Guidelines for companies on a range of issues including child labour, forced labour, wages and benefits, working hours, disciplinary practices, the right to freedom of association, health and safety, and environmental practices (Mamic, 2005).

Supplier code of conduct

It is the code of conduct given to suppliers for their guidelines on social and environmental standards (Oehmen, De Nardo, Schönsleben, & Boutellier, 2010).

Labour standards

Rules to protect basic worker's rights, enhance workers' job security, and improve their term of employment (EICC).

Health and Safety Standards

Rules to keep workers safe from injury or disease at work (EICC).

Purchasing social responsibility (PSR) Activities

Incorporate labour, health and standards in the tasks of selecting and acquiring goods from suppliers (Isabelle Maignan & McAlister, 2003; Maria, 2010).

Stakeholder

It is any group or individual who can affect or is affected by PSR activities (R.E. Freeman, 1984)

Stakeholder Saliency

The degree to which managers give priority to competing stakeholder claims, to whom managers actually pay attention (Mitchell et al., 1997).

Phenomenological study

The study to describe the meaning of experience of a phenomenon for several individuals (Moustakas, 1994).

Lived experience

Directly experience the phenomenon as opposed to second hand experience, theoretical explanation or abstract philosophical concept (Creswell et al., 2007; Patton, 2002; Taves, 2003).

Textural description

The description of what the participants experienced, nothing is omitted; every dimension is granted equal attention and is included (Creswell, 2007; Moustakas, 1994)

Structural description

The description of essences and meanings after involving conscious act of thinking, judging, imaging and recollecting (Moustakas, 1994).

1.9 Organisation of the Thesis

The thesis is organized as follows:

Chapter One is an introductory chapter which provides an overview about the research background, research problem, research objectives, research scope and significance of the study.

Chapter Two provides literatures review pertaining to PSR activities, barriers to PSR activities, labour standards and health & safety standards

Chapter Three provides literature review on stakeholder theory, stakeholder salience and stakeholder attributes.

Chapter Four provides research methodology, techniques of data collection and data analysis.

Chapter Five analyses the data collected with identification of invariant constituents and description of textural-structural for each research participant.

Chapter Six discusses the meanings and essences of the research result with regard to purchasing managers' experience of PSR activities and the related stakeholder salience.

Chapter Seven finalise theoretical contributions, practical contributions, methodological contributions, recommendations, limitations, suggestion for future research and conclusions.

1.10 Summary

In summary, this chapter provided an overview of the research conducted and an outline of how this thesis is structured. This chapter also explained the background and research problem related to PSR activities with focus on labour and health & safety. Other important areas of the study such as research objectives, research questions, and definition of terms were presented. In addition, theoretical contributions to stakeholder theory; methodological contributions to phenomenological approach; and practical contributions to labour force, purchasing function, and E & E industry were explained.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction

The increase of migrant workers has caused frequent labour violations for suppliers located in the Asian region. Purchasing managers are now expected to focus more attention on suppliers' labour issues. Thus, purchasing managers begin to practice purchasing social responsibility (PSR) by incorporating labour requirement in purchasing activities with suppliers. This chapter conducts the literature review on PSR, PSR activities, labour, health, safety and barriers related to PSR.

2.2 Purchasing Social Responsibility (PSR)

PSR activities are related to PSR and PSR is originated from CSR. CSR is the companies' responsibility for their impacts on society (European Commission). The involvement of purchasing function in corporate social responsibility (CSR) was called as purchasing social responsibility (PSR) (C.R. Carter & Jennings, 2000, 2004). Other researchers also called PSR as socially responsible buying (Isabelle Maignan et al., 2002), socially responsible purchasing (Leire & Mont, 2010; Worthington, 2009; Worthington, Ram, Boyal, & Shah, 2008), supply social responsibility (Novak, 2004), ethical sourcing (Johnson, 2004; Lillywhite, 2007; Roberts, 2003) , corporate social responsibility in purchasing (Maria, 2010; Salam, 2009) or socially and environmentally responsible procurement (Hoejmosse & Adrien-Kirby, 2012). However, this research adopts the term of PSR originated from Carter & Jennings (2004). The term PSR were also adopted by Antonio (2011) in a research in Hong Kong, Maria (2010) in the IKEA and H&M conceptual research and Salam (2009) in PSR driver research in Thailand.

Corporate social responsibility (CSR) is now expected by the stakeholders such as customers, investors, share holders, NGOs, regulatory agencies and the media. A lack of CSR could damage the relationship with all these stakeholders (C.R. Carter & Jennings, 2000; Ki-Hoon & Ji-Whan, 2009). Due to this, a lot of export oriented companies might lose business as customers looked for large enterprises which could implement CSR (Johnson, 2004; R. Welford & Frost, 2006). Because multinational companies depended on their suppliers to provide them the raw materials, components and services, they were increasing responsible for the social performance of their suppliers (Andersen & Skjoett-Larsen, 2009). Therefore, the success of the CSR implementation in the companies was heavily depended on their suppliers. Moreover, companies were made accountable for their suppliers' social behaviour (Isabelle Maignan et al., 2002).

In 2005, Wal-Mart was sued by its suppliers' workers from China, Bangladesh, Indonesia, Swaziland and Nicaragua because of their suppliers' employment condition that violated Wal-Mart's code of conducts (Kenny, 2007). Though Wal-Mart was found not liable in the lawsuit but it showed how important it is for global brands to manage suppliers' working condition. Thus, first tier suppliers for global brands which were capable of implementing CSR expected their own suppliers to have good CSR practices as well (R. Welford & Frost, 2006). Due to purchasing managers having distinct interaction with suppliers, they could play a very important role in suppliers' social responsibility (C.R. Carter & Jennings, 2000). Purchasing managers in big multinational companies possess the power to influence many suppliers' CSR. For example IBM's corporate social responsibility report mentioned that the company has 30,000 suppliers spread over more than 60 countries (IBM, 2008). CSR would be effectively implemented with the capacity of procurement function to influence their suppliers (Roberts, 2003). This is due to the fact that purchasing function's involvement had a positive effect on suppliers' performance (Craig R. Carter & Jennings, 2002). The major CSR drivers in Asia tend to be external in the form itself and related with trade, procurement (purchasing) and supply chain issues (Welford

and Frost, 2006). This again shows the importance of purchasing function on CSR for the Asian region.

2.2.1 Global PSR Issues

The previous researches showed that PSR level varied in different regions and countries. C.R. Carter and Jennings (2000) and C.R. Carter (2004) initiated researches with the finding that there was high level of PSR in the United States. In the United Kingdom, at least 44% of the FTSE100 companies adopted ethical sourcing codes in PSR (Preuss, 2009). However, in Sweden, PSR was still more on risk management rather than value creation and it was only available by a small number of Swedish front-running companies and there were differences between the few front-running companies and the rest (Mont & Leire, 2008). In Denmark, the supply chain CSR has often been associated with large, high-profile multinationals (Pedersen, 2009). In Korea, social aspect of PSR such as labour standards or health & safety was still not commonly used and there was a lack of implementation compared with environmental standards (Ki-Hoon & Ji-Whan, 2009). A numbers of labour issues were found in PSR researches in China, Hong Kong and Pearl River Delta. As PSR is practiced differently in different countries, there is a need to study further how it is practiced in specific countries.

The PSR research conducted in the United States covered the dimensions, drivers, barriers and outcomes of PSR (C.R. Carter, 2004, 2005; C.R. Carter & Jennings, 2000, 2004). PSR empirical researches have been conducted in Hong Kong/Pearl River Delta and Thailand but have yet to be conducted in Malaysia (Antonio, 2011; Lillywhite, 2007; Salam, 2009). PSR research conducted in Hong Kong /Pearl River Delta covered PSR dimensions, benefits and barriers. PSR research in Thailand covered PSR drivers.