

**SOCIAL RESPONSIBILITY AMONG SMALL AND  
MEDIUM ENTERPRISES IN KWAZULU-NATAL**

by

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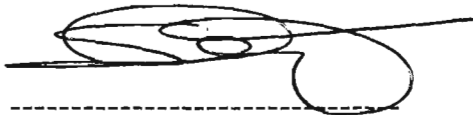
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## DECLARATION

I, the undersigned, Soobramoney Chetty, hereby declare that the work that I present in this thesis is based on my own research, and that I have not submitted this thesis to any other institution of higher education to obtain an academic qualification.



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## ABSTRACT

Globally, the social responsibility of business has become an important issue in recent years. In South Africa, it has assumed even greater significance given the enormity of the socio-economic problems besetting the country. There is an extensive body of literature pertaining to the social responsibility of large organizations, but little theoretical or empirical research has been undertaken within small and medium enterprises, notwithstanding the important role they play in the economy of a country. In cognizance of the aforementioned, this study wishes to expand the body of knowledge in respect of the social responsibility of small and medium enterprises, by examining the perceptions and behaviour of SMEs in KwaZulu-Natal regarding their social responsibility.

The target population for the study was derived from the membership list of the three largest business organisations in KwaZulu-Natal, viz. the Durban Chamber of Commerce & Industry, the Pietermaritzburg Chamber of Business, and the Zululand Chamber of Business, and consisted of organisations employing no fewer than 20, and no more than 200 employees.

In general, it emerged that the majority of SMEs in KZN are involved, to a large extent, in socially responsible activities related to their employees, but are minimally involved in socially responsible activities pertaining to the community and the natural environment. However, despite their low level of engagement in the latter, the majority of SMEs in KZN rated their businesses as being either successful or very successful. The most commonly cited reasons for a lack of greater involvement in CSR activities were a lack of time/manpower, and the costs/impact on profits resulting from engagement in CSR activities.

The study recommends, inter alia, that the local Chambers of Business and sectoral bodies should play a more active role in fostering CSR among SMEs; that the strategies and initiatives used to foster CSR among large businesses should not be used for SMEs, and that the phrase 'small business responsibility' should be used instead of the term 'corporate social responsibility', as the latter might invoke fear and resistance on the part of SMEs. In light of the research findings, the study concludes by proposing a model/guide to assist SMEs in KZN to become (more) socially responsible.

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## LIST OF ACRONYMS AND ABBREVIATIONS

AA	Affirmative Action
AIDS	Acquired Immune Deficiency Syndrome
ANC	African National Congress
ANOVA	Analysis of Variance
ASGISA	Accelerated and Shared Growth Initiative for South Africa
BEE	Black Economic Empowerment
BSR	Business for Social Responsibility
CID	Corporate Internal Decision
CSER	Community, Social and Environmental Responsiveness
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DCCI	Durban Chamber of Commerce & Industry
DTI	Department of Trade & Industry
EE	Employment Equity
EU	European Union
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
IISD	International Institute for Sustainable Development
ISO	International Standards Organisation
KZN	KwaZulu-Natal
MNCs	Multi-national Corporations
NGOs	Non-Governmental Organisations
PCB	Pietermaritzburg Chamber of Business
SEDA	Small Enterprise Development Agency
SMEs	Small and Medium Enterprises
SMMEs	Small, Micro, and Medium Enterprises
SPSS	Statistical Programme for Social Sciences
TNCs	Trans-national Corporations
UK	United Kingdom
UNIDO	United Nations Development Organisation
UNISA	University of South Africa
ZCB	Zululand Chamber of Business

## CHAPTER ONE

### OVERVIEW OF THE STUDY

#### 1.1 PREAMBLE

Globally, the social responsibility of business has become an important issue in recent years. In South Africa, the social responsibility of the business has assumed even greater importance, given the enormity of the socio-economic problems besetting the country. In this regard, big business continues to play a sterling role. Big businesses are actively involved in, *inter alia*, job creation, poverty alleviation, health, gender and environmental issues, and black economic empowerment. According to the Financial Mail (7 December 2007), corporate South Africa invests more in social responsibility than any other nation in the world – on average large corporations were spending 1.3% of after-tax profits on socially responsible programmes, equivalent to approximately R4billion-R5billion per annum. Big businesses have formalized policies, and even separate units to focus on social responsibility programmes. Furthermore, they ensure that their activities in this regard are well documented and publicized. Indeed, the concern of society has focused on the social responsibility of big businesses, and most of the research undertaken has been directed towards this aspect (Lepourte & Heene, 2006).

Alongside the hundreds of large well-known companies, there are thousands of small and medium-sized enterprises (SMEs) operating across South Africa. Collectively, these organizations employ hundreds of thousands of people, and generate billions of rands in turnover (DTI, 2001). These SMEs, while probably less in the public's consciousness than big businesses, operate in the same environment, and are, therefore, affected by similar problems and challenges. The question arises: what are the perceptions and behaviours of the owners/managers of small and medium-sized enterprises regarding the social responsibility of their businesses? Are SMEs less socially responsible than large organizations, or are they more socially responsible? The answer is unknown because

there has been little research undertaken on this aspect. Although a large business may have a greater impact on society, or on a larger segment of society, than a smaller one, the smaller business may have more of an impact on its local environment and community than a large business with no operations in the immediate area. Furthermore, while the individual efforts of small and medium enterprises in the area of social responsibility may appear negligible, collectively, they can make a meaningful contribution (Roth, 1982). In cognizance of the aforementioned, this study aims to establish the perceptions and behaviour of small and medium enterprises in KwaZulu-Natal (KZN) in respect of social responsibility. A comprehensive study of this nature has not, to-date, been undertaken.

## **1.2 DEFINITION/CLARIFYING CONCEPTS**

For the purposes of this study two concepts need clarification, namely, what constitutes a small or medium-sized enterprise, and what is meant by the term “corporate social responsibility”.

### **1.2.1 Definition of small and medium-sized enterprises**

There is no universal definition of a small or medium-sized enterprise, because the economies of countries differ and people adopt particular standards for specific purposes. In most countries it is, therefore, accepted practice to make use of quantitative and qualitative criteria when attempting to define a small or medium-sized enterprise. The most general quantitative measure for a small business is the number of people it employs, and from a qualitative point of view, the general criterion is that the owner must be part of the management of the business. In terms of the European Union guidelines, for example, a small or medium-sized enterprise is defined as one with under 250 employees, and/or a turnover of under 40 million euros, and/or one which is over 25% owner-managed (European Commission, 2004). According to Cronje, Du Toit, Marais &

Motlatla (2004:44), a SME in South Africa is defined as any enterprise which possesses **one or more** of the following characteristics:

- fewer than 200 employees;
- annual turnover of less than R5 million;
- capital assets of less than R2 million; and
- direct managerial involvement by the owner/s.

The term SME usually refers only to firms operating within the formal (legally registered) economy, although it is estimated that at least two-thirds of small, medium and micro enterprises in South Africa are informal (International Institute of Sustainable Development, 2004). For this study, the definition of SMEs advanced by Cronje et al. (2004:44) was adopted.

### **1.2.2 Definition of Corporate Social Responsibility (CSR)**

There is no standard definition of the term Corporate Social Responsibility (CSR). The World Business Council for Sustainable Development defines CSR as follows: “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (UNIDO, 2002).

According to Nieman & Bennet (2002:360), social responsibility involves the managerial obligation to protect and improve the welfare of interest groups (stakeholders), society as a whole and the interests of the business. More specifically it refers to the following:

- The improvement in the quality of life of employees (excluding salary and wage adjustments), and the creation of a social infrastructure that promotes cultural and educational development in the community.
- An obligation to co-operate in raising the standard of living or quality of life, improving the working environment, and creating a better social, ecological and aesthetic environment for the benefit of all employees, and simultaneously for the benefit of all the members of the community or society, and even for the citizens of the country.

The terms “Corporate Social Responsibility” and “Corporate Social Investment” (CSI) are not synonymous. According to *The Good Corporate Citizen*, as quoted by Finance Week (30 June 2004:40), CSI refers to an organization’s contributions to society and communities extraneous to its regular business activities - whether such contributions are monetary or in the form of other organizational resources or time. While CSI might be effected via charitable or philanthropic acts, it increasingly serves to support business development objectives and leverages its core skills in the business. As such, CSI is an important sub-set of CSR, and it is not an alternate term for CSR.

### **1.3 MOTIVATION FOR THE STUDY**

The expectations that society and government have of organizations are quite different today compared to what they were twenty years ago. Government, at central, provincial and local level, influences organizations primarily through legislation, policies and regulations. However, the present government regards business as an important partner in addressing the socio-economic problems in South Africa (Nieman & Bennett, 2002:289). There is an extensive body of literature that examines and discusses corporate social responsibility from the perspective of large organizations, but SMEs have traditionally been overlooked in this area (BRASS, 2005). Small business social responsibility research may have been hampered by the assumption that limited

opportunities exist for small firms to exercise their social responsibilities. According to Thompson & Smith (1991), SMEs have gained the reputation of being less capable of fulfilling social responsibility than large corporations. While the writers concede that the magnitude of resource investments or contributions by SMEs may be small, and the visibility of their social actions less conspicuous, when compared to big business, they maintain that an enlightened view of social responsibility suggests that small business social actions are only limited by the imagination of small business owner-managers. With respect to the social responsibility of SMEs, there are many questions that need to be answered, *inter alia*: how do SMEs define CSR, what kind of CSR related activities do they undertake, and are SMEs experiencing any external pressures to engage in CSR? The purpose of this study is to address these and similar issues related to the social responsibility of SMEs by surveying the perceptions and behaviours of SMEs in KwaZulu-Natal.

#### **1.4 PROBLEM STATEMENT**

The application of social responsibility in SMEs is of central importance, given that they do play a critically important role in the economic and industrial development of a country. According to Luetkenhorst (2004:159), SMEs make up approximately 90% of enterprises, and account for approximately 50–60% of employment in developing countries. In addition, they tend to employ more labour-intensive production processes than large enterprises, and accordingly contribute significantly to the provision of productive employment opportunities, the generation of income, and ultimately, the reduction of poverty.

Despite the important role which SMEs play in the economy of a country, there is a paucity of research in the area of the social responsibility of SMEs, and it will be inaccurate to simply assume that their socially responsible behaviour corresponds with those of large corporations. (Thompson & Hood, 1993:197). In South Africa, there is no record of any comprehensive research on CSR among SMEs. This study, therefore, aims



to partially address this problem by investigating the perceptions and behaviour of owners/managers of small and medium enterprises located in the province of KwaZulu-Natal, South Africa.

## **1.5 AIM AND OBJECTIVES OF THE STUDY**

### **1.5.1 Aim of the study**

The aim of this study is to establish the perceptions and behaviour of the owners/managers of small and medium-sized enterprises in KwaZulu-Natal regarding the social responsibility of their enterprises.

### **1.5.2 Objectives of the study**

The objectives of the study are:

- to ascertain to what extent SMEs in KZN are acting in a socially responsible manner;
- to establish the areas of social responsibility in which SMEs in KZN are involved;
- to investigate the rationale underpinning the involvement of SMEs in KZN in socially responsible activities;
- to determine the areas of social responsibility in which external stakeholders require SMEs to engage;
- to determine the degree to which the owners/managers of SMEs in KZN perceive a relationship between acting socially responsibly and being successful;

- to establish which factors in KwaZulu-Natal are perceived to pose the greatest threat to SMEs in the province; and
- to identify the barriers impeding the involvement of SMEs in socially responsible activities, and the type of assistance required by them to further engage in this area.

## **1.6 KEY RESEARCH QUESTIONS**

- What are the perceptions of SME owners/managers in KZN in respect of their responsibility towards the environment, their employees, and the community?
- To what extent are SMEs in KZN behaving in a socially responsible manner?
- On which areas of social responsibility are SMEs in KZN focusing their efforts?
- What motivates SMEs in KZN to engage in socially responsible activities?
- In which areas of social responsibility do external stakeholders expect SMEs in KZN to be involved?
- For SMEs in KZN, how strong is the relationship between being socially responsible and being successful?
- What are the main obstacles/barriers impeding SMEs from engaging in CSR activities?
- How can SMEs be assisted to further engage in socially responsible activities?

## **1.7 SCOPE OF THE STUDY**

This study is confined to SMEs who are registered members of three of the largest Chambers of Commerce/Business in KwaZulu-Natal, namely: the Durban Chamber of Commerce & Industry (DCCI), the Pietermaritzburg Chamber of Business (PCB), and the Zululand Chamber of Business (ZCB). It does not include SMEs in the other provinces as the study may become too longitudinal in nature. In addition, only businesses employing more than 20 but less than 200 employees shall be surveyed, as businesses with fewer than 20 employees are considered micro-enterprises, and those with more than 200 employees are considered as large businesses. The areas of social responsibility in which SMEs could be involved are wide. However, this study focuses primarily on the areas pertaining to SMEs' employees, the environment, and the communities in which they operate.

## **1.8 RESEARCH METHODOLOGY AND DESIGN**

A literature study using secondary sources of information was conducted with the objective of establishing, assembling and integrating theory with regard to corporate social responsibility and small and medium-sized businesses. From this study, management theories and principles and benchmark practices were used to evaluate the social responsibility practices of SMEs in KwaZulu-Natal. Newspaper and magazine reports, as well as government and non-governmental organisations' reports and publications were consulted to establish, *inter alia*, the nature and extent of the socio-economic problems in KwaZulu-Natal. Academic journals, international surveys and findings, pertinent to the study, were also referenced. In addition, internet articles, related to the topic, were accessed.

There are a large number of SMEs in KZN employing between 20 to 200 employees, but identifying and locating them is a difficult and time-consuming task. Therefore, the target population for this study was derived from the membership lists of the three largest

Chambers of Commerce in KwaZulu-Natal, namely: the Durban Chamber of Commerce & Industry (DCCI), the Pietermaritzburg Chamber of Commerce (PCB) and the Zululand Chamber of Commerce (ZCC). According to the 2006 membership lists of these three Chambers, they had a combined membership of 4 574 organisations, comprising of micro, small, medium and large businesses. Members who did not meet the standard definition of SMEs did not constitute the target population and were, accordingly, culled from the list. This screening process resulted in a sampling frame of 1 192 SMEs, consisting of 721 DCCI members, 350 PCB members, and 121 ZCB members.

The areas of social responsibility, in which SMEs could be involved, are very wide. However, this study focuses primarily on the areas pertaining to SMEs' employees, their environment, and their communities. A questionnaire used in a study in the United Kingdom, entitled "Engaging SMEs in Community & Social Issues", undertaken by a research consortium in 2002 on behalf of the British Department of Trade & Industry ([www.bitc.org.uk](http://www.bitc.org.uk)), was adapted for this study.

The completed questionnaires were collated and numerically referenced to facilitate the process of data capturing. Once the data were edited and cleaned they were captured on an Excel spreadsheet for statistical analysis. Descriptive statistics was used to analyse the preliminary data, but the researcher was also interested in making statistical inferences about the population from the sample. Hence, inferential statistics was used to present the data in statistical format so that important patterns, relationships and analysis became more meaningful. The Statistical Program for Social Sciences (SPSS), version 13 for Windows, was used to analyse the data and to conduct the relevant statistical tests.

## **1.9 CONTRIBUTIONS OF THE STUDY**

In view of the limited research that has been conducted on the social responsibility of small and medium enterprises, (as opposed to large organisations), this study, therefore, makes a meaningful contribution towards expanding the body of knowledge regarding

the social responsibility of small businesses, not only in South Africa, but globally as well. Hopefully, the study will also help to create awareness, among those SMEs surveyed and who are not engaged in socially responsible activities, of the moral imperative to do so and the benefits thereof. Finally, it is envisaged that the findings and recommendations emanating from this study, as well as the proposed model for encouraging social responsibility among SMEs in KZN, will be disseminated to the SMEs via the Chambers of Commerce/Business in KwaZulu-Natal.

#### **1.10 EXPECTED PROBLEMS WITH THE STUDY AND LIMITATIONS**

Compared to other developed countries, there is a dearth of information in respect of small and medium enterprises in South Africa, which is regarded as a developing country. Furthermore, some of the available information, especially the statistical information, is conflicting, and/or outdated. Although the state has, since the early 1990's, recognized the importance of SMEs to the economy, and has, accordingly, allocated more resources to promote the growth and development of the SME sector, the published literature in this area remains limited, hence the tendency to refer to newspaper and magazine articles.

Since the operating and financial data of large corporations appear in the public domain, their expenditures on social responsibility programmes can be easily verified. Similar data are extremely difficult to obtain from small and medium-sized business owners/managers due to the perceived confidentiality of the data. In other instances, the data may not be available because of elementary management information and control systems. In addition, large organizations ensure that their activities pertaining to social responsibility are well publicized, while those of SMEs are not that well publicized. The researcher, therefore, has to rely solely on the information provided by the respondents. Moreover, data collected via mail questionnaires will not overcome the self-reported data bias.

Finally, the study was restricted to small and medium enterprises in KwaZulu-Natal. Ideally, the social responsibility of SME throughout South Africa should have been studied. However, due to time and budgetary constraints, this was not feasible. Therefore, the findings of this study cannot be generalized to all SMEs in South Africa.

## **1.11 STRUCTURE OF THE STUDY**

Chapter two critically examines the major arguments for and against corporate social responsibility; discusses the stakeholder theory, and offers an overview of the development of corporate social responsibility, as well as the levels of corporate social responsibility. The chapter also examines the business case for CSR, as well as the CSR-SME interface, and concludes by reviewing the factors influencing the adoption of CSR by businesses, in general, as well as by small and medium enterprises.

Chapter three discusses, *inter alia*, the defining characteristics of SMEs; the strategic role of SMEs in the South African economy, and the role of the state in promoting the development of small businesses in South Africa. The chapter also discusses the socio-economic problems in South Africa; SME and sustainable development; the areas of CSR involvement for SMEs, and concludes with a synopsis of research findings in respect of the CSR practices of SMEs in other countries.

Chapter four presents a detailed discussion of the research methodology and design that were employed to conduct this study. More specifically, the chapter focuses on the sampling procedure and the data collection method that were employed; the manner in which the questionnaires were administered, and the statistical tests that were performed.

In chapter five, the results emanating from the survey, in respect of the perceptions and behaviour pertaining to the social responsibility of SMEs in KZN, are presented and discussed. The results are contextualized within the literature review, and where

appropriate, are compared with the results of similar surveys conducted in other countries.

Chapter six commences with a summary of the key findings of this study. Arising from the literature review, as well as the results of the survey, recommendations are made, and a proposed model for SME engagement in CSR activities is presented. The chapter concludes by outlining future areas of research, which are aligned to this study.

## **1.12 CONCLUSION**

This chapter presented an overview of the study. More specifically, the background to the study as well as the problem statement and the motivation for the study was discussed. In addition to the above, the aims and objectives of the study, as well as the key research questions were outlined. The research methodology and design, as well as the contribution and limitations of the study, were also discussed.

In the next chapter, the literature pertaining to corporate social responsibility is analysed and discussed.

## **CHAPTER TWO**

### **CORPORATE SOCIAL RESPONSIBILITY**

#### **2.1 INTRODUCTION**

A controversial and, at times, emotive issue concerns the responsibility of organizations towards society at large. Is an organization responsible for achieving only financial goals, or are there other responsibilities as well? What does it mean to claim that an organization has social responsibilities? This chapter commences with a brief description of the evolution of corporate social responsibility (CSR). Thereafter, the main arguments put forward by those who are for and against organizations being socially responsible are discussed and evaluated. These arguments are followed by a discussion of the stakeholder theory which posits that an enterprise has obligations not only towards its owners/shareholders, but also to others, both within and outside the organization, who affect, and are affected, by the actions of the enterprise. Other aspects pertaining to CSR are also discussed, including the business case for CSR, and the factors influencing the adoption of CSR. This chapter also addresses the important question of whether CSR is relevant to small and medium enterprises (SMEs), and how it differs from CSR in big business.

#### **2.2 EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY**

According to Corporate Watch (2006), the phrase 'corporate social responsibility' was coined in 1953 with the publication of Bowen's *Social Responsibility of Businessmen*, which posed the question 'what responsibilities to society can business people be reasonably expected to assume?' Literature on the subject in the 1960s expanded the definition, suggesting that, beyond legal obligations, businesses had certain responsibilities to society. In 1984, Peter Drucker, the renowned academic and



management consultant, wrote about the imperative to turn social problems into economic opportunities. Throughout the 1970s and 1980s, academic discussion of the concept of CSR grew. During that time, the rise in anti-corporate activism over environmental and human rights issues made a shift in corporate attitudes towards social and environmental issues, essential. The 1970s and 1980s witnessed major international boycotts of companies investing in South Africa, notably Barclays Bank, and the Nestle boycott over the company's aggressive milk formula marketing strategies in third world countries. Moreover, CSR evolved as a direct response by corporations to anti-corporate activism and the reputational damage campaigns were able to inflict (Corporate Watch, 2006).

According to the United Nations Industrial Development Organisation (2002), corporate social responsibility has become an increasingly important part of the business environment. The organisation contends that the past two decades have seen a radical change in the relationship between business and society, and the key drivers of this change have been the globalization of trade, the increased size and influence of companies, the repositioning of government and the rise in the strategic importance of stakeholder relationships, knowledge and brand reputation. The organisation further contends that the relationship between business and civil society has moved on from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society, and CSR, defined in terms of the responsiveness of businesses to stakeholders' legal, ethical, social and environmental expectations, is one outcome of these developments (UNIDO, 2002:7)

In the late seventies, CSR in South Africa was boosted by American multinationals operating locally. As a condition for them to operate in apartheid South Africa, they had to support the Sullivan Principles, which, *inter alia*, required that they had to contribute up to 7% of their payroll on CSR in South Africa. Over the intervening years, CSR has grown and matured, and has been embraced by many South African organizations (Rockey, 2003:9). According to the Financial Mail (7 December 2007), corporate South Africa invests more in social responsibility than any other nation in the world

(approximately R4-5 billion per annum). Today, CSR, as practised by big businesses in South Africa, is no longer only about philanthropy. Big businesses are now, *inter alia*, actively involved in: job creation, poverty alleviation, health, gender and environmental issues, and black economic empowerment (Rockey, 2003:9). There is no doubt that SMEs in South Africa also practise CSR, but very little is known about the extent of their involvement. One of the objectives of this research is to address this issue - by examining CSR among SMEs in KwaZulu-Natal.

### **2.3 MAJOR ARGUMENTS FOR AND AGAINST CORPORATE SOCIAL RESPONSIBILITY**

The social responsibility of business has been a hotly debated topic for more than half a century. Opponents of the social responsibility doctrine, such as Milton Friedman, insist that the purpose of private businesses is to operate efficiently and to make a profit, without getting directly involved in addressing society's problems. Conversely, proponents of social responsibility argue that business must assume obligations to the society in which it operates because of its power and impact (Kinard, Smith & Kinard, 2003:88). Perhaps the most famous essay on this issue is Milton Friedman's "The Social Responsibility of Business Is to Increase Its Profits." Friedman argues vigorously against the claim that organizations have broad responsibilities. Friedman's views are supported by John Ladd, a moral philosopher (White, 1993). Their arguments, as well as the arguments put forward by some leading philosophers, namely: Thomas Donaldson, Peter French, Christopher Stone and Norman Bowie, in favour of corporate social responsibility, are presented below. Other typical arguments advanced by non-academics against corporate social responsibility are also considered below, as well as the responses to them.

According to Milton Friedman, a Nobel laureate, "the business of business is business", and those who claim that businesses have a social responsibility to, for example, provide employment, eliminate discrimination, and avoid pollution are "unwitting puppets of the

intellectual forces that have been undermining the basis of a free society” (White, 1993). His main objection to the idea of corporate social responsibility is that it is an unwarranted imposition of the political principle of conformity on the economy. It is his view that business should be business and politics should be politics and the two should never mix (Rossouw, 2004:73). Friedman further argues that taking on social responsibilities leads to distortions of the market, disrupts the effective and efficient economic activity of firms, and interferes with government fulfilling its responsibilities. He also asserts that corporate officials are generally not trained or motivated to represent the public interest or to contribute to community development (Hamann & Kapelus, 2001).

Milton Friedman believes that only natural people can have responsibilities, and since a business is an artificial person, it, therefore, cannot have responsibilities. Furthermore, if a manager takes any action in favour of stakeholders other than the owner/s, then such action is tantamount to a dereliction of duty. Friedman further contends that a manager, who acts as an agent of the principal (the employer), is only empowered to spend the organization’s money, if such spending is aimed at maximizing profits. Any spending on socially desirable projects is tantamount to the payment of “taxes” by the owners or any other stakeholders of the business who might have benefited from the spent money. Furthermore, in spending funds on activities deemed to be socially responsible, they also effectively decide how these taxes should be allocated. Both the acts of imposing and of allocating tax, Friedman contends, are political processes (1993:162-3). Friedman has been quoted as stating that “the basic mission of business [is] thus to produce goods and services at a profit, and in doing this, business [is] making its maximum contribution to society and, in fact, being socially responsible” (Margolis & Walsh, 2003:271). He did not deny the existence of social problems; he simply claimed that it is the state’s duty to address these problems.

According to Dougherty (2001:392), other leading economists, who concur with Milton Friedman’s views on corporate social responsibility, contend that there is a strong case for arguing that it is the responsibility of the state to do what is good for society at large,

while business should concentrate on what is good for the owners. They add that businesses make their biggest contribution to society by producing useful products, providing jobs, and generating wealth that makes a better standard of living possible. They further caution that efforts to deal with social problems must not interfere with business's ability to perform its primary economic function (Dougherty, 2001:392).

Despite Milton Friedman's vociferous stance against corporate social responsibility, he concedes that there are certain situations in which it can be justified. The first situation is when an individual proprietor decides to spend his enterprise's funds on social responsibility. In such a situation, the owner is merely spending money that belongs to him/her as he/she so desires. The second scenario where it is acceptable to spend the enterprise's funds on social responsibility is when the enterprise stands to benefit from such expenditure. When, for example, an organization spends money on education in the local community in order to improve the skills level of its own workers or to provide prospective workers to the organization, it is acting in its own self-interest, under the guise of social responsibility (Roussouw, 2004:74)

John Ladd (1984:3), a moral philosopher, argues that ethical concepts cannot be applied to organizations as if these organizations were natural persons. He contends that even lawyers regard organizations as "legal fiction", that is, they "are simply legally created artificial persons that, for purely legal purposes, are invested with certain sorts of legal rights and obligations that are customarily connected with legal personality". In Ladd's view, a business enterprise is an "abstract association", which is only an organization of people and not a distinct moral person in its own right; therefore, the standard moral concepts do not apply. According to Ladd, the separation of ownership and management in large modern organizations has radically changed the moral as well as the legal relationships between all these parties. Therefore, he argues, it does not make sense to contend that the owners, i.e. the shareholders, have the ultimate responsibility for the conduct of "their" organization, since personally they have no control over the organization's operations or policies, except purely nominally (Ladd, 1984:4).

In support of his argument, Ladd posits that shareholders are, in reality, simply investors/lenders of capital, rather than entrepreneurs, and when management speaks of its responsibility towards its shareholders, it is “simply talking rubbish - ethically speaking at least, in any meaningful sense, of the term ‘responsibility’; for responsibility implies control, that is, the power to influence outcomes, which is something that the stockholders do not have” (1984:5). Ladd further contends that only families, nations, clubs, and churches can have moral obligations and an organization is not one of these “concrete associations”. In terms of Ladd’s rationale, with respect to moral responsibility, he has no problem with small and medium-sized organizations (the focus of this research), because, in most of these organizations, the employers are one and the same as the owners/managers, and could, therefore, personally be held morally and legally responsible for the impact of their operations on others: employees, clients and the general public (1984:18).

In an essay entitled “Constructing a Social Contract for Business”, Donaldson (1982: 18-35) expresses the view that a business is always party to a “social contract” between itself and its various stakeholders. A business exists only through the co-operation and commitment of society. It draws its employees from society, sells its goods to society, and is given its status by society. Therefore, there exists an implied agreement between business and society. According to Donaldson, this social contract identifies and highlights the organization’s indirect obligations towards its stakeholders, and in order to achieve a complete moral picture of an organization’s existence, it is important to realize that organizations can add value to society, but they also have some negative effects on society, e.g. pollution, and noise. Ultimately a balance should be maintained between the value added (either perceived or real) by the organization and the negative effects caused by the same organization in society. Donaldson avers that one can, therefore, surmise that the organization has certain obligations towards its stakeholders which are embodied in the unwritten social contract. Furthermore, this contract usually develops over time and can eventually acquire a state of law.

According to Donaldson (1982:18-35), the most important application of the social contract is the evaluation of the performance of organizations from a moral perspective. The enterprise cannot be viewed as an isolated moral entity, unconstrained by the demands of society. Organisations are subject to moral evaluation. They are expected to enhance social welfare through satisfying consumer and worker interest, while, at the same time, remaining within the bounds of justice. When organisations fail to live up to these expectations, they deserve moral criticism (Donaldson, 1982:18-35).

Donaldson dismisses Milton Freeman's assertion that the social responsibility of business is merely to increase its profits, on the basis of it being either erroneous or incomplete. It is in error, according to Donaldson, if it is meant to imply that the force of a hypothetical fiduciary agreement between manager and shareholder prevents managers from using the social contract as the yardstick for responsible managerial activity. He supports his argument by asserting that even the right to make voluntary agreements has been shown to have exceptions; and, there may be overriding moral considerations (such as the social contract). On the other hand, argues Donaldson, Friedman's argument is incomplete if it is meant to imply that the existence of a voluntary agreement generates a prima facie obligation for the manager to pursue profit. The implication is correct as far as it goes, but it fails to mention that there may be other responsibilities which are incumbent on the manager arising from different sources - in this case, from a moral obligation generated through a social contract (Donaldson, 1982:18-35).

French (1979:210) disputed Milton Friedman's contention that only individual biological persons are moral agents with moral responsibilities. French argues that an organization can be a "fully-fledged moral person" with the same rights and responsibilities as any normal, natural, moral person. His argument for the moral agent status of organizations is predicated on the distinction between legal and moral personhood. According to French "biological existence" is not essential for personhood and that the entity should be the "subject of a right" of some sort. If enterprises can acquire "personhood" then, argues French, it will be reasonable to assume that this "corporate person" could also have certain responsibilities, can exercise certain choices and eventually be held

responsible for its actions via its *Corporate Internal Decision* (CID) structure (French, 1979:228-235).

The CID structure is the personnel organization for the exercise of the organization's power with respect to its ventures, and its main function is to draw experience from various levels of the organization into a decision-making and ratification process. According to French, when the structure is operative and properly activated, it accomplishes a subordination and synthesis of the intentions and acts of various biological persons into a corporate decision. Each organization has such a structure which is the core of all actions and reactions by the organization as a "moral person" (French, 1979:212).

Stone (1975) strongly rebuked Milton Friedman's argument against corporate social responsibility. He countenanced the three main pillars on which Friedman's arguments were based, viz.: that a manager's only obligation is to maximize profits for shareholders; that market forces will ensure responsible behaviour from organizations; and, that the law is adequate to guarantee that organizations do not harm society. According to Stone, the argument that management has made an implicit promise to shareholders to maximize their wealth is not true, as most shareholders never meet the management of the companies in which they invest, and, consequently, no such promissory relationship exists between managers and the shareholders.

Another version of the same argument that Stone (1975) refutes is called the *agency argument*, which contends that managers act as agents of shareholders, and that they, therefore, have an obligation to look after the interests of their principals, i.e. the shareholders. The writer rejects this argument because he argues that it is wrong both from a legal and a factual standpoint - it is legally wrong because the courts do not recognize managers as the agents of shareholders, and it is factually incorrect because if it were true, then one would expect managers to actively seek to determine the wishes of shareholders and to act in accordance with their wishes. In Stone's view, this seldom occurs in reality.

Furthermore, Stone (1975) did not agree with Milton Friedman's contention that market forces will ensure responsible behaviour from organizations. He is of the view that the market mechanism is geared towards economic efficiency and not towards the satisfaction of social needs. In addition, the assertion that the free operation of the market will benefit society is, according to Stone (1975), based on the four assumptions below, which, on closer scrutiny, are unwarranted and/or flawed:

- that those who will stop supporting irresponsible organizations are aware of the fact that they are being harmed by these organizations;
- that they know where to apply pressure on these irresponsible organizations;
- that they are in a position to apply such pressure, and
- that the pressure they apply on these organizations will result in constructive changes in corporate behaviour.

Stone also refutes Friedman's claim that obedience to the laws of the land will ensure socially responsible behaviour. He argues that, due to the reactive nature of the law, considerable damage can occur during the period between the emergence of the new problem and the passing of a new law to deal with that problem. He states that "there is something grotesque - and socially dangerous - in encouraging corporate managers to believe that, until the law tells them otherwise, they have no responsibilities beyond the law" (1975:128). In attacking Friedman's claim above, Stone also asserts that regulations do not always reflect the best interest of society, because they are often a tradeoff between the interests of society and those of businesses.

Other less philosophical arguments put forward by those opposed to CSR, as well as the rebuttals to these arguments made by Mallen Baker (<http://www.mallenbaker.net/csr>), a leading advocate of Corporate Social Responsibility, are discussed below:



Elaine Sternberg, cited by Baker (2005), argues that there is a human rights case against CSR, which is that a stakeholder approach to management deprives shareholders of their property rights. Baker responds that the above viewpoint sees CSR as consisting of simply being philanthropic. He adds that if CSR is rightfully seen as a process by which the business manages its relationships with a variety of influential stakeholders who can have a real influence on its licence to operate, then the business case becomes apparent. CSR is about building relationships with customers, attracting and retaining talented staff, and about assuring reputation.

Another argument frequently forwarded by those opposed to CSR is that their company is too busy surviving hard times to engage in CSR, and that they can't afford to "take their eyes off the ball" - they have to focus on their core business. They add that they can't go spending money on unnecessary frills when they are retrenching workers and when morale is rock bottom. According to Baker ([www.mallenbaker.net/csr](http://www.mallenbaker.net/csr)), if, in the process of managing social responsibility, management stops paying attention to its core business, then the problem is not that they are doing CSR, but rather the fact that they are doing it badly. Well managed CSR supports the business objectives of the company, builds relationships with key stakeholders whose opinion counts when times are hard, and should reduce business costs and maximize its effectiveness. In support of his rebuttal, Baker posits, *inter alia*, that, if, because of hard times, a company ignores the poor living conditions of the local community, where the standard of education is also poor, then the company's best staff won't want to live there, and its future staff will need additional training in basic skills such as literacy, which they should have received at school.

Another frequently repeated comment from business owners is that they obey the law and pay all their taxes, and it is therefore the responsibility of the government to deal with the socio-economic problems of the country, According to Baker ([www.mallenbaker.net/csr](http://www.mallenbaker.net/csr)), if CSR is simply about obeying the law and paying taxes, then perhaps the above observation is a fair comment. However, if it is about managing the demands and expectations of opinion formers, customers, shareholders, the local

communities, governments and non-governmental organizations (NGOs) - if it is about managing risk and reputation, and investing in community resources on which businesses later depend - then the above criticism against CSR does not make sense.

Theodore Levitt, an eminent business professor, once stated that although profits are required for business just like eating is required for living, profit is not the purpose of business any more than eating is the purpose of life (McAlister, Ferrell & Ferrell, 2005:36). Norman Bowie, a renowned philosopher, extended Levitt's sentiment by noting that the sole pursuit of profit can create an unfavourable paradox that causes a firm to fail to achieve its objective. According to Bowie, when a business also cares about the well-being of other constituencies, it earns trust and cooperation that ultimately reduce costs and increase productivity. These constituencies are both market and non-market constituencies that may interact with a business and have some effect on the firm's policy and strategy. Market constituencies are those that are directly involved and affected by the business purpose, including investors, employees, customers, and other business partners. Non-market groups include the general community, media, government, special-interest groups, and others that are not always directly tied to issues of profitability and performance (McAlister et al., 2005).

Cronje, du Toit, Marais & Motlana (2004) maintain that regardless of the size of the business, the crux of social responsibility is that the business should, in every respect, act like a good citizen, in terms of its behaviour towards stakeholders such as consumers, suppliers, competitors, employees, owners/shareholders, and the community at large. The writers aver that being socially responsible, in essence, means that a business tries to reconcile the interests of its different stakeholders with each other. According to McAlister et al. (2005), businesses today are expected to look beyond self-interest and recognize that they belong to a larger group, or society, that expects responsible participation. They argue that if any group, society, or institution is to function, there must be a delicate interplay between rights and responsibilities for the common good, and the old adage, "no man is an island", aptly describes the relational and integrative nature of society. Although businesses are not human beings, they plan, develop goals, allocate

resources, and act and behave purposefully. Thus, society grants them both benefits and responsibilities. In cognizance of the above, McAlister et al. (2005) maintain that businesses are expected to pay their taxes, abide by the laws and regulations, treat employees fairly, honour their contracts, meet warranty obligations, and adhere to many other standards.

## **2.4 THE STAKEHOLDER THEORY**

The Stakeholder approach is an analytical way of observing and explaining how different constituencies are affected and affect business decisions and actions. The stakeholder approach as applied to the moral management of organizational stakeholders, is based on the view that profit maximization is constrained by justice, that regard for individual rights should be extended to all constituencies of business that have a stake in the affairs of business (Bowie & Duska, 1991). A stakeholder approach includes moral, political, ecological, and human welfare interests as well as economic factors. Typical stakeholder groups would be shareholders, employees, suppliers, customers, the local community and managers (Weiss, 1994:29).

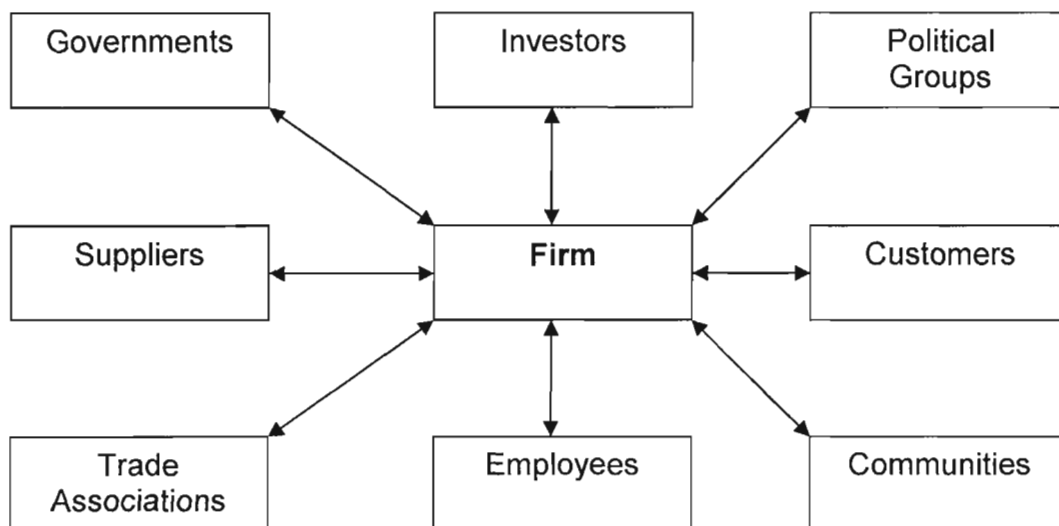
Edward Freeman is a leading proponent of the so-called Stakeholder theory. In an article co-authored by Freeman & Evan (1993:76), the authors reject the notion that an enterprise's only goal is to maximize the return on investment for the shareholders, by means of a legal and an economic argument. Freeman & Evan cited a number of court cases which found that organizations have duties towards stakeholders other than shareholders. They refer specifically to legislation and court findings that conferred certain rights to employees, and thus the pursuit of shareholder interest has to be balanced with the interests of employees. The authors make similar arguments with regard to suppliers, customers and local communities.

Freeman & Evan (1993:77) also argue that, in pursuing their goals, organizations often pollute the environment and/or disrupt communities, and the market mechanism does not

automatically correct these negative consequences of corporate activity. Therefore, organizations have to be regulated to ensure that the cost of their activities is not only carried by the taxpayers, or to prevent them from imposing heavy costs on societies. In light of their arguments, Freeman & Evan propose that the management of organizations must take moral responsibility for the effects of their actions in a manner that respects the rights of all stakeholders of the enterprise.

In the Stakeholder Model, illustrated in Figure 2.1, there are two-way relationships between the firm and a host of stakeholders. In addition to the inputs of investors, employees, and suppliers, this approach recognizes other stakeholders and explicitly recognizes the two-way dialogue and effects that exist between a firm's internal and external environment. According to McAlister et al. (2005:38), although the model seems to apportion relatively equal weighting to all stakeholders, limited resources and time constraints mean that some type of hierarchy or prioritization is warranted.

**FIGURE 2.1: THE STAKEHOLDER MODEL**



Source: Thomas Donaldson & Lee E. Preston, "The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications", *Academy of Management Review*. Iss. 29 (January 1995): 65-91.

According to Ferrell, Fraedrich & Ferrell (2005:27), two broad types of stakeholders can be identified, namely, primary and secondary stakeholders. Primary stakeholders are those whose continued association is absolutely vital for a firm's survival; these include employees, customers, investors, and shareholders, as well as the governments and communities that provide the necessary infrastructure. Secondary stakeholders do not typically engage in transactions with an organization and, thus, are not essential for its survival; these include the media, trade associations, and special-interest groups. In differentiating between primary and secondary stakeholders, it is important for managers to understand that, although primary groups may present more day-to-day concerns, secondary groups cannot be ignored or consistently given less consideration in the social responsibility process (McAlister, Ferrell & Ferrell, 2005:39).

In terms of Freeman & Evan's version of stakeholder theory, all stakeholders should be treated as equal, and no one group, such as shareholders should be given preference over the others, such as employees, or the local community (1993:189). On this aspect, some supporters of the stakeholder theory/approach differ with Freeman & Evan. Notable among these, is Kenneth Goodpaster. In an article entitled "Business ethics and stakeholder analysis", Goodpaster (1993:205-220), while subscribing to the broad tenets of the stakeholder theory, disagrees with the version proposed by Freeman & Evan, in which all stakeholders should be equally treated. Goodpaster believes that adopting such an approach can be detrimental to both business and society at large, as the demands of the various stakeholder groups can be contradictory and irreconcilable. He accepts that, as the agents of shareholders, managers have a fiduciary obligation towards the shareholders to maximize profits. However, he avers, that this obligation does not have to result in a situation where the interests of all other stakeholders are sacrificed for the sake of shareholders' interests. According to Goodpaster, besides their fiduciary responsibility to shareholders, managers also have moral responsibilities towards all the other stakeholders of the organization (1993:205-220).

In 1999, Walker Information, a research firm that specializes in stakeholder measurement and management, conducted a survey of 1 027 executives in global corporations to

ascertain stakeholder importance to their firms. Survey respondents evaluated the importance of customers, financial analysts, government, community, shareholders, suppliers, and employees. Customers, employees, and shareholders were ranked as the most important stakeholders. Significantly, the study concluded that South Africa is the most “stakeholder savvy” as company executives in South Africa are more aware of the term, take stakeholders more into account for business planning, and link stakeholder measures and issues more to other business outcomes (McAlister et al., 2005:40).

Ultimately, the sustainability of any organization, its credibility and licence to operate are all determined by stakeholders in the broad sense of the word and how these organizations consider and involve these stakeholders in every aspect of their day-to-day business (de Jongh, 2004:34).

## **2.5 APPROACHES TO CORPORATE SOCIAL RESPONSIBILITY**

The strength of an organization’s commitment to social responsibility ranges from low to high, and is outlined in Table 2.1. At the low end of the scale is a reactive or obstructionist approach. Obstructionist managers choose not to behave in a socially responsible manner. Instead, they behave unethically and illegally and do all they can to prevent knowledge of their behaviour from reaching other organizational stakeholders and society at large. The reactive approach involves denying responsibility and doing less than is required. A firm that, for example, does not invest in safety and health measures for its employees is denying its responsibilities (Jones, George & Hill, 2000:162).

**TABLE 2.1: THE REACTIVE-DEFENSIVE-ACCOMODATIVE-PROACTIVE SCALE**

<b>RATING</b>	<b>STRATEGY</b>	<b>PERFORMANCE</b>
Reactive	Deny responsibility	Doing less than required
Defensive	Admit responsibility, but fight it	Doing the least that is required
Accommodative	Accept responsibility	Doing all that is required
Proactive	Anticipate responsibility	Doing more than is required

Source: Max B.E. Clarkson, "A Stakeholder Framework for Analysing and Evaluating Corporate Social Performance," *Academy of Management Review*. Iss.19. (January 1995): 92-117.

Defensive managers stay within the law and abide strictly with legal requirements, but make no effort to exercise social responsibility beyond what the law requires. Managers, pursuing this approach, do all they can to ensure that their employees behave legally and do no harm to others. However, when making ethical choices, these managers put the claims and interests of their shareholders/owners first, at the expense of other stakeholders. Some economists believe that managers in a capitalist society should always put the owners/shareholders claim first, and that if these choices are unacceptable to other members of society and are considered unethical, then society must pass laws and create rules and regulations to govern the choices that managers make (Jones et al., 2000:162).

An accommodative approach is an acknowledgement by management of the need to support social responsibility. Accommodative managers accept that they, as well as their employees, ought to behave legally and ethically, and they try to balance the interests of

various stakeholders against one another. Such managers display a moderate commitment to social responsibility, and a willingness to do more than what the law requires.

Finally, the proactive approach not only accepts but also anticipates stakeholder interests, and will do more than is required to meet them. Organisations, adopting such an approach, display a strong commitment to social responsibility; an eagerness to do more than the law requires, and use organizational resources to promote the interests of all organizational stakeholders. Such organizations are at the forefront of campaigns to reduce environmental pollution, crime, illiteracy, and poverty (Jones et al., 2000:162).

The Reactive-Defensive-Accommodative-Proactive Scale also provides a method for assessing a company's strategy and performance with one stakeholder. It is possible for an organization to be rated at several different levels because of varying performance and transitions over time. For example, a firm may demonstrate a proactive stance towards employees, yet be defensive when dealing with special-interest groups (McAlister et al., 2005:57).

## **2.6 THE DEVELOPMENT OF CORPORATE SOCIAL RESPONSIBILITY**

The development of CSR is described by Simon Zadek (2001) in terms of three generations:

- In the first generation of CSR organizations show that they can be responsible in ways that do not detract from, and may contribute to, commercial success. This is the most traditional and pervasive form of CSR, most often manifested as corporate philanthropy. It is not part of the main business of the organization but may add commercial value through reputation enhancement. Typically, a company may donate (old) computers to schools, staff may volunteer to work with local community



groups, or the company simply finds a 'good cause'. Other approaches are concerned less with reputation enhancement than with reputation protection.

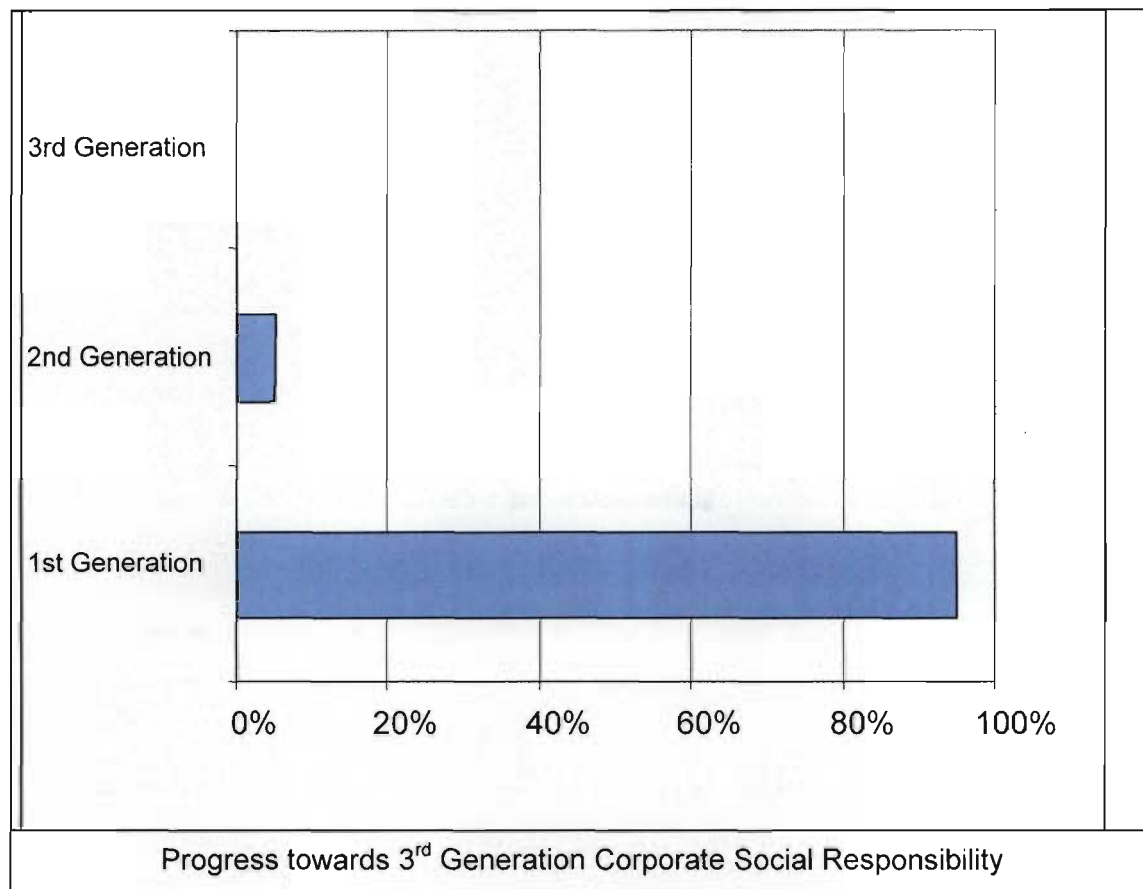
- The second generation is developing where organizations, and whole industries, see CSR as an integral part of long-term business strategy. This is where the businesses, taking a lead in the field of CSR, are positioned. There is a growing body of evidence that CSR is good for business, and leadership by pioneering companies and business leaders has been crucial in moving companies towards second generation CSR.
- The third generation of CSR is needed in order to make a significant contribution to addressing poverty, exclusion and environmental degradation. This will go beyond voluntary approaches by individual organisations and will involve leadership companies and organizations influencing the markets in which they operate and how the markets are regulated to remould whole markets toward sustainability. This process will need to involve both partnerships with civil society and changes in public policy, which will both reward CSR and penalize poor performance. According to Zadek (2001), this process could include changes to the corporate tax regime, mandatory social and environmental reporting and support for consumer education.

According to Raynard & Forstater (2002:12), the above issues raise many contentious and unanswered questions regarding the parameters of responsibility of an organization: Where should the lines be drawn between the responsibility of the private sector, the state, and civil society to deliver the 'public good'? Will the market be able to shift in line with leading CSR companies, or will these 'leading lights' be priced out of a market? In essence, what is required, according to the above-mentioned writers, is an understanding of the pathway towards Third Generation CSR that achieves societal as well as business development.

As depicted in Figure 2.2 below, much of the CSR take-up by companies is still in the first generation (95%). The second generation (some 5%) is moving the process forward,

and there are indications that markets and policy makers are shifting their attitude as a result of strategic concerns about corporate social responsibility (UNIDO, 2002:17)

**FIGURE 2.2: THE GENERATIONS OF CORPORATE SOCIAL RESPONSIBILITY**



Source: Raynard, P. & Forstater, M. *Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries*. Vienna: United Nations Industrial Development Organization. (2002:17).

Raynard & Forstater (2002:12) conclude that, at the time of writing (2002), third generation CSR is mostly a vision. For SMEs, what will be of most importance in terms

of the impact on them is the way in which strategic approaches to CSR, i.e. second generation, will be played out.

## **2.7 FACTORS THAT ACCELERATE AND DECELERATE DEVELOPMENTS IN CORPORATE SOCIAL RESPONSIBILITY**

A summary of the issues, industry structure and product characteristics that are perceived to either promote or retard the development of social responsibility is presented in Tables 2.2 and 2.3 respectively:

**TABLE 2.2: FACTORS PROMOTING DEVELOPMENTS IN CORPORATE SOCIAL RESPONSIBILITY**

<p style="text-align: center;"><b>Issues</b></p> <ul style="list-style-type: none"> <li>• Severe health hazards or concerns (especially to consumers, but also to employees)</li> <li>• Major environmental impacts in production or consumption</li> <li>• Major social disruption</li> <li>• Human rights abuse</li> <li>• High profile and emotive issues</li> </ul>	<p style="text-align: center;"><b>Examples</b></p> <p>Genetically modified foods; chemical and tobacco industries Forestry; automotive industry; oil and chemical industry Mining and oil industries Mining and oil industries Child labour and animal welfare</p>
<p style="text-align: center;"><b>Industry structure</b></p> <ul style="list-style-type: none"> <li>• Dominated by a small number of brand name companies</li> <li>• High level regulation or threat thereof</li> <li>• Ex-government monopolies and public-private partnerships</li> <li>• Highly visible production</li> </ul>	<p style="text-align: center;"><b>Examples</b></p> <p>Food retailers; sportswear; oil  Mining; chemicals Utilities; telecommunications  Mining and oil production; agriculture</p>
<p style="text-align: center;"><b>Product characteristics</b></p> <ul style="list-style-type: none"> <li>• Emotion-laden, lifestyle and identity products</li> <li>• Consumer brand clearly identifiable at production stage</li> <li>• Essential public service</li> <li>• Brand identity a major part of product characteristics, consumer choice not based on technical specifications</li> <li>• Possibility of competitive advantage or product differentiation</li> </ul>	<p style="text-align: center;"><b>Examples</b></p> <p>Toys; clothing; sportswear; food Toys; clothing and sportswear  Water; food; pharmaceuticals  Clothing and sportswear  Clothing; food; cosmetics</p>

Adapted from: Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries, UNIDO, Vienna 2002; p21.

**TABLE 2.3: FACTORS RETARDING DEVELOPMENTS IN CORPORATE SOCIAL RESPONSIBILITY**

<p style="text-align: center;"><b>Issues</b></p> <ul style="list-style-type: none"> <li>• Scientific and political conflict over the best course of action</li> <li>• Impact not clearly linked to company actions</li> </ul>	<p style="text-align: center;"><b>Examples</b></p> <p>Genetically modified foods; despotic regimes</p> <p>Banking; investment; insurance; media</p>
<p style="text-align: center;"><b>Industry structure</b></p> <ul style="list-style-type: none"> <li>• No ‘household names’ involved in sector</li> <li>• Fragmented industry dominated by SMEs</li> </ul>	<p style="text-align: center;"><b>Examples</b></p> <p>Domestic services</p> <p>Food; leather and other raw materials</p>
<p style="text-align: center;"><b>Product characteristics</b></p> <ul style="list-style-type: none"> <li>• Industries where the core business is seen as the problem</li> <li>• Good reputation with no apparent problems</li> <li>• Product many steps removed from the end user</li> </ul>	<p style="text-align: center;"><b>Examples</b></p> <p>Tobacco; arms industry</p> <p>Dotcom companies; new media</p> <p>SMEs in the manufacturing supply chain, e.g. primary leather producers</p>

Adapted from: Corporate Social Responsibility: Implications for Small and Medium Enterprises in Developing Countries, UNIDO, Vienna 2002; p21.

According to Raynard & Forstater (2002), the following important developments are cutting across the industry trends:

- Leadership companies within the sector, willing to break ranks with existing norms and make sustainability a competitive issue have been an important catalyst for change in many sectors. For example, in the clothing sector, Levi Strauss & Co. introduced the first supplier codes of conduct, and set up a model for others to follow.
- The New Economy is changing the basis of business relationships. It is characterized by the rapid speed of change, the importance of knowledge, information and communication, and shifting proximity. Relationships with key stakeholders and intangible assets such as reputation and intellectual capital are becoming increasingly important. Approaches to CSR, that are part of the core business strategy, can help organizations meet the challenges that these changes present.
- Some sectors that do not appear to be under major external or strategic pressure are nonetheless beginning to take CSR issues seriously. Also, large companies, such as Unilever, that impact on a number of industries, are implementing CSR policies across the board. The so-called knock-on effect can also be seen between different issues. For example, concern over factory emissions has been tackled by examining ways to reduce resource wastage and introduce cleaner production across the whole production process.

The form that CSR takes differs between industries, partly because of the relative importance of different issues, and also because of the industry structure. An important consideration is the nature of the relationship between different parts of the value chain and the major brand owners that have both the power to influence CSR standards within the value chain and the vulnerability to reputation damage, which can drive this concern. In those industries where there is an arm's length relationship between brand owners and

producers, as is the case with agricultural products like coffee, industry level initiatives tend to dominate. These initiatives consist mainly of product standards, and monitoring and certification systems (UNIDO, 2002)..

According to Raynard & Forstater (2002:22), in the buyer-driven value chains, which predominate in fast moving labour-intensive consumer goods such as clothing, footwear and toys, brand owners have closer relationships with a smaller number of manufacturers. In these industries, company codes of conduct supported by individual monitoring systems have dominated, reflecting the power of major brand name labels, such as Nike, to influence their suppliers. In producer-driven value chains, producing consumer durables with a higher technology input such as motor vehicles and computers, relationships between brand owners and their suppliers are much closer, with major suppliers being essential partners in design, quality and customer service. Here, the producer/manufacturer engage closely with their suppliers to ensure that standards are met (Raynard & Forstater, 2002:22-23).

## **2.8 LEVELS OF CORPORATE SOCIAL RESPONSIBILITY**

According to Carroll (1991:42), there are four levels of social responsibility - economic, legal, ethical, and philanthropic – and they can be viewed as a pyramid, as illustrated in Figure 2.3.

At the lowest level of the pyramid, businesses have a responsibility to be economically viable so that they can provide a return on investment for their owners, create jobs for the community, and contribute goods and services to the economy. The economy is influenced by the ways in which organizations relate to their shareholders, their customers, their employees, their suppliers, their competitors, their community, and even their natural environment. When economic downturns or poor decisions in an organization lead to retrenchments, communities often suffer as they attempt to absorb the retrenched employees. Customers, in turn, may experience reduced levels of service

because there are fewer experienced employees. Furthermore, the existing employees are faced with the challenge to reduce expenses, and may make poor decisions that adversely impact on product quality, customer service, employee rights, and the natural environment (Ferrell et al., 2005:50).

**FIGURE 2.3: PYRAMID OF SOCIAL RESPONSIBILITY**



Source: A.B Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders." *Business Horizons*. Iss. 34. (July-August 1991):42.

In spite of Milton Friedman being one of the most outspoken proponents of the argument that management's sole responsibility is to maximize profits for shareholders, he nonetheless tempered his argument by stating that management should make as much money as possible "while conforming to the basic rules of society, both those embodied



in the law and those embodied in ethical custom”. Interestingly, this statement tacitly embraces two of the three additional components of the corporate social pyramid, namely: legal and ethical responsibility (Trevino & Nelson, 1995:29).

At the next level of the pyramid, organizations are required to obey laws and regulations that are established by governments to set minimum standards for responsible behaviour – society’s codification of what is right and wrong. Society enforces its expectations regarding the behaviour of businesses through the legal system. If businesses choose to behave in a manner deemed by customers, special-interest groups, or other businesses as irresponsible, then these groups may pressurize the government to enact legislation to regulate their behaviour, or they may sue the firms in a court of law in an effort to compel them to conform to the rules (McAlister et al., 2005:9).

According to McAllister et al. (2005:10), beyond the economic and legal responsibilities, organizations must decide what they consider to be just, fair, and right – the realm of business ethics (the third level of the pyramid). The writers define business ethics as the principles and standards that guide behaviour in the world of business. These principles are determined and expected by the public, government, special-interest groups, consumers, industry, and individual organizations. The most basic of these principles have been codified into laws and regulations to require that enterprises conduct their affairs in a manner that conforms to society’s expectations (McAlister et al., 2005:10).

At the top of the pyramid are philanthropic activities, which promote human welfare and goodwill. By making voluntary donations of money, time, and other resources, businesses can contribute to their communities and society and improve the quality of life. According to McAlister, Ferrell & Ferrell (2005:10), when the above pyramid was first introduced, many people assumed that there was a natural progression from economic to philanthropic responsibilities. However, the pyramid is now viewed in a more holistic fashion, and all of the above responsibilities are seen as related and integrated. According to the writers, organisations’ fulfillment of their economic, legal, ethical and philanthropic responsibilities can range from minimal to strategic

are pursuing social responsibilities in response to market forces and in pursuit of shareholder value. The CSR proposition is that companies will build shareholder value by engaging with stakeholders other than the legal owners, and by taking account of their impact on society. This proposition is the “business case” for CSR. It does not imply that organizations should forgo profitable opportunities – unless they would damage shareholder value in the long-term by increasing risks or costs, or by threatening revenues and access to capital or suitable labour. The writers argue that it is mistaken to view social responsibility and profitability as mutually exclusive. The aim is to achieve social responsibility *and* profits.

### **2.9.1 Relationship between Corporate Social Responsibility and financial performance**

There is much evidence that social responsibility, including business ethics, is associated with increased profits. For example, one survey indicates that 75% of consumers refuse to purchase from certain businesses, and a business’s conduct was considered an important reason to avoid a business. Another study found that there is a direct relationship between social responsibility and profitability. This study also concluded that social responsibility contributes to employee commitment and customer loyalty – important concerns of any organization striving to increase its profits (Ferrell et al., 2005:67).

Erfle & Frantantuono (2004:37) found that firms that were ranked highest on their records of social performance also had greater financial performance. The financial performance of the firms in the study was superior in regard to, *inter alia*, operating income, growth, and return on equity. In another rigorous study of the correlation between financial and social performance conducted in 1999 among 469 companies across several industries, and using a variety of social performance indicators, Waddock & Greaves (2004:38) found corporate social performance to be positively associated with previous as well as future financial performance.

A meta-analysis of twenty five years of research identified thirty three studies, (representing 63 percent), demonstrating a positive relationship between corporate social performance and corporate financial performance; five studies (approximately 10%) indicating a negative relationship, and fourteen studies (27 percent) yielding an inconclusive result or no relationship (McAlister et al., 2005:23).

White (2006:6) contends that a significant proportion of the benefits of being socially responsible are of an intangible nature; and below is a synopsis of these major benefits:

### **2.9.2 Corporate Social Responsibility programmes help to build marketing and organizational capital**

CSR programmes, which effectively connect with an organisation's community constituencies, build marketing and organizational capital (White, 2006). Forward-looking businesses no longer manage community relations with philanthropy, but form partnerships with communities to help ensure, *inter alia*, a qualified workforce and adequate infrastructure. Such organizations see communities as investors, contributing assets such as land, water and clean air, which are essential for healthy and attractive workplaces; and, they are no less important than capital providers, for nurturing business success. CSR programmes that practise environmental stewardship contribute to market organization and innovation capital. Environmental stewardship also helps build and maintain strong brands. With globalization continually driving costs and technology to converge, the environmental character of the company and its products is emerging as a significant factor when customers assess alternative products (White, 2006:7).

Hopkins & Cowe (2004:6) state that accountability to all stakeholders - employees, communities, investors, and civil society - through engagement, disclosure and constructive responses is a precursor to business success. Accountability enhances intangible assets such as brand, reputation, and employee and customer loyalty. The writers contend that there is clear evidence of positive links between social and financial performance, especially when considering the increased relevance in recent years of

intangible assets such as reputation and knowledge networks. They view the latter as a source of market value and competitive advantage even though they do not normally appear on balance sheets.

### **2.9.3 Increased Employee Satisfaction, Job Performance and Loyalty**

Organizations with enlightened human resource development programmes (e.g. high investment in training, respecting worker rights, empowering employees, incentives and reward schemes) enjoy higher levels of loyalty, improved morale, and an increase in productivity (White, 2006). Furthermore, reduced absenteeism and staff turnover build cumulative knowledge assets for the organizations. Internal accountability has direct consequences on expanding human and organizational capital in the form of strengthening workforce cohesion and motivation, key elements in attracting and retaining talent and deepening employees' potential and inclination to innovate (White, 2006:6).

CSR also improves a company's overall image, which, in turn, makes it easier to recruit new employees. For example, Turban and Greening (1997) found that the ratings of a firm's corporate social responsibility were related to ratings of the firm's reputation and attractiveness as an employer, suggesting that such performance may provide a competitive advantage by attracting potential applicants. Weiser & Zadek (2000:18) cite a research study undertaken by Walker International in 1996 among employees from a cross section of US organizations, which concluded that employees who perceive their employers as having good corporate social performance view them more positively and are, therefore, more committed to them.

### **2.9.4 Customer Loyalty**

According to Weiser & Zadek (2000:16), organisations that have engaged in cause-related marketing report that their efforts help attract and build long-term relationships with customers. For example, affinity credit cards, in which a nonprofit organization benefits each time a consumer uses the card to make a purchase, help credit card

companies develop long-term relationships with consumers. Several studies have shown that consumers are attracted to companies that are associated with a social cause or issue. For example, in the United Kingdom, the 1997 Access Omnibus Survey by Business in the Community, a British business membership organization that supports communities by raising business involvement, found that 86% of consumers stated that they have a more positive image of a business if they see it is “doing something to make the world a better place”. Sixty-four percent said that cause-related marketing “should be a standard part of a company’s business practice” (BSR, 2000). In 1999, the United States based Cone/Roper Cause-Related Trends Report found that nearly 67% of American consumers were likely to switch brands or retailers to one associated with a good cause, and 80% of American consumers have a more favourable image of organizations that support a cause that they care about (Cone Inc., 1999).

Furthermore, increased customer loyalty leads to increased retention, which, in turn, leads to higher profitability. Notwithstanding the above, Weiser & Zadek (2000:83) contend that CSR cannot substitute for superior product quality, or for a more competitive price. However, they argue, it can serve as a “tie-breaker” for products that are more or less identical in terms of features, quality and price, and it can give an organization a competitive advantage in a very competitive and crowded marketplace.

### **2.9.5 Enhanced Reputation**

CSR has a positive effect on an organization’s reputation, which, in turn, affects its competitiveness in many domains, including a consumer’s decision to purchase a product or service, an individual’s decision to seek employment with the firm (Weiser & Zadek, 2000), of bank officials giving it attractive rates on loans, of suppliers treating it fairly, and of collaborators seeking it out as partners on lucrative ventures (UNIDO, 2002). A study by Interbrand has concluded that approximately 25% of the world’s total financial wealth is tied up in intangible assets (Clifton, 1999).

### **2.9.6 Operational cost savings**

Cost savings, with an emphasis on operational savings, (in terms of less waste, less energy and material inputs, and higher efficiency in resource use) as a result of environmental process improvements within an eco-efficiency perspective (Holliday, Schmidheiny & Watts, 2002).

### **2.9.7 Better relations with government**

Improved government relations: the “licence to operate” is more easily obtained when demonstrating social and environmental responsibility. Also, more cooperative government responses and reduced bureaucratic hurdles may result. (Holliday et al., 2002).

### **2.9.8 Sharper anticipation and management of risks**

Managing risk in an increasingly complex business environment, with greater oversight and stakeholder scrutiny of business activities, is vital to the success of organizations. Listening to the concerns and perceptions of stakeholders, as well as those of scientific experts, is of crucial importance. A commitment to CSR can help to ensure that when an organization’s actions are monitored closely, the picture that emerges is flattering rather than detrimental. In addition, a long-term commitment to CSR can help to build trust and faith in the organization’s good intentions (Weiser & Zadek, 2000:26).

The benefits discussed above will not be significant for all companies. For each company, the business case needs to be carefully developed according to the product, industry, and/or service in question (UNIDO, 2002).

Weiser & Zadek (2000:27) contend that an organisation’s commitment to CSR can help to ensure that its management and employees remain committed to socially responsible behaviour, including obeying the laws of the land in which it operates. The writers are of

the view that this can add significant value to the company, because there is ample evidence indicating that behaving in ways that are construed as socially irresponsible and illegal is detrimental to shareholder value. They cite a study, conducted in 1997, by Jeff Frooman of the University of Pittsburg which analysed 27 event studies that measured the stock market's reaction to incidents of socially irresponsible and illegal behaviour. The analysis showed that companies that engaged in irresponsible or illegal behaviours in ways that were serious enough to invoke regulatory and legal sanctions suffered very significant losses in shareholder wealth, which were never recovered (Weiser & Zadek, 2000:27).

According to Luetkenhorst (2004:8), large organizations will give relatively higher weight to reputational and image benefits through positioning themselves as good corporate citizens. However, he contends that for SMEs, short-term economic survival is more pressing, and being more vulnerable to economic losses than large organisations, SMEs will, therefore, be more dependent on direct economic benefits of CSR-oriented strategies.

Apart from the business benefits of CSR discussed above, if all organizations in a society were socially responsible, the quality of life as a whole would be higher. According to Jones et al. (2000:162), several management experts have argued that the way the organization behaves towards its employees determines many of a society's values and norms and the ethics of its citizens. The writers suggest that if all organizations adopted a caring attitude and accepted that it is their responsibility to promote the interests of their employees, a climate of caring would pervade the wider society. They identify countries such as Japan, Sweden, Germany, Netherlands, and Switzerland as countries where organizations are very socially responsible and where, as a result, crime and unemployment rates are relatively low, and the literacy rate is relatively high, and socio-cultural values promote harmony between different groups of people (Jones et al., 2000:162).

## **2.10 CORPORATE SOCIAL RESPONSIBILITY AND SMALL AND MEDIUM SIZED ENTERPRISES**

As much of the literature on CSR is written from the perspective of large organizations, the question often asked is whether CSR is applicable to SMEs. As the discussion below unfolds, it becomes apparent that CSR does apply to small and medium-sized enterprises as well. There may be differences in terms of depth, scope, and areas of engagement, but nonetheless, CSR is relevant to SMEs.

According to Auken & Duane (1982:1), social responsibility does apply to small businesses, but not to the same extent as it does to big businesses. These writers argue that, being largely political in nature, social responsibility expectations are greater for large corporations because of their public visibility, economic power, and extensive involvement with a number of special interest groups. Small businesses tend to be “out of sight and out of mind”, and with their limited economic muscle and managerial expertise, society’s expectations of them in the area of social responsibility are much lower. The writers contend that the real challenge for small business lies not so much with embracing social responsibility as it does with avoiding “social irresponsibility”. They describe social irresponsibility as a matter of business negligence, which occurs when existing legislation or public expectations for proper business conduct are deliberately ignored or violated. According to them, socially irresponsible activities include the following:

- refusal to adhere to government regulations regarding business conduct;
- taking advantage of consumers through deceit, manipulation, or refusal to make good on terms of sale (product servicing and warranties);
- deliberate damaging of the environment via pollution in any form;
- deceptive advertising or falsifying information releases; and



- discriminating against individuals on some basis not concerning their direct job performance.

While large, publicly visible companies are expected to “proact” well beyond avoidance of the above “cardinal sins”, the expectations for smaller firms are more circumscribed and bounded. Auken & Duane (1982:2) conclude their argument by stating that delivering the best possible products and services to society in a non-detrimental manner is responsibility enough for small businesses; and to expect anything more from them would seriously threaten their survival

It is generally acknowledged that larger companies have been the primary drivers of CSR for a number of reasons. However, this view does not imply that CSR is not relevant or not practised by SMEs. In fact, many of the pioneering practices that are now part of mainstream CSR were pioneered by SMEs and community enterprises driven by strong personal ethical commitments. One study, which focused on environmental performance indicators as opposed to policies and processes, did not find the expected differences between small and large enterprises ([www.environmentalperformance.org.uk](http://www.environmentalperformance.org.uk)).

According to Ackelsberg & Arlow (1991:162), research on the social responsibility of large organizations suggests that they tend to focus their attention on government-mandated programmes, on areas where a firm has a special competence, on areas where there has been a tradition of involvement, such as education, and where firms have contributed to a particular problem. The writers speculate that smaller firms would be affected less by government regulation because of certain size exemptions, and that tradition, such as community involvement, plays a bigger role for the small organization. Their research also suggests that the primary reasons for social involvement are to obviate government regulation, to create a positive public image for the organization, and for long-run self-interest. Ackelsberg & Arlow (1991:163) further contend that in small businesses, social responsibility probably more closely reflects the personal values of the owners, as the separation of roles between the social responsibilities of the

owner/manager and that of an individual citizen is less distinct in small businesses than in large businesses.

According to Sarbutts (2003), what both SMEs and large corporations share is a view that CSR operates within a triangle bounded by concerns about avoidance of cost, regulation and litigation. For large organizations, all three concerns are inevitabilities of life, and operational and commercial strategy must incorporate them as obstacles to be overcome with regard to optimizing cost versus benefit. For the entrepreneurial SME, these obstacles present more immediate threats, to be avoided rather than worked around. He further suggests that CSR for SMEs operates along two parallel tracks, the first being how the firm's social good is reported and perceived externally, and the second being the extent to which the social good that the firm aims to have portrayed is a true reflection of its behaviour and values. Sarbutts concludes his argument by stating that "SMEs, being flatter and potentially quicker on their feet and without analysts and shareholders fixated by price/earnings ratios, are better placed than major corporations to take advantage of the fact that society and the media revere qualities such as honesty, integrity and the ability to say sorry, ..." (Sarbutts, 2003:345).

Keim (1978), as quoted by Vyakarnam, Bailey, Myers & Burnett (1997:3), argues that in smaller firms, investors/shareholders can control managers and make sure no resources are "wasted" on unprofitable socially responsible actions, whereas, in larger firms, managers are more removed from shareholders, and, therefore, have more discretion to be proactively socially responsible. Luetkenhorst (2004) contends that large corporations will give relatively higher weight to reputational and image benefits by positioning themselves as good corporate citizens, whereas for SMEs, the bottom line of short-term economic survival is more pressing. Since SMEs are more vulnerable to economic losses, they will be more dependent on direct economic benefits of CSR-oriented strategies.

It is important to recognize that all types of businesses – small and large, sole proprietorships and partnerships as well as large corporations – implement social

responsibility initiatives to further their relationships with their customers, their employees, and the community at large. Although the social responsibility efforts of large corporations usually receive the most attention, the activities of smaller businesses may have a greater impact on local communities (Miller & Besser, 2000:72; Knight & O' Riley, 2002:28). Owners of small and medium-sized businesses often serve as community leaders, provide goods and services to customers in smaller markets that large corporations are not willing to serve, create jobs, and donate resources to local community causes.

According to Draper (2000), the fact that small businesses have a heightened requirement for good multi-skilled employees, strong personal relationships and successful local engagement means that small firms can be a good environment for corporate social responsibility to flourish. In studies that compare the CSR of larger and smaller enterprises, SMEs generally 'score' less highly. However, Draper cautions that this trend may reflect a lack of formal policies and CSR language on the part of SMEs, as much as actual differences in performance. Many SMEs already practise some kind of 'silent social responsibility'. SMEs generally have a better understanding of local, cultural and political contexts, more links with local civil society and a greater commitment to operating in a specific location (Raynard & Forstater, 2002:9). One of the objectives of this study is to give a voice to the 'silent' social and environmental responses of SMEs in KwaZulu-Natal.

Tom Fox (2005:5) is of the view that many of the benefits of CSR, in general, (discussed earlier) are more likely to apply to large enterprises than to SMEs. His assertion is predicated on the following: SMEs are unlikely to have the kind of public profile and brand image that larger companies feel the need to protect; therefore, they are unlikely to be the target of civil society or media campaigns. Furthermore, as they are seldom publicly owned, SMEs will not be subject to pressure from institutional investors or stock exchange requirements. And, where regulatory authorities are under-resourced or inefficient, they are likely to be less of a priority for enforcement than large

organizations, where the marginal impact of their operations is much greater (Fox, 2005:6).

In terms of the above characteristics, a number of the conventional drivers for CSR, are, therefore, likely to have relatively little or no relevance to most SMEs. However, there are some drivers that are more likely to exist for SMEs than for larger organizations. Fox (2005:6) adds that SMEs can engage with CSR not only as providers of goods and services to large companies, but also in their own right, as employers and in their relations with the public. He further argues that, by their very nature, SMEs are closer to and more dependent on their customers, employees, neighbours, and other key stakeholders than larger, more impersonal enterprises, and, therefore, they need to be more responsive to those stakeholders. For example, an SME is likely to be more reliant on a handful of key personnel who execute a large number and variety of tasks, which means that preventing a rapid turnover of staff is a high priority – thereby creating an incentive for adopting responsible labour practices.

Fox (2005:7) further contends that there are stronger drivers of CSR among SMEs based on a sense of rooted-ness within a particular community or geographical location, or other social and cultural norms and expectations. These drivers may not affect what he refers to as ‘core business activities’ – they are often manifested through philanthropic activities, such as cash donations to religious and charitable organizations, or sponsorship of cultural or sporting events. Furthermore, many SMEs are managed by their owners, and this situation increases the opportunities for the personal ethics of the owner-manager to be integrated into and embodied by the enterprise’s activities. Many of these activities are unlikely to be labelled as CSR or linked with a formal CSR strategy. Hence, it is possible that many SMEs are doing CSR without realizing it (Fox, 2005).

Research undertaken in 2001 by the CERFE group on SMEs and CSR in Europe revealed the following findings:

- SME policies and practices are generally more developed in relation to environmental impacts than to social and economic impacts. This finding reflects the greater degree of environmental public policy, public awareness and international standardization of certification and auditing processes.
- SMEs tend to focus to a greater extent on local issues and programmes.
- SMEs tend to prioritize CSR issues and concentrate on one or two key issues.
- SMEs tend to be more active in CSR where they have greater networks of relations, increased focus on quality, and/or links with foreign countries, or are involved in production which has a high environmental impact or relies heavily on the use of intellectual capital (CERFE, 2001).

## **2.11 CORPORATE SOCIAL RESPONSIBILITY AND SMALL AND MEDIUM ENTERPRISES IN DEVELOPING COUNTRIES**

According to a report prepared by the United Nations Industrial Development Organization (UNIDO) in 2002, corporate social responsibility imposes new demands on SMEs in developing countries. Social and environmental standards are increasingly becoming a precondition for doing business with transnational corporations (TNCs). This precondition may take the form of individual supply chain codes of conduct and sector wide certification systems. Market shifts can extend the impact of environmental and social concerns beyond those organizations directly trading with TNCs. This extension may happen through local competition, by strengthening mechanisms for ensuring compliance with local laws, by targeting investment, or shifts in consumer demand (UNIDO, 2002).

Furthermore, the report states that there is a danger that CSR standards may undermine SMEs in developing countries. The main concern is that CSR standards will act as a

protectionist mechanism for retaining jobs, trade and investment in developed countries. According to UNIDO (2002), the focus of issues and standards often reflects the concerns and priorities of consumers from the developed countries as well as the prevailing technologies and best practice in these countries, and the burden of monitoring and certification itself can be a significant expense, thus effectively blocking developing country SMEs from some markets. The organisation further contends that a lack of access to technology, environmentally friendly materials, credit, information and training, can act as barriers to social and environmental improvements for these SMEs. Even when SMEs in developing countries are able to make improvements, they lack the valuable direct relationships with consumers from the developed countries, and are, therefore, not able to enjoy the reputational benefits. Also, upgrading the quality of their technology, management, and marketing, are likely to be equally important concerns, which need to be addressed in tandem with social and environmental impacts (UNIDO, 2002).

## **2.12 FACTORS INFLUENCING THE ADOPTION OF CORPORATE SOCIAL RESPONSIBILITY IN GENERAL**

According to the International Institute for Sustainable Development (2006), the following are some of the driving forces propelling businesses towards corporate social responsibility:

### **2.12.1 The shrinking role of government**

In the past, governments relied on legislation and regulation to deliver environmental and social objectives in the business sector. However, dwindling government resources, coupled with a distrust of regulations, have led to the exploration of voluntary and non-regulatory initiatives, especially in developed countries.

### **2.12.2 Increased customer interest**

There is ample empirical evidence that the ethical conduct of businesses exerts a growing influence on the purchasing decisions of private and corporate consumers.

### **2.12.3 Demands for greater transparency and disclosure**

There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and interest groups.

### **2.12.4 Competitive labour markets**

Employees are increasingly looking beyond monetary rewards and incentives, and are seeking out employers whose philosophies and operating practices correspond with their own principles and values.

### **2.12.5 Supplier relations**

In choosing suppliers, many companies are seeking out suppliers who conduct their operations in a socially responsible manner. Many companies, especially trans-national corporations, are introducing codes of conduct for their suppliers, to ensure that the policies and practices of their suppliers do not tarnish their own reputation.

### **2.12.6 Growing investor pressure**

Both private and corporate investors are reviewing the manner in which they assess an organisation's performance, and are making decisions based on criteria that include ethical considerations.

European opinion leader research, conducted by the Prince of Wales Business Leaders Forum (2001), concluded that public pressure for CSR is likely to increase significantly over the next few years. According to the research:

- 66% of opinion leaders surveyed in France, Germany and the United Kingdom agreed strongly that corporate citizenship will be important in the future;
- 64% agreed strongly that the health of a company's reputation will affect their own decisions as legislators, regulators, journalists, and NGO leaders; and
- opinion leaders defined CSR primarily in terms of 'leadership that looks beyond the short term' (71%), followed by 'treating employees with respect', 'environmental responsibility', and 'a commitment to local communities'. Only five percent regard 'charitable donations' as important to CSR.

In the Millennium Poll, which surveyed more than 25 000 people in 23 countries, 66 percent of the respondents indicated that they want organizations to go beyond their traditional role of making a profit, paying taxes, and providing jobs. More than half the respondents stated that they believe that their national government and organizations should focus more on social and environmental goals than on economic goals in the first decade of the new millennium ([www.environics.net/eil/millennium/](http://www.environics.net/eil/millennium/)).

In South Africa, a study undertaken by UNISA's Centre for Corporate Citizenship and Bureau of Market Research in 2006 found that 47.4% of respondents preferred products or services from good corporate citizens – even when they are more expensive. The study of households in the inner city, suburbs, townships and informal settlement districts of Johannesburg, Tshwane, Durban and Cape Town showed metropolitan consumers ranked skills development first, followed by workplace/employment equity; education and training; health; HIV/Aids; recycling; disaster relief; environment; sports development, and poverty alleviation. Seventy five percent of the 900 respondents surveyed indicated that the government should play a more proactive role in encouraging



greater corporate citizenship. The research also highlighted that over 75% of the respondents expected organizations to improve the social and environmental impacts of their products and services, and 66% of those surveyed expected companies to implement socially responsible practices in their supply chain. There was also “significant” consumer support for products with recycled contents and those that were not tested on animals (Daily News, 23 May 2006:6).

### **2.13 FACTORS INFLUENCING THE ADOPTION OF CORPORATE SOCIAL RESPONSIBILITY BY SMALL AND MEDIUM ENTERPRISES**

Luetkenhorst (2004:8) identifies the following four factors which, he believes, influence the adoption of corporate social responsibility by small and medium-sized enterprises:

- In economically difficult times, SMEs are forced to prioritise short-term survival over investment of time and money into longer-term strategic measures.
- In addition to the difficulties posed by the economic environment, smaller firms tend to have limited managerial and financial resources to engage in activities beyond the immediate concerns of survival and profitability.
- SMEs tend to have little autonomy of action in their relationships with regulatory authorities, customers and other stakeholders, and, hence, their capacity for CSR initiatives will be much more restricted than it would be for larger organizations.
- Given different social and cultural conditions, there may be very different perceptions of what does and what does not constitute CSR in different national situations. Also, there may be existing business practices already undertaken by enterprises in developing countries that could reflect a concern for socially and environmentally responsible business practice – the so-called “silent” CSR.

## **2.14 CONCLUSION**

It is evident that there are many issues concerning corporate social responsibility. Although Milton Friedman presents a very compelling argument against CSR, this has been strongly countenanced by leading philosophers such as Thomas Donaldson, Peter French, and Christopher Stone. The stakeholder theory makes an important contribution to the literature on CSR by acknowledging that a business has moral responsibilities to parties other than the owners/shareholders. CSR is a reality, and globally, the pressure on organizations to behave in a socially responsible manner has intensified, especially over the last two decades. There is ample evidence that CSR makes good business sense. Moreover, on the question of whether CSR is applicable to SMEs, the answer is an emphatic 'yes'.

In the next chapter, the relevant literature pertaining to small and medium enterprises is critically reviewed.

## **CHAPTER THREE**

### **SMALL AND MEDIUM ENTERPRISES**

#### **3.1 INTRODUCTION**

While the previous chapter focused mainly on aspects and issues pertaining to corporate social responsibility, this chapter focuses primarily on aspects pertaining to small and medium-sized enterprises. It begins with a discussion of the defining characteristics of small and medium enterprises (SMEs), and then proceeds to examine the developmental contribution of SMEs and the strategic role played by them in the South African economy, as well as the role played by the state in promoting and developing SMEs. The socio-economic factors conducive to SME development as well as the socio-economic problems besetting South Africa, in general, and KwaZulu-Natal (KZN), in particular, are also discussed. Given the current international focus on global warming and climate change and the significant impact of small businesses in this regard, the concept of sustainable development is probed. The chapter also examines corporate social responsibility (CSR) as it applies to SMEs; supply chain pressures exerted on SMEs to engage in CSR, and the broad areas of focus of CSR by SMEs. The chapter concludes with a synopsis of research findings with respect to CSR by SMEs in other parts of the world.

#### **3.2 CHARACTERISTICS OF SMALL AND MEDIUM-SIZED ENTERPRISES**

According to Perez-Sanchez, Barton & Bouwer (2003:72), small enterprises cannot be considered as large enterprises in miniature or as seminal large enterprises, for there are significant structural differences between small and large organisations. Large organisations typically have a bureaucratic structure, which implies that they rely on high levels of specialization, standardization and formalization of behaviour. This structure

creates a hierarchy of authority, spread over several layers of management. SMEs, on the other hand, usually possess an organic structure, which is characterised by a lack of standardization, as well as loose and informal working relationships. The role of the entrepreneur/manager tends to be more pervasive, and has a greater impact on the daily operations of the business. Motivational dynamics assume a different level of importance and scope in enterprises where, due to the smaller size, horizontal relations tend to have a greater impact on production activities (European Commission, 2005).

Small business owner-managers are often portrayed as having a permanent lack of time and of specialized knowledge because they are often responsible for everything: running the business, finding markets for their goods and services, coping with regulations, procuring suitable staff, securing finance and dealing with problems. Also, the owner-manager typically attempts to keep control of the key decision-making and other important aspects of the business, resisting the pressure to delegate responsibilities (Perez-Sanchez et al. 2003:72). Many small business owners have no time to collect the large amounts of information that are available to them, scan the impact they might have on the environment or the various stakeholders, interpret this information and find the necessary business solutions (Shrader et al., 1989; Smeltzer et al., 1988), as cited by Lepourte & Heene (2006:263). SMEs can be difficult to regulate as they are both reluctant to adopt voluntary regulation but are also distrustful of bureaucracy, and are less responsive to institutional pressures. However, Jenkins (2006:242) argues that SMEs can also be very flexible, and they can respond very quickly to changing circumstances, and may be able to rapidly take advantage of new niche markets for products and services that incorporate social and/or environmental benefits in their value.

According to Jenkins (2006:242), a common assumption made about the SME sector is that it is homogeneous, where the defining characteristic explaining its behaviour is its size. Whilst size is a factor, Jenkins contends that there are other internal and external dynamics that explain their behavioural characteristics. SME behaviour is often understood in terms of the psychological characteristics of the entrepreneur or owner-manager. Furthermore, these characteristics vary widely depending on individual

personalities and differing ownership structures, and will influence the organization's approach to CSR. The most common form of SME is the owner-managed firm where ownership and control lie with the same person. This form lends legitimacy to the personal decisions made on how to use the organisation's resources, and allows a degree of autonomy in how CSR is approached (Jenkins, 2006).

According to De Coning (1992), as cited by Visagie (1997:9), typical profile elements of the average SME owner include the following:

- he/she is mainly technically orientated, in terms of knowledge and skills;
- his/her ability to deal with the organisation as a whole is restricted due to a lack of training and development as a generalist;
- the entrepreneur perceives himself/herself as a helpless victim of external circumstances beyond his/her control; and
- a strong focus on the internal business environment, implying that relatively less attention is paid to changes in the market- and macro-environment; and the basic perceptions are of 'avoiding bankruptcy at all costs', and/or to retain independent control of his/her business.

SMEs are very different from the larger organisations and, therefore, they have different stakeholders. In particular, many are family-owned, or are privately held by a small group of people, particularly in emerging economies. Thus, SME activities may reflect the values, character, attitudes, education, background and the preferences of the owner/entrepreneur. These characteristics, in turn, will have a direct impact on the nature and extent of the enterprise's corporate social responsibility (Vives, 2006:40). The writer adds that the generalized assumption that maximizing profits is the primary objective of businesses may not necessarily be true of SMEs. He argues that CSR practices in larger enterprises are influenced by the profit maximization principle; yet many SMEs may not

operate as profit-maximising enterprises, and may, in fact, be willing to forgo some profits to achieve other objectives, such as producing products that the owner finds satisfying to make, and giving back to society.

### **3.3 THE DEVELOPMENTAL CONTRIBUTION OF SMALL AND MEDIUM ENTERPRISES**

According to Tesfayohannes (2000), industrial development based on SMEs is capable of countering three important evils simultaneously, namely: growing unemployment, persistent inequalities and mass migration to cities – all of which are prevalent in South Africa. In support of the above sentiment, Raynard & Forstater (2002:12) state that for developing countries, [such as South Africa], integration into the global economy through economic liberalization and deregulation is seen as the best way to overcome poverty and inequality. Crucial to this process is the development of a vibrant private sector, in which SMEs play a central part. According to Luetkenhorst (2004), SMEs are the lifeblood of most economies, because, on average, they represent over 90% of enterprises and account for approximately 50-60% of employment at a national level. Furthermore, he asserts that, with respect to the developmental contribution of SMEs, there appears to be general consensus, *inter alia*, on the following points:

- SMEs tend to employ more labour-intensive production processes than larger firms. Accordingly, they contribute significantly to the provision of employment opportunities, the generation of income, and ultimately, the reduction of poverty.
- Countries with a high share of small enterprises have succeeded in making the income distribution more equitable. This, in turn, contributes to ensuring long-term social stability and to reducing economic disparities between urban and rural areas.

- SMEs support the building up of systemic productive capacities. They also help to absorb productive resources at all levels of the economy and contribute towards the creation of strong economic systems in which small and large enterprises are interlinked.
- Such linkages are of growing importance for the attraction of foreign investments. Multi-national corporations seek reliable domestic suppliers for their supply chains.
- SMEs play a pivotal role in transforming agriculture-based economies into industrial-based economies, as they provide opportunities for value-adding processing activities which can generate sustainable livelihoods. Here, the role of women is particularly important.
- SMEs are the seedbed for entrepreneurship development, innovation and risk-taking behaviour and provide the foundation for long-term growth and the progression towards larger enterprises (Luetkenhorst, 2004).

According to Roux (2002) the SME sector is, *inter alia*, also important for the following reasons:

- The average capital cost of a job created in the SME sector is lower than in the big business sector.
- They provide opportunities for aspiring entrepreneurs, especially those who are unemployed, under-employed or retrenched.
- Workers at the lower end of the continuum often require limited or no skills training; they usually learn their skills on the job.

- Sub-contracting by large enterprises to SMEs lends flexibility to the latter's production processes.

About 740 000 new jobs a year are needed to meet the Accelerated and Shared Growth Initiative for South Africa's (Asgisa) target of halving unemployment by 2014, according to investment bank Merrill Lynch. The above figure is based on the broader definition of unemployment, which includes those who have given up searching for employment, and is estimated to be approximately 40%, whereas the official unemployment rate, as computed by Statistics SA, is 25%. The economy has grown by more than 4% a year over the past three years and this growth has added only about 500 000 jobs each year, falling considerably below the required rate to achieve the Asgisa target (Daily News, 4 July 2007:10).

The Department of Trade & Industry (DTI) is of the view that SMEs play a far more important role in developing economies, such as South Africa, than in developed countries, since they make a significant contribution to socio-political stability. Successful SMEs absorb not only a significant part of the unemployed labour force, but also reduce crime and government expenditure on security and legal services. Unless South Africa succeeds in promoting SMEs, the country will remain saddled with a significant unemployment problem, resulting in excessive crime in its various manifestations. Furthermore, creating SMEs is one of the most effective ways of economically empowering the previously disadvantaged black population (DTI, 2001). In light of the afore-mentioned, the state should - at national, provincial and local level - vigorously promote the development of small businesses. The measures which the state is implementing in this regard, and the effectiveness thereof, shall be examined later in the chapter.



### **3.4 THE STRATEGIC ROLE OF SMALL AND MEDIUM ENTERPRISES IN THE SOUTH AFRICAN ECONOMY**

Globally, SMEs constitute more than 90% of businesses and account for between 50 and 60% of employment. In 2003, it was estimated that, in the European Union, more than 20 million SMEs (with up to 250 employees) accounted for over 80 million jobs. In the United States of America, where small firms are defined as those having fewer than 500 employees, 99.7% of all businesses are categorised as SMEs, and they employ approximately 50% of the workforce. In Latin America, 95% of businesses are SMEs, and account for between 40 and 60% of jobs, depending on the country, and contribute between 30-50% of GDP (Vives, 2006:39). According to the International Institute for Sustainable Development (IISD), in India, which has the second largest population in the world (just over one billion), the small scale industrial sector accounts for 95% of all industrial units, 49% of manufacturing output, 50% of GDP, and 65% of employment (IISD, 2004:6). From the above, one can deduce that the SME sector plays a significant role in both developed and developing economies.

With respect to South Africa, the Department of Trade & Industry estimated that the total economic output of SMEs was approximately 50 percent of gross domestic product (GDP) and this sector employed more than 60% of the total labour force (DTI, 2001). However, the IISD estimated that about 80% of the formal business sector and 95% of the total business sector (including the informal sector) in South Africa can be considered to be SMEs or micro enterprises, accounting for about 46% of total economic activity, and 84% of private employment (IISD, 2004:6). The primary reason for the disappointing socio-economic development since the 1980s may be that policy makers have grossly underestimated the role of SMEs in the South African economy. In fact, prior to 1994, the year in which the first democratically elected (ANC) government came into power; the previous (National Party) government neglected the small business sector and concentrated trade and economic policy on large conglomerates and parastatal enterprises ([www.brain.co.za](http://www.brain.co.za)).

Unlike the United Kingdom and the United States of America, for example, very little systematic data on SMEs are available in developing countries, and South Africa is no exception. The ensuing discussion is based on information extrapolated by the *Task Group of the Policy Board for Financial Services and Regulation*, (hereinafter referred to as the Task Group), which was appointed by the Department of Trade and Industry in 2001 to report on SMEs access to finance in South Africa. The Task Group had to rely on ad hoc studies and/or surveys, and various sources were used to collate a set of indicators about the SME sector. The only data available in respect of the number and dispersion of SMEs in the economy were for 1997. This information, shown in Table 3.1, was compiled by Ntsika Enterprise Promotion Agency, a body which was created in 1996 by the DTI to promote the development of SMEs in the country. In 2003, the National Small Business Act of 1996 was amended to provide for the dissolution of the afore-mentioned Agency, and the establishment of a new body, namely, the *Small enterprise development agency (Seda)*. The functions of Seda will be discussed in section 3.6.

**TABLE 3.1**

**ESTIMATED DISTRIBUTION OF PRIVATE SECTOR ENTERPRISES IN SOUTH AFRICA IN 1997**

<b>Sector</b>	<b>Surviv -alist</b>	<b>Micro No workers</b>	<b>Micro 1-4 workers</b>	<b>Very small 5-20 workers</b>	<b>Small 21-50 workers</b>	<b>Medium 51-200 workers</b>	<b>Large More than 200 workers</b>	<b>Total</b>
Agriculture	14 700 15%	13 600 14%	26 200 27%	17 900 18%	20 900 21%	3 240 3%	1 520 1%	<b>98 100</b> 100%
Mining	1 100 25%	300 7%	2 200 49%	500 11%	131 3%	112 2%	137 3%	<b>4 500</b> 100%
Manufacturing	19 600 19%	30 900 29%	14 800 14%	30 600 29%	4 800 5%	3 840 4%	1 479 1%	<b>106 000</b> 100%
Construction	19 900 23%	27 600 31%	24 100 27%	13 300 15%	2 300 3%	996 1%	320 40%	<b>88 500</b> 100%
Wholesale trade	900 4%	3 200 15%	3 300 16%	8 900 43%	3 270 16%	660 3%	577 3%	<b>20 800</b> 100%
Retail trade	91 700 28%	120 300 37%	53 200 17%	43 300 13%	13 100 4%	970 0.3%	744 0.2%	<b>323 300</b> 100%
Catering and Accommodation	2 300 11%	3 300 15%	5 700 26%	6 600 30%	3 450 15.7%	385 1.7%	124 0.6%	<b>21 900</b> 100%
Transport	7 600 13%	28 400 48%	14 600 25%	6 200 11%	1 400 2%	293 0.5	303 0.5	<b>58 800</b> 100%
Finance and Business services	7 700 10%	25 400 33%	15 100 19%	24 300 31%	4 600 6%	301 0.4%	425 0.6%	<b>77 800</b> 100%
Community, social and personal services	18 900 18%	30 300 28%	23 600 22%	28 400 27%	4 900 5%	525 0.5%	388 0.4%	<b>107 000</b> 100%
<b>TOTAL</b>	<b>184 400</b> <b>20.2%</b>	<b>283 300</b> <b>31.2%</b>	<b>182 800</b> <b>20.2%</b>	<b>180 000</b> <b>20%</b>	<b>58 900</b> <b>6.4%</b>	<b>11 322</b> <b>1.3%</b>	<b>6 017</b> <b>0.7%</b>	<b>906 700</b> <b>100%</b>

*Source: Department of Trade & Industry, 2001.*

From the above table, one can surmise that large enterprises comprised only 6 017 of a total of 906 700 firms operating in South Africa in 1997, representing less than 1 percent (0.7%) of the total. The balance (approximately 900 000) was made up of small businesses, including survivalist and micro enterprises. Also, SMEs were numerically most prevalent, in descending order, in the following sectors: retail trade; community, social and personal services; manufacturing; agriculture, and construction. The smallest number of SMEs was in the mining sector.

However, the Task Group noted that there were substantial differences in the statistics extracted from different reports on the size of the SME sector, as reflected in Table 3.2 below:

**TABLE 3.2**

**CONFLICTING INDICATORS OF THE SIZE OF THE SME SECTOR**

Source	Survivalist	Micro	Very small	Small	Medium	Large	TOTAL
Ntsika 1997 totals (as in Table 3.1 above)	184 400	466 100	180 000	58 900	11 322	6 017	906 700
Business Partners	2,3 million		600 000		35 000	Not reported	2,9 million
Management Sciences Group Survey, 1999	960 740	862 580		445 880			2,3 million
Eskom Survey, 1999							3 million
Statistics SA, 2000							1 628 797
DTI, 2001	Between 1 – 3 million						
DTI, 2001			250 000 – 650 000 SMEs				

*Source: Department of Trade & Industry, 2001.*

If one excludes survivalist and micro-enterprises, then, according to Ntsika, there were approximately 250 222 SMEs in South Africa in 1997; however, according to Business Partners, there were approximately 635 000 SMEs in South Africa in 1997. The difference between the two figures is 384 778; expressed as a percentage, the estimate by Business Partners is almost 154% greater than that by Ntsika. Given the huge differences reflected in Table 3.2 above in respect of the size of the SME sector (as well as the total number of private enterprises in South Africa), the question arises as to which of the above figures are more accurate. To address this shortcoming in the available statistics, the Sedas in the various provinces/regions are currently attempting to build up a database of the number of SMEs in their locality. Irrespective of the conflicting statistics presented in Table 3.2 above, one can confidently surmise, given the buoyancy of the South African economy since 2001, as well as the impetus given to Black Economic Empowerment (BEE), and the trend by large corporations to unbundle, downsize and outsource some of their operations, that the number of SMEs has grown substantially since then, and as a consequence thereof, the number of people employed by the SME sector, as well as its contribution to the GDP of the country, has also grown.

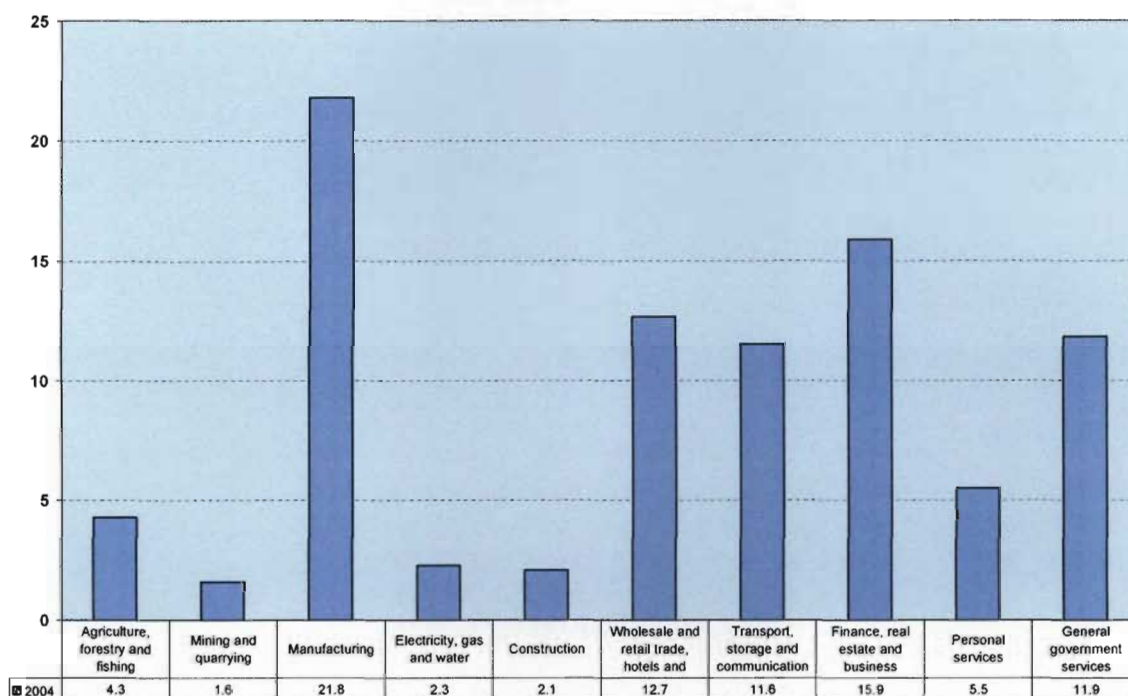
Based on the figures provided by Ntsika for 1997, the geographical distribution of SMEs was in line with the national distribution of GDP in the country - the larger the GDP of a province, the higher was the number of SMEs in the province. The Gauteng Province, which made the largest contribution to the South African economy (33.3% in 2004) had the largest number of SMEs, and was followed by KwaZulu-Natal (16.7% in 2004) - the area in which this research is focused. In terms of racial composition, SMEs were largely dominated by 'white ownership'. This trend is due mainly to the legacy of the past socio-economic dispensation. Due to various factors, the pattern is changing, with African, Asian and Coloured ownership (which is prevalent in micro-enterprises) slowly reaching the threshold of SMEs. However, there are no statistics available to confirm this change (DTI, 2001 & Statistics South Africa, 2005).

Figure 3.1 indicates the relative contribution of the various sectors to the GDP of KwaZulu-Natal for 2004 and it also gives an indication of the economic sectors in which

SMEs in the region were active, excluding general government services, (which contributed 11.9% to the regional GDP in 2004):

**FIGURE 3.1**

**PERCENTAGE CONTRIBUTION OF INDUSTRIES TO THE GROSS DOMESTIC PRODUCT OF KWAZULU-NATAL IN 2004**



Source: Statistics South Africa, *Gross Domestic Product, Third quarter: 2005*.

**3.5 SOCIO-ECONOMIC FACTORS CONDUCTIVE TO THE DEVELOPMENT OF SMALL AND MEDIUM ENTERPRISES**

The following factors, *inter alia*, have been identified by the Department of Trade and Industry in South African (DTI, 2001) as being conducive to SME development:

### **3.5.1 Macro-economic stability**

SMEs are more vulnerable to volatility within an unstable macro-economic environment than large businesses. Price fluctuations, interest-rate volatility and foreign-exchange uncertainty impact on the number of bankruptcies declared, and SMEs bear the brunt of such instability. Macro-economic instability also adversely impacts the asset base of SMEs, especially that of smaller firms. Smaller enterprises, by definition, are less likely to have the capabilities for sound asset management than larger enterprises, and this represents a major source of financial vulnerability for them.

### **3.5.2 Supportive legal framework**

Just as important as macro-economic stability, is the vital role of an appropriate legal framework for the promotion of business enterprises. On examining global surveys of SME development, the Task Team appointed by the Department of Trade and Industry in South Africa (DTI, 2001), to investigate SME access to finance in South Africa, have identified the following elements of a legal framework as being critical for the viability and sustainability of business enterprises:

- well-entrenched property rights;
- efficient business registration procedures;
- supportive taxation policies;
- *simple and transparent rules for operations;*
- effective and cost-efficient contract enforcement;
- streamlined systems of arbitration and dispute resolution; and

- effective law enforcement and crime prevention.

### **3.5.3 Favourable human resource environment**

High levels of business and economic literacy constitute the foundation of a robust and effective SME promotion. Formal education and training systems are vital components in ensuring that the country's human resources are developed in a manner consistent with the evolving economic structure. The accessibility of relevant skills, at a reasonable wage/salary, is a critical factor in the success of small businesses, especially during their expansion phase (DTI, 2001).

### **3.5.4 Appropriate and efficient infrastructure**

Supportive infrastructure for SME promotion includes, *inter alia*, the following: an efficient transportation infrastructure, reliable and cost-effective communication facilities, access to reliable supplies of water and electricity at a reasonable price, supportive business associations, like the local Chamber of Commerce, and the availability of reliable and up-to-date statistics. The existence of suitable infrastructure reduces transaction costs, improves trade reliability and creates opportunities for business networking, which generates economies of agglomeration in information and transaction management (DTI, 2001).

### **3.5.5 Competitive and cost-effective access to finance**

Throughout the world, SMEs initially rely on self-financing by entrepreneurs. Subsequently, they 'progress' to debt finance and/or venture capital as they establish a history of trading and expand their operations. SMEs access to external sources of funding depends largely on the development of financial markets, the regulatory environment within which the financial institutions operate and their ability to assess, manage and price the risks associated with loan products for SMEs. The difficulties which small businesses in South Africa experience in accessing finance have been well



documented, and they act as a stumbling block in the growth and development of SMEs (DTI, 2001). To this end, financial institutions in South Africa need to revisit their lending criteria, which they have adopted from the developed (western) world, as there are major differences between the needs of SMEs in developed and developing countries.

### **3.6 THE ROLE OF THE STATE IN PROMOTING THE DEVELOPMENT OF SMEs IN SOUTH AFRICA AND IN KWAZULU-NATAL**

Given the crucial role of SMEs in the socio-economic development of the country, the enormity of the socio-economic problems besetting the country (discussed in the next section), and their neglect at the expense of large businesses by the previous government, the current South African government, since taking office in 1994, has enacted legislation and put in place several mechanisms and structures to promote and support the development of small business in South Africa. The first major initiative by the state to sustain SME development was heralded by its adoption, in 1995, of the *White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa*. The promulgation of the Small Business Act of 1996 and the establishment of the Ntsika Enterprise Promotion agency under the aegis of the Department of Trade and Industry have further consolidated infrastructure development of SMEs. Notwithstanding these interventions, minimal growth has been recorded, due primarily to the highly regulatory environment under which SMEs operate. The growth of the SME sector is further stifled by difficulties in accessing credit facilities and the low levels of financial support (DTI, 2005).

More recently, a policy document prepared by the Department of Trade & Industry, entitled: *The Integrated Small Enterprise Development Strategy* presents the way forward for small-enterprise development in South Africa for the period 2005-2014. The strategy is predicated on the following premises:

- promoting entrepreneurship through campaigns, leadership training and awards;

- strengthening the enabling environment through more flexible regulations, better access to finance and markets, improved infrastructure facilities, and business support; and
- enhancing competitiveness and capacity at the enterprise level through skills training, more focused quality-, productivity-, and competitiveness-support and the facilitation of technology transfer and the commercialization of incubation.

An overview of the priority areas of interventions within the strategy framework is set out in Table 3.3.

**TABLE 3.3**

**UNLOCKING THE POTENTIAL OF SOUTH AFRICAN ENTREPRENEURS**

<p><b>PILLAR 1</b>  <b>Promoting</b>  <b>entrepreneurships</b></p>	<p><b>PILLAR 2</b>  <b>Creating enabling</b>  <b>environments</b></p>	<p><b>PILLAR 3</b>  <b>Enhancing competitive-</b>  <b>ness and capabilities</b>  <b>at enterprise level</b></p>
<p>a) Strengthen national awareness about the critical role of entrepreneurship</p>	<p>a) Maintain/Introduce small-business-sensitive regulations</p>	<p>a) Strengthen managerial, business, and technical skills</p>
<p>b) Promote alternative focus on ownership</p>	<p>b) Improve access to finance</p>	<p>b) Facilitate improved quality, productivity, and competitiveness</p>
<p>c) Strengthen business associations and networks</p>	<p>c) Facilitate the availability of business infrastructure and premises</p>	<p>c) Expand SMME-focused sector-support strategies</p>
<p>d) Expand franchise opportunities</p>	<p>d) Strengthen access to markets, procurement, exports and business linkages</p>	<p>d) Support technology transfer, incubation, and the commercialization of business services</p>
	<p>e) Increase the effectiveness of enterprise support</p>	
	<p>f) Localise support infrastructures</p>	

*Source: Department of Trade & Industry, 2005. Integrated Small-Enterprise-Development Strategy (A Summarised Version).*

According to the Department of Trade and Industry, the key objectives of the above strategy can be summarized as follows:

- to increase the contribution of small enterprises to the growth of the South African economy
- to create an enabling environment for small enterprises by leveling the playing field between big and small enterprises; reduce the disparities between urban and rural enterprises, and promote entrepreneurship
- to create sustainable long-term jobs in the small business sector
- to increase the competitiveness of the SMME sector and its enabling environment so that it is better able to exploit opportunities in national, African and international markets, and
- to ensure equitable access and participation in terms of race, gender, disability, age, geographical location and sector.

The White paper on the National Strategy for the Development of Small Business in South Africa also identified restrictive or inappropriate legislative and regulatory conditions as critical constraints on the growth and development of small businesses. Accordingly, the government is committed to review, monitor and recommend changes to the existing regulatory structure with a view to changing the overall culture of regulation, increasing the co-ordination of efforts and providing national consistency in regulations. It also tries to make compliance easier for small businesses with less complex administrative procedures and paperwork, complemented by more practical assistance (DTI, 2005:11).

South Africa's SMME programme aims at ensuring that all sector development policies facilitate the maximum contribution of small business to the economy. A network of

one-stop business centres, which offer advice and support services to small businesses, have been established. In partnership with Ithala, the Department of Economic Development has led the process of establishing the Small Enterprise Development Agency (Seda). A number of such Seda centres already exist, with additional centres for excellence in business as well as business information centres extending the service delivery network and covering all district municipalities. According to the KwaZulu-Natal Review (2006:23), the Small Enterprise Development Agencies (Sedas) focus on the following aspects pertaining to small businesses:

- assistance with business planning;
- company audits and assessments;
- business finance;
- export training;
- tender information and advice on other business opportunities;
- franchising;
- market access and business linkages;
- cooperative enterprise development; and
- manufacturing business advice.

By focusing on the above areas, small businesses are allowed access to opportunities and resources that will hopefully improve their competitiveness and ensure their sustainability.

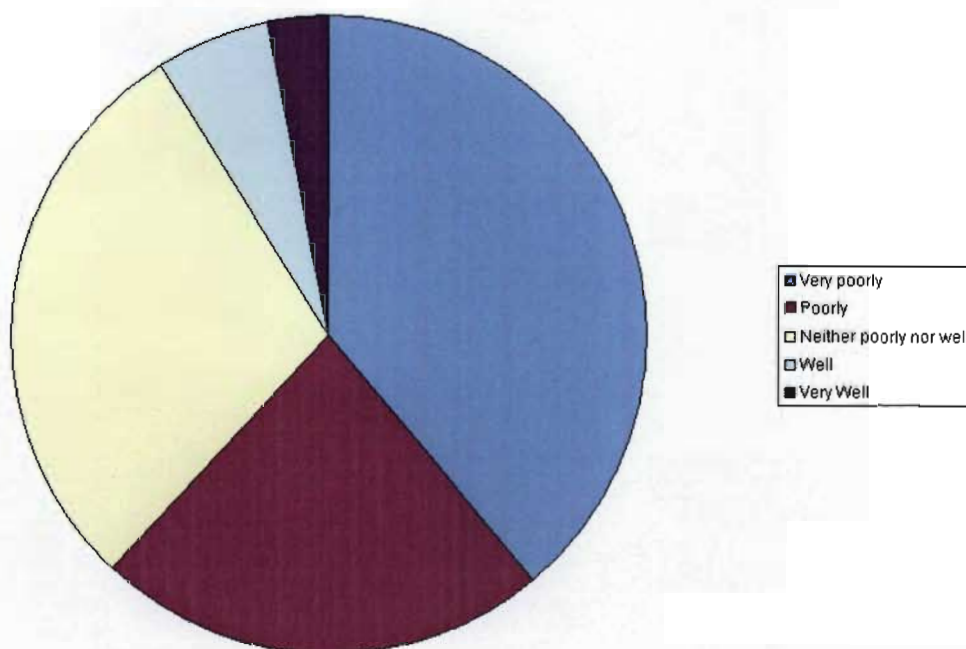
In KwaZulu-Natal, the province in which this research is based, the focused programmes are aimed at supporting and empowering small businesses and emerging entrepreneurs, with the following as key features:

- a dedicated SMME development fund has been established;
- mechanisms have been established to assist small businesses with training and skills development; and
- the procurement system in the provincial government has been revised to offer market opportunities to small businesses.

Despite the enormous resources that Government allocates to SME development, less than 10 percent of owner/managers of the 2 919 SMEs surveyed in 2004 rated the government's efforts to promote small business as being effective. According to Arthur Goldstruck, principal researcher for SME Survey 2004, this finding reflected poor communication rather than poor strategy. This conclusion was borne out by the findings, which showed that no less than 70% of the respondents gave government a poor rating for the way in which it communicated these efforts ([www.theworx.biz](http://www.theworx.biz)). Figure 3.2 graphically illustrates the latter.

**FIGURE 3.2**

**HOW WELL GOVERNMENT PROMOTES SMALL BUSINESS**



*Source: SME Survey 2004*

When asked to rate the impact of various Government initiatives, from SME and business support programmes to legislation and regulation, on the ability of enterprises to survive and grow, SMEs were reasonably positive on legislation, with 41% of respondents positive on the impact of legislation, in general, and only 21% negative. The same proportion (41%) of respondents was positive on the impact of import/export legislation, but 33% of the respondents were negative. The impact of skills development programmes (30% positive) and the impact of BEE (28% positive) also scored reasonably, but had more negative respondents than positive. The lowest ratings were given for the impact of general Government incentives for SMEs, with a mere 12% being positive, while the impact of SME support structures received an 18% positive rating; impact of preferential procurement, 23% positive, and the impact of export incentives received a 25% positive rating ([www.theworxbiz](http://www.theworxbiz)).

To visibly demonstrate its support for the growth and development of the small business sector in South Africa, the government has finally approved a list of ten products and services which government departments will be expected to purchase from small, medium and micro enterprises (SMMEs). Furthermore, to ensure their sustainability, all government departments will be expected to pay the SMMEs within 30 days of the receipt of the goods and/or the provision of appropriate services (Daily News, 13 November 2007:7). The list of products and services, from which government will procure up to 85% from SMMEs, are:

- advertising, media and communication;
- interior and exterior cleaning services and cleaning product supplies;
- clothing and textiles;
- computer equipment and consumable supplies;
- interior and exterior furniture and décor;
- events co-ordination and management;
- maintenance, repairs, construction and office space;
- travel co-ordination and shuttle services;
- perishable food and supplies; and
- printing, as well as stationery supplies.



### **3.7 THE SOCIO-ECONOMIC PROBLEMS IN SOUTH AFRICA AND KWAZULU-NATAL**

Even the highly industrialised countries have their own socio-economic problems. However, the socio-economic problems of South Africa have been exacerbated by the apartheid policies followed by the previous government. In spite of it being over thirteen years since the demise of apartheid, poverty, and a lack of access to education, housing and employment opportunities is still a reality for millions of previously disadvantaged South Africans. According to data provided by the last census in South Africa in 2001, approximately 14 million of South Africa's 48.5 million inhabitants lived in informal dwellings, many in corrugated wood or iron shacks, often without water, sanitation and electricity (Statistics South Africa, Community Survey, 2007). South Africa's Gini coefficient, the second highest in the world, (after Brazil), has always served as the starkest indicator of the country's unequal distribution of income. In 2001, the poorest 40% of households - equivalent to 52% of the population - accounted for less than 10% of total income, while the richest 10% of households - equivalent to just 6% of the population - accounted for over 40% of the total income. Subsequent research has shown that the poverty gap between the rich and the poor is widening, and some municipalities have as many as 85% of their residents living below the breadline (HSRC Review, September 2004). There was also a very strong correlation between educational attainment and standard of living, and between poverty and unemployment.

The unemployment rate among those from poor households was 52% in comparison with the overall national rate of 28%. The latter figure (of 28%) was based in terms of the official definition of unemployment, which counts only those individuals actively seeking employment. In terms of the broader definition, which includes those persons who have given up looking for work but would like to work, the national figure stood at approximately 42% (Tyson, Steyn, Gibson & Trail, 2004:164). According to Borat, Leibbrandt, Maziya, Van der Berg & Woolard (2001:21), the poor are more vulnerable to illnesses and stunted growth, and in South Africa, there is a strong correlation between extreme poverty and HIV prevalence (Berry, 2004). Endemic poverty, combined with

high expectations and high levels of inequalities, ferment social unrest and create an unstable business environment. The high level of criminal activity in South Africa is linked to poverty and unemployment, although these are not the only contributory factors. In this regard, the role of a “good” education in reducing poverty is extremely important, because of its contribution to improving the earnings potential of the poor (Bhorat et al., 2001:25).

KwaZulu-Natal, the area of focus of this study, has the largest share of the South African population, just over 20%. In 2001, approximately 251 008 people in KwaZulu-Natal aged between 5–24 years were not attending an educational institution, and 1 100 291 persons over the age of 20 had no formal schooling - the latter representing 24% of the country’s 4.5 million inhabitants over the age of 20 with no formal schooling ([www.stats.gov.za/census2001](http://www.stats.gov.za/census2001)). In 2004, only 34.9% of households in KwaZulu-Natal had piped water inside the dwelling (compared with 38.7% of households in South Africa as a whole), and 8.4% of households used water from rivers or streams, compared with 5.2% of households in South Africa as a whole. Electricity was the primary energy source for only 60% of KwaZulu-Natal households (the other 40% used paraffin, wood and/or coal), and approximately 10% of the dwellings in KZN were of an informal nature (Statistics South Africa, General Household Survey 2004). Furthermore, 54% of the KZN population were deemed poor in 2004, with approximately three million people (between 15-65 years) being economically inactive, representing an (official) unemployment rate of 28.7% (Statistics South Africa, Labour Force Survey, September 2004).

According to the mid-year population estimates for 2006, as calculated by Statistics South Africa, the HIV-positive population is estimated at 5,2 million, (representing approximately 11% of the population), compared to an UNAIDS estimate of 5,5 million. Furthermore, the median time lapse from becoming HIV-positive until death due to AIDS is estimated to be 10 years. For 2006, life expectancy at birth was estimated at approximately 49 years for males and 53 years for females, well below the norms for the developed world. Of all nine provinces in South Africa, the life expectancy at birth for

both males and females is the lowest (less than 50 years) in KwaZulu-Natal, the epicentre of the AIDS pandemic (Statistics South Africa, 2006). Given these statistics, it is clear that HIV/Aids is poised to have a significant effect on every facet of the population, and small and medium enterprises are not immune. In 2004, HIV/Aids accounted for approximately 30% of all deaths in the country, and over 600 people succumbed to the disease every day (Clarke, 2004:21).

To speedily address the afore-mentioned social-economic problems requires tremendous resources, and the state alone has neither the financial resources nor the human resources to do so. By international standards, South Africa allocates a large share of its national resources to public education, housing and health. Spending on education has increased relatively rapidly over the last couple of years. For 2007/8, the largest share of the national budget - R105.5 billion - has been allocated to education, representing an increase of R4.6 billion over the previous year. In 2006, the Department of Education introduced no-fee schools to help poorer families and avoid victimization and non-attendance by pupils. According to the Department, just over 5 million pupils, equivalent to 40% of the total, will attend 13 856 no-fee schools (Financial Mail, 23 February, 2007:7).

According to the Financial Mail (23 February, 2007:15), the largest increase in the 2007/8 budget went to housing, which gets an average 18% more annually over the next three years – from R4.bn in 2003/4 to R12.5bn in 2009/10. In total, the state has earmarked R32 billion for low-cost housing over the next three years. However, historical backlogs persist; although the state delivers about 250 000 new houses a year, approximately 200 000 new households are formed every year. In addition, the State pays out billions of rands every month in social security grants, such as old-age pensions, disability grants, and child support grants. From under 3 million in 1997, beneficiaries of social assistance currently stand at almost 12 million, and the social security expenditure has risen from R23 billion, equivalent to 3.4% of GDP in 1997, to R89.4 billion in 2007/8, equivalent to 4.6% of GDP. In fact, South Africa may have the largest welfare system in the developing world (Financial Mail, 23 February, 2007:15).

In developed economies, housing, healthcare, education, and other socio-economic development issues are usually the responsibility of the state. However, according to Rockey (2003) if it was left to the South African government alone to uplift the previously disadvantaged communities, it will simply take too long. Moreover, the patience of the marginalized communities is running out, as is evidenced by the spate of protests regarding a lack of/poor service delivery by the state. Hence, there is a need for private sector involvement. Given the magnitude of the socio-economic problems in South Africa, one may be tempted to ask whether one organization can really make a difference. However, Rockey (2003) contends that doing nothing in the face of a national crisis is simply selfish, even if the benefits are long-term, and the scale of contribution relatively small.

It is in businesses' own interest to help stabilize the social landscape and grow the economy, since their long-term livelihood and success is intrinsically linked to the well-being of South Africa and its citizens. In this regard, big businesses in South Africa are doing a sterling job - corporate South Africa invests more in social responsibility than any other nation in the world (CSI Handbook, 2003:30). Furthermore, the CSR activities of large businesses are well documented and well publicized. However, to-date, no studies have been undertaken in South Africa to ascertain which of the socio-economic problems outlined above are being addressed by small businesses. This study will partially fill this void by reporting on what SMEs in province of KwaZulu-Natal are doing to address the socio-economic problems in the province.

### **3.8 SMALL AND MEDIUM ENTERPRISES AND SUSTAINABLE DEVELOPMENT**

According to DesJardins (1998), deep world-wide poverty, an increasing global population and limited resources raise a serious economic and moral dilemma: to meet the basic needs of an increasing human population, significant economic activity will be necessary; yet economic growth itself is responsible for much of the environmental

degradation which already jeopardizes the possibility of meeting even present needs. The writer contends that the solution to this dilemma requires a robust economy of a qualitatively different type: one that endeavours to meet the basic needs while constrained by ecological realities. In essence, he advocates economic activity that “meets the needs of the present without comprising the ability of future generations to meet their own needs”. DesJardins (1998:831) calls for the focus to be on sustainable development instead of the unrestricted activity of “growth”.

During the twentieth century, the burning of fossil fuels - petrol and diesel, natural gas, oil, and coal - accelerated dramatically, thereby increasing the concentration of ‘greenhouse’ gases like carbon dioxide and methane in the Earth’s atmosphere, and this trend is changing the earth’s climate at a rate unprecedented in history. Many scientists believe that the accumulation of these gases have increased temperatures by an estimated one degree Fahrenheit over the last century. Although one degree might appear miniscule, it is sufficient to increase the rate of polar ice sheet melting: in fact, ice in the Arctic, Antarctic and Greenland is melting, and virtually all of the world’s glaciers are shrinking. With less snow and ice cover to reflect the sun’s rays, the Earth absorbs even more of the sun’s heat, thereby accelerating the warming process ([www.newscientist.com](http://www.newscientist.com)). The year 2005 was the warmest on record, and the ten warmest years have all occurred since 1980. Also, global data reveal that storms, droughts, and other weather-related disasters are becoming more severe and are occurring more often (Lash & Wellington, 2007:96).

The scientific evidence of the effects of climate change is now overwhelming - climate change is a serious global threat, and it demands an urgent global response. It will affect the basic elements of life for people all around the world: access to water, food production, health and the environment. Hundreds of million of people could suffer hunger, water shortages and coastal flooding as the world warms (Boateng, 2006). The impacts of climate change are not evenly distributed; the poorest countries and people will suffer the most. Melting glaciers will cause sea levels to rise, triggering serious risks to coastal protection. According to Boateng (2006), scientists have estimated that, by the

middle of the century, about 200 million people could be permanently displaced due to rising sea levels. In addition, reduced water supplies will threaten one-sixth of the world's population. Declining crop yields, especially in Africa, could leave hundreds of millions without the ability to produce or purchase sufficient food; death from malnutrition and heat stress will increase, and diseases, such as malaria and dengue fever, could become more widespread (Boateng, 2006:34).

According to Peet du Plooy, trade and investment adviser to the Worldwide Fund for Nature, South Africa ranks among the world's top twenty greenhouse gas emitters. The country's carbon dioxide emission doubled from 1980 to 2004, and is higher than that of Brazil, whose population is four times larger than that of South Africa, and only slightly lower than the United Kingdom, whose Gross domestic Product (GDP) is 3.6 times larger than South Africa's (Daily News, 5 June 2007:5). According to Rajendra Pachauri, chairman of the Intergovernmental Panel on Climate Change, between 1970 and 2004, the growth in greenhouse gas emissions has been about 70%. However, the panel contends that the worst effects of global warming can be subdued, and the technology to slow climate change exists in the form of renewable energy sources like solar, wind and hydroelectric power, and making cars, homes and businesses more energy efficient (Sunday Times, 6 May 2007:13). According to Lash & Wellington (2007:96), in order to stem the buildup of greenhouse gases in the earth's atmosphere, global emissions would have to stop growing at all in this decade, and be reduced by 60% from current levels by the year 2050.

Poor air quality can cause respiratory problems such as asthma and allergies, in both humans and animals, and may also contribute to birth defects, cancer, and brain, nerve, and respiratory system damage. Water pollution results from the dumping of raw sewage and toxic chemicals into rivers and oceans, from oil and fuel spills, and from the burial of industrial wastes in the ground where they may filter into underground water supplies. When these reach the oceans, they encourage the growth of algae that use up all the nearby oxygen, thus killing the sea life. Water pollution can affect drinking water quality, whether a community obtains its water from surface reservoirs or underground

aquifers (Lash & Wellington, 2007). The world's supply of accessible fresh water is decreasing drastically, and South Africa faces a serious water shortage in the future.

According to McAlister, Ferrell & Ferrell, (2005), land pollution results from the dumping of residential and industrial wastes, strip mining, and poor forest conservation, and such pollution jeopardizes wildlife habitats, causes soil erosion, alters watercourse which leads to flooding, poisons groundwater supplies, and can contribute to illnesses. The writers add that another aspect of the land pollution problem is the issue of how to dispose of waste in an environmentally responsible manner, and compounding this problem is the fact that more than 50 percent of all garbage is made out of plastic, most of which does not decompose.

South Africa experiences more sunshine than most places on Earth, and there is great potential for the use of solar water heaters, and power supplies. However, the initial outlay for solar energy is high, especially for smaller organizations, hence, the reluctance to switch to solar power. South Africa used more energy per unit of economic output (GDP) than many other countries. Many European and Asian countries have demonstrated that production can be increased while using less energy through using more energy-efficient manufacturing processes. Recycling waste materials can also save energy; for example, aluminum produced from scrap uses 95% less energy than when it is manufactured from ore (Daily News, 5 June 2007:5).

Improvements in energy efficiency are the most effective way to rein in energy requirements and reduce greenhouse gas emissions. When energy costs increase substantially, as is expected in South Africa, people see the virtue in efficiency and usually cut back on their consumption. Large organisations have generally been responsive to the idea of energy saving, especially when its benefits show up in the bottom line. However, many smaller enterprises are short-term oriented - they expect investments to pay for themselves in two years. Such organizations are unlikely to invest in more efficient systems and methods (Euroabstracts, February 2006:18).

Entrenched in the *Constitution of the Republic of South Africa* (1996) is that everyone has a right to an environment which is not harmful to their health or well-being, and that the environment should be protected for the benefit of present and future generations through conservation, pollution prevention and the securing of ecologically sustainable development (Nieman & Bennett, 2002:427). However, many businesses, both big and small, are polluting and damaging the environment. With respect to SMEs, although their individual environmental impacts are small, their cumulative impacts are highly significant.

According to Williamson et al. (2006:320), SMEs are generally overrepresented in industrial sectors with high environmental impacts: in Chile, for example, over two-thirds of SMEs are in the manufacturing and metallurgy, food, drinks and tobacco, and textile and leather sectors, and in the United Kingdom, it is estimated that SMEs accounted for approximately 60% of the total carbon dioxide emissions and 70% of the pollution. SMEs are also reported to be responsible for about 60% of commercial waste and 80% of pollution incidents. Furthermore, SMEs may not be subject to the same regulatory and enforcement processes that can mitigate the negative impacts of large companies (Fox, 2005:3). According to the International Institute for Sustainable Development (2004:8), this situation offers the potential for significant progress towards sustainable development if the social and environmental performance of SMEs can be improved. Furthermore, the Institute contends that progress can be accelerated by creating incentives for SMEs to adopt social responsibility practices, and building the capacity to implement social responsibility.

Table 3.4 contrasts the current orientation of business owners/managers with the future orientation proposed by Nieman & Bennett (2002:439), in order for them to become more environmentally responsible.



**TABLE 3.4**

**PARADIGM CHANGES REQUIRED BY BUSINESSES IN ORDER TO EMBRACE A SUSTAINABLE DEVELOPMENT ORIENTATION**

	<b>CURRENT PARADIGM</b>	<b>FUTURE PARADIGM</b>
Basic economic rationale	Dominate over nature – greed and materialism all-important. Entitlement for a small group only.	Harmony and balance with nature – wealth less important. More equitable natural resource usage.
Business mission	Profitability and growth – benefits accrue to the shareholders and senior employees.	Sustainability and balance – equity for a larger group of stakeholders.
Products and services	Designed for style and profit.	Designed to minimize the impact on the environment.
Technological Paradigm	Technology will solve our problems.	Every technology has its undesirable consequences. (Therefore, assess the impact of new technology on the environment before adopting it).
Management orientation	Short-term oriented. Secretive, and use public relations to manipulate public perceptions.	Long-term oriented. Transparency and sound corporate governance.
Leadership	Autocratic, centralized power. Emphasis on material benefits.	Sharing; decentralised power. Emphasis on values and principles.

*Source: Nieman & Bennett, 2002. Business Management A VALUE CHAIN APPROACH, p439.*

### **3.9 DRIVERS FOR SMALL AND MEDIUM ENTERPRISES TO ENGAGE IN CORPORATE SOCIAL RESPONSIBILITY**

According to the European Multi-stakeholder Forum for Corporate Social Responsibility (European Commission, 2004), apart from SMEs being driven to integrate CSR because of the personal beliefs and values of the owners/managers, many SMEs are driven by some combination of minimizing risks and maximizing opportunities. In this regard, the Forum identified the following drivers of CSR for SMEs:

- Attracting, retaining and developing motivated and committed employees – especially because the speed of market and technology changes requires flexible and committed staff.
- Being a good neighbour – maintaining a licence to operate from the local community.
- Reputation – with internal and external stakeholders.
- Cost and efficiencies savings – for example, reduced insurance and landfill costs.
- Product/market innovation, differentiation, and competitive edge; and the need for more sources of creativity and innovation in business.
- Winning and retaining consumers and business customers (supply chain pressures and opportunities).
- Responding to pressures from banks and insurers.
- Changing perceptions of the role of business in society – through the media, education, and actions by stakeholders.

- Networking opportunities.

### **3.10 FACTORS RESTRICTING THE ADOPTION OF CORPORATE SOCIAL RESPONSIBILITY BY SMALL AND MEDIUM ENTERPRISES**

The CSR agenda has almost entirely focused on large enterprises. The tools, frameworks and justifications for responsible business activity tend to cater for large organisations, especially those that can benefit from investing in measures that reduce reputational risk. Where it does touch on small- and medium-sized businesses, this is usually in a reactive or indirect sense, either as suppliers to large companies, or as beneficiaries of larger companies' CSR activities (Fox, 2005:4). Furthermore, there is increasing recognition that SMEs are not miniature versions of large firms and that CSR practices cannot simply be scaled down. SMEs are heterogeneous, and their size, resources, management style and personal relationships make it difficult for them to adopt the social responsibility practices of large organisations. According to Jenkins (2004), whilst the nature of stakeholder relationships for SMEs may not be dramatically different to that of large organizations, the management of such relationships is likely to be different. He argues that stakeholder relationships for an SME may be based on a more informal, trusting basis and characterized by intuitive and personal engagement whilst large companies are far more likely to engage in carefully planned, formal strategic stakeholder management, with the balance of power lying with them.

According to Williamson et al. (2006:320), while the growing visibility and global impact of large companies and brands has inspired calls for greater transparency and accountability, SMEs, being largely "invisible", are unlikely to see CSR in terms of risk to their brand image or reputation. The writers maintain that the majority of them are simply content to survive; and as long as they are earning a decent living, there is little incentive to reduce the bottom line with CSR related activities. Furthermore, Fox (2004:5) contends that since the majority of SMEs operate only in the domestic market, or in export markets that have not had to respond to scrutiny on ethical issues, and in

industries in which production and trade is so fragmented that there is not traceability, the 'economic imperative' of adhering to social or environmental standards is not provided by buyers' requirements, and, therefore, the incentives, or 'business case' for doing so must be found elsewhere.

Apart from time and knowledge constraints, small business owners also cite a lack of financial resources as one of the main stumbling blocks to engaging in social responsibility practices (Lepourte & Heene, 2006:264). Small business owners perceive social responsibility activities as a cost that will result in competitive disadvantage – if most of the other small businesses in the industry are not involved in socially responsible activities, to do so will increase costs, and, therefore, will be avoided. A small business owner-manager may want to invest in employee training, community development or environmental-friendly technologies, but may defer such investments because of other needs which may be perceived as more important from an operational or strategic perspective. In addition, relative to large businesses, small businesses have fewer opportunities to reap the benefits of economies of scale and scope and learning, thereby increasing the relative burden of these costs (Lepourte & Heene, 2006:264).

According to Welford (2005), many SMEs are often badly managed and there is often a lack of a systems approach to management. This deficiency may be related to a lack of qualified personnel or simply the lack of recognition about the benefits of moving towards a well-structured management system. Under such conditions, Welford (2005) contends that CSR becomes a peripheral issue. He adds that even those managers, who are very much aware of CSR, complain that their second-line managers lack the skills and training to be able to effectively engage with CSR issues or even understand the rationale for engagement in CSR.

According to Jenkins (2004), more important than the practical barriers to engage in socially responsible activities are the cognitive processes that forgo such actions. If an issue is not recognized, then the propensity for socially responsible action is low. Jenkins further contends that the specific position and personality characteristics of small

business owner-managers influence their socially responsible behaviour. The effect and direction of the socially responsible behaviour, however, depends on the type of owner-manager. Lepourte & Heene (2006:267) are of the opinion that small business owner-managers, who are inclined to engage in small business socially responsible behaviour, will be more effective if they possess such entrepreneurial traits as the need for achievement, internal locus of control and tolerance for ambiguity.

Vives (2006:41) maintains that, in general, SMEs, by their very nature, are local organisations whose owners/managers, customers and workers come from the same or neighbouring communities, and because SMEs have relatively fewer employees than large organisations, most, if not all, are known to the owner/manager. In cognizance of the above, the writer argues that it should, therefore, be natural for SMEs to be concerned with community development, the local environment and social issues, as well with the well-being of their employees; although, due to a lack of knowledge, financial reasons or fear of regulations, they may not be as involved as would be expected.

### **3.11 SUPPLY CHAIN PRESSURE ON SMALL AND MEDIUM ENTERPRISES TO ENGAGE IN CORPORATE SOCIAL RESPONSIBILITY**

As stakeholders take a growing interest in CSR, many enterprises are realizing that they are responsible not only for their own CSR performance, but for that of the organizations “upstream” and “downstream” - i.e. a company’s suppliers as well as its customers, and even its customers’ customers (Davids, Theron & Maphunye, 2005:79). Hence, for SMEs in the developing world, supplying transnational and multinational corporations, CSR is not an optional extra, but a necessity. According to the United Nations Industrial Development Organization (2002), much of the focus has been on supply chain standards or codes of conduct that relate to sub-contractors, and, of late, these codes of conduct, particularly pertaining to environmental and labour standards, have been one of the most visible aspects of CSR for SMEs. In response to the pressures from multinational corporations (MNCs) and transnational corporations (TNCs), there have been a number

of initiatives, which have moved beyond the individual relationship between the retail brand company and its suppliers (UNIDO, 2002). The most notable initiatives are briefly described below:

- **Multi-stakeholder partnership approaches** - whereby industry sectors adopt a common code of conduct and work with civil society organizations and governments to develop an acceptable monitoring system.
- **Certification systems** in which independent organizations set up a standard to which manufacturers are certified. These initiatives do not depend on individual supply chain relationships but provide a basis by which suppliers can demonstrate their social and environmental credentials.
- **Business association and cluster approaches** by export-oriented companies. Some national level business associations, e.g. the Kenya Flower Council, have developed their own codes of conduct and certification systems in order to help their members meet the social and environmental demands of the international market (United Nations, 2007).

According to Raynard & Forstater (2002), codes of corporate conduct and certification schemes implemented through supply chain requirements and enforced through audits can provide opportunities for niche marketing by producers and suppliers based in middle and low-income countries. However, the writers contend that by outsourcing some or all of their production, TNCs pass the costs of necessary improvements down the supply chain to their suppliers, while gaining the reputational benefits for these improvements. The effect of this action is to increase the costs of both compliance and monitoring down the supply chain to their suppliers, mainly SMEs who are located in developing countries, and who are already operating in a highly competitive market. In order to retain their contracts with the TNCs, firms in the developing countries may reluctantly comply with the standards, but may cut corners elsewhere, where it is less noticeable, but nonetheless,

detrimental to the very people the standards were designed to protect in the first instance (Raynard & Forstater, 2002:38).

According to the International Institute for Sustainable Development (2004), SMEs faced with supply chain pressures must address the following challenges:

- The standards imposed by the clients may be inappropriate or challenging for SMEs. For example, pollution prevention measures stipulated by the client's environmental standards may require substantial investment in technology, which SMEs may not afford. In developing countries, SMEs often find it difficult to access the new technology; environmentally friendly materials; access to credit, and information and training that would help them comply with the standards imposed by their clients.
- The process of demonstrating compliance with the standards may, in itself, pose a barrier - for SMEs are less likely to have formal systems for measuring, recording and managing the impact of their operations, and also, they may not possess the capacity to deal with demanding paper trails.
- The cost of audits and certification can be prohibitive. While large companies undertaking this exercise can enjoy economies of scale, for small companies this benefit may not materialize. Furthermore, in many developing countries, the high cost of certification is, in part, also due to a lack of local certifiers. In South Africa, the ISO 9000 and the ISO 14000 standards are perceived as a burden because of the prohibitive costs associated with not only the implementation process, but also the ongoing maintenance of such standards. According to the IISD (2004), certification often acts as an "entry ticket" to markets, rather than a source of a premium, and even where there is a premium, this is unlikely to cover the cost of certification for SMEs due to low volumes.

- As buyers adopt a socially responsible approach, they may prefer to rationalise their supply base, sourcing from a smaller number of larger suppliers in an effort to reduce the risk of social and environmental problems being uncovered within their supply chains, and the transaction costs of audits and inspections across more disparate supply bases.

However, the above challenges are applicable only to a small proportion of SMEs in developing countries - only those that are either directly or indirectly involved in exporting to countries in which supply chain standards exist. In this regard, Fox (2005:5) advocates that the larger companies, to whom the SMEs supply goods, should, as part of their CSR, provide support and advice to help SMEs to adhere to their standards. Otherwise, he contends that CSR standards may act as a barrier to market entry for SMEs, thereby undermining livelihoods and development.

For SMEs in the supply chain, good CSR practices build trust with the larger buyers of their products, and SMEs that establish a reputation for good CSR practices will enjoy long-term relationships with their customers, bigger and better contracts and increased certainty of business in the future (Welford, 2005:43). Moreover, probably more than any other type of business, SMEs need the long-term relationships to grow their businesses, and by demonstrating that even a small company can adopt high CSR standards will help convince a customer that the company is well managed, can be trusted, and is likely to deliver on its promises (Welford, 2005:44).

### **3.12 THE SME-CSR INTERFACE**

In order to better understand SME interaction with the CSR agenda, and to offer guidelines to third parties to promote involvement in CSR among SMEs, research was undertaken among SMEs in the United Kingdom, on behalf of the British Department of Trade and Industry ([www.bitc.org.uk/resources/research](http://www.bitc.org.uk/resources/research)). The research was led by *Business in the Community*, a non-profit organisation dedicated to promoting CSR among



businesses in the United Kingdom. Arising from the research process, the following ‘types’ of SMEs were identified:

#### **3.12.1 ‘Ben & Anitas’**

According to the researchers, ‘Ben & Anitas’ refer to SMEs which began as ‘social enterprises’, where the owner/managers are highly motivated by a desire to create a positive impact on the community. The owners/managers of organisations such as these are more au fait with CSR terminology and concepts, and consciously seek out information and opportunities for engagement.

#### **3.12.2 ‘Arthur Daleys’**

The primary concern for these SME owners is to maximize profits, and, therefore, they believe that they have no social responsibilities outside the narrow dictates of their business.

#### **3.12.3 ‘One-offs’**

These SME owners have had very little experience of engagement with the CSR agenda. They might have, for example, made a one-off donation to a charitable organisation. However, once engaged, they may progress to become another ‘type’, depending on the underlying motivations and circumstances.

#### **3.12.4 ‘DIYers’**

These SME owners are very independent individuals and prefer working in isolation from others. According to the researchers, ‘their socially responsible activities are often fragmented, lacking the coherence associated with having an over-arching vision of a responsible business’. ‘DIYers’ engage in socially responsible activities more often than the ‘one-offs’, but each activity is an isolated one.

### 3.12.5 ‘Smart pragmatists’

Smart pragmatists will act responsibly only if they perceive that such action will benefit their business. Their motives, therefore, differ from those of the **enlightened pragmatists**, who are motivated by broader, long-term societal goals as well as understanding the basic business case. Enlightened pragmatists will, for example, be motivated to improve their environmental practices because of a genuine desire to improve the environment, unlike the ‘smart pragmatists’, who will only do so because such action will benefit the organisation.

In consideration of the above classification of SMEs, the researchers recommend that those involved in promoting responsible business practice among SMEs should communicate in a simple and concrete way with ‘one-offs’, compared to the ‘Ben & Anitas’, who are likely to be more familiar with the CSR lexicon. Furthermore, ‘one-offs’ will need to be educated about the business case for engagement to a greater extent than the enlightened pragmatists, who will be familiar with the business case, but need more practical guidance for improving the quality of their CSR-oriented activities ([www.bitc.org.uk/resources/research](http://www.bitc.org.uk/resources/research)).

## 3.13 AREAS OF FOCUS AND RATIONALE FOR ENGAGEMENT IN CORPORATE SOCIAL RESPONSIBILITY BY SMEs

It is impossible to draw up a definitive list of issues and activities which constitute corporate social responsibility. These issues will be different not only for large and small businesses per se, but also for individual businesses within the large and small sector, and can change over time as changes in risk and regulation, challenges to reputation and developments in best practice redefine the boundaries of what is acceptable, possible and profitable for an enterprise (Raynard & Forstater, 2002:5). According to these writers, CSR means balancing the interests of a wide group of stakeholders and strategically managing the interconnected social, environmental and economic impacts of business

activities. However, they caution that this does not necessarily imply that all stakeholders of an organization have an equal say in its strategic direction, but what it does imply is that the stakeholders affect, and are affected by that direction, and, therefore, must be considered.

According to the Ireland Chamber of Commerce ([www.chambers.ie](http://www.chambers.ie)), CSR activities for SMEs can be broadly separated into three separate strands/areas, namely: Workplace, Environment and Community.

### **3.13.1 Workplace**

According to the Ireland Chamber of Commerce ([www.chambers.ie](http://www.chambers.ie)), as the continued success of a business is dependent on the commitment and loyalty of its staff, it is incumbent on employers to implement policies that promote the recruitment, development and maintenance of their staff. Workplace CSR projects can affect many different areas of an organisation's policy such as health and safety, the work-life balance of employees, staff diversity and cultural awareness. While the main benefits to SMEs with health and safety policies and practices that exceed the basic legal obligations is the greater protection of their staff, these firms may also enjoy secondary benefits such as reduced staff absenteeism rates and good corporate images. Increased labour productivity, through better motivated staff and lower absenteeism rates through improved health care provision and, hence, reduced labour costs, can easily compensate for the additional expenses incurred. ([www.chambers.ie](http://www.chambers.ie)).

In a survey undertaken in 2004 in South Africa, 9% of organizations indicated that HIV/Aids already had a significant adverse impact on their business, while 43% envisaged a significant negative impact over the next five years (Clarke, 2004:21). According to the 2003 UNAIDS report, about 25% of South Africans from the economically active population could be infected, and research indicates that small businesses are more at risk as they are less able to absorb the effects of the epidemic. The impact on businesses could be felt through reduced productivity, increased

absenteeism, increased staff turnover, increased recruitment and training costs, increase cost of employee benefits and poor staff morale (Parsadh & van Dyk, 2005:76). HIV/Aids not only affects an organisation's employees, but also its prospective employees, upstream suppliers, business partners, the size and purchasing power of its target market as well as the communities around which it operates.

Social issues such as HIV/Aids and poverty are as important to staff as they are to communities in general. For example, when a family member dies from HIV/Aids, that staff member may not only need money for the funeral but may also have to look after an orphaned child, which could lead to a serious financial crisis in that staff member's life. Moreover, that crisis can have a major impact on the staff member's productivity (Finance Week, 30 June 2004:40). In cognizance of the above, it is in SMEs' own interests to engage in activities, however small, like giving employees time off to establish their HIV status, or distributing state-provided condoms in their washrooms, that can minimize the impact of HIV/Aids on their organisation.

Wheeler & Grayson (2001:104) maintain that seeking a healthy balance between the work and non-work aspects of employees' lives is essential in order to avoid burn-out of staff and for retaining a committed, motivated and innovative workplace environment. The writers further contend that good working conditions can also help to attract more qualified and motivated staff in the competition for scarce skilled employees. They argue that if an employer looks after his/her employees and motivates them, they'll want to stay, and employees who are knowledgeable and committed tend to look after customers. In turn, customers who are looked after tend to come back, and it is a well known fact in business that it is much easier and cheaper to retain a loyal customer than to win a new one (Wheeler & Grayson, 2001:104).

Employees recognize that when an organization invests in training and development programmes, not only does it improve operations, but it also empowers them and gives them opportunities to improve their knowledge. Through these programmes, workers get a better sense of where they fit and how they contribute to the overall organization. This,

**TABLE 3.5**

**THE DRIVERS, ATTITUDES AND BENEFITS OF ENVIRONMENTAL-FRIENDLY OPERATIONS**

<b>Drivers</b>	<b>Attitudes</b>	<b>Benefits</b>
Increasing legislation/ regulation	The bigger the firm, the more proactive it is in environmental issues	Cost savings
Increasing customer pressure	Unaware of environmental effects	Improved relationship with regulators
Competition	Perceive environmental issues as an opportunity	Anticipation of future environmental pressures
Increasing cost of waste disposal and landfill cost	Little time spent dealing with environmental issues	Reduce environmental risk
Environmental pressure groups	The lower the unit value of raw materials, the lower the interest in recovering or not wasting it	Introduce products with greener features
Depletion of finite resources	Little knowledge in formal practices to manage environmental performance	Creation of market for waste
Energy consumption	Market forces and intervention strategies such as supply chain pressure had little or no significant impact on behaviour towards environmental issues	
Recycling issues		

*Source: Perez-Sanchez, Barton & Bouwer, 2003.*

The proper management of waste in any business will lead to a reduction in overheads and potential adverse environmental impacts, thereby improving efficiency and profit

margins. According to Sue Beningfield, chairperson of the KwaZulu-Natal branch of the Institute of Waste Management of Southern Africa, organizations that have introduced comprehensive waste management programmes and cleaner production strategies report significant savings: from 20 to 80% for water, approximately 20% for electricity, between 10 and 50% for solid waste, approximately 5 percent for raw materials, and from 10 to as high as 90% for consumables. These organizations also found that better control and management of waste improves their competitiveness, minimizes risk and enhances the image of the organization (The Bugle, 9 June 2006:6).

Many owners/managers in the tertiary sector hold the misguided view that their operations have little or no adverse impact on the environment, as opposed to their counterparts in the primary and secondary industries (Sunday Times, 15 April 2007). However, most, if not all of them use electricity and paper. By, for example, converting to paperless statements and online billing, banking and payments, they can reduce their environmental footprint. According to the US Electronic Payments Association, a non-profit organisation that represents more than 11 000 financial institutions, for every 38 000 bills paid by direct payment, one ton of paper is saved. Apart from saving trees, paying that many accounts online also prevents the creation of 880kg of solid waste and 2 294kg of greenhouse gases (Sunday Times, 15 April 2007). Apart from the environmental benefits, the organisation will realize cost savings on stationery and postage.

Given the size of the SME sector in both the developed and the developing world, and given the ramifications of climate change, the SME sector can play a huge role in reducing its adverse impact on the environment and, at the same time, realizing cost savings.

### **3.13.3 Community**

McAlister et al. (2005:211) define community as those members of society who are aware, concerned, or in some way affected by the operations and output of an

organization. Unlike larger businesses, SMEs generally integrate seamlessly into the community. They are perceived as an integral part of the community, generating economic and social vibrancy in the locality. An SME can build on this goodwill by using knowledge of the issues facing those living in the surrounding area to deliver an effective community-focused CSR strategy. For a small hardware store in a suburb, the owner may define the community as the immediate neighbourhood where most of his or her customers reside. The hardware store may demonstrate its social responsibility by, for example, hiring people from the neighbourhood, participating in the neighbourhood crime watch programme, or supplying building material at cost to a nearby old age home. In fact, the list of CSR activities pertaining to the community that SMEs can engage in is endless – for example, it could also include, *inter alia*, the sponsorship of local sports teams, giving advice on organizational strategy to non-governmental organizations, or engaging staff in a fundraising campaign for a particular charity ([www.chambers.ie](http://www.chambers.ie)).

While a business may support educational opportunities in the community because the owner believes it is the right thing to do, such action can also help to develop the human resources skills necessary to operate the business. According to Roussouw (2004), the involvement of businesses in education and training is, in fact, more “selfish” charity because the organization is the ultimate beneficiary when the people in its community are literate. Having literate people in the organization should reduce training costs, increase productivity, reduce wastage, increase profits, and ultimately benefit the community, and the macro economy as a whole.

### **3.14 RESEARCH FINDINGS ON THE CORPORATE SOCIAL RESPONSIBILITY OF SMALL AND MEDIUM ENTERPRISES IN OTHER COUNTRIES**

There is an extensive body of literature on the corporate social responsibility practices of large businesses in South Africa and the rest of the world, but very little on the CSR practices of SMEs. Moreover, most of the research on the latter has been undertaken

mainly in the developed countries, located mainly in Europe. In this section, the main research findings of the studies undertaken in some European countries, the European Union, Latin America and Nigeria are presented.

### **3.14.1 CSR among SMEs in the United Kingdom**

Below is a summary of the main findings from a United Kingdom survey on the feasibility of CSR for SMEs, as reported by Castka, Balzarova, Bamber & Sharp (2004:143-4) and de Bruin & Moore (2005):

- The vast majority of small and medium-sized enterprises in the United Kingdom (82%) believe that they take their community, social and environmental responsibilities seriously. While 66% of the SMEs surveyed think it is good for business, 25% do not think so.
- SMEs' social and community activities are fragmented and informal, and few have, or feel the need for, formal policies or stated intentions.
- Many SMEs in the UK are engaged in some form of CSR activities, without realizing it.
- The majority of SMEs tend to be primarily focused on internal issues - many of their responsible business practices concentrate on staffing issues, increasing employee skills and team building, as well as on morale and motivation within the organization.
- Recycling and waste reduction is carried out by approximately 66% of SMEs, while almost 60% of them contribute to the community, through schools and trade training, and 52% make charitable donations.



- Drivers of SME engagement include personal interest and fulfillment; a desire to implement 'good business practice'; to improve morale and motivation; to give something back to the society, and to enhance business reputation.
- Fear of bureaucracy, time and cost are the main barriers to further engagement in CSR. However, these barriers/obstacles are not experienced by most of the SMEs who are engaged. It would appear, therefore, that barriers tend to be built on perceptions rather than reality.
- SMEs in the United Kingdom also want the engagement to be simplified; there is a clear feeling of being overwhelmed (whether it is legislation or approaches from local charities), and too many organizations overlapping in advice. SMEs want a single, local point of contact through which they can network with other organizations, learn about current and best practice, the business case, the issues considered to be important, and how to get started.
- The strongest finding from this study is that third parties need to work together to further engage SMEs in socially responsible business practices; a centrally coordinated, holistic approach would not only leverage information and resources more effectively, but from an SME perspective, it will provide coherent and seamless mechanisms for engagement, tailored for specific sectors and issues.

### **3.14.2 CSR among SMEs in Italy**

According to research conducted in 2005 among 400 SMEs by Bocconi University, in association with Confindustria for the Italian Ministry of Labour and Social Affairs (Perrini, 2006:310), Italian SMEs are an integral part of the local community and their success is often linked to their degree of legitimacy and approval from local stakeholders, including employees, financial organizations, suppliers and citizens. These local networks are based on informal and silent relationships, and what these accomplish is often not communicated or measured. The research results reveal that the most frequent

CSR initiatives in Italy are: training activities (89%); protecting employees' health (82%); support of the local community (72%); support of cultural activities (70%); control of product safety (67%), and environmental impact (62%). These companies usually adopt CSR tools such as employee involvement programme (83%); sponsorships (75%); donations (51%); direct investments (47%), and management systems (42%).

### **3.14.3 CSR among SMEs in Hungary**

While there is increasing knowledge and practice of CSR in Eastern Europe, there is still a relatively low level of awareness and limited understanding of it. Furthermore, economic and social rights are not yet fully recognized as major concerns in these newly independent and economically liberal countries. In a fact-finding mission undertaken in Hungary, (a former communist state) in July 2006, by The International Federation for Human Rights (<http://www.responsibility.cz/fileadmin/responsibility-upload/FIDH-research.pdf>), the following findings were made:

- The concept of CSR among SMEs is still new and not well-known in Hungary.
- Those organizations that adopt CSR policies are mainly concerned with their reputation and image (and, therefore, most CSR departments or representatives are part of the communication department of the organization).
- CSR policies are defined under the concept of sustainable development and cover economic, social and environmental responsibilities.
- CSR is defined by business players on a voluntary basis, and implemented and monitored by business; civil society plays a marginal role in the CSR dynamic – it does not seem to play the role of “CSR watchdog”, but rather considers CSR as suspicious, since it is mainly used for marketing purposes.

- The majority of Hungarian business leaders link “socially responsible activities” to complying with regulations or to philanthropic action.

#### **3.14.4 CSR among SMEs in Latin America**

In 2004, 1 330 SMEs in eight Latin American countries, namely: Argentina, Brazil, Chile, Colombia, El Salvador, Mexico, Peru and Venezuela, were surveyed in respect of their social and environmental responsibility (Vives, 2006:46). The findings of the survey revealed that both small and medium-sized firms showed the greatest level of commitment to internal CSR practices, while environmental practices took second place and external practices took third place. In all cases, medium-sized firms were more involved in all three types of CSR practices than small firms, especially in the case of external responsibility, which appeared to be twice that of small firms. SMEs in Chile and Argentina reported the highest level of CSR activity, while those in Brazil and El Salvador reported the lowest level. Less than 5% of firms reported that they did not engage in any internal CSR activities, while more than 40% reported a high level of engagement. The areas of internal CSR with the highest degree of activity were: work-family issues, health and well-being, equity, and worker participation. This was followed by education and corporate governance (Vives, 2006:46).

With respect to external responsibility, most CSR activities in this area in Latin America focused on cultural activities, sports, health and well-being, education, assistance to low-income groups, and community participation. For more than 70% of the firms, external support was mainly in the form of donations, either in cash or in kind, through third parties. More than half of the SMEs surveyed reported no activity in the area of environmental responsibility. Of those involved, the most practised activity was energy efficiency, followed by reduction, recycling and treatment of waste. Other practices, such as water conservation, monitoring and taking advantage of by-products were reported by one in three of the SMEs. The most important reasons cited for engagement in CSR activities were ethics and religious values. The welfare of employees and profits

were also mentioned as the reasons for engaging in internal CSR practices and in environmental CSR activities, respectively. (Vives, 2006:47).

#### **3.14.5 CSR among SMEs in Nigeria**

Most indigenous firms in Nigeria are SMEs, privately held, family-owned and operated. Local consumer and civil society pressures are almost non-existent. Furthermore, law enforcement mechanisms are weak and made inefficient by institutionalized corruption. In an environment where basic human needs and infrastructure (by western standards) are a luxury, CSR was mainly seen from a philanthropic perspective - a way of 'giving back' to society. The emphasis seems to be more on community involvement, less on socially responsible employee relations and almost non-existent in relation to socially responsible products and processes (Amaeshi, Adi, Ogbechie & O' Amao, 2006:26).

#### **3.14.6 CSR among SMEs in the European Union**

Research was conducted on behalf of the European Union by the Observatory of Small and Medium Enterprises on a total of 7 662 SMEs across sectors and size classes, in nineteen European countries (European Commission, 2002b). The main findings of the study are summarised below:

- There was no agreed definition of CSR, particularly in respect of the environmental aspect.
- 'Ethical' considerations were cited as the principal motivation for SMEs involvement in social activities in the community.
- Finland was most engaged in CSR practices, with 83% of SMEs in that country involved in CSR activities. However, France and the United Kingdom were among those least engaged in CSR practices, with between a third and a half of firms involved.

- Approximately 50% of the European SMEs were involved, in one or more ways, in external socially responsible activities. This involvement correlated positively with enterprise size, ranging from 48% among the micro-enterprises to between 65-70% amongst the SMEs, respectively. The involvement did not depend significantly on the type of industry involved.
- Although about 75% of European SMEs were able to identify the benefits of their socially responsible activities, most of these activities were occasional and unrelated to their other business strategies.
- Customer loyalty was cited as the main benefit of being socially responsible (by 35% of the respondents), 28% of the respondents cited enhanced relationships with the community and public authorities, and 27% of the respondents perceived no benefits at all.
- European SMEs prioritized CSR issues, concentrating on one or two key issues relevant, in general, to environmental impacts more often than to social and economic considerations. Those who focused on social issues tended to prioritize local issues and programmes - generally sports, culture and health and welfare.
- SMEs were more actively involved with CSR when they were involved in production that involved a high degree of environmental impact or heavy use of intellectual capital.
- Barriers to external social responsibility by SMEs ranged from 'never thought of it' (24%), to a lack of time (19%), 'not related to the activities of my enterprise' (17%), and lack of finances (16%).
- With regard to the environment, only 12% of SMEs were involved in environmental activities that went beyond those related to their own operations. The limited environmental involvement of SMEs has been ascribed to both attitudinal and behavioural characteristics, especially, the lack of knowledge

about relevant legislation, the assumption that their impact on the environment is negligible, and their failure to integrate the environment into business operations.

- The majority of SMEs engaging the community were expecting to either continue (73%) or even increase (14%) their participation in the foreseeable future (European Commission, 2002b; de Bruin & Moore, 2005).

### **3.15 CONCLUSION**

The evidence concerning the crucial role played by SMEs is overwhelming. Although there is a paucity of information and conflicting statistics regarding the SME sector in South Africa, the general consensus is that the promotion and development of small businesses can help alleviate the enormous socio-economic problems besetting the country. Accordingly, government allocates substantial resources to promote the development of SMEs. However, less than 10 percent of SMEs surveyed in 2004 rated government's efforts to promote small business as effective.

Given an increasing global population, dwindling natural resources, and the scientific evidence of the effects of climate change, sustainable development is high on the global agenda. In as much as there are differing viewpoints on what exactly constitutes corporate social responsibility, it would seem that CSR activities for SMEs can be broadly separated into three strands/areas, namely: Workplace/Employees, Environment and Community.

The literature review undertaken did not reveal any meaningful information on the social responsibility of SMEs in South Africa; more specifically, in KwaZulu-Natal. The research questions posed in Chapter one, therefore, remain unanswered. In cognizance of the afore-mentioned, it remains necessary to conduct primary research to establish the perceptions and behaviour of SMEs in KZN regarding social responsibility.

The next chapter will discuss the research methodology employed to conduct this study, and on the target population and questionnaire design.

## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **4.1 INTRODUCTION**

This chapter commences by restating the key research questions that were not addressed in the literature review. This is followed by a detailed description of the sampling procedure and data collection methods employed. Subsequently, the reliability and validity of the measuring instrument, as well as the manner in which the questionnaire was administered are explained. The chapter concludes by describing the statistical tests that were performed on the data emanating from the survey.

#### **4.2 KEY RESEARCH QUESTIONS**

- What are the perceptions of SME owners/managers in KZN in respect of their responsibility towards the environment, their employees, and the community?
- To what extent are SMEs in KZN behaving in a socially responsible manner?
- On which areas of social responsibility are SMEs in KZN focusing their efforts?
- What motivates SMEs in KZN to engage in socially responsible activities?
- In which areas of social responsibility do external stakeholders expect SMEs in KZN to be involved?
- For SMEs in KZN, how strong is the relationship between being socially responsible and being successful?



- What are the main obstacles/barriers impeding SMEs from engaging in CSR activities?
- How can SMEs be assisted to further engage in socially responsible activities?

The need to address the above questions necessitated a field study among SMEs in KwaZulu-Natal. In order to proceed in terms of an acceptable scientific enquiry, various steps were necessary, and these included: a consideration of the target population, the sample size and representativity, as well as the sampling and data collection methods.

#### **4.3 THE SAMPLING PROCEDURE**

The sampling procedure entails drawing a representative sample which includes all the elements of the universe, which can be finite or infinite. According to Loubser (1996:251), “a population or universe is the aggregate of all the elements, whilst the survey population is the aggregate of elements from which the sample is selected”. The target population refers to the group of people or enterprises who form the object of the survey and from which conclusions are drawn. The sampling unit refers to the entity which is the focus of the survey. In order to select sampling units, a sampling frame is required. The sample frame could be obtained from census lists, telephone directories, maps, payrolls and membership lists of organisations. The sampling frame comprises the complete list of all the units from which the sample is drawn.

According to Sekaran (2000:127), “a sample is a subset of the population; however, not all the elements of the population would form the sample”. By studying the sample, the researcher may draw conclusions or make inferences that allow generalizations about the target population. The selection of a sample can be attributed to various factors, the most important being that it is simply not possible to study every unit in the population or to engage in a laborious exercise to collect data from the entire population. Even if it were possible, the financial costs entailed would be enormous. Furthermore, quantifying the

voluminous data would be a long and arduous task. Studying a small sample is likely to yield reliable results and facilitate data collection, whilst lessening the impact of errors. The population parameters cannot be determined accurately in a sample survey since not every element in the target population is included in the research design. However, the fundamental premise when choosing a good sample is that it should be representative of the target population (Jinabhai, 1998:248).

#### **4.3.1 Non-probability sampling**

In non-probability sampling, no inference regarding the target population can be made and the sampling error cannot be estimated. According to Loubser (1996:253), “in non-probability sampling there is no way of estimating the probability that any element will be included in the sample, and, therefore, there is no method of finding out whether the sample is representative of the population”. Some researchers may opt for non-probability sampling because of the non-existence of lists or sampling frames. A major drawback of the non-probability sampling procedure is the reliance on luck and judgement of the part of the researcher. However, if statistical inferences have to be made, then a probability sampling procedure should be adopted

#### **4.3.2 Probability Sampling**

Probability sampling is based on the concept of random selection; it is a controlled procedure that assures that each population element is given a known non-zero chance of selection. Only probability samples provide estimates of precision. Also, only probability samples offer the opportunity to generalize the findings to the population of interest from the sample population (Cooper & Schindler, 2006:440). Each unit in the target population should be identifiable; if not, a unit will not have a positive chance of being selected. Probability sampling is widely used by most researchers because of its simplicity. It is perceived to be the most objective method of sampling a population. However, in using the random sampling method, some difficulties are experienced because not all lists or maps contain complete, up-to-date information about the

population, which leads to sampling errors. Hence, the conclusions drawn may not necessarily be true for the entire population.

For a variety of reasons, probability sampling is technically superior to non-probability sampling. In the former, sampling bias is reduced or eliminated by the use of a random selection of elements. Under such circumstances, the researcher is very confident that the sample is representative of the population from which it is drawn. Also, with probability sample designs, one can estimate an error range within which the population parameter is expected to fall. Thus, not only can one reduce the chance of sampling error but one can also estimate the range of probable sampling error present (Cooper & Schindler, 2006:454).

For the present study, the probability sampling procedure using simple random sampling was adopted.

#### **4.3.3 The target population and sample**

There is no universally accepted standard for identifying small and medium enterprises, and a case can be made for using multiple measures of firm size. However, for this study, small and medium enterprises were delineated according to the number of employees. In terms of the definition adopted for this study, businesses with fewer than 20 employees were classified as micro-enterprises, and those employing more than 200 employees were classified as large businesses. Hence, the target population consisted of businesses located with the province of KwaZulu-Natal, with no fewer than 20 and no more than 200 employees.

There are hundreds of SMEs located in KZN, and since not all of them are members of their local Chamber of Commerce/Business, identifying and locating them is a time-consuming and onerous task. Furthermore, although there are 13 Chambers of Commerce/Business in KwaZulu-Natal, the membership lists of many of the smaller Chambers do not indicate the number of employees; hence, it was difficult to differentiate between micro, small, medium and large enterprises. In cognizance of the above, the

target population for this study was derived from the membership list of the Durban Chamber of Commerce & Industry (DCCI), the Pietermaritzburg Chamber of Business (PCB), and the Zululand Chamber of Business (ZCB). These three organisations are located in the largest industrial/trade zones in KwaZulu-Natal, namely, Durban, Pietermaritzburg, and Zululand-Richards Bay, respectively. Membership to the above bodies is not restricted to businesses located in these areas. In fact, there are many businesses located outside of these areas, who are members of the Durban Chamber of Commerce & Industry, the Pietermaritzburg Chamber of Business, or the Zululand Chamber of Business, as they perceive the larger Chambers of Commerce/Business to be more effective and influential, and to offer greater benefits to their members.

According to the 2006 membership lists, the three Chambers had a combined membership of 4 574 organisations of all sizes. Members who did not meet the standard definition of SMEs did not constitute the target population and were, accordingly, culled from the list. This screening process resulted in a sampling frame of 1 192 SMEs, consisting of 721 DCCI members, 350 PCB members, and 121 ZCB members, as reflected in Table 4.1 below.

**TABLE 4.1**

**THE GEOGRAPHIC SPREAD OF SMALL AND MEDIUM  
ENTERPRISES IN KWAZULU-NATAL**

AREA	NO. OF SMEs	PERCENTAGE
Durban	721	60.5%
Pietermaritzburg	350	29.4%
Zululand/Richards Bay	121	10.1%
<b>TOTAL</b>	<b>1 192</b>	<b>100.0</b>

At the 95% level of significance, a sampling size of approximately 290 was required (Sekaran, 2000:253). However, given that some of the addresses contained in the membership lists may have changed or were incorrect, that others may refuse to participate in the research, while others may not provide all the necessary information or may not complete their questionnaires, it was decided to choose a sample of 500 SMEs, (representing 42% of the target population), using a table of random numbers. According to Welman and Kruger (1999:64), it is not necessary to use a sample size larger than 500 units of analysis, no matter what the size of the population.

#### **4.4 DATA COLLECTION**

A literature study using secondary sources of information was undertaken with the objective of establishing, assembling and integrating the theory with regard to corporate social responsibility and small and medium-sized businesses. To this end, newspaper and magazine reports, government and non-governmental organisations' publications, academic journals, textbooks, and internet articles were referenced. From this study, management theories and principles and benchmark practices were used to evaluate the social responsibility practices of SMEs in KwaZulu-Natal.

A survey is conducted to either answer certain questions, to test certain hypotheses or to serve as an exploratory study. It is essentially a method of obtaining information from a group of respondents by means of direct contact through personal interviews, telephone interviews or self-administered mail questionnaires. For this study, the primary data in respect of the social responsibility of SMEs in KZN were sourced by means of self-administered mail questionnaires.

##### **4.4.1 Questionnaire**

According to Tull & Hawkins (1994:252), as cited by Jinabhai (1998:264), "a questionnaire is a formalized set of questions for eliciting information" and is generally

associated with survey research to obtain primary data regardless of the form of administration. A researcher must establish three parameters before a questionnaire can be developed. The first is to state the problem which initiated the research and to determine the information required to solve it. The second is to define the population to be surveyed and the third is to choose the best means of collecting the required information (Loubser, 1996:215). In designing the questionnaire (Annexure C), the researcher endeavoured to fulfill the following criteria for good questionnaire design, as advanced by Melville & Goddard (1996:43):

- it is complete and elicits all the data required;
- it asks only pertinent questions;
- it starts with general questions;
- it gives clear instructions; and
- it has objective questions with sensitive questions spread at the end.

The self-administered questionnaire was chosen because it is less costly and less time consuming, and self-administration reduces biases from differences in administration (Walonick, 2000). A further advantage of the self-administered questionnaire is that it gives participants sufficient time to think about their responses (Cooper & Schindler, 2006). In addition, questionnaires are easier to analyse. However, the questionnaire, as an instrument of research can be susceptible to errors caused by respondents' imperfect memory, lack of visual cues and respondents' desires to give socially acceptable answers. Also, the response rate can be very low, and there is little control in respect of how long respondents take to reply. Knowledge of what questions are to come later may influence answers to earlier ones, and misunderstandings of questions cannot be corrected (Willemse, 1990 & Walonick, 2000). These drawbacks are accepted as part of the study.

When using a self-administered questionnaire as a survey instrument, the question often asked is whether the answers of the respondents reflect social response bias or the real situation. However, as the questionnaire was anonymously completed, respondents had no reason to present a more favourable picture compared to the real situation. Furthermore, as will be revealed in the next chapter, many respondents reported a relatively low score with respect to several instruments, indicating that the questionnaire was filled in an honest way.

The questionnaire consisted primarily of structured closed-ended questions and only one open-ended question. The questions were phrased to focus on a specific area in order to generate accurate data which would facilitate statistical analysis. In using structured close-ended questions, the respondents had to choose from various alternatives. Hence, the questionnaire for this study comprised structured questions with a mix of the kind discussed by Loubser (1996:221) and outlined below:

- dichotomous questions, which offer a choice of only two fixed alternatives;
- multiple-choice questions with single answers, where the response is restricted to one of the given alternatives;
- multiple-choice questions with multiple answers, which allows the respondent to select more than one response;
- checklists, where the respondent is requested to rate the responses in terms of the criteria given in accordance with their importance; and
- ranking, where the respondent is asked to place a set of items in order of importance in terms of a given set of criteria.

According to Cooper & Schindler (2006:370), the Likert scale consists of statements that express either a favourable or unfavourable attitude towards the object of interest, and is

the most frequently used variation of the summated rating scale because it is easy and quick to construct. In this study, respondents were asked to choose between five levels of agreement, ranging from 'strongly agree' to 'strongly disagree'. The major advantages in using closed-ended questions are that they reduce the variability of responses, are less costly to administer, and are much easier to code and analyse (Cooper & Emory, 2001).

#### 4.4.2 Structure of the Questionnaire

The instrument used for this survey consisted of a questionnaire, and it was directed at the owner-manager of the small or medium enterprise. Coding entails assigning numeric codes to each response which falls in a particular category, and to facilitate data capturing, almost all of the questions were pre-coded, with the exception of one qualitative type question, which was open-ended. As most of the questions were pre-coded, it merely required the respondent to tick or cross the numeric code on the questionnaire, thereby reducing the time required to complete the questionnaire, and, hopefully, encouraging more SME owners to complete the questionnaire. As it was not possible to generate all the alternative responses, provision was made for an open alternative, which Martins, Loubser & van Wyk (1996:301) depict as follows: "Other: (Please specify) ...".

Questions 1 to 3, and 20 to 22 wished to establish the biographical details of the respondents: the industrial sector in which the SME operated, the number of years of operation, the number of employees, the highest educational qualification of the owner, as well as his/her gender, and the age group to which he/she belonged, respectively. Question 4 required respondents to rank, from 1 to 5, with 1 being the least important, and 5 being the most important, the organisation's obligations to: owners/shareholders, employees, customers, the community/society, and the environment. Questions 5, 6 and 7 were designed to establish the *perceptions* of the owners/managers of SMEs regarding their social responsibility, while questions 8, 9 and 10 were formulated to establish the actual *behaviour* of SMEs regarding their responsibility towards their employees, the environment, and the community.



Question 11 was an open-ended question, and required respondents to state the term or phrase that they use to best describe the activities that they had listed in questions 8, 9 and 10 in respect of their employees, the environment and the community. The objectives of questions 12, 13 and 14 were, respectively, to establish the motives for CSR behaviour, to identify the stakeholders to whom such behaviour was communicated, as well as to identify the barriers/obstacles which restricted SMEs further involvement in social responsibility activities. Question 15 wished to ascertain what help SMEs required in order to be more socially responsible; and question 16 was designed to elicit information in respect of the sources of external pressures exerted on SMEs to be socially responsible. The objective of question 17 was to establish the factors threatening the success of SMEs, and question 18 was formulated to establish the importance of the respondent's personal beliefs and values, his/her religious/spiritual beliefs, as well as the law, in influencing the way the respondent ran his/her business. Question 19 required respondents to rate the success of their business, the objective being to ascertain if there was a link between being socially responsible and being successful.

#### **4.5 VALIDITY**

Saunders, Lewis & Thornhill (2003:101) define validity as the extent to which the data collection method and/or related methodologies accurately measure what they are intended to measure, as well as the extent to which the research findings are really about what they profess to be about. According to Bless & Higson-Smith (1995:137), content validity is achieved by referring to the literature relating to the area of study. The measuring instrument used for this study was closely linked to the theory impacting on the scope of the study and was confined to the variables to be tested in the area of social responsibility among SMEs. The research variable items were drawn from the literature review and a sample review of questionnaires used in other studies, most notably, a questionnaire used in a study in the United Kingdom, entitled "Engaging SMEs in Community & Social Issues", undertaken by a research consortium in 2002, on behalf of the British Department of Trade & Industry, ([www.bitc.org.uk](http://www.bitc.org.uk)).

The questionnaire was reviewed by two colleagues from the Durban University of Technology who lecture in Research Methodology, two lecturers in small business management, as well as a statistician. Based on the feedback received, a few questions were re-phrased; three questions were omitted as they were considered as not being directly relevant, and the layout of the questionnaire was revised to make it more user-friendly. In this respect, the design of the questionnaire enjoyed high content validity, and the techniques used were evaluated by pre-testing to ensure that the instrument measured what it was supposed to measure.

Survey pre-testing involves administering the questionnaire to a small sample of respondents to determine if the questions are understandable and if the survey procedures work (Crask, Fox & Stout, 1995:210). According to Martins, Loubser & Van Wyk (1996:232), a researcher who avoids a questionnaire pre-test is either naive or a fool. In consideration of the above sentiments, a pretest was carried out within the target population to increase the face validity and reliability of the survey instrument. The questionnaire was tested on a sample of 10 SMEs randomly chosen from the manufacturing, retailing and service sectors. Appointments were made with the owner/managers of the identified SMEs to meet each one of them personally at their business premises so that the questionnaire could be completed in the researcher's presence. The researcher was available to answer any questions that the respondents had in respect of the questionnaire, and immediate feedback was obtained in respect of:

- clarity of the questions;
- identification of semantic difficulties encountered in completing the questionnaire;
- ambiguity;
- identification of any queries pertaining to the questionnaire; and

- the average length of time required to complete the questionnaire.

Based on the feedback received, one question requiring detailed data was removed as it was perceived as being peripheral to the study, whilst three ranking-type questions were rephrased to enhance clarity. Further refinement to the questionnaire was not necessary. The average questionnaire completion time was 23 minutes.

#### **4.6 RELIABILITY**

Easterby-Smith, Thorpe & Lowe (1991:41) define reliability as the degree to which the measure would yield the same results on different occasions, or the extent to which similar observations would be made by different researchers on different occasions. Cooper & Schindler (2006:352) state that reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error, and reliable instruments can be used with confidence that transient and situational factors are not interfering. Internal consistency was achieved by correlating the questions in the questionnaire to other questions and measuring the consistency between the two.

Reliability was measured by calculating a statistic known as Cronbach's co-efficient alpha. According to Litwin (1995:31) a reliability co-efficient of less than 0.50 is considered unacceptable, if it fell between 0.50 and 0.60 it is regarded as significant, and if it was above 0.70, it is regarded as good. The aggregate Cronbach Alpha value for this study was 0.599 – representing a significant level of internal reliability of the measuring instrument.

#### **4.7 ADMINISTRATION OF THE QUESTIONNAIRE**

The questionnaires were mailed to the sample chosen between October 2006 and January 2007. To minimize the inconvenience to participants, as well as to improve the response

rate, a self-addressed reply-paid envelope was enclosed. A covering letter (Annexure B) providing details of the researcher, the aim of the study, as well as the value of participation was addressed to the respondent. Participants were assured of the anonymity and confidentiality of their responses.

The researcher allowed a period of four weeks for the completed questionnaires to be returned. As the responses were anonymous, there was no way of establishing who had not responded; hence, a friendly reminder was sent, together with a copy of the questionnaire, via e-mail, to the entire sample, encouraging them to complete and return the questionnaire as soon as possible. This proved very effective, as over 100 respondents returned the completed questionnaire via e-mail. In total, 231 questionnaires were returned, representing a response rate of 46.2%. However, 13 of the questionnaires were incomplete, and another 7 respondents employed either less than 20, or more than 200 employees, and therefore, were not classified as SMEs. Therefore, only 211 questionnaires, representing a response rate of 42.2%, were usable. The response rate was adequate to draw meaningful inferences, and was much higher than the response rate to some other studies with small businesses. For example, Wijewardena and Tibbis (1999) attribute the low response rate of 28.4% of their study with the nature of small firms and the response usually associated with most mail surveys. Similarly, an 18.3% response rate to an SME study conducted in Kobe, Japan was considered adequate (Wijewardena & Cooray, 1995).

Once the completed questionnaires were received, they were collated and numerically referenced to facilitate the process of data capturing. The raw data contained in each returned questionnaire were captured on an Excel spreadsheet by the researcher. As the questionnaire was pre-coded, only the responses to one open-ended question (Question 11) were manually analysed and coded. The analysis of the data, using both descriptive and inferential statistics, was undertaken by a qualified statistician.

## 4.8 ANALYSIS OF THE DATA

A large number of statistical techniques are available for analyzing the data, and the researcher is often confronted with the dilemma of selecting the most appropriate techniques. The techniques selected depend, *inter alia*, on the nature of the survey undertaken, the characteristics of the population, the level of measurement and the sample size. Sharma (1995:235) outlines the various points to be considered when selecting a statistical test:

- Purpose of using a test: here the intention is to determine whether significant differences exist between groups of data, or associations between two or more variables.
- Measurement of scales involved: here the researcher using statistics, must determine whether a nominal, ordinal, interval or ratio scale is to be used. The nature of the numbers involved determines which tests can be used in analyzing the data.
- The number of variables involved: A biivariate relationship explores the interaction between two variables. However, when the relationship involves more than two variables, the multivariate technique is used.

### 4.8.1 Descriptive Statistics

Descriptive statistics is concerned with the description and/or summarization of the data obtained for a group of individual units of analysis (Welman & Kruger, 1999:213). Descriptive statistics are the most efficient means of summarizing the characteristics of large sets of data. In a statistical analysis, the analyst calculates one number or a few numbers that reveal something about the characteristics of large sets of data (McDaniel & Gates, 2002:488). Most statistics of quantitative data are either measures of central tendency (where the data are centred) or measures of dispersion (how the data is spread

out). In the former category, are the mean, the median and the mode. The population mean is the average, and the median is the middle value when the data is sorted from smallest to largest. The mode is defined as the most common value in the data set. While the mean is more commonly used, the median can be a better summary of the data if there are extreme values (Bracus & Wilkinson, 1986).

The *variance* is a measure of score dispersion about the mean. If all the scores are identical, the variance is 0. The greater the dispersion of scores, the greater will be the variance. Both the variance and the standard deviation are used with interval and ratio data. The *standard deviation* summarises how far away from the average the data values typically are. It is an important concept for descriptive statistics because it reveals the amount of variability within the data set. Like the mean, the standard deviation is affected by extreme scores (Cooper & Schindler, 2006:470). Together, measures of central tendency and variability enable the researcher to describe and compare distributions more precisely and objectively than can be done by tables and graphs alone (Welman & Kruger, 1999:214).

#### **4.8.2 Inferential Statistics**

Whilst descriptive statistics facilitates initial data analysis, inferential statistics allows the researcher to draw inferences about the population from the sample (Sekaran, 2000). The objective of inferential statistics is to enable the researcher to establish whether or not a difference between two treatment conditions occurred by 'chance' or is a 'true difference' (Dunham, 1981:780), as cited by Paul (2004:89). For this study, the following were used to analyse the data: Correlations, Chi-Square tests, ANOVA, Cronbach Alpha tests and t-tests.

Correlation statistics were used to assess the relationship between the variables. The coefficient of correlation is a summarizing type of number which varies in value from +1, which means a perfect positive correlation/relationship, to -1, which means a perfect negative correlation/relationship. From the actual figure computed, one deduces whether

there is a negative or positive relationship between the variables. A coefficient close to zero indicates no relationship at all (Ferreira, 2000:36). According to Melville & Goddard (1996), the chi-square test is used to test for dependence between variables. In this study, the Pearson's Chi-square test was used to assess the strength of the relationship between two variables. A probability of 0.05 or smaller means that the researcher can be at least 95% certain that the two variables are significantly associated.

Saunders et al. (2003) state that if a quantifiable variable is divided into three or more distinct groups using a descriptive variable, the researcher can assess whether these groups are significantly different using one-way analysis of variance (ANOVA). ANOVA analyses the variations within and between groups of data by comparing the means. These differences are represented by the F ratio. If the means are significantly different between the groups, this difference will be represented by a large F ratio, with a probability of less than 0.05. The t-test determines whether an observed difference in the means of two groups is sufficiently large to be attributed to a change in some variable, or if it merely could have taken place according to chance (Struwig & Stead, 2001:161).

The statistical programme used for the analysis of the data was the *Statistical Package for the Social Sciences (SPSS) Version 13 for Windows*. Microsoft Excel, a spreadsheet programme, was used to generate the preliminary analysis, which comprised of bar charts, pie graphs and tables.

#### **4.9 ETHICS**

The goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities (Cooper & Schindler, 2006:166). Ethical clearance for the survey instrument was obtained from the Research Office at the University of KwaZulu-Natal (Annexure A). The respondents were given the researcher's undertaking that the highest standards of confidentiality will be upheld. Furthermore, the respondents

were not required to record either their names or the names and addresses of their organisations, thereby ensuring the anonymity of their responses.

#### **4.10 CONCLUSION**

This chapter described the research design, the target population and how the sample was drawn. It also explained, *inter alia*, the sampling technique employed, the questionnaire construction, how the questionnaire was administered, and the statistical tests that were performed on the data emanating from the survey.

In the next chapter, the results of the survey are presented, analysed, and discussed.



## CHAPTER FIVE

### PRESENTATION, ANALYSES AND DISCUSSION OF RESULTS

#### 5.1 INTRODUCTION

In this chapter the results of the study are presented, analysed and discussed. The data for the study have been obtained by analysing the responses to the questionnaires that were administered among small and medium enterprises (SMEs) in KwaZulu-Natal (KZN). The *Statistical Package for the Social Sciences (SPSS) Version 13 for Windows* programme was used for the analyses and presentation of the data. For this study, the tolerance level of error, also referred to as the level of significance or “p value”, was set at 5% (0.05). This level of error represents the acceptable difference between the expected and actual population parameter values.

The target population for this study was extracted from the membership lists of the three largest Chambers of Commerce/Business in KwaZulu-Natal, namely: the Durban Chamber of Commerce & Industry (DCCI), the Pietermaritzburg Chamber of Business (PCB), and the Zululand Chamber of Business (ZCB); and consisted of 1 192 SMEs. Using a table of random numbers, a sample of 500 SMEs (representing 42% of the target population), was chosen. A total of 211 fully-completed questionnaires were returned, representing a response rate of 42.2%, which was considered more than adequate to draw meaningful conclusions about the target population.

The data accessed for this study was in both ordinal and nominal form, and two types of analyses were performed on the data collected, namely: descriptive and inferential statistics. The first part of the discussion focuses on the key demographic variables in this study, and the descriptive statistics is presented through the use of frequency tables, bar charts and pie charts. Meaningful results are also contextualized within the objectives of the study. The second part of the discussion, which constitutes the major part of this

chapter, examines the perceptions and behaviour of SMEs in KZN in respect of their social responsibility. Using a variety of appropriate statistical tests, the data emanating from the survey are analysed and interpreted, in order to identify important patterns and relationships. The results of the relevant statistical tests (Annexure E) are conveyed as part of the overall presentation and interpretation of the research results.

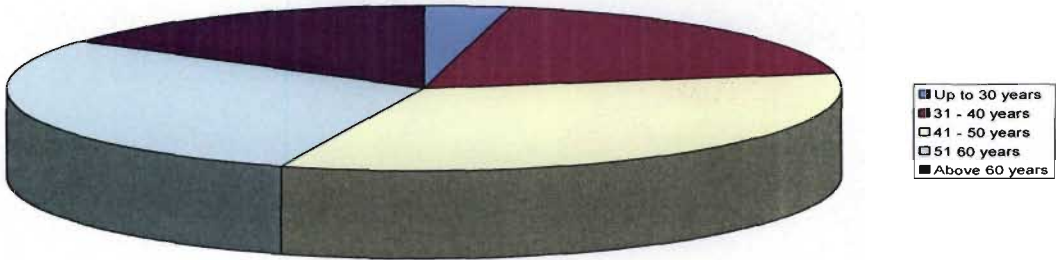
## **5.2 DEMOGRAPHIC PROFILE OF THE OWNERS OF SMALL AND MEDIUM ENTERPRISES IN KWAZULU-NATAL**

The demographic characteristics of the owners of small and medium-sized enterprises in KwaZulu-Natal were ascertained to establish the current profile of the respondents as well as to correlate certain findings with specific demographic characteristics of SME owners in order to determine whether any trends exist.

### **5.2.1 Age distribution of the owners of SMEs in KZN**

The age distribution of the respondents is reflected in Figure 5.1. The majority of the respondents (33.2%) fell in the 41–50 age bracket, followed by 29.3%, who were between 51–60 years old; 19%, who were between the ages of 31–40; 15.2%, who were above the age of 60, and 3.3%, who were under 30 years of age (Table 102, Annexure E).

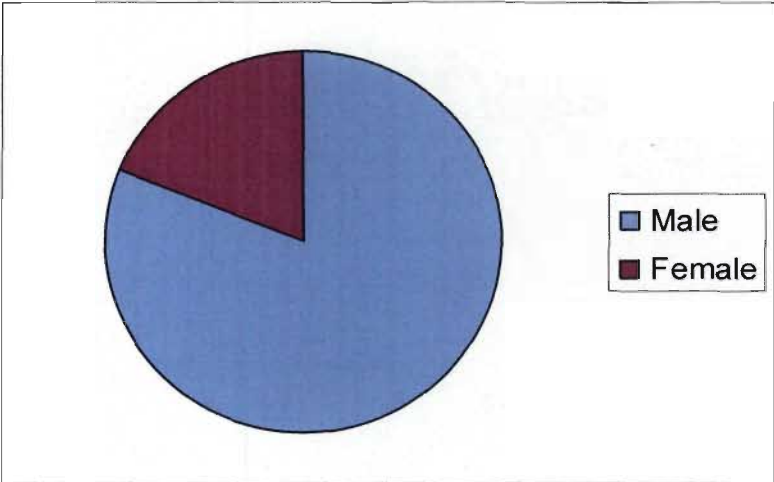
**FIGURE 5.1: AGE PROFILE OF THE RESPONDENTS**



**5.2.2 Gender of SME owners in KwaZulu-Natal**

The graph in Figure 5.2 shows that approximately 81% (171) of the SME owners in KZN, who were surveyed, were male and 19% (40) were female. The gender of SME owners was ascertained in order to determine whether certain findings emanating from the study were peculiar to a specific gender. These aspects will be discussed later in the chapter.

**FIGURE 5.2: GENDER DISTRIBUTION OF OWNERS OF SMEs**

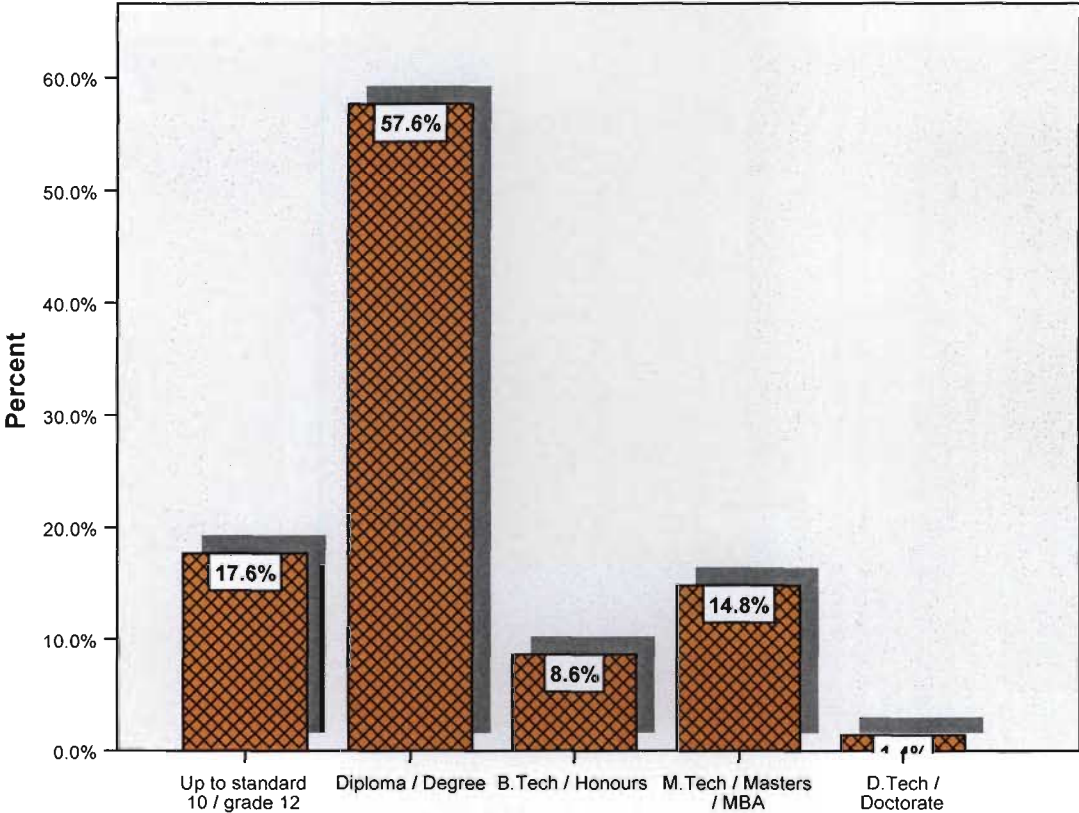


**5.2.3 Educational qualifications of SME owners**

Figure 5.3 provides an indication of the educational qualification levels of the owners of SMEs in KwaZulu-Natal. Only 17.6% of the respondents had no tertiary educational qualifications; the majority of the respondents (57.6%) had either a diploma or a degree, and 24.8% of the owners/managers of the SMEs surveyed possessed a post-graduate qualification.

**FIGURE 5.3**

**EDUCATIONAL QUALIFICATIONS OF SME OWNERS IN KZN**

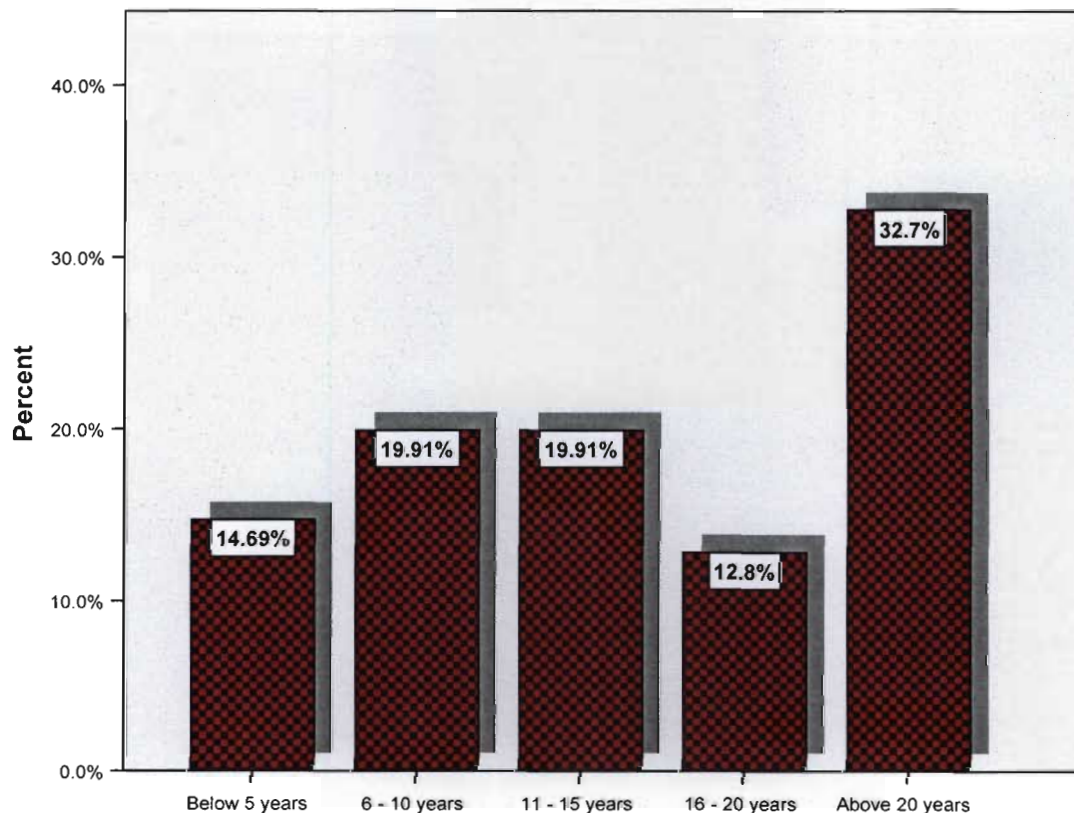


### 5.2.4 Length of ownership of existing business

The bar graph in Figure 5.4 displays the frequency and dispersion of responses in respect of the number of years the SME owners had owned their existing businesses. Just fewer than 15% of the respondents owned their existing businesses for less than 5 years. The rest, i.e. 85%, owned their existing businesses for more than 5 years; with the majority of these respondents (32.7%) having owned their existing businesses for over 20 years.

FIGURE 5.4

PERIOD OF OWNERSHIP OF EXISTING BUSINESS



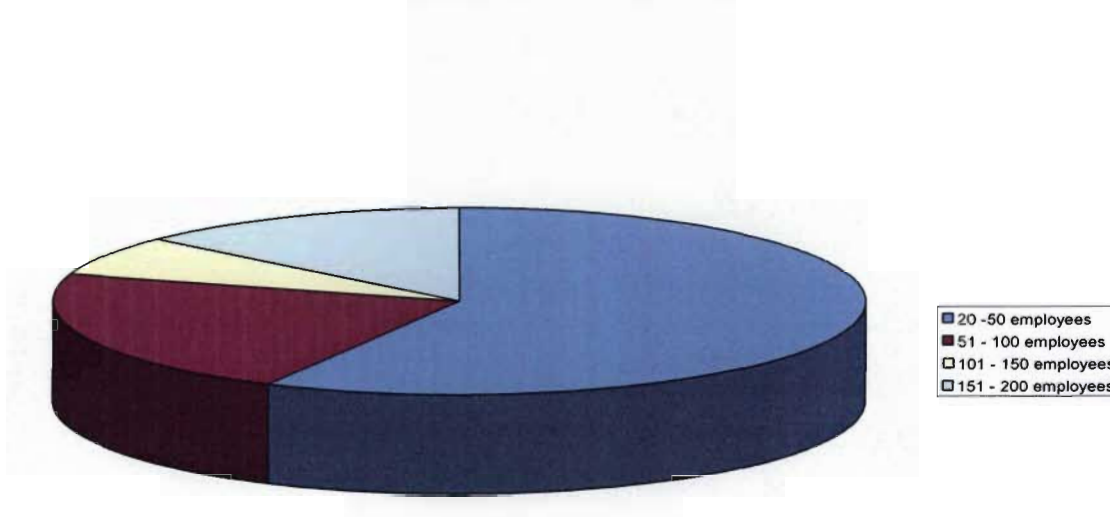
### 5.2.5 Number of full-time employees

The pie chart in Figure 5.5 shows that 57.8% of all the SMEs that were surveyed comprised of **small** businesses, i.e. those employing 21 to 50 people, and the remaining

SMEs (42.2%) were **medium-sized** businesses; i.e. those employing 51 to 200 people. With respect to the latter, 21.8% of these respondents employed 51 to 100 employees; 7.1% employed 101 to 150 employees, and 13.3% of the medium-sized organisations employed 151 to 200 employees.

**FIGURE 5.5**

**NUMBER OF EMPLOYEES**



**5.2.6 Business sector to which SMEs in KZN belonged**

Table 5.1 reflects 16 of the most common categories into which the business sector is usually divided. The largest number of the SMEs surveyed (19.9%), belonged to the category classified as the financing, insurance, real estate and business services sector. The Engineering/Manufacturing sector contained the second largest number of respondents (11.8%), and this was followed by the chemicals, rubber and plastic products sector (9%). A few of the SMEs in KZN were involved in either agriculture, forestry or fishing (2.4%), educational services (2.4%), food processing (1.9%), or in the leisure, hotels and catering services sector (0.9). Of the nine respondents (4.3%) who did not belong to any one of the 16 categories identified in Table 5.1, three were involved in

environmental consulting/sciences; four were involved with waste management; one SME was involved with commercial diving, and one was involved in auctioneering.

It should be pointed out that the analysis of the target population per sector was merely conducted out of interest, and was, therefore, not central to the objectives of the present study.

**TABLE 5.1**

**BUSINESS SECTOR TO WHICH SMEs IN KZN BELONGED**

<b>NO.</b>	<b>SECTOR</b>	<b>n</b>	<b>%</b>
1	Agriculture, forestry and fishing	5	2.4
2	Chemicals; chemical, rubber & plastic products	19	9.0
3	Clothing, footwear, and textiles	13	6.2
4	Construction & Building materials	12	5.7
5	Educational services	5	2.4
6	Electronic & electrical equipment	8	3.8
7	Engineering/Manufacturing	25	11.8
8	Financing, insurance, real estate & business services	42	19.9
9	Food producers & processors	4	1.9
10	Health services	10	4.7
11	Leisure, hotels & catering services	2	0.9
12	Paper, printing & publishing	12	5.7
13	Personal & household services	2	0.9
14	Retail trade	13	6.2
15	Transport, communication & storage	18	8.5
16	Wholesale trade	12	5.7
17	Other	9	4.3
	<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

The foregoing constitutes a demographic profiling of respondents that is of relevance to the study. Specific findings relating to these demographic variables are presented at appropriate points of the subsequent discussion.

### **5.3 PERCEPTIONS OF SMALL AND MEDIUM ENTERPRISES TOWARDS CORPORATE SOCIAL RESPONSIBILITY**

The study measures the **perceptions as well as the behaviour** of small and medium-sized businesses in KwaZulu-Natal towards social responsibility. In this section, the responses to questions designed to ascertain the **perceptions** of the owners of SMEs in KZN towards social responsibility are analysed, interpreted and discussed.

#### **5.3.1 The perceived degree of importance of various stakeholders towards the organisation**

Respondents were asked to rate the perceived degree of importance of the following stakeholders: owners/shareholders, employees, customers, the community, and the environment. A five-point Likert scale, ranging from least important (1) to extremely important (5), was used for this purpose. The responses of the SME owners who were surveyed are discussed hereunder (section 5.3.1.1 to section 5.3.1.6).

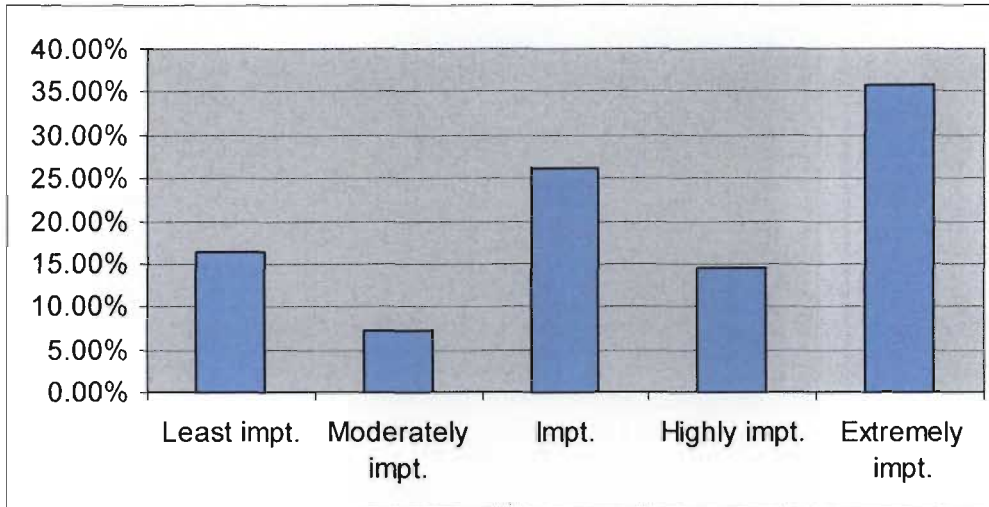
##### **5.3.1.1 Perceived degree of importance of owner/shareholders**

Figure 5.6 illustrates the perceived degree of importance of SMEs' obligations towards their owners/shareholders. An analysis of the data reveals that the majority of the SMEs surveyed (76.5%) regarded the owners/shareholders as either important, highly important, or extremely important, as opposed to 23.5% of the SMEs in KZN who regarded the owners/shareholders as least or moderately important.



**FIGURE 5.6**

**DEGREE OF IMPORTANCE OF SME OBLIGATIONS TOWARDS OWNERS/  
SHAREHOLDERS**



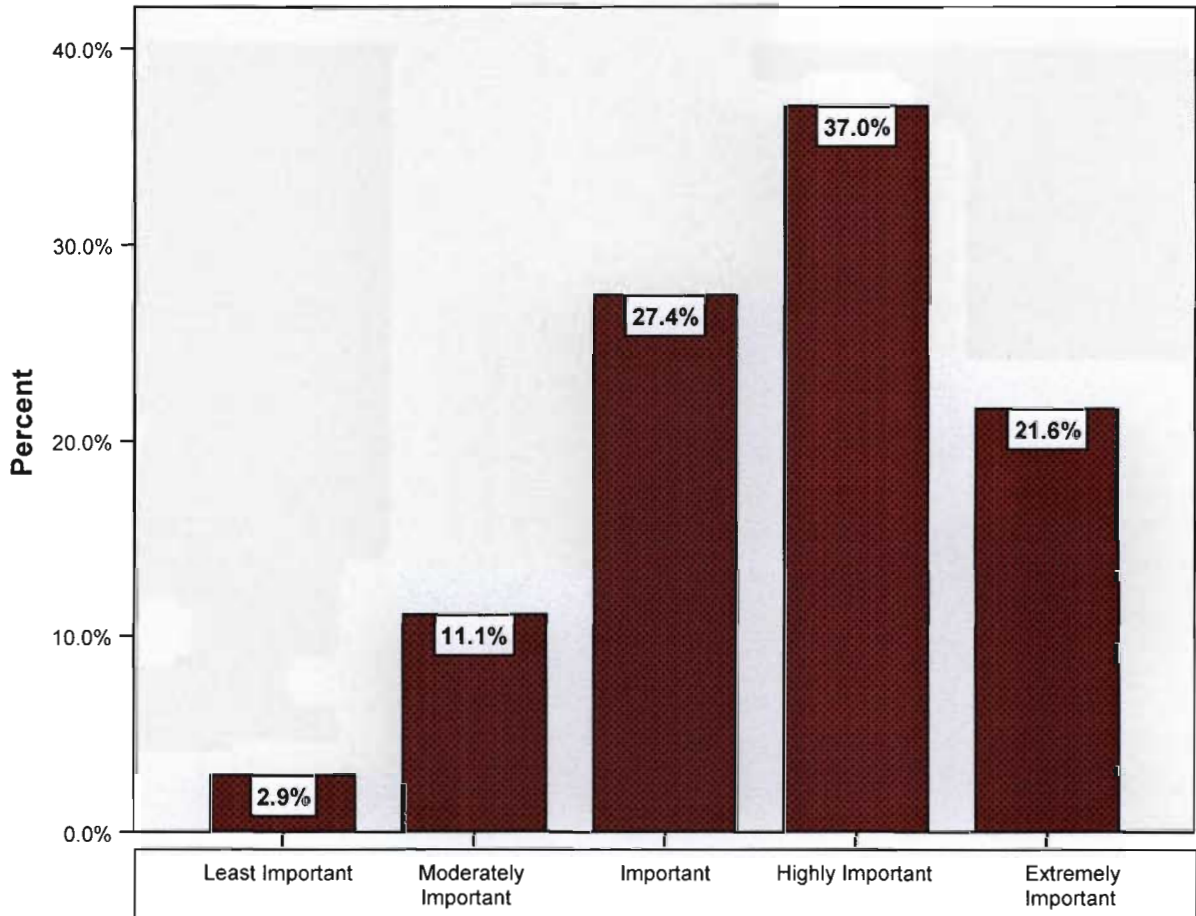
Although owners/shareholders were identified as stakeholders, it must be noted that the owner-manager is, in principle, the major shareholder of the SME; most SMEs will not have any shareholders in terms of investors having bought (publicly traded) shares in the enterprises.

**5.3.1.2 Perceived degree of importance of employees**

The perceived degree of importance of SMEs' obligations towards their employees is illustrated in Figure 5.7. A cumulative total of 86% of the respondents perceived their employees as being either important, highly important, or extremely important, and only 14% of the respondents perceived their employees as being least or moderately important.

**FIGURE 5.7**

**DEGREE OF IMPORTANCE OF SME OBLIGATIONS TOWARDS THEIR EMPLOYEES**

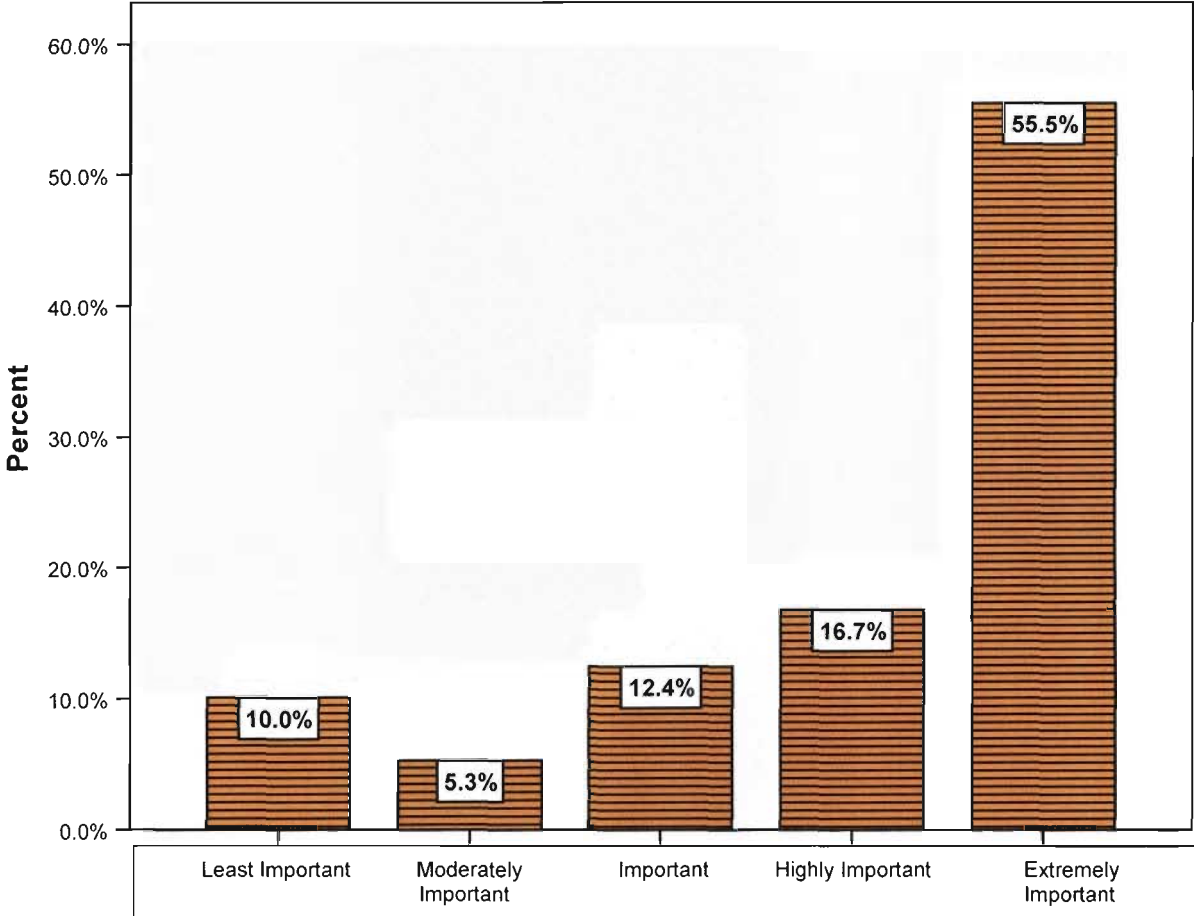


**5.3.1.3 Perceived degree of importance of customers**

Figure 5.8 illustrates the perceived degree of importance of SMEs' obligations towards their customers. In total, approximately 85% of the SME owners in KZN perceived their customers as being important, highly important or extremely important, and approximately 15% of the SME owners in KZN regarded them as being either least important or moderately important.

**FIGURE 5.8**

**DEGREE OF IMPORTANCE OF SME OBLIGATIONS TOWARDS THEIR CUSTOMERS**



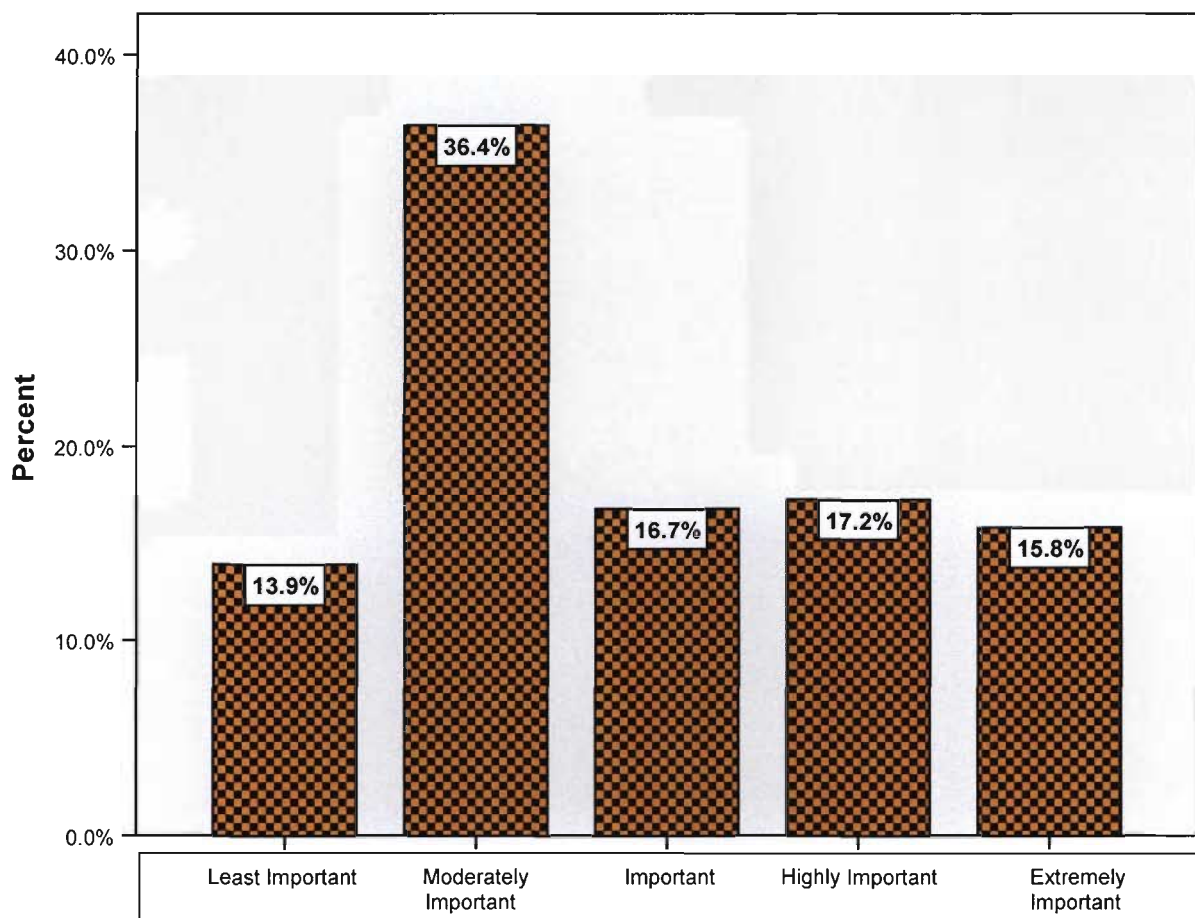
Although only 10% of the SME owners surveyed regarded their obligations to their customers as being least important, and 5.3% as moderately important, it is nonetheless disturbing to note that some owners held such a perception, considering the fact that 65% of the respondents had owned their existing businesses for more than 10 years, and the fact that no business can survive and prosper without their customers. An analysis of the data also reveals that the more highly educated the SME owners were, the more important they had rated their customers to their organisation (Table 103, Annexure E).

### 5.3.1.4 Perceived degree of importance of the community/society

Figure 5.9 below illustrates the proportion of SME owners in KZN who perceived their obligations towards the community/society as being least important, moderately important, important, highly important or extremely important. In total, approximately 50% of the SME owners in KZN perceived their obligations towards the community/society as being moderately or least important, while the remaining respondents (50%) perceived their obligations towards the community/society in which they operated as being important, highly important or extremely important.

**FIGURE 5.9**

#### **DEGREE OF IMPORTANCE OF SME OBLIGATIONS TOWARDS THE COMMUNITY/SOCIETY**



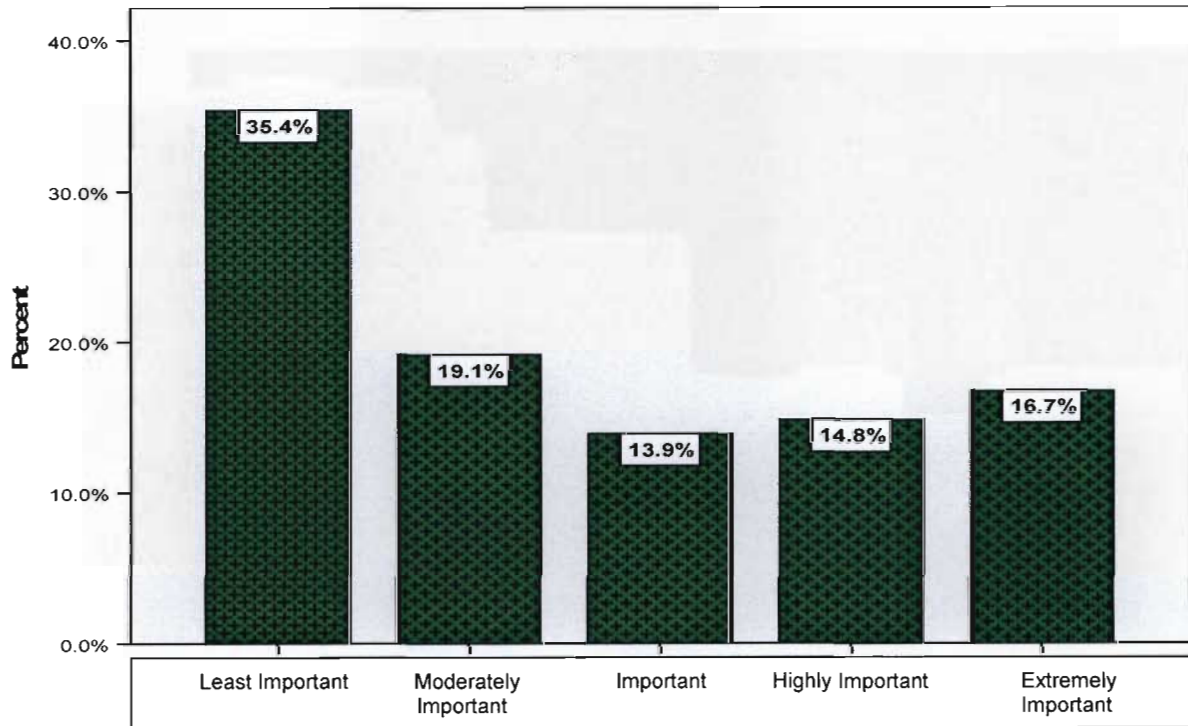
An analysis of the data was also conducted to establish whether there was a relationship between the age of the respondents and the degree of importance they attached to their obligations towards the community. The result reveals that the older the respondents, the weaker the belief that they had important obligations to the community. While 72.7% of the respondents under 30 years of age believed that their obligations towards the community was either important, highly important or extremely important, this figure decreased to 57.6% for respondents between 31–40 years of age, and 44.5% for respondents between 51–60 years of age (Table 106, Annexure E).

#### **5.3.1.5 Perceived degree of importance of the environment**

With respect to the environment, approximately 55% of the respondents were of the view that their organisations did not have any important obligation towards protecting and preserving the natural environment, while a total of 31.5% of the respondents perceived the protection and preservation of the environment as being either highly important or extremely important. Figure 5.10 graphically reflects the frequency and dispersion of responses pertaining to the perceived obligations of SMEs to the environment.

**FIGURE 5.10**

**DEGREE OF IMPORTANCE OF SME OBLIGATIONS TOWARDS THE ENVIRONMENT**



Since 82.4% of the respondents had a post-matriculation qualification, and since more highly educated people are usually better read, one would expect them to be well informed about issues pertaining to global warming and sustainable development. However, there were no significant differences in the perceptions of SME owners with differing levels of education regarding their organisations' obligations towards the environment. The perception held by approximately 55% of the respondents that they did not have an important obligation to protect and preserve the environment is alarming. This perception was most probably shaped by the myopic belief that only manufacturing enterprises impact adversely on the natural environment, and not those involved in the provision of services (approximately 57% of the respondents), and/or the belief that, because of their relatively smaller size, SMEs were too small to negatively impact on the environment.

### **5.3.1.6 Relative importance of the various stakeholders to the organisation**

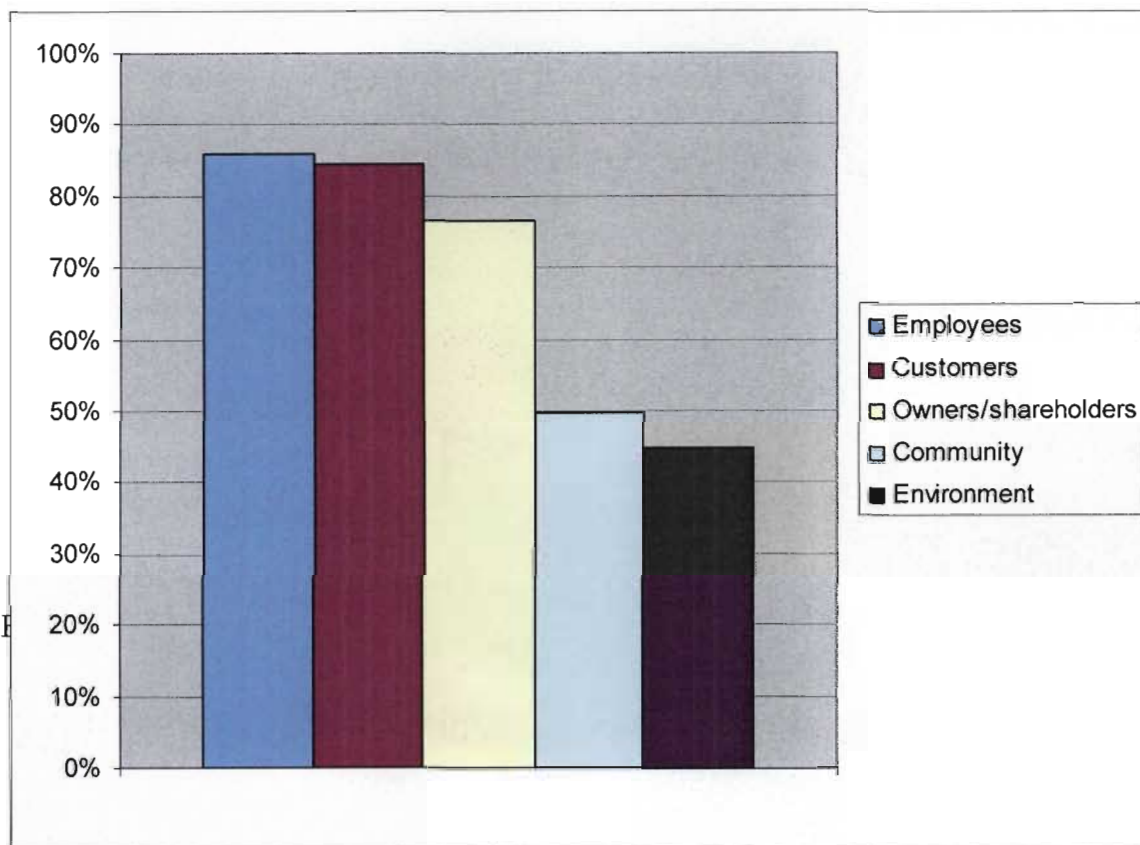
In terms of the Freeman & Evan's (1993:76) version of the stakeholder theory, all stakeholders should be treated as equal, and no one group, such as owners/shareholders should be given preference over the others, such as employees, or the local community. However, Goodpaster (1993:205-220), while subscribing to the broad tenets of the stakeholder theory, disagrees with Freeman & Evan (1993:76) in respect of treating all stakeholders equally. Goodpaster (1993:205-220) believes that adopting such an approach can be detrimental to both business and society at large, as the demands of the various stakeholder groups can be contradictory and irreconcilable. However, he avers that this approach does not have to result in a situation where the interests of all other stakeholders are sacrificed for the sake of shareholders interests.

In cognizance of the afore-mentioned, the question that emerges is: did SMEs in KZN perceive their obligations to all stakeholders to be equally important, or did they perceive their obligations to some stakeholders as being more important than their obligations to other stakeholders? An analysis of the data leads to the conclusion that SMEs in KwaZulu-Natal perceived their most important obligation to be towards their employees (86%). This was followed, in order of importance, by their obligations to their customers (84.4%); to the owners/shareholders (76.5%); to the community (49.7%), and to the environment (45%). Figure 5.11 graphically captures this finding.

Therefore, one can surmise that SMEs in KZN did not regard all of their stakeholders as being equally important; and, in sum, the perceptions of SME owners in KZN were aligned more with Goodpaster's (1993) version of the stakeholder theory, rather than the version advocated by Freeman & Evan (1993:76).

**FIGURE 5.11**

**RELATIVE IMPORTANCE OF VARIOUS STAKEHOLDERS TO SMALL AND MEDIUM-SIZED ENTERPRISES IN KZN**



A t-test is conducted to determine whether an observed difference in the means of two groups (males and females) is sufficiently large to be attributable to a change in some variable, or if it merely could have taken place according to chance. If the computed p value is less than or equal to 0.05, then one can surmise that, statistically, there are significant differences in the responses of males and females, and vice-versa (Struwig & Stead, 2001). The results of the t-tests (Table 110, Annexure E) conducted on selected data emanating from this study revealed that, statistically, there were no significant differences in the ratings assigned by males and females in respect of the importance of customers ( $p = 0.517$ ) and the environment ( $p = 0.588$ ). However, the t-test results



disclosed significant differences between the perceptions of males and females in respect of the importance of the following stakeholders: owners/shareholders ( $p = 0.033$ ); employees ( $p = 0.012$ ) and the community ( $p = 0.042$ ).

An analysis of variance test (ANOVA) is similar to the t-test with the exception that the comparison of means is between more than two groups, and a p value less than or equal to 0.05 indicates that, statistically, there is a significant difference in the responses between the groups, and a p value greater than 0.05 indicates that, statistically, there is no difference in the responses of the different groups (Saunders, Lewis & Thornhill: 2003). ANOVA tests were conducted on selected data collected from the survey, in order to ascertain whether there were significant differences in the responses of SME owners to selected questions, based on differences in: the number of years they were in business; the number of people they employed; the age group to which the SME owners belonged, and their educational qualifications. An analysis of the ANOVA test results (Table 115, Annexure E) revealed that the *differences in the number of people employed* by small and medium- sized enterprises did not significantly influence the importance attached by SME owners towards their organisations' obligations to employees ( $p = 0.254$ ); customers ( $p = 0.519$ ); the community/society ( $p = 0.253$ ), and the environment ( $p = 0.082$ ).

Despite the *differences in the length of ownership* of their businesses, the ANOVA test results (Table 112, Annexure E) revealed that they did not influence the importance attached by SME owners towards their organisation's obligations to their employees ( $p = 0.364$ ); their customers ( $p = 0.780$ ); the community/society (0.601), and the environment (0.936). However, the differences in the length of ownership of their present businesses significantly influenced the ratings assigned by the owners in respect of their organisations' obligations to its owners/shareholders ( $p = 0.003$ ).

ANOVA tests were also conducted to ascertain whether *differences in the educational qualifications* of SME owners influenced their responses to selected questions in the questionnaire. The results revealed that there were no significant differences among

owners with different levels of educational qualifications when ranking the importance of the various stakeholders to their organisations (Table 118, Annexure E). This finding was based on the computed p values attached to the following stakeholders: employees ( $p = 0.467$ ); customers ( $p = 0.872$ ); the community/society ( $p = 0.898$ ), and the environment ( $p = 0.396$ ).

Correlation statistics were also used in this study to assess the relationship between selected variables. The coefficient of correlation is a summarizing type of number which varies in value from +1.0, which means a perfect positive correlation/relationship, to -1.0, which means a perfect negative correlation/relationship. From the actual figure computed, one deduces whether there is a negative or positive relationship between the variables. A coefficient (r value) between 0.10 and 0.29 or -0.10 and -0.29 indicates a *weak* correlation; if it is between 0.30 and 0.49 or -0.30 and -0.49, it indicates a *moderate* correlation, and if a coefficient falls between 0.50 and 1.0 or -0.50 and -1.0, it indicates a *strong* correlation.

The Pearson correlation test results (Table 125, Annexure E) revealed that there was a statistically significant moderate negative correlation between the importance assigned by SMEs in terms of their obligations towards the owners/shareholders and the community/society ( $p = 0.008$ ;  $r = -0.183$ ). This finding implies that the more important SMEs perceived their obligations towards the owners/shareholders, the less important they perceived their obligations towards the community/society, and vice versa. The Pearson correlation test results also revealed a very strong positive correlation between the rating assigned by SME owners in respect of the importance of their obligations towards employees and customers ( $p = 0.000$ ;  $r = 0.494$ ).

Furthermore, it emerged that the more important SMEs perceived their obligations towards their customers, the less important they perceived their obligations towards the environment ( $p = 0.000$ ;  $r = -0.285$ ) and towards the community in which they operated ( $p = 0.000$ ;  $r = -0.327$ ); and vice versa. However, there was a very strong positive correlation between the ratings assigned by SME owners in respect of the importance of

their obligations towards the community and the environment ( $p = 0.000$ ;  $r = 0.650$ ). An analysis of the data indicates that both of these stakeholders were perceived as being less important than the owners/shareholders, employees, and the customers.

### 5.3.2 The perceived importance of image, public relations and goodwill to the success of the enterprise

Table 5.2 reveals that the majority of the SME owners surveyed (61.6%) strongly believed that a good image, public relations and goodwill will contribute to the success of their enterprises. In total, almost 94% of the respondents believed that there is a positive relationship between a good image, good public relations and goodwill, on the one hand, and business success, on the other. One of the most effective ways of achieving this relationship is by being socially responsible. However, whether or not the behaviours of SMEs correspond with their perceptions, shall be examined later in this chapter.

**TABLE 5.2**

#### **THE IMPORTANCE OF IMAGE, PUBLIC RELATIONS AND GOODWILL TO BUSINESS SUCCESS**

<b>Rating</b>	<b>n</b>	<b>Percentage</b>
Strongly disagree	1	0.5
Disagree	2	0.9
Neutral	10	4.7
Agree	68	32.3
Strongly agree	130	61.6
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

The ANOVA test results revealed that differences in the number of people employed; differences in the educational qualification of the owners of the SMEs in KZN, as well as

differences in the length of ownership of their existing businesses, did not significantly affect the perception of SME owners with respect to the relationship between good image, public relations and goodwill, on the one hand, and business success, on the other ( $p = 0.298$ ;  $p = 0.765$ , and  $p = 0.534$ , respectively). Also, the t-test results revealed that there were no significant differences in the responses of males and females with respect to the above statement ( $p = 0.532$ ).

### **5.3.3 Perceived social and environmental responsibilities of SMEs**

An analysis of the data in Table 5.3 reveals that a total of 140 SMEs, representing 66.3% of the respondents, either agreed or strongly agreed with the statement that SMEs should pay significant attention to their social and environmental responsibilities. Twelve of the 211 respondents (5.7%) disagreed with the above statement, and 58 respondents (27.5%) were neutral in this regard. There were no significant differences in the responses of owners with different levels of education. However, SME owners who were over 30 years of age were twice as likely to believe that SMEs should pay significant attention to their social and environmental responsibilities, than those who were less than 30 years old (Table 107, Annexure E).

**TABLE 5.3**  
**PERCEIVED SOCIAL AND ENVIRONMENTAL OBLIGATIONS OF SMALL**  
**AND MEDIUM ENTERPRISES IN KWAZULU-NATAL**

<b>Rating</b>	<b>n</b>	<b>Percentage</b>
Strongly disagree	1	0.5
Disagree	12	5.7
Neutral	58	27.5
Agree	108	51.1
Strongly agree	32	15.2
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

In comparing the responses above to those responses to a previous question, it appeared that not everyone who considered aspects such as image, public relations and goodwill important to the success of their business (94% of the respondents) believed that SMEs should pay significant attention to their social and environmental responsibilities (66.3%); or, expressed differently, some respondents believed that they can cultivate a good image and create goodwill towards their businesses without paying significant attention to their social and environmental responsibilities. In a similar study conducted in the United Kingdom in 2002, the vast majority of SMEs (82%) believed that they should take their social and environmental responsibilities seriously, while 66% thought it was good for business, and 25% did not think so (Castka, Balzarova, Bamber & Sharp, 2004:143).

Differences in the number of people employed; differences in the length of ownership of their existing businesses, and differences in the educational qualifications of SME owners, did not significantly influence their responses to the statement that SMEs should pay significant attention to their social and environmental responsibilities. This finding is validated by the results of the ANOVA tests, where the p values in respect of the above variables were 0.511; 0.563, and 0.894, respectively (Tables 113, 116 and 119, Annexure E). The t-test result also indicates that, statistically, there were no significant differences

between the responses of males and females ( $p = 0.268$ ) in respect of the above.

#### **5.3.4 Perceived relationship between social and environmental responsibility and business success**

An analysis of the data in Table 5.4 reveals that, of the SMEs in KZN who had taken part in this study, approximately 53% of them perceived a positive relationship between social and environmental responsibility and business success; 14.3% of the respondents contended that there was no relationship between being socially and environmentally responsible and business success, and approximately 33% of the respondents were neutral in this regard. Considering that 85% of the respondents had owned their current businesses for longer than 10 years, and that the social responsibility of SMEs in South Africa has not attracted the kind of attention that it has in the developed world, the above results are not unexpected. While 66% of the respondents stated that SMEs should pay significant attention to their social and environmental responsibilities (section 5.3.3), a smaller percentage (52.8%) of the respondents perceived a positive relationship between social and environmental responsibility and business success.

**TABLE 5.4**

#### **THE PERCEIVED LINK BETWEEN SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND BUSINESS SUCCESS**

<b>Rating</b>	<b>n</b>	<b>Percentage</b>
Strongly disagree	2	1.0
Disagree	28	13.3
Neutral	69	32.9
Agree	83	39.5
Strongly agree	28	13.3
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

The t-test results indicate that there were no discernable differences in the responses of males and females with regard to the perceived relationship between social and environmental responsibility and business success ( $p = 0.378$ ). An analysis of the Anova test results (Tables 113, 116 and 119, Annexure E) revealed that the differences in the length of ownership of their existing businesses; differences in the number of people employed, and differences in the educational qualifications of SME owners, did not significantly influence the perceptions of SME owners in respect of the above ( $p = 0.053$ ;  $p = 0.587$ , and  $p = 0.858$ , respectively).

Notwithstanding the findings above, there is much evidence that there is a direct relationship between social responsibility and profitability. A meta-analysis of twenty five years of research identified thirty three studies, representing 63%, that demonstrated a positive relationship between corporate social performance and corporate financial performance (McAlister et al., 2005:23). In another rigorous study of the correlation between financial and social performance conducted in 1999 among 469 companies across several industries, and using a variety of social performance indicators, Waddock & Greaves (2004:38) found corporate social performance to be positively associated with previous as well as future financial performance.

### **5.3.5 Perceived relationship between responsible business practices and business success**

Table 5.5 reveals that the majority of respondents (94.8%) concurred with the statement that if a business follows responsible practices then it is more likely to be successful, and approximately 56% of these respondents very strongly believed this to be the case. The t-test results revealed that there were no significant differences in the responses of male and female respondents to the above statement ( $p = 0.796$ ). However, when one compares the response to this question with the response to the previous question, where only 52.8% of the respondents perceived a positive correlation between social and environmental responsibility and business success, then it would appear that a significant proportion of the respondents (42%) were of the view that an enterprise can follow

responsible business practices without necessarily being socially and environmentally responsible; or expressed differently: for many SME owners, following responsible business practices was not synonymous with being socially and environmentally responsible.

The results of the Pearson correlation tests (Table 125, Annexure E) support the above conclusion – there was only a moderate positive correlation between the degree of agreement or disagreement expressed by SME owners with the following statements: “If a business is socially and environmentally responsible it is more likely to succeed”, and “If a business follows responsible business practices then it is more likely to succeed” ( $p = 0.000$ ;  $r = 0.370$ ). Furthermore, there was a statistically strong positive correlation ( $p = 0.000$ ;  $r = 0.527$ ), in terms of the strength of agreement or disagreement expressed by SME owners in KwaZulu-Natal concerning the attention which SMEs should pay to their social and environmental responsibilities, and the likelihood of business success if an enterprise is socially and environmentally responsible.

**TABLE 5.5**

**RELATIONSHIP BETWEEN RESPONSIBLE BUSINESS PRACTICES AND BUSINESS SUCCESS**

<b>Rating</b>	<b>n</b>	<b>Percent</b>
Strongly disagree	0	0
Disagree	1	0.5
Neutral	10	4.7
Agree	82	38.9
Strongly agree	118	55.9
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

An analysis of the ANOVA test results (Table 119, Annexure E) revealed that the different levels of education among SME owners in KZN did not significantly influence



their responses to the statement: “if a business follows responsible business practices then it is more likely to be successful” ( $p = 0.789$ ). Similarly, the t-test results revealed that there were no perceptible differences in the responses of males and females to the above statement ( $p = 0.796$ ).

### 5.3.6 Perceptions in respect of the extent to which SMEs followed responsible business practices

As reflected in Table 5.6, the majority of respondents (78.7%) believed that they did, to a *great extent*, engage in responsible business practices, and approximately 20% of the respondents were of the view that they did engage in a *fair amount* of responsible business practices.

**TABLE 5.6**

#### EXTENT TO WHICH SMEs BELIEVED THAT THEY FOLLOWED RESPONSIBLE BUSINESS PRACTICES

Rating	n	Percentage
Don't know	-	-
Not at all	-	-
A little	3	1.4
A fair amount	42	19.9
A great deal	166	78.7
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

The responses outlined above are consonant with the responses to an earlier question (section 5.3.5) where 94.8% of the respondents indicated that businesses that follow responsible business practices were more likely to be successful. However, whether this perception was matched by actual performance will be examined later in this chapter.

### 5.3.7 Perceptions in respect of the extent to which SMEs were socially and environmentally responsible

In section 5.3.3, it was stated that 66.3% of the respondents either *agreed* or *strongly agreed* with the statement that SMEs should pay significant attention to their social and environmental responsibilities, and, in section 5.3.4, it was stated that 52.8% of respondents perceived a positive relationship between social and environmental responsibility and business success. However, as Table 5.7 reveals, only 29.9% of the respondents believed that their organisations were, to a *great* extent, socially and environmentally responsible, with the majority of them (47.4%) believing that their businesses were, to a *fair* extent, socially and environmentally responsible. All of the above findings refer to perceptions only, and not practice; the latter will be examined in detail in section 5.4.

**TABLE 5.7**

#### **SME OWNERS' PERCEPTIONS OF THE DEGREE OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY OF THEIR ENTERPRISES**

<b>Rating</b>	<b>n</b>	<b>Percentage</b>
Don't know	3	1.4
Not at all	2	1.0
A little	43	20.3
A fair amount	100	47.4
A great deal	63	29.9
<b>TOTAL</b>	<b>211</b>	<b>100.0</b>

### **5.3.8 Perceptions in respect of the areas of CSR in which SMEs should be engaged**

Table 5.8 captures the frequency and dispersion of the responses to 12 variables which were included in the questionnaire to assess the perceptions of respondents' responsibility towards the environment, their employees, and the community. Approximately 80% of the respondents acknowledged that SMEs should be involved in reducing the environmental impact of their operations, and 12.6% of the respondents didn't know if SMEs should be involved in this regard. The majority of the respondents (90%) agreed, and only 4.8% disagreed with the statement that SMEs should be involved in reducing waste and promoting recycling. The level of agreement expressed in respect of these specific areas of social responsibility was much higher than that (66.3%) expressed in respect of an earlier statement that SMEs should pay significant attention to their social and environmental responsibilities (section 5.3.3), and much higher than the (52.8%) support for an earlier statement, that if a business is socially and environmentally responsible, then it is more likely to succeed (section 5.3.4).

Items 3, 4, 5, and 6 in Table 5.8 list areas of social responsibility pertaining to employees. Approximately 95% of the SMEs surveyed believed that SMEs should be involved in the training and development of their employees, 90.5% agreed with the statement that SMEs should encourage a healthy work/life balance, and 150 of the 211 respondents, representing 71.1% of the respondents, were of the opinion that SMEs should take responsibility for the health and welfare of their employees. Similar results were obtained in other studies conducted among SMEs in other countries, notably, the United Kingdom (Castka et al.,2004) and Italy (Perrini, 2006:310).

**TABLE 5.8****PERCEPTIONS OF SME RESPONSIBILITY IN RESPECT OF THE ENVIRONMENT, EMPLOYEES, AND THE COMMUNITY**

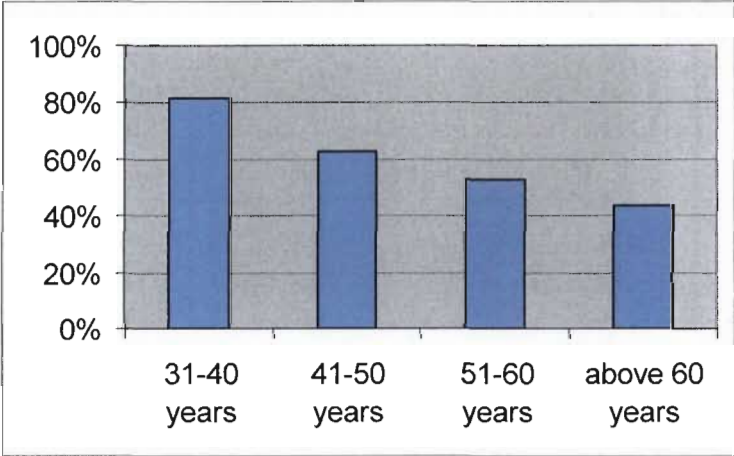
N O.	VARIABLES	YES		NO		DON'T KNOW	
		n	%	n	%	n	%
1.	Reducing the environmental impact of our operations	165	79.7	1	7.7	26	12.6
2.	Waste reduction and promoting recycling	189	90.0	10	4.8	11	5.2
3.	Training and development of employees	199	94.7	10	4.8	1	0.5
4.	Encouraging a healthy work/life balance among staff	191	90.5	14	6.6	6	2.9
5.	Taking responsibility for the health and welfare of staff	150	71.1	42	19.9	19	9.0
6.	Affirmative action, employment equity, Black economic empowerment	129	61.1	60	28.4	22	10.5
7.	Being active in the local community	115	55.1	54	25.8	40	19.0
8.	Donations, and/or working with non-profit organisations	129	61.2	57	27.0	25	11.8
9.	Working with local education institutions (like schools)	120	57.2	53	25.2	37	17.6
10.	Investing and operating in deprived or run-down areas	68	32.2	92	43.6	51	24.2
11.	Engaging with traditionally excluded groups, such as the long-term unemployed or the homeless	76	36.0	80	37.9	55	26.1
12.	Ensuring a mutually beneficial relationship with society and our business	168	79.6	16	7.6	27	12.8

With respect to the obligations of SMEs to promote/foster affirmative action (AA), employment equity (EE), and Black economic empowerment (BEE), 61.1% of the respondents agreed; 28.4% disagreed, and 10.5% were unsure whether SMEs have any obligations in this regard. On a closer analysis of data, it emerges that there was a negative correlation between the age group of the respondents and their willingness to

embrace affirmative action, employment equity, and Black economic empowerment. While 82% of the respondents between the ages of 31 and 40 agreed with the statement that SMEs should be involved in fostering/promoting AA, EE and BEE within their enterprise, the level of agreement decreased to 63% for those between the ages of 41 and 50, 53% for those between the ages of 51 and 60, and 43.4% for those respondents above the age of 60. This negative correlation between the age of the respondents and their willingness to embrace AA, EE and BEE is succinctly illustrated in Figure 5.12 below. The above finding is not surprising, given the fact that the majority of respondents (63.5%) were over the age of 50; and generally, older people are slower to embrace change. Furthermore, the majority of respondents belonged to the white population group, which was the favoured group, under the previous political dispensation in South Africa.

**FIGURE 5.12**

**RELATIONSHIP BETWEEN THE AGE GROUP OF SME OWNERS AND THEIR WILLINGNESS TO EMBRACE AFFIRMATIVE ACTION, EMPLOYMENT EQUITY AND BLACK ECONOMIC EMPOWERMENT**



When the survey was conducted in the latter half of 2006, the draft BEE codes in operation at that time exempted businesses with a turnover of less than R300 000 per year

from drawing up BEE scorecards. However, according to the revised BEE codes, which became law in 2007, businesses with a turnover of less than R5 million a year are exempt from having to draw up a BEE scorecard (Bignews, July 2007:5). In cognizance of this development, the level of agreement expressed above (61.1%) has most probably decreased, since the turnover of many SMEs is less than R5million per annum.

Table 5.8 also captures the frequency of responses to statements (items 7 to 12) in respect of SMEs' *perceived* obligations towards the communities in which they operate. While 79.6% of the respondents were of the opinion that they should ensure a mutually beneficial relationship with society, 55.1% of the respondents held the view that SMEs should be active in the local community, whereas 25.8% of the respondents did not believe so, and a further 19.1% of the respondents indicated that they didn't know whether or not SMEs should be active in the local community. Of those surveyed, 61.2% agreed; 27% disagreed, and 11.8% indicated that they didn't know if SMEs should make donations and/or work with non-profit organisations.

When asked whether SMEs should invest and operate in run-down or deprived areas and whether they should engage with traditionally marginalized groups, such as the long-term unemployed or the homeless, most of the respondents answered negatively or stated that they didn't know (37.9% and 26.1%, respectively). The most probable reason for this perception is that, as SMEs, they believed they were too small to get involved, and that this area of social responsibility was usually the domain of big businesses.

The above analysis, interpretation and discussion focused on the *perceptions* of SMEs in respect of their social responsibility, primarily towards their employees, the community, and the environment. In the next section, the socially responsible *behaviour* of SMEs in KZN will be analysed, interpreted and discussed.

## 5.4 SOCIALLY RESPONSIBLE BEHAVIOUR OF SMALL AND MEDIUM ENTERPRISES IN KWAZULU-NATAL

A series of questions were posed to the SME owners surveyed to ascertain the extent of their socially responsible behaviour towards their employees, the environment and the community.

### 5.4.1 The socially responsible behaviour of SMEs in respect of their employees

The frequency of responses in respect of the socially responsible behaviour of SMEs in KZN towards their **employees** is encapsulated in Table 5.9. While the variables encapsulated in Table 5.9 did not comprise an exhaustive list of all the areas in which SMEs can display their social responsibility towards their employees, the responses to the variables, nonetheless, provided a good indication of the extent to which SMEs in KZN were acting in a socially responsible manner towards their employees. In section 5.3.8, it was reported that over 70% of the SME owners surveyed were of the **opinion** that SMEs should take responsibility for the health and welfare of their employees. From an analysis of the data in Table 5.9, it appears that most of those SME owners holding such a view, were, in practice, giving meaning to their perception by, *inter alia*, subsidizing their staff members' medical aid (62.6%), and offering their employees membership to a subsidised provident or pension fund (71.6%).

Given the scourge of HIV/Aids in South Africa, in general, and the fact that KwaZulu-Natal is the epicentre of the disease, it is disconcerting to note that approximately 44% of the SMEs in KwaZulu-Natal do not offer any education and/or counselling to affected staff members. Research studies have concluded that small businesses are more vulnerable to losses due to employees succumbing to Aids, (and to a lesser extent to alcoholism and/or drug abuse) as they are less able to absorb the effects of the pandemic. The losses could be attributable to reduced productivity, increased absenteeism, increased staff turnover, increased recruitment and training costs, increased cost of employee benefits and poor staff morale (Parsadh & van Dyk, 2005:76).

**TABLE 5.9****BENEFITS OFFERED TO EMPLOYEES BY SMEs IN KZN**

NO.	VARIABLES	YES		NO		TOTAL
		n	%	n	%	%
1.	Subsidised medical aid for staff	132	62.6	79	37.4	100
2.	Employer contribution to pension or provident fund	151	71.6	60	28.4	100
3.	Training and development courses	191	90.5	20	9.5	100
4.	Payment (fully or partially) of staffs' study fees	136	64.5	75	35.5	100
5.	Subsidised meals/uniforms for staff	125	59.2	86	40.8	100
6.	Free/Subsidised transport for staff	56	26.5	155	73.5	100
7.	Bursaries/Interest-free loans to dependants of staff who are studying	57	27.0	154	73.0	100
8.	Education and counselling to staff in respect of HIV/Aids, alcoholism and substance abuse	119	56.4	92	43.6	100
9.	Incentives and reward schemes	149	70.6	62	29.4	100
10.	Other benefits offered, and not reflected above	38	18.0	173	82.0	100

The majority of SME owners in KZN (90.5%) realized the importance of a highly skilled workforce to the success of their businesses, and, hence, offered training and development courses for their workers. In this respect, the behaviour of the SMEs largely conformed/correlated with their perceptions discussed earlier in section 5.3.8, where it was reported that approximately 95% of the SMEs surveyed believed that SMEs should be involved in the training and development of their employees. Research conducted among Italian SMEs in 2005 yielded a similar result to the one above – 89% were engaged in training activities for their employees (Perrini, 2006:31). Through formal training and development programmes, employees get a better sense of where they fit and how they contribute to the overall organization. These programmes empower them to



become more responsive, accurate, and confident in workplace decisions (McAlister, Ferrell & Ferrell, 2005:244-5).

Despite the general consensus that SMEs have limited access to financial resources, a substantial number of respondents (64.5%) encouraged their staff members to upgrade their qualifications and skills by offering to pay their tuition fees, either partially or fully. Such action benefits not only the individual and the organisation, but, at the macro level, it benefits the country as well – given the skills shortage in South Africa. Interestingly, 27% of the SMEs surveyed offered either bursaries or interest-free loans to the dependants of staff members who were studying. In offering benefits such as these, which are usually offered by big businesses, these SMEs can compete with the larger organisations in attracting and retaining staff.

Furthermore, an analysis of the data revealed that there was a positive correlation between the educational qualifications of SME owners, and the extent to which they offered bursaries/interest-free loans to their employees' dependants who were studying at a tertiary institution. Only 18.8% of SME owners with up to a grade twelve education offered the above benefit, compared to 25.7% of those who possessed a diploma/degree; 33.7% of those who possessed a B.Tech/Honours degree, and 38.5% of those SME owners who possessed a M. Tech/Masters degree Table 109, Annexure E). Thus, it would appear that the more highly educated the SME owners were, the greater was their appreciation of the value of a good formal education, and, hence, the greater their involvement in offering bursaries and/or interest-free loans to the dependants of staff members.

Over and above the benefits listed in Table 5.9 above, 18% of the SME owners surveyed (38) stated that they offered other benefits to their employees. 27.7% of these respondents provided a funeral benefit scheme for their employees and their dependants, while a few respondents offered either one of the following benefits: short-term interest-free loans to staff members, profit-sharing bonuses, and housing loans, which were secured by the employees' provident fund. Based on the earlier finding that

approximately 72% of SMEs in KZN subsidised their employees' pension/provident fund, and the difficulty experienced by the lower-income earners to purchase their own homes, perhaps more employers could offer housing loans which are secured by the employees' pension/provident fund.

In consideration of the afore-mentioned, one can surmise that, in general, the reported CSR **behaviour** of SMEs in KZN, in respect of their employees, corresponds with the **perception** held by the majority of SMEs in KZN that their employees were their most important stakeholders. In comparison to the results above, a study conducted in 2004 among 1 330 SMEs in eight Latin American countries revealed that the area of internal CSR with the highest degree of activity were: work-family issues, health and well-being, equity, and worker participation (Vives, 2006).

A review of the literature revealed that organizations with enlightened human resource development programmes enjoyed higher levels of loyalty, improved morale, and an increase in productivity. In addition, internal accountability had direct consequences on expanding human and organizational capital in the form of strengthening workforce cohesion and motivation, which are key elements in attracting and retaining talent and deepening employees' potential and inclination to innovate (White, 2006:6). CSR, in respect of employees, improves a company's overall image, which, in turn, makes it easier to recruit new employees. Employees who perceive their employers as having good corporate social performance, view them more positively, and are, therefore, more committed to them. Furthermore, improved employee satisfaction and loyalty increases employee job performance and retention, and these result in increased customer satisfaction, sales, and profitability (Wheeler & Grayson, 2001:105). Based on the analyses of the results in respect of the CSR behaviour of SMEs in KZN towards their employees, it is evident that the majority of SMEs in KZN was aware of the many benefits of being socially responsible towards their employees, and, therefore, acted accordingly.

#### **5.4.2 The socially responsible behaviour of SMEs in respect of the environment**

Table 5.10 reflects the responses of the SME owners surveyed in respect of their socially responsible behaviour towards the environment. The majority of respondents (79.1%) complied with the environmental laws of the country, whilst 39 respondents (18.5%) stated that the environmental laws were not applicable to their enterprises. Over 80% of the organisations (171) stated that they disposed of their waste in an environmentally friendly manner; 5.2% of the respondents acknowledged that they do not do so, and a further 13.8% stated that this activity did not apply to their organisations. An analysis of the data also revealed that the more well educated the respondents, the greater the propensity to dispose of their waste in an environmentally friendly manner: 75.6% of the respondents, with up to a grade 12 education, stated that they disposed of their waste in an environmentally friendly way; this figure increased to 80.2% for those respondents who had either a diploma or a degree; to 82.6% for those respondents who had either a B. Tech. or a Honours qualification; to 87.2% for those respondents who had a Masters degree, and to 100% for those SME owners who possessed a doctorate degree (Table 104, Annexure E).

The literature review undertaken earlier found that those manufacturing organizations that have introduced comprehensive waste management programmes reported significant savings: from 20-80% for water, approximately 20% for electricity, between 10-50% for solid waste, approximately 5% for raw materials, and from 10% to as high as 90% for consumables (The Bugle, 9 June 2006:6). While the magnitude of the savings will be much smaller for enterprises in the tertiary sector, what cannot be disputed is that the proper management of waste will lead to a reduction in overheads and potential adverse environmental impacts, thereby improving efficiency and profit margins.

Only 37.4% of the SMEs in KZN used recycled materials in production and/or packaging, and an almost equal percentage of the SMEs (37%) stated that their type of business operations did not allow for the use of recycled materials. This finding compares unfavourably with the United Kingdom, where research studies have revealed that

approximately 66% of SMEs were engaged in recycling and waste reduction (de Bruin & Moore, 2005). From an analysis of the data, it became evident that the older the respondents, the less inclined they were to use recycled materials in production and/or packaging: 42.8% of those who were between 41-50 years of age engaged in this practice, compared to 40% of those who were between 51-60, and 34% of those SME owners who were over the age of 60 (Table 108, Annexure E).

**TABLE 5.10**

**ENVIRONMENTALLY-RESPONSIBLE BEHAVIOUR OF SMEs IN KZN**

NO.	VARIABLE	YES		NO		N/A		TOTAL
		n	%	n	%	n	%	%
1.	Does the firm comply with all the environmental laws?	167	79.1	5	2.4	39	18.5	100
2.	Does the firm dispose of its waste in an environmentally-friendly manner?	171	81.0	11	5.2	29	13.8	100
3.	Does the firm use recycled materials in production and/or packaging?	79	37.4	54	25.6	78	37.0	100
4.	Has the firm taken any measures to reduce or control the pollution caused by its operations?	93	44.1	17	8.1	101	47.8	100
5.	Has the firm made efforts to reduce its energy consumption by using energy-saving machinery, equipment and/or lighting?	101	47.9	49	23.2	61	28.9	100
6.	Has the firm compared its environmental initiatives with those of other firms/competitors?	42	20.0	112	52.9	57	27.1	100
7.	Has the firm developed measurable performance standards for environmental compliance?	47	22.3	97	46.0	67	31.7	100
8.	Other measures not reflected above	22	10.4	44	20.9	145	68.7	100

Of the SMEs in KZN that were surveyed, 44.1% had instituted measures to reduce or control the pollution caused by their operations, while 8.1% had not implemented any measures in this regard. A further 47.8% of the respondents contended that their business operations did not cause any pollution, and there was, therefore, no need to take any action to reduce the levels of pollution. A similar percentage of respondents (47.9%) stated that they had introduced measures to reduce their energy consumption by, *inter alia*, using energy-saving machinery, equipment or lighting. While 23.2% of the respondents admitted to not introducing any initiatives to reduce their energy consumption, a further 28% of the respondents stated that they cannot reduce their energy consumption. Perhaps it is not a matter of these respondents being unable to reduce their energy consumption, but of them not knowing how to do so. Compared to the above results, a study conducted among SMEs in eight Latin American countries in 2004 revealed that more than half of the SMEs surveyed reported no activity in the area of environmental responsibility. Of those involved, the most practised activity was energy efficiency, followed by reduction, recycling and treatment of waste (Vives, 2006).

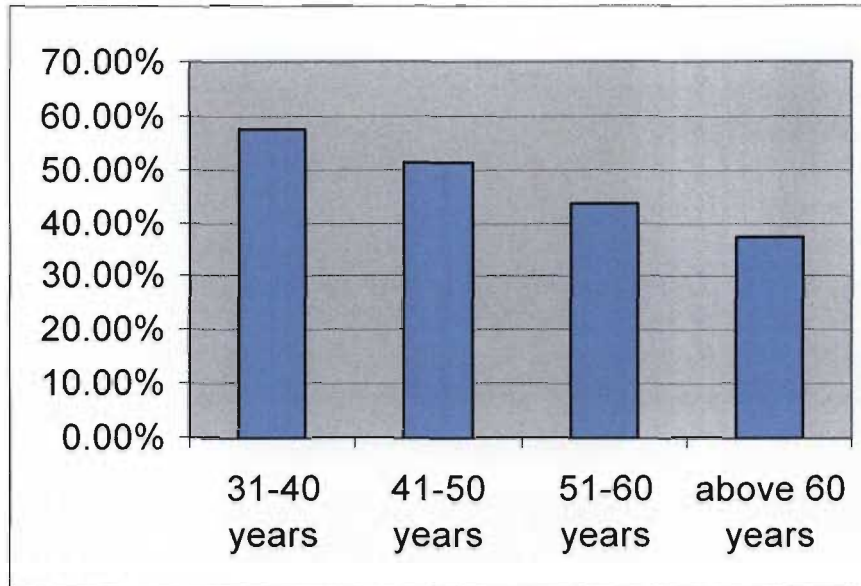
A review of the literature indicated that, in general, South African enterprises used more energy per unit of economic output (GDP) than many other countries, and many European and Asian countries have demonstrated that production can be increased while using less energy through using more energy-efficient manufacturing processes. Improvements in energy efficiency are the most effective way to rein in energy requirements and reduce greenhouse gas emissions (Daily News, 5 June 2007:5). Generally, large organisations in South Africa have been responsive to the idea of energy saving, but many SMEs expect a shorter payback period, and, hence, are less likely to invest in more efficient systems and methods. Furthermore, the relatively low costs of electricity in South Africa, thus far, have discouraged local enterprises, especially small businesses, from initiating measures to reduce their energy consumption. However, the cost of electricity has increased by approximately 30% in 2008, and it is set to increase further in the future, as Eskom (the sole power utility in South Africa) needs billions of rands to finance the upgrading of its existing infrastructure and to build new power plants to meet the increased demand for electricity in South Africa (Sunday Times, *Business*

*Times*, 22 March 2008:1). Owing to its inability to meet the demand for electricity, in January 2008 Eskom introduced load-shedding throughout South Africa, and this measure, which had disastrous consequences for businesses in the country, has subsequently been suspended. However, Eskom has repeatedly stated that if electricity consumption does not decrease, then load-shedding will be re-introduced. Perhaps these developments may force businesses to minimize their electricity consumption, and/or to invest in alternative, more-environmentally-friendly energy sources. Furthermore, in an effort to reduce the demand for electricity, the utility had announced plans to subsidise the installation of solar heaters across households in South Africa. However, it is hoped that this subsidy will be extended to small and medium-sized businesses, as well.

One would have expected the better educated SME owners to have implemented greater measures to reduce their energy consumption, but an analysis of the data reveals no significant differences in this regard between owners with different levels of education. However, the results revealed that the older the SME owners, the fewer were the efforts to reduce the energy consumption of their enterprises; and this finding is illustrated in Figure 5.13. While 57.4% of the SME owners, who were aged between 31-40 years, had implemented some measures to reduce energy consumption in their organisations, this figure decreased to 51.5% for respondents aged between 41-50 years; to 43.5% for respondents aged between 51-60 years, and to 37.5% for respondents who were over 60 years of age.

**FIGURE 5.13**

**RELATIONSHIP BETWEEN THE AGE OF SME OWNERS AND EFFORTS TO REDUCE ENERGY CONSUMPTION**



The majority of respondents (52.6%) had not compared their environmental initiatives with those of other firms/competitors. This response was not unexpected, given the response to the questions above in respect of the environment. Approximately 20% of the respondents had compared their environmental initiatives with other firms, and a further 27.1% of the SMEs asserted that this comparison did not apply to their businesses. With respect to developing measurable performance standards for environmental compliance, only 22.3% of the respondents had admitted to doing so, and 46% of the respondents had not done so. Other measures adopted by 10.4% of the respondents (22), included, *inter alia*, the following: achieving ISO certification (22.7%), recycling paper (stationery), and generating own power from steam.

ISO14001 is an international standard that requires a company to take stock of its environmental impact, establish targets, and commit itself to processes to prevent

pollution. A few of the SMEs surveyed have achieved ISO14001 certification. According to the International Institute for Sustainable Development (2004), South African SMEs that incorporate standards such as ISO 9000 or ISO 14001 do so primarily because of pressure from their customers further up the supply chain. However, once certification is achieved, inspections to check compliance by the Department of Environmental Affairs & Tourism, (which houses the “Green Scorpions”), was absent, until 2007. Large multinational corporations such as ArcelorMittal, Highveld Steel & Vanadium, and Assmang, who all enjoy ISO14001 certification, and who have for years contravened the environmental laws, have only recently been caught out for non-compliance (The Mercury, *Business Report*, 5 October 2007:1). If large enterprises, such as the above-mentioned, whose operations have a greater impact on the environment than SME, can contravene the environmental laws for a number of years without detection, then it is so much easier for SMEs, being less visible by virtue of their size, to do so.

The limited environmental involvement of SMEs has been attributed to attitudinal and behavioural characteristics, in particular, a lack of knowledge about relevant legislation, the assumption that the impact of SMEs on the environment is negligible, and the failure by SME owners to integrate the environment into business activities (de Bruin & Moore, 2006). Generally speaking, the pressure from South African citizens on businesses to protect and preserve the environment is minimal, and in some areas, non-existent. According to the World Values Survey - 2006, conducted by the University of Stellenbosch in partnership with Markinor (a market research organisation), 72% of the population believe it is acceptable to sacrifice the protection of the environment, if it means creating jobs and growing the economy. Alarmingly, this figure is eight percentage points higher than five years ago. In response to the above finding, Gavin Lewis, an independent development analyst, stated that it was “pretty normal in a developing society with a high unemployment rate to have people being more concerned about job creation” (The Mercury, *Business Report*, 5 October 2007:5). In cognizance of the afore-mentioned, businesses in South Africa, especially small and medium-sized businesses, will not be too concerned with protecting and preserving the environment,



unlike SMEs operating in first world countries, where the pressure from the citizens on businesses to protect and preserve the environment and its limited resources, is much greater. Also, the enactment of more environmental laws will, on their own, not protect the environment because of the perceived inadequacies of the regulatory regime (Petts et al., 1999), as cited by Williamson, Lynch-Wood & Ramsay (2006:325). Nonetheless, these writers contend that strengthening the regulatory framework is a fundamental requirement for inducing improvements in the environmental behaviour of small and medium enterprises.

#### **5.4.3 The socially responsible behaviour of SMEs with respect to the community**

Table 5.11 reveals that a significant percentage of the SMEs (40.3%) surveyed believed that there was no need for them to be involved in addressing any social or community issues because they paid all their taxes and obeyed all the relevant laws; however, the majority of respondents (59.5%) did not subscribe to that notion. Only 21.8% of the SMEs surveyed offered financial support to local educational institutions, and only 19.4% of them stated that they were involved in crime fighting initiatives in the community. Given the poor quality of education in many public schools and the very high levels of crime in the country, businesses, irrespective of their size, should play a role, however small, in improving the quality of education and fighting crime. With respect to the former, the involvement of businesses in education and training is more self-serving because the organization is the ultimate beneficiary when the people in its community are literate. According to Roussouw (2004), having literate people in the organization should reduce training costs, increase productivity, reduce wastage, and increase profits. However, the results above indicate that the majority of SMEs in KZN do not subscribe to the argument advanced by Roussouw.

**TABLE 5.11****COMMUNITY INVOLVEMENT OF SMEs IN KZN**

NO.	ACTIVITIES	YES		NO		TOTAL
		n	%	n	%	%
1.	Our business pays all its taxes and obeys all the relevant laws, so there is no need for involvement in any social or community issues	85	40.3	126	59.5	100
2.	We offer financial support to local educational institutions	46	21.8	165	78.2	100
3.	We are involved in crime-fighting initiatives in the community	41	19.4	170	80.4	100
4.	We sponsor sports/sports development, and/or cultural events	84	39.8	127	60.2	100
5.	We donate cash and/or goods to local charitable organisations	174	82.5	37	17.5	100
6.	We are involved in efforts to improve the health of the community	44	20.9	167	79.1	100
7.	In sourcing supplies, we give preference to Black owned companies	92	43.6	119	56.4	100
8.	None of the above is applicable to our business	6	2.8	205	97.2	100
9.	We are involved in the community other than/in addition to the above (1 – 7)	36	17.1	175	82.9	100

From an analysis of the responses of those SMEs surveyed, it would also appear that a significant proportion of SME owners (39.8%) were involved in sponsoring sports/sports development, and/or/cultural events. Whether this sponsorship was an on-going commitment or a one-off activity could not be ascertained. Not surprisingly, a very large proportion of the respondents (82.5%) indicated that their businesses donated cash and/or goods to local charitable organisations. Significantly, the lower the educational level of SME owners, the greater the extent of their involvement in donating cash and/or goods to local charitable organisations. This form of social responsibility is also popular among SMEs in the Latin American countries, where research has found that more than 70% of the SMEs donated either cash or goods (Vives, 2006). In similar studies conducted among SMEs in developed countries such as Italy and the United Kingdom, the

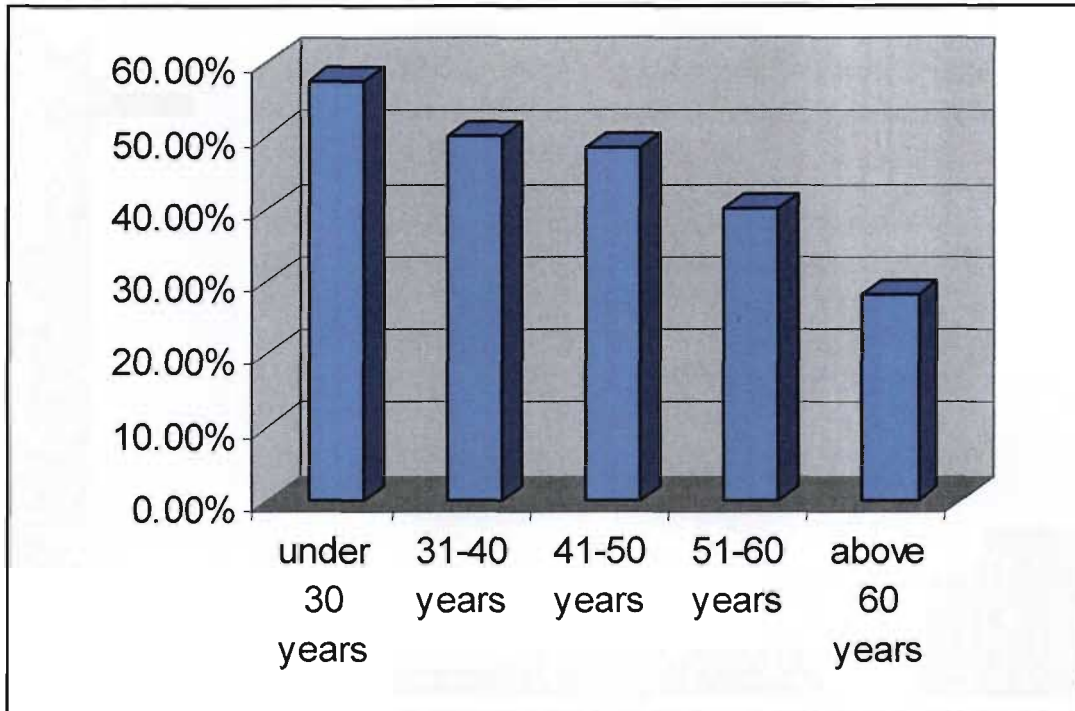
percentage of SMEs that donated either cash or goods to charitable organisations was 51% and 52%, respectively (Perrini, 2005; de Bruin & Moore, 2005). Based on the afore-mentioned statistics, it would appear that a much larger percentage of SMEs in developing countries donate either cash or goods to charitable institutions, than SMEs in the developed countries. Furthermore, when compared to larger businesses, Thompson & Hood (1993) contend that larger businesses are relatively less generous than smaller ones, perhaps due to the fact that many small business owners pursuing philanthropic causes do not need to be concerned with delivering a tangible return to shareholders as do large business managers. In addition, the writers state that donation decision-making in small businesses is primarily a one-person decision, and rarely are there any written policies or guidelines concerning charitable donations.

A small proportion of SME owners in KZN (20.9%) were reportedly involved in efforts to improve the health of the community, and, when sourcing their supplies, 43.6% of the respondents gave preference to Black-owned companies. The latter figure must be viewed against the fact that the majority of the members (approximately 84%) of the Durban Chamber of Commerce & Industry, the Pietermaritzburg Chamber of Business and the Zululand Chamber of Business – from whence the sample for the research was drawn - are white (Table 105, Annexure E).

From an analysis of the data, it further emerges that the higher the educational level of the SME owners, the greater was the propensity to give preference to Black-owned companies when sourcing supplies for their organisations. Conversely, the older the respondents, the less they sourced their supplies from Black owned companies. Figure 5.14 graphically reflects the latter observation: whereas 57.6% of SME owners in KZN under 30 years of age gave preference to Black-owned companies when sourcing supplies for their businesses, this proportion decreased to 50% for those owners between 31-40 years of age; to 48.5% for those between the ages of 41-50 years of age; to 40% for those between 51-60 years of age, and to 28.3% for those SME owners over 60 years of age.

**FIGURE 5.14**

**PROPORTION OF SME OWNERS WHO GIVE PREFERENCE TO BLACK SUPPLIERS**



Of the SMEs in KZN that were surveyed, 17.1% stated that they were involved in community activities which were not listed in Table 5.11 above. 23.5% of these respondents were involved in one form or another with combating HIV/Aids or supporting Aids orphans, and a few of the respondents were involved in, *inter alia*, one of the following activities: offering free legal advice and/or training to NGOs and the indigent, supplying provisions to welfare organisations at a discounted price, and offering study bursaries to previously disadvantaged individuals not related to their employees.

From an analysis of the results above, one can conclude that the community-oriented CSR **behaviour** of SMEs in KZN was more or less aligned with the **perceptions** of SME owners regarding the relative importance of the community as a stakeholder. (In section 5.3.1, it was reported that SME owners perceived their obligations to the community, as a

stakeholder, to be their second least important obligation; with approximately 50% of the respondents believing that they have no obligations towards the community in which they operate).

In general, SMEs, by their very nature, are local organisations whose owners/managers, customers and workers come from the same or neighbouring communities. Moreover, because SMEs have relatively fewer employees than large organisations, most, if not all, are known to the owner/manager. In cognizance of the above, Vives (2006:41) argues that it should, therefore, be natural for SMEs to be concerned with community development, the local environment and social issues, as well with the well-being of their employees; although, due to a lack of knowledge, financial reasons or fear of regulations, they may not be as involved as would be expected. However, the results above, in respect of SMEs in KZN, indicate that it was not 'natural' for many of them to engage with the community. This low level of engagement is most probably due to the fact that most of the owners/managers of SMEs in KZN, who belonged to the white population group, did not come from the same communities as their workers.

## **5.5 COLLECTIVE TERMS/PHRASES TO DESCRIBE THE SOCIALLY RESPONSIBLE ACTIVITIES OF SMALL AND MEDIUM ENTERPRISES**

In order not to lead/prompt the respondents, the term (corporate) social responsibility was not used in the entire questionnaire. SME owners were asked to state the term or phrase that best described the activities in which they engaged, in respect of their employees, the community, and the environment. Although this was the only qualitative question posed to respondents, only 62% (131) of the respondents answered this question. Approximately 40 of these respondents (30.5%) used the commonly used term, namely, *social responsibility*, to describe the activities relating to one's employees, the environment, and the community. Nine respondents (6.8%) used the term *business responsibility*, while eight respondents (6.1%) used the term *corporate social investment*, and five respondents (3.8%) described the activities as *business ethics/morality*. Others

offered a variety of responses, and many of them used the term 'social' in their responses; for example: 'social and economic responsibility', 'social and environmental responsibility', and 'social awareness'.

It is possible that some of the 80 respondents (38% of the SMEs surveyed), who did not answer the question pertaining to the above, were practising 'silent' social responsibility, and, hence, were not aware that they were doing it. It is also possible that some of them had not heard of the term 'corporate social responsibility'. Indeed, some academics, like Lepourte & Heene (2006), have suggested that the term *corporate social responsibility* is more applicable to large enterprises, and the term *small business social responsibility* is less intimidating and more appropriate for small and medium enterprises. The European Commission's Enterprise Directorate-General proposes the term *responsible entrepreneurship* to substitute for corporate social responsibility 'since it better reflects the dynamic nature of the individual entrepreneur striving to make a contribution to sustainable development' (European Commission, 2002a). However, de Bruin & Moore (2006) contend that the word 'entrepreneurship' intrinsically carries a gamut of notions for different people, such as: innovation, risk-taking, and opportunity seeking, and could, therefore, cause further confusion. In cognizance thereof, they propose the term *CSER (Community, Social and Environmental Responsiveness)*, as the conceptual starting point for understanding, influencing and promoting SME involvement in CSR activities.

## **5.6 THE MOTIVATION FOR ENGAGEMENT IN CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES**

Table 5.12 reveals that the most frequent reasons advanced by the respondents for engaging in socially responsible activities were, in order of importance: to build a better future for everyone (75.8%); to improve staff satisfaction and morale (69.7%); to create and improve customer loyalty (43.6%), and to build a better relationship with the community (38.9%). In light of the research findings from previous studies (discussed in chapter 3), which revealed that most CSR activities among SMEs were primarily

internally focused, one would have expected most SMEs in KZN to have chosen 'the improvement of staff morale and satisfaction' as the primary reason for engagement in CSR activities. Furthermore, in consideration of the earlier analysis in respect of the actual CSR behaviour of SMEs relating to the community/society, the assertion by the majority of respondents (75.8%) that they engaged in CSR behaviour because they wanted to build a better life for all sounds somewhat hollow.

Earlier, it was reported that approximately 94% of the SMEs in KZN indicated that they considered aspects such as image, public relations and goodwill important to the success of their business, yet when asked what motivated them to engage in CSR behaviour, only 35.5% of the SMEs owners perceived it to be good for the image of their businesses. On a superficial level it would appear that some of the respondents were contradicting themselves; however, this perception is not necessarily true – it would appear many of these respondents were of the view that image, public relations and goodwill can be enhanced by engaging in activities that may not necessarily be deemed to be socially responsible.

**TABLE 5.12****FACTORS MOTIVATING SMEs IN KZN TO ENGAGE IN CSR**

NO.	VARIABLE	YES		NO		TOTAL
		n	%	n	%	%
1.	Because it is good for the image of the business	75	35.5	136	64.5	100
2.	To create and improve customer loyalty	92	43.6	119	56.4	100
3.	To improve staff satisfaction and morale	147	69.7	64	30.3	100
4.	To fulfill the demands of local/foreign corporate clients	42	19.9	169	80.1	100
5.	To build a better relationship with the local community	82	38.9	129	61.1	100
6.	To build a better future for everyone	160	75.8	51	24.2	100
7.	Because it has a positive effect on profits	59	28.0	152	72.0	100
8.	ISO Certification	34	16.1	177	83.9	100
9.	Other (please specify)	25	11.8	186	88.2	100

While the more educated SME owners were of the view that engagement in CSR activities had a positive effect on the profits of the enterprise, overall, only 28% of the SMEs surveyed held this view. This finding is in stark contrast with the results of a similar study conducted among SMEs in the European Union member states, where a much larger proportion of SME owners perceived a strong positive correlation between social responsibility and profits (European Commission, 2002b). The results above make the task of encouraging more SMEs in KZN to become socially responsible, very challenging.



**5.7 THE EXTENT TO WHICH STAKEHOLDERS ARE INFORMED ABOUT THE SOCIALLY RESPONSIBLE ACTIVITIES OF SMALL AND MEDIUM ENTERPRISES**

On a closer examination of the data in Table 5.13, it emerges that approximately 69% of the SMEs surveyed communicated their CSR activities to their employees; 50% informed their customers; 28.9% informed their suppliers, and 31.3% of SMEs in KZN did not communicate their involvement in CSR activities to any stakeholders.

**TABLE 5.13**

**COMMUNICATION WITH STAKEHOLDERS ABOUT CSR ENGAGEMENT**

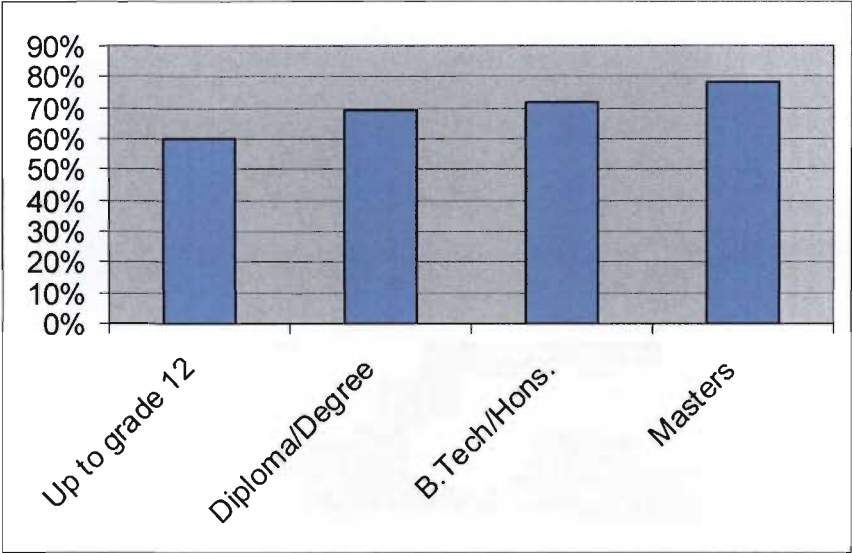
NO.	VARIABLES	YES		NO		TOTAL
		n	%	n	%	%
1.	External shareholders	52	24.6	159	75.4	100
2.	Suppliers	61	28.9	150	71.1	100
3.	Customers	105	49.8	106	50.2	100
4.	Employees	141	66.8	70	33.3	100
5.	Government (local, provincial, or national)	45	21.3	166	78.7	100
6.	The trade press	17	8.1	194	91.9	100
7.	The local community in which we operate	41	19.4	170	80.6	100
8.	The local or regional press	25	11.8	186	88.2	100
9.	We do not communicate our involvement	66	31.3	145	68.7	100

In general, there was a positive correlation between the educational level of SME owners and the extent of their efforts to communicate their business engagement in CSR. Whereas 60% of SME owners, with up to a grade twelve education, communicated their engagement in CSR activities with one or more stakeholders, this figure increased to 69%

for respondents with a diploma/degree; to 72% for SME owners with a B. Tech. or Honours qualification, and to 78% for SME owners with a Masters degree. This positive relationship is graphically depicted in Figure 5.15 below.

**FIGURE 5.15**

**RELATIONSHIP BETWEEN THE EDUCATIONAL LEVELS OF SME OWNERS AND THE EXTENT TO WHICH THEIR CSR ACTIVITIES ARE COMMUNICATED**



Sarbutts (2003) suggested that CSR for SMEs operated along two parallel tracks, the first being how the firm’s social good was reported and perceived externally, and the second being the extent to which the social good the firm aimed to have portrayed was a true reflection of its behaviour and values. However, the results of this research indicate that with respect to the former, on average, more than 70% of the SMEs in KZN did not subscribe to that notion.

## **5.8 THE OBSTACLES/BARRIERS HAMPERING SMEs FROM ENGAGING IN CSR ACTIVITIES**

Table 5.14 reveals that the most cited obstacles or barriers hampering the further involvement of SMEs in KZN in CSR activities were: 'lack of time/manpower' (71.1%) and 'costs/impact on profits' (53.1%). Only a very small proportion of respondents (7.1%) stated that there were no benefits in engaging in CSR activities, and 5.7% of the respondents had never thought about engaging in CSR activities, or lacked the interest to do so. With respect to 'a lack of time/manpower', a review of the literature revealed that small business owner-managers generally do experience greater time-constraints than managers of large organisations because they are often responsible for 'everything': running the business, finding markets for their goods and services, coping with regulations, procuring suitable staff, securing finance and dealing with problems. The situation is further exacerbated by the owner-manager's propensity to keep control of the key decision-making and other important aspects of the business (Perez-Sanchez, Barton & Bouwer, 2003:72).

Over 50% of the respondents stated that 'costs/impact on profits' was hampering them in further engaging in CSR activities. In this regard, the literature review undertaken earlier cited Lepourte & Heene (2006:264), who expressed the view that many small business owners perceived social responsibility activities as a cost which will result in competitive disadvantage. If most of the small businesses in a particular industry are not involved in socially responsible activities; then, according to the writers, other small businesses will be reluctant to do so, as it will increase their costs, and, therefore, will make them less competitive. Furthermore, the writers contend that, relative to large businesses, small businesses have fewer opportunities to reap the benefits of economies of scale and scope and learning, thereby increasing the relative burden of these costs.

**TABLE 5.14****BARRIERS TO (FURTHER) ENGAGEMENT IN CSR ACTIVITIES**

NO.	VARIABLES	YES		NO		TOTAL %
		n	%	n	%	
1.	Never thought about it/lack of interest	12	5.7	199	94.3	100
2.	Costs/impact on profits	112	53.1	99	46.9	100
3.	Lack of time/manpower	150	71.1	61	28.9	100
4.	There are no benefits for my business	15	7.1	196	92.9	100
5.	Other	12	5.7	199	94.3	100

The above findings are consistent with the results of a similar study conducted among SMEs in the United Kingdom where it was found that fear of bureaucracy, time and cost were the main barriers hampering SMEs from further engaging with the CSR agenda (de Bruin & Moore, 2005). However, the results above differ significantly from the results of a more comprehensive study among SMEs in the European Union (EU) – 19% of SMEs in the EU, compared to 71.1% of SMEs in KZN, chose a ‘lack of time’; 16% of SMEs in the EU, compared to 53.1% of SMEs in KZN, chose ‘costs/ impact on profits’; and 24% of SMEs in the EU, compared to 5.7% of SMEs in KZN, chose ‘never thought of it’, as barriers/obstacles hampering their further involvement in CSR activities (European Commission:2002b).

Other reasons chosen by 5.7% of the SMEs in KZN included the following: the threat posed by cheap imports; competitors’ non-involvement in these activities (hence, lower costs); a lack of truly disadvantaged black business partners, and difficulty in identifying worthy and sustainable projects.

## **5.9 THE NATURE OF THE ASSISTANCE REQUIRED BY SMEs TO FURTHER ENGAGE IN CSR ACTIVITIES**

The data in Table 5.15 reveals that when the respondents were asked to choose the most useful ‘tools’ for helping them further engage in CSR activities, almost an equal number of respondents chose the following: ‘a list of guidelines on how to get involved’ (101); ‘a list of areas in which SMEs could get involved’ (100), and ‘information and advice on the benefits of involvement in these areas’ (102).

**TABLE 5.15**

### **‘TOOLS’ TO PROMOTE CSR AMONG SMEs**

NO.	VARIABLE	YES		NO		TOTAL
		n	%	n	%	%
1.	A list of guidelines on how to get involved	101	47.9	110	52.1	100
2.	A list of areas in which SMEs could get involved	100	47.4	111	52.6	100
3.	Information and advice on the benefits of involvement in these areas	102	48.3	109	51.7	100
4.	Don’t know	36	17.1	175	82.9	100
5.	Other	21	10.0	190	90.0	100

The local Chambers of Commerce/Business in KwaZulu-Natal can play a meaningful role in helping SMEs further engage in CSR activities. Currently, they are not. In Ireland, for example, the local business organisations play a sterling role in assisting and encouraging small businesses to further engage with the CSR agenda ([www.chambers.ie](http://www.chambers.ie).) Furthermore, the South African government views the growth and development of small and medium-sized enterprises as a primary ‘weapon’ to fight the high levels of unemployment and its attendant evils in the country, as well as to economically empower the previously disadvantaged citizens of the country.

Consequently, the South African government will not be willing to impose additional burdens on SMEs by forcing them to engage in socially responsible behaviour.

#### **5.10 THE PRESSURES EXERTED ON SMEs TO ENGAGE IN CSR**

Earlier, it was stated that only about 20% of the SME owners were motivated to engage in CSR activities “to fulfill the demands of local/foreign corporate clients”. However, an analysis of the responses to item no. 5 (Table 5.16) revealed that 62.1% of the SME owners in KZN have been asked by their clients to satisfy them on affirmative action, employment equity, and/or Black economic empowerment criteria. From the above, one can surmise that a substantial number of SMEs in KZN were willing to forego business opportunities rather than comply with the demands of potential local/foreign corporate clients. Apart from the afore-mentioned, the frequency of agreement with the other statements reflected in Table 5.16 implied that, in general, SMEs in KZN did not encounter much external pressure to engage in CSR activities in respect of their employees, the environment and the community.

The minimal pressure exerted by external stakeholders in respect of the environmental practices of SMEs could, *inter alia*, be attributed to the fact that very few stakeholders are interested in the environmental performance of small businesses, possibly because they also believe that the impact of the operations of small businesses on the environment is negligible. The above conclusion was reached by Hillary (2000b), as cited by Lepourte & Heene (2006:260), after reviewing 22 studies on the stakeholder pressures related to small business environmental performance.

**TABLE 5.16****EXTENT OF PRESSURE EXERTED ON SMEs TO ENGAGE IN CSR ACTIVITIES**

NO.	VARIABLE	YES		NO		DON'T KNOW	
		n	%	n	%	n	%
1.	A large corporate/governmental client asked you to satisfy them on your environmental standards	39	18.5	166	78.7	6	2.8
2.	A large corporate/governmental client asked you to satisfy them on your commitment to, or involvement with society and the community in which your business operates	43	20.3	159	75.4	9	4.3
3.	A large client asked you to satisfy them on your health and safety working practices	57	27.0	148	70.1	6	2.9
4.	Your employees/the unions demanded greater benefits	22	10.4	175	83.0	14	6.6
5.	A large client asked you to satisfy them on affirmative action, employment equity, and/or black economic empowerment criteria	131	62.1	78	37.0	2	0.9
6.	You business won a competitive bid because of its environmental and/or social practices	22	10.4	175	83.0	14	6.6
7.	An external shareholder enquired about your business's social and environmental practices	16	7.6	188	89.0	7	3.4

According to Welford (2005:43-44), for SMEs in the supply chain, good CSR practices build trust with the larger buyers of their products, and those SMEs that establish a reputation for good CSR practices will enjoy long-term relationships with their customers, bigger contracts and increased certainty of business in the future - all of which are vital to grow their businesses. Furthermore, the writer contends that by demonstrating that even a small company can adopt high CSR standards will help convince a customer that the company is well managed, can be trusted, and is likely to

deliver on its promises.

### **5.11 THE FACTORS THREATENING THE SUCCESS OF SMALL AND MEDIUM ENTERPRISES IN KWAZULU-NATAL**

Table 5.17 reveals that the three most frequently cited factors which were perceived by SME owners to pose a threat to the success of their business were: shortage of skilled labour (62.1%), high levels of crime (59.7%), and high levels of HIV/Aids infection of employees (48.3%). Given the buoyancy of the South African economy in the last few years, certain skills are in short supply, and SMEs generally find it difficult to compete for these scarce skills with the larger companies who have the resources to search nationally and/or internationally for suitable candidates, and offer better salaries and benefits than SMEs. In this regard, SMEs need to be proactive in securing suitably skilled labour. However, it appears that many SMEs are not proactive - earlier it was reported that very few SMEs indicated that they supported local educational institutions. If SMEs are drawing their labour from the local community, they should, ideally, identify potential employees timeously, and sponsor their studies, with the provision that, upon completion of their studies, they are contractually bound to work for the business for a certain period of time. This financial commitment should be viewed as an investment in the future well-being of the enterprise.

In cognizance of the relatively high levels of crime in South Africa are high, SMEs should work closely with their local law enforcement agencies, and also implement more stringent security measures at their work-sites in order to safeguard their property and their personnel. With respect to the threat of losing workers due to HIV/Aids, interventions by SMEs need not be expensive – for example: arranging talks to staff by nurses from the local health clinic, and providing state-supplied condoms in the wash-rooms might be effective. Given their size and limited financial resources, it is not expected from SMEs, for example, to provide free anti-retroviral medication, as some large corporations, such as Anglo-American, are doing.



**TABLE 5.17****THE THREATS FACED BY SMALL AND MEDIUM ENTERPRISES IN KZN**

NO.	VARIABLE	YES		NO		TOTAL
		n	%	n	%	%
1.	Shortage of skilled labour	131	62.1	80	37.9	100
2.	High levels of crime	126	59.7	85	40.3	100
3.	High levels of HIV/Aids infection of employees	102	48.3	109	51.7	100
4.	Compliance with Affirmative Action, employment equity and/or black economic empowerment criteria/legislation	80	37.9	131	62.1	100
5.	Increasing costs of energy	43	20.4	168	79.6	100
6.	Shortage of raw materials	32	15.2	179	84.8	100
7.	Other	30	14.2	181	85.8	100

Other factors listed by 14.2% of the respondents as posing a threat to the success of their enterprises included the following: too much bureaucracy, fluctuating/high exchange rate; difficulty in competing with big businesses for qualified blacks; crime and corruption in government departments, rigid labour laws, and too many regulations.

### **5.12 THE VALUES INFLUENCING THE MANNER IN WHICH SME OWNERS IN KZN MANAGE THEIR BUSINESSES**

An analysis of the information in Table 5.18 reveals that for an overwhelming majority of the SME owners who were surveyed, their personal beliefs and values (98.9%); the consequences of their actions for their business (98.6%), and the law, which sets out what is right and wrong (98.1%), were either important or very important in influencing the way they ran their businesses. Compliance with the law is the so-called 'minimum' and

is non-negotiable. A business which, for example, complies with all the employment laws, which it is expected to do, cannot, on this basis alone, state that, with respect to its employees, it is socially responsible. Approximately 40% of the respondents stated that their religious/spiritual beliefs were not important in influencing the way in which they ran their businesses. According to Vives (2006:40), SME activities reflect the values, character, attitudes, education, background and the preferences of the owner/entrepreneur. Moreover, these activities, in turn, have a direct impact on the nature and extent of the enterprise's social responsibility.

**TABLE 5.18**

**THE VALUES INFLUENCING THE MANNER IN WHICH SME OWNERS MANAGE THEIR ENTERPRISES**

NO.	VARIABLES	NOT IMPORTANT		IMPORTANT		VERY IMPORTANT	
		n	%	n	%	n	%
1.	My personal beliefs and values	5	2.4	47	22.2	159	75.4
2.	The consequences of my actions for my business	3	1.4	43	20.4	165	78.2
3.	The law, which sets out what is right and wrong	4	1.9	72	34.1	135	64.0
4.	My religious/spiritual beliefs	84	39.8	60	28.4	67	31.8

An analysis of the ANOVA test results (Table 114, Annexure E) reveal that differences in the length of business ownership had, statistically, no significant influence on the way in which SME owners rated the perceived importance of the following factors in influencing the way they ran their businesses, namely: one's personal beliefs and values ( $p = 0.921$ ); the consequences of one's actions for one's business ( $p = 0.919$ ); the law, which sets out what is right and wrong ( $p = 0.770$ ), and one's religious/spiritual beliefs (0.138).

The ANOVA test results (Table 117, Annexure E) also reveal that differences in the number of people employed by the SMEs surveyed did not significantly influence the responses of SME owners with respect to the perceived importance of the following factors in influencing the way they ran their businesses, namely: their personal beliefs and values ( $p = 0.534$ ); the consequences of their actions for their businesses ( $p = 0.081$ ); the law, which sets out what is right and wrong ( $p = 0.317$ ), and the religious/spiritual beliefs of SME owners ( $p = 0.909$ ).

An analysis of the Pearson correlation test results (Table 126, Annexure E) reveal that, statistically, there was a significant moderate positive correlation between the importance attached by SME owners to their personal beliefs and values and to the law, which sets out what is right and wrong, in influencing the way they ran their businesses ( $p = 0.000$ ;  $r = 0.307$ ). However, there was a weak correlation between the importance attached to one's personal beliefs and values and to one's religious and spiritual beliefs in influencing the way one ran one's enterprise ( $p = 0.000$ ;  $r = 0.264$ ). From this finding, one can conclude that for many SME owners in KZN, their personal beliefs and values were not shaped by their religious and spiritual beliefs. Furthermore, the results of the t-test indicate that there were no significant differences in the ratings assigned by males and females to all of the above variables. The computed p values for the above variables were: 0.259; 0.898; 0.348, and 0.752, respectively.

### **5.13 THE SME OWNERS' RATINGS OF THE SUCCESS OF THEIR BUSINESSES**

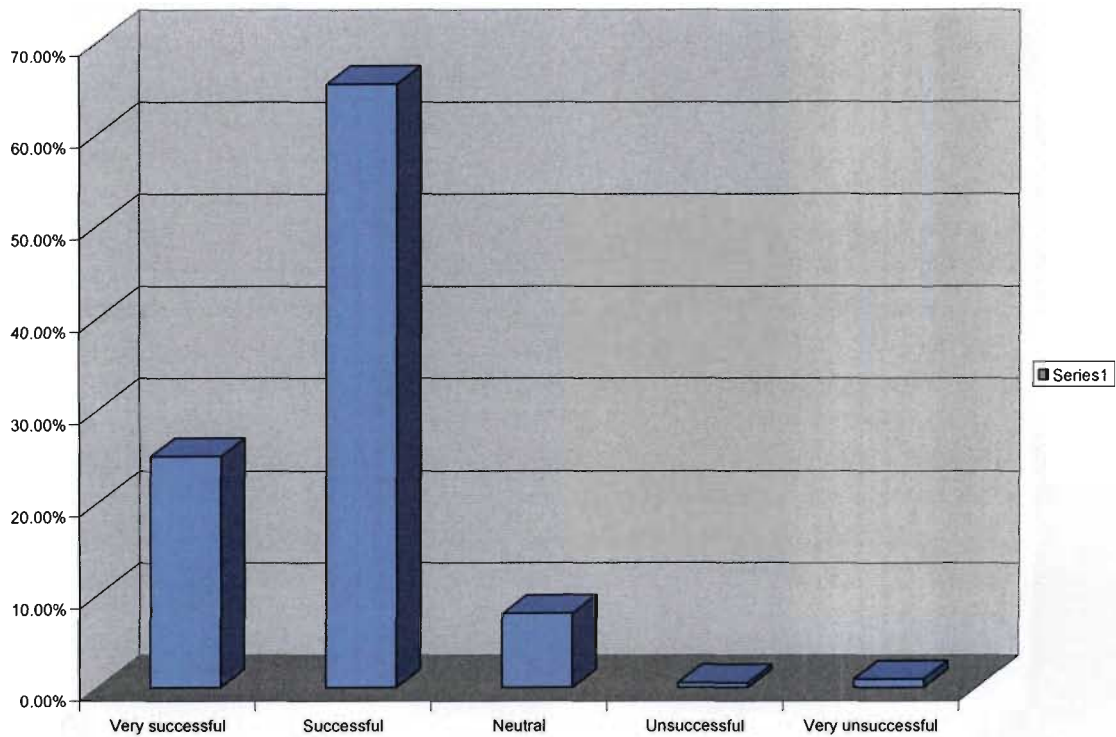
Respondents were asked to rate the success of their business on a scale of 1 to 5, with 1 being very unsuccessful and 5 being very successful; and Figure 5.16 graphically captures the frequency and dispersion of the responses. The measure of business success used in this study is the owner's (subjective) evaluation of his/her firm's success. According to Kotey & Meredith (1997), as cited by Besser (1999:26), financial performance and business success are not synonymous, especially for small businesses.

People become business owners for a variety of reasons, and judgement about the success of their businesses may be related to any of these reasons. These writers contend that given the overlapping motives for business ownership, a subjective evaluation of business success by the owner has the advantage of capturing all the dimensions of business that are important to the owner and does not introduce non-response bias into the analysis. Dess & Robinson (1984), also cited by Besser (1999:26), demonstrated that subjective measures are acceptable indicators when other kinds of measures are unavailable, or when there are concerns about the validity of other measures.

Figure 5.16 indicates that the majority of the SME owners surveyed (90.5%) rated their businesses as being either successful or very successful. 8.1% of the respondents rated their businesses as being neither successful nor unsuccessful, and 2 respondents rated their businesses as very unsuccessful, while one respondent rated his/her business as unsuccessful. In light of the findings that over 85% of the SMEs have been in operation for longer than 5 years; that many of the owner/managers were well educated and highly experienced business persons, as well as the buoyancy of the South African economy over the last few years, the findings above are not surprising.

**FIGURE 5.16**

**DEGREE OF SUCCESS OF SMEs IN KZN**



A t-test was undertaken to compare the responses of male and female SME owners regarding the success of their enterprises Table 111, Annexure E). At the 95% level of confidence, the test result revealed that there was a significant difference between the ratings assigned by males and females in respect of the success of their businesses ( $p = 0.024$ ). ANOVA tests (Table 114 and 117, Annexure E) were conducted to establish whether there was a relationship between the length of business ownership and business success, and between the number of people employed and business success. An analysis of the ANOVA test results revealed that the length of business ownership did not influence the way in which SME owners rated the success of their enterprises ( $p = 0.109$ ). The test results also revealed that there was no significant relationship between the number of people employed by SMEs and business success ( $p = 0.192$ ).

## **5.14 THE RELATIONSHIP BETWEEN SOCIAL RESPONSIBILITY AND BUSINESS SUCCESS**

Chi-square tests were carried out to establish, *inter alia*, whether those SMEs who were more engaged in corporate social responsibility activities in respect of their employees, the environment, and the community, were more successful than those SMEs who were less socially responsible in these areas. The test results are analysed and discussed hereunder.

### **5.14.1 The relationship between social responsibility towards employees and business success**

An analysis of the Pearson Chi-Square test results revealed that with respect to employees, those SMEs who subsidised their employees' medical fund contributions, and/or contributed towards a staff pension/provident fund, and/or provided training and development courses to their employees, and/or offered education and counselling to their staff in respect of HIV/Aids, alcoholism and substance abuse, were more successful than those SMEs who did not provide the above-mentioned benefits and services (Tables 138 – 146, Annexure E). The computed p values for the afore-mentioned variables are displayed in Table 5.19.

However, the Pearson Chi-Square test results revealed that there were no statistically significant relationship between the payment of staff's study fees and business success; between the provision of free/subsidised transport for staff and business success. Surprisingly, the test results also revealed that there was no statistically significant relationship between the provision of incentives and reward schemes and business success. The latter finding is at odds with the literature which advocates the use of incentives and rewards to motivate employees. Highly motivated employees are usually more productive, and higher productivity ultimately results in higher profits.

**TABLE 5.19****THE RELATIONSHIP BETWEEN SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES AND BUSINESS SUCCESS**

No.	Variable	p value
1.	Subsidised medical aid for staff	0.034*
2.	Contribution towards staff pension/provident fund	0.002*
3.	Training and development courses	0.022*
4.	Education and counselling to staff in respect of HIV/Aids, alcoholism, and substance abuse	0.016*
5.	Payment (fully or partially) of staff's study fees	0.109
6.	Free/Subsidised transport for staff	0.804
7.	Incentives and reward schemes	0.170

\* p value below 0.05

**5.14.2 The relationship between social responsibility towards the environment and business success**

With respect to the environment, a series of 8 questions were posed to ascertain the extent to which SMEs had adopted practices to minimise their impact of their operations on the environment. The responses were collated and Pearson Chi-Square tests were conducted to ascertain whether or not acting in an environmentally-responsible manner influenced the success of enterprises (Table 148 – 154, Annexure E). The test results revealed that there was no statistically significant relationship between: complying with environmental laws and business success; disposing of waste in an environmentally friendly manner and business success; using recycled materials and business success; reducing energy consumption and business success, and reducing or controlling emission levels and business success. The above conclusion was reached based on the p values computed for each of the afore-mentioned variables, which were all above 0.05, and are reflected in Table 5.20.

**TABLE 5.20****THE RELATIONSHIP BETWEEN ENVIRONMENTAL RESPONSIBILITY AND BUSINESS SUCCESS**

<b>No.</b>	<b>Variable</b>	<b>p value</b>
1.	Does the organisation comply with all the environmental laws?	0.927
2.	Does the enterprise dispose of its waste in an environmentally friendly manner?	0.546
3.	Does the enterprise use recycled materials in production and/or packaging?	0.803
4.	Has the business taken any measures to reduce or control the pollution caused by its operations?	0.090
5.	Has the enterprise made efforts to reduce its energy consumption by using energy-saving machinery, equipment and/or lighting?	0.241
6.	Has the enterprise compared its environmental initiatives with those of other firms/competitors?	0.833
7.	Has the enterprise developed measurable performance standards for environmental compliance?	0.686

Despite the low level of engagement in this area of social responsibility, (as discussed earlier in the chapter), the majority of the SMEs surveyed rated their businesses as being either successful or very successful. Therefore, it would appear that apart from the moral imperative to act in an environmentally-friendly manner, there are no financial incentives to do so. Or stated differently, by not implementing measures to minimise the negative impact of their operations on the environment, the success of the SMEs surveyed have not been compromised, so, the myopic logic goes, why bother?

In contrast to the results above, the findings of similar studies conducted among SMEs in the United Kingdom and in Europe revealed that those SMEs who strongly engaged in practices to minimise the impact of their operations on the environment were more successful than those who were not, or minimally engaged in such practices (de Bruin & Moore, 2005). Enterprises in South Africa, irrespective of their size, do not face the same pressures to minimise their environmental footprint as those in the developed economies, be it from the authorities or non-governmental organisations.



### **5.14.3 The relationship between social responsibility towards the community and business success**

With respect to SME engagement with the local community as an element of social responsibility, a series of eight questions were posed to the owners of SMEs in KZN. An analysis of the Pearson Chi-Square test results (Tables 157 – 162, Annexure E) revealed that, statistically, there was no significant relationship between community engagement and business success, as the p values, displayed in Table 5.21, are all above 0.05. More specifically, the test results revealed, *inter alia*, that there was no correlation between business success and: offering financial support to local educational institutions; involvement in crime fighting initiatives in the community; the sponsorship of sport/sport development and/or cultural events; donation of cash and/or goods to charitable organisations; efforts to improve the health of the local community, and giving preference to sourcing supplies from Black owned companies. Earlier, it was concluded that the level of SME engagement with the community was low, and, given the Chi-Square test results above, it would appear that those SMEs, who were engaged in social responsibility activities relating to the community, did so for reasons other than to improve the success of the business, (as those who were not engaged still enjoyed business success).

**TABLE 5.21**

**THE RELATIONSHIP BETWEEN SOCIAL RESPONSIBILITY TOWARDS THE COMMUNITY AND BUSINESS SUCCESS**

<b>No.</b>	<b>Variable</b>	<b>p value</b>
1.	Our business offers financial support to local educational institutions	0.524
2.	Our business is involved in crime-fighting initiatives in the community	0.558
3.	Our business sponsors sports/sports development, and/or cultural events	0.083
4.	Our business donates cash and/or goods to local charitable organisations	0.860
5.	Our business is involved in efforts to improve the health of the community	0.731
6.	In sourcing supplies, our business gives preference to Black owned companies	0.300

Hopkins & Cowe (2004:6), cited earlier in the study (section 2.9.2), state that accountability to **all** stakeholders - employees, communities, investors, and civil society - through engagement, disclosure and constructive responses, is a precursor to business success. The writers contend that there is clear evidence of positive links between social and financial performance, especially when considering the increased relevance in recent years of intangible assets such as reputation and knowledge networks. They view the latter as a source of market value and competitive advantage even though they do not normally appear on balance sheets. Notwithstanding the logic of their arguments, the research findings of this study indicate that many SMEs in KZN were enjoying business success without paying much attention to their social and environmental responsibilities.

### **5.15 CONCLUSION**

The data emanating from the survey facilitated the meaningful application of parametric as well as non-parametric tests together with the use of descriptive statistics. All of the

key research questions posed have been answered. Overall, it emerged that the majority of SMEs in KZN were particularly sensitive to social responsibility activities related to their employees, and relatively limited in respect of their external stakeholders; namely, the community and the natural environment.

Chapter six, the final chapter, highlights the significant findings of the study, makes recommendations, and proposes a schematic model of social responsibility for small and medium-sized enterprises in KwaZulu-Natal.

## **CHAPTER SIX**

### **REVIEW, CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

The aim of this study was to ascertain the perceptions and behaviour of the owners/managers of small and medium enterprises (SMEs) in KwaZulu-Natal (KZN) regarding the social responsibility of their enterprises. In this chapter an attempt will be made to establish the extent to which the key research questions presented in Chapter One were answered. Based on the findings of the study, some conclusions are arrived at, and recommendations pertaining to the social responsibility of small and medium enterprises in KwaZulu-Natal are made. Subsequently, a five-step model/guide for fostering social responsibility among SMEs in KwaZulu-Natal is presented, and the chapter concludes by outlining the limitations of the study, and by offering directions for future research.

#### **6.2 REVIEW OF THE MAJOR FINDINGS OF THE STUDY**

The discussion hereunder commences with a summary of the major findings of the study, which are aligned to the key research questions posed in Chapter One.

## **6.2.1 SUMMARY OF THE MAJOR FINDINGS PERTAINING TO THE KEY RESEARCH QUESTIONS**

### **6.2.1.1 What are the perceptions of SME owners/managers in KZN in respect of their responsibility towards the environment, their employees, and the community?**

With respect to the environment, approximately 80% of the SME owners acknowledged that SMEs should be involved in reducing the environmental impact of their operations, and 90% of the SME owners in KZN believed that SMEs should be involved in reducing waste and promoting recycling.

With respect to their employees, over 90% of the SMEs surveyed believed that SMEs should be involved in the training and development of their employees, and should encourage a healthy work/life balance. Approximately 71% of the SME owners were of the opinion that SMEs should take responsibility for the health and welfare of their employees. With respect to the obligations of SMEs to promote/foster affirmative action (AA), employment equity (EE), and black economic empowerment (BEE), 61.1% of those surveyed agreed; 28.4% disagreed, and 10.5% were unsure whether SMEs have any obligations in this regard.

With respect to the community, while four out of every five of the SME owners in KZN were of the opinion that they should ensure a mutually beneficial relationship with society, more than half of them held the view that SMEs should be active in the local community, and approximately three out of every five owners were of the view that SMEs should make donations and/or work with non-profit organisations. However, the results of the study reveal that the older the respondents, the weaker the belief that they had important obligations to the community.

The more important SMEs in KZN perceived their obligations towards the owners/shareholders, the less important they perceived their obligations towards the

community, and vice versa ( $p = 0.008$ ). Furthermore, it emerged that the more important SMEs perceived their obligations towards their customers, the less important they perceived their obligations towards the environment ( $p = 0.000$ ) and towards the community in which they operated ( $p = 0.000$ ); and vice versa. However, there was a very strong positive correlation between the ratings assigned by SME owners in respect of the importance of their obligations towards the community and the environment ( $p = 0.000$ ) – with both of these stakeholders being perceived as less important than the owners/shareholders, employees, and the customers.

#### **6.2.1.2 To what extent are SMEs in KZN behaving in a socially responsible manner?**

The overall findings of the study indicate that with respect to their employees, the majority of SMEs in KZN are acting in a very socially responsible manner. However, with respect to the community, CSR-oriented activities are limited, and, with respect to the environment, very few SMEs in KZN are acting in a socially responsible manner. The findings above correspond with the perception held by SMEs in KZN that their most important obligation is towards their employees (86%). This was followed, in order of importance, by their obligations to their customers (84.4%); to the owners/shareholders (76.5%); to the community (49.7%), and to the environment (45%).

#### **6.2.1.3 On which areas of social responsibility are SMEs in KZN focusing their efforts?**

The majority of the SME owners in KZN took responsibility for the health and welfare of their employees, by, *inter alia*, subsidizing their staff members' medical aid, and offering their employees membership to a subsidised provident or pension fund. However, 44% of SMEs in KwaZulu-Natal did not offer any education and/or counselling to their staff members in respect of HIV/Aids, alcoholism, and drug abuse.

The majority of SME owners in KZN (90.5%) also offered training and development courses for their workers. A substantial number of respondents (64.5%) encouraged their staff members to upgrade their qualifications and skills by offering to pay their tuition fees, either partially or fully. 27% of the SMEs also offered either bursaries or interest-free loans to the dependants of staff members who were studying.

A large proportion of SMEs in KZN (79.1%) complied with the environmental laws of the country, and 4 out of every 5 SMEs surveyed disposed of their waste in an environmentally-friendly manner. Only 37.4% of the SMEs in KwaZulu-Natal used recycled materials in production and/or packaging. Just over two in every five of the SMEs in KZN had instituted measures to reduce or control the pollution caused by their operations, and approximately 50% of the SMEs surveyed had introduced measures to reduce their energy consumption by, *inter alia*, using energy-saving machinery, equipment or lighting.

Approximately one in five of the SMEs surveyed offered financial support to local educational institutions, and an equal proportion of SMEs were involved in crime-fighting initiatives in the community. Four out of every five SMEs in KZN donated cash and/or goods to local charitable organisations. Only one in every five SME owners was involved in efforts to improve the health of the community. In respect of Black Economic Empowerment (BEE), 43.6% of the respondents gave preference to Black-owned companies when sourcing supplies for their organisations.

#### **6.2.1.4 What motivates SMEs in KZN to engage in socially responsible activities?**

The major reasons advanced by the SME owners for engaging in socially responsible activities were, in order of importance: to build a better future for everyone (75.8%); to improve staff satisfaction and morale (69.7%); to create and improve customer loyalty (43.6%); to build a better relationship with the community (38.9%), and to improve the image of the business (35.5%). Overall, approximately 28% of SME owners in KZN,

comprising primarily of the more highly educated owners, were of the view that engagement in CSR activities had a positive effect on the profits of the enterprise.

For an overwhelming majority of the SME owners in KwaZulu-Natal, their personal beliefs and values (98.9%); the consequences of their actions for their business (98.6%), and the law, which sets out what is right and wrong (98.1%), were either important or very important in influencing the way they ran their businesses. For approximately two out of every five SME owners, their religious/spiritual beliefs were not important in influencing the way in which they ran their businesses. Also, for many SME owners in KZN, their personal beliefs and values were not shaped by their religious and spiritual beliefs.

#### **6.2.1.5 In which areas of social responsibility do external stakeholders expect SMEs in KZN to be involved?**

Approximately 62% of the SME owners in KZN have been asked by their stakeholders to satisfy them on affirmative action, employment equity, and/or Black economic empowerment criteria. However, only about 20% of the SME owners surveyed were motivated to engage in CSR activities “to fulfill the demands of local/foreign corporate stakeholders”. From the above, one can surmise that a substantial number of SMEs in KZN were willing to forego business opportunities rather than comply with the demands of potential local/foreign corporate clients. Apart from the afore-mentioned, in general, SMEs in KZN did not encounter much external pressure to engage in CSR activities in respect of their employees, the environment and the community.

#### **6.2.1.6 For SMEs in KZN, is there a relationship between being socially responsible and being successful?**

While the more highly educated SME owners were of the view that engagement in CSR activities had a positive effect on the profits of the enterprise, overall, only 28% of the SME owners surveyed held this view.



However, when the CSR behaviour of SMEs in KZN were analysed, the results reveal that those SMEs who subsidised their employees' medical fund contributions, and/or contributed towards a staff pension/provident fund, and/or provided training and development courses to their employees, and/or offered education and counselling to their staff in respect of HIV/Aids, alcoholism and substance abuse, were more successful than those SMEs who did not provide the above-mentioned benefits and services. The computed p values in respect of the above were 0.034, 0.002, 0.022 and 0.016, respectively. Moreover, there was no statistically significant relationship between the payment of staff's study fees and business success, and between the provision of free/subsidised transport for staff and business success, as was reflected by the computed p values of 0.109 and 0.804, respectively. Surprisingly, the test results also revealed that that there was no statistically significant relationship between the provision of incentives or reward schemes and business success ( $p = 0.170$ ).

With respect to the environment, there was no statistically significant relationship between: complying with the environmental laws of the country and business success; disposing of waste in an environmentally friendly manner and business success; using recycled materials and business success; reducing energy consumption and business success, and reducing or controlling emission levels and business success. The computed p values in respect of the above were 0.927, 0.546, 0.803, 0.241 and 0.090, respectively. Despite their low level of engagement in this area of social responsibility, (as discussed earlier), the majority of the SMEs surveyed rated their businesses as being either successful or very successful.

With respect to the engagement of SMEs with the local community, as an element of social responsibility, there was no significant relationship between community engagement and business success. More specifically, there was no correlation between business success and: offering financial support to local educational institutions; involvement in crime fighting initiatives in the community; the sponsorship of sport/sport development and/or cultural events; donation of cash and/or goods to charitable organisations; efforts to improve the health of the local community, and giving

preference to sourcing supplies from Black-owned companies. The p values in respect of the afore-mentioned were 0.524, 0.558, 0.683, 0.860, 0.731 and 0.300, respectively.

#### **6.2.1.7 What are the main obstacles/barriers impeding SMEs in KZN from engaging in CSR activities?**

The most commonly cited obstacles or barriers hampering the further involvement of SMEs in KZN in CSR activities were: 'lack of time/manpower' (71.1%), and 'costs/impact on profits' (53.1%). Only a very small proportion of respondents (7.1%) stated that they did not engage in CSR activities because there were no benefits in doing so, and 5.7% of the respondents had never thought about engaging in CSR activities, or lacked the interest to do so.

#### **6.2.1.8 How can SMEs be assisted to further engage in socially responsible activities?**

Almost half of the SME owners in KZN (48%) were of the view that SMEs could be assisted to further engage with the CSR agenda if the following 'tools' were made available to them: 'a list of guidelines on how to get involved', 'a list of areas in which SMEs could get involved', and 'information and advice on the benefits of involvement in these areas'.

From an analysis of the information presented above, one can surmise that all of the key research questions have been satisfactorily answered.

### **6.2.2 OTHER MAJOR FINDINGS RELATED TO THE SOCIAL RESPONSIBILITY OF SMEs in KWAZULU-NATAL**

- A significant percentage of the SMEs surveyed (40.3%) believed that there was no need for them to be involved in addressing any social or community issues

because they paid all their taxes and obeyed all the relevant laws.

- While 66.3% of the SME owners acknowledged that SMEs should pay significant attention to their social and environmental responsibilities, SME owners over 30 years of age were twice as likely to believe that SMEs should pay significant attention to their social and environmental responsibilities, than those who were less than 30 years old.
- The older the SME owners, the less inclined they were to use recycled materials in production and/or packaging, and the fewer were their efforts to reduce the energy consumption of their organisation. Furthermore, there was a negative correlation between the age group of the respondents and their willingness to embrace AA, EE, and BEE.
- The more highly educated the SME owners, the greater was the extent to which they offered bursaries/interest-free loans to their employees' dependants who were studying at a tertiary institution. There was also a positive correlation between the level of education of SME owners and their efforts to dispose of their waste in an environmentally-friendly manner, and to purchase their supplies from Black-owned companies.
- Overall, there were no significant differences between the responses of male and female owners of SMEs in respect of their perceptions and behaviour regarding the social responsibility of their enterprises.
- Approximately one in every three SME owners used the term *social responsibility*, to describe the activities relating to one's employees, the environment, and the community; 6.8% of the owners used the term *business responsibility*, while 6.1% of the owners used the term *corporate social investment*, and 3.8% described the activities as *business ethics/morality*.

- The majority of the SME owners surveyed (90.5%) rated their businesses as being either successful or very successful.
- The three most frequently cited factors which were perceived by SME owners to pose a threat to the success of their business were: shortage of skilled labour (62.1%), high levels of crime (59.7%), and high levels of HIV/Aids infection of employees (48.3%). Other factors listed by 14.2% of the respondents as posing a threat to the success of their enterprises included the following: too much bureaucracy, fluctuating/high exchange rate; difficulty in competing with big businesses for qualified blacks; crime and corruption in government departments, rigid labour laws, and too many regulations.

### 6.3 CONCLUSIONS

The findings of the study clearly indicate that the majority of SMEs in KZN tend to be particularly sensitive to social responsibility activities related to their employees, but relatively limited in respect of their social responsibility towards the community and the natural environment. The reasons for this are as follows: SMEs, being largely 'invisible', are unlikely to view CSR in terms of risk to their brand image or reputation; unlike large organisations, SMEs are usually privately owned, and are therefore not subject to pressure from institutional investors or stock exchange requirements; very few stakeholders are interested in the environmental performance of small businesses, presumably because they believe that the impact of their operations on the environment is negligible, and society's expectations of SMEs in the area of social responsibility are much lower than that for large organisations. Nonetheless, research conducted among SMEs in the developed countries, such as the United Kingdom and Italy, revealed that they were more environmentally responsible and involved to a greater extent in the communities in which they operated, than the SMEs in KwaZulu-Natal.

The South African government views the growth and development of small and medium-sized enterprises as an important strategy to fight the high levels of unemployment and its attendant evils in the country, and to economically empower the previously disadvantaged citizens of the country. Consequently, the government has not imposed additional burdens on SMEs by making it mandatory for them to engage in socially responsible behaviour. Moreover, since the regulatory authorities in South Africa, at the local, provincial, and national levels are under-resourced and/or incompetent, small businesses are less likely to be a priority for enforcement than large organizations, where the impact of their operations is much greater.

Apart from the business benefits of CSR, if all organizations in a society were socially responsible, the quality of life as a whole would be higher. Indeed, several management experts have argued that the nature and extent to which organisations are socially responsible determines many of society's values and norms and the ethics of its citizens. If all South African organizations adopted a more caring attitude and accepted that it is their responsibility to promote the interests of their employees, a climate of caring would pervade within the wider society, leading to a decrease in crime and unemployment. It is not a co-incidence that in countries such as Japan, Sweden, Germany, Netherlands, and Switzerland, where organizations (of all sizes) are very socially responsible, crime and unemployment rates are relatively low.

In South Africa, it appears that the state has neither the financial resources nor the human resources to redress the enormous socio-economic problems on its own. Irrespective of their size, it is in the interest of all businesses to partner the state in addressing these problems. Moreover, it is not a question of whether SMEs can afford to do so, but whether they can afford not to do so. While the individual efforts of SMEs in KZN might appear negligible, collectively they can make a significant contribution to addressing some of the most pressing social issues facing KwaZulu-Natal, in particular, and South Africa, in general.

SMEs are an integral part of the communities in which they operate, and they cannot survive and prosper in dysfunctional societies. SME owners should, therefore, realise that the ultimate success of their organisations is based on cultivating and maintaining good relations with a wide range of stakeholders.

#### **6.4 RECOMMENDATIONS**

The characteristics of small and medium enterprises in terms of their size, resources, management style and personal relationships make it difficult for them to adopt the social responsibility practices of large organisations. Furthermore, the separation of roles between the social responsibilities of the owner/manager and that of an individual is less distinct in SMEs than in large businesses. In cognisance of the afore-mentioned, it is recommended that the strategies and initiatives used to promote CSR among SMEs in KZN should not be identical or similar to the ones used for large businesses. It is envisaged that such action will invoke fear and resistance on the part of SMEs to embrace the CSR agenda.

Furthermore, it is recommended that the phrase ‘small business responsibility’ or ‘business responsibility’ should be used to promote and refer to the social responsibility of SMEs, instead of the term ‘corporate social responsibility’. The word ‘corporate’ refers to, and is associated with, large organisations/corporations, and might, therefore, sound intimidating to small and medium enterprises, or might lead them to believe that they are excluded by virtue of their size.

As many SMEs are unaware of the potential benefits of being socially responsible, it is recommended that the local Chambers of Commerce/Business in KwaZulu-Natal as well as the relevant sectoral bodies should be the primary role-players in encouraging and assisting SMEs to embrace CSR activities, and in convincing their members that being socially responsible makes good business sense. In this regard, there is no need for them to re-invent the wheel – they could be guided by the initiatives undertaken by many

business associations and non-profit organisations dedicated to promoting social responsibility among SMEs in other countries, such as the Irish Chambers of Commerce and 'Business in the Community' in the United Kingdom. The information generated by these bodies is freely available on their respective websites.

Thousands of SMEs in KwaZulu-Natal do not belong to the local Chambers of Commerce/Business in the province; hence, it becomes very difficult to reach them, in order to educate and encourage them to become (more) socially responsible. Therefore, it is recommended that the local Chambers of Commerce/Business in KwaZulu-Natal should engage in an extensive marketing campaign to encourage SMEs in the province to become members of these bodies.

In spite of the high level of unemployment in South Africa, there is an acute shortage of highly skilled people. SMEs find it difficult to compete for employees with these scarce skills with the larger companies who have the resources to search nationally and internationally for suitable employees, and to offer better salaries and benefits than SMEs. In this regard, SMEs need to be proactive - if SMEs are drawing their labour from the local community, it is recommended that they should identify potential employees timeously, and, where necessary, sponsor their studies, partially, or in full, with the proviso that, upon completion of their studies, they are contractually bound to work for the business for a certain period of time. This financial commitment should be viewed as an investment in the future well-being of the enterprise. In addition, given the poor quality of education in many public schools in KwaZulu-Natal, SMEs should play a role, however small, in improving the quality of education offered by schools in the neighbourhood. The organization will ultimately benefit when the people in its community are literate, because having literate employees should reduce training costs, increase productivity, reduce wastage, and increase profits.

HIV/Aids is still a huge problem in South Africa, and KwaZulu-Natal is the epicentre of this disease. Given their size and limited financial resources, SMEs in KZN are less able to cope with the consequences of having HIV positive employees than big businesses.

However, as a starting point, it is recommended that SMEs in KZN should engage in one or more of the following cost-effective measures: arrange talks to staff by nurses from, *inter alia*, the local health clinic or “Love Life”; provide staff with objective/scientific reports on the consequences of risky sexual behaviour; provide state-supplied condoms in the ablution facilities; encourage employees to establish their HIV status and to adopt responsible sexual behaviour.

Although the research results have indicated that the majority of SMEs in KZN are extensively involved in CSR-oriented activities in respect of their employees, it is recommended that in addition to the suggestions made above, that SMEs in KZN should, *inter alia*, engage in one or more of the following practical CSR-oriented activities with respect to their employees:

- establish policies and practices to safeguard the health and welfare of all employees;
- empower employees by involving them in decision-making, especially on matters that affect them;
- provide training and development opportunities for employees, and encourage staff to improve their qualifications by offering to pay for their students – either partially or fully;
- engage in non-discriminatory practices (on the basis of gender, race, age, ethnicity, disability, sexual orientation or religion) in respect of hiring, salary, promotion, training or termination of any employee; and
- provide exercise equipment and facilities on-site, or offer subsidised gym membership to employees to motivate them to keep fit.

Although the individual environmental impacts of SMEs are small, their cumulative



impact on the environment is highly significant, given the fact that they comprise the majority of businesses in a country. By improving the environmental performance of SMEs, significant progress can be made towards sustainable development. In light of the finding that the success of SMEs in KZN is not influenced by the extent to which they are environmentally responsible, it is recommended that the regulatory framework in South Africa be strengthened, in order to induce SMEs in KZN (and the rest of the country) to improve their environmental behaviour. Furthermore, compliance with the environmental laws must be effectively monitored and enforced, both at the local and provincial level, and those organisations flouting these laws must be severely penalised. Hopefully, this will serve as a strong motivator for SMEs to improve their environmental performance.

An important barrier to overcome is the misperception by many SME owners/managers that behaving in a socially responsible manner towards the environment is both time-consuming and expensive. However, by simply adopting one or more of the following practices, which require little or no financial resources, not only will the organisation be reducing the negative impact of its operations on the environment, but it will also realise immediate cost savings and increased profitability:

- copy and print on both sides of paper where possible and only print the first page of e-mails so that the disclaimers are not printed continually;
- reuse items like envelopes, folders and paper clips;
- minimise packaging through effective design - with the intention to reduce, reuse, and recycle packaging materials;
- set up a bulletin board for memos instead of sending a hard copy to each employee, where e-mail facilities are not available;
- use e-mail instead of paper correspondence;

- use recycled products – e.g. paper, files, paper towels, toilet paper, toner cartridges, and re-fill ink-jet cartridges;
- use ceramic coffee mugs instead of disposable polystyrene/plastic cups;
- switch off lights, computers and other equipment when not in use, and shut off all electrical appliances at the end of the working day;
- change to energy saving lamps: compact fluorescent lamps use less energy, create five times the light and last up to 10 times as long as ordinary bulbs; and
- pay staff, suppliers and creditors electronically, instead of issuing cheques.

The results of the study have indicated that a significant proportion of SMEs in KZN are not, or minimally, involved in community-oriented CSR activities. It is recommended that, with minimal financial sacrifices, SMEs should be encouraged to engage in CSR-aligned activities within the community, by, *inter alia*, undertaking one or more of the following activities:

- offer some of the business's products or services free, or at cost, to local charities and community organisations;
- offer surplus products and redundant equipment to local schools, charitable organisations and community groups;
- support local suppliers, and, as far as possible, hire employees from the local communities;
- offer in-service training/experiential learning opportunities for students from the local schools/colleges;

- help a local school, charitable/community organisation to become more efficient and sustainable, by using the owner/manager's business acumen and expertise; and
- set up a payroll-giving programme, with a local charity or community organisation being the beneficiary, and encourage staff to contribute.

The results of the survey also indicate that external pressure on SMEs in KZN to engage in CSR activities is minimal. If SMEs wish to increase their profits and reduce their over-reliance on their existing markets, then it is recommended that they should endeavour to join the supply chains of large national, and/or multinational organisations. However, in considering SMEs as potential suppliers, these large companies require, *inter alia*, that the SMEs must demonstrate their commitment to good CSR practices. These large companies should, in turn, offer advice and support to these SMEs to adhere to their standards. By adopting good CSR practices, SMEs will enjoy long-term relationships with their customers, bigger and more attractive contracts, and increased certainty of business in the future - all of which are vital to grow their businesses.

Finally, whatever measures are proposed to make SMEs in KZN more socially responsible, it must be remembered that they should be encouraged and supported, not threatened or coerced.

## **6.5 PROPOSED MODEL FOR SMALL AND MEDIUM ENTERPRISES IN KWAZULU-NATAL TO BECOME MORE SOCIALLY RESPONSIBLE**

In Chapter six (section 6.2.1.9) it was reported that almost half of the SME owners in KZN were of the view that they could be assisted to (further) engage in socially responsible activities if they were provided with 'a list of guidelines on how to get involved', 'a list of areas in which SMEs could get involved', and 'information on the benefits of involvement in these areas' In consideration of the above, a model for

entrenching responsible business practices in small and medium enterprises in KwaZulu-Natal is proposed.

It is envisaged that the proposed model/guide, which will assume the format of a brochure, entitled: *How to make your business more responsible*, will be disseminated to SMEs in KwaZulu-Natal, via the local Chambers of Commerce/Industry. By including the word *more* in the title, it is acknowledged that small and medium enterprises in KwaZulu-Natal are already engaged, to varying degrees, in responsible business practices, in respect of their employees, the environment, and/or the community. The model, which has been adapted from the one presented by the Ireland Chamber of Commerce, entitled *Corporate Social Responsibility for SMEs: A Smarter Business Guide* ([www.chambers.ie](http://www.chambers.ie)) is presented below:

**TABLE 6.1: PROPOSED MODEL TO ASSIST SMEs IN KZN TO BECOME MORE SOCIALLY RESPONSIBLE**

***HOW TO MAKE YOUR BUSINESS MORE RESPONSIBLE***

***Step one***

*Most probably, your business is already following responsible business practices, but you are not aware of it because it has not been formalised. Nonetheless, to facilitate the process, it is recommended that you and your employees should, (via a questionnaire), answer the following questions. Where the responses to the questions are negative, the respondents should be asked to make suggestions on what action is required by the firm in order to redress these. (To encourage honest and objective responses, the responses from employees must be anonymous).*

- 1. What do our employees expect from us?*
- 2. What does the local community expect from us?*
- 3. Do we respect the natural environment?*
- 4. How do our operations impact on our employees, the environment, and the local community?*
- 5. Do we make things that are good for people?*
- 6. Do we source our supplies responsibly?*
- 7. Are we ethical and fair in all our dealings?*
- 8. Are our entire business operations energy efficient?*
- 9. Are our packaging materials eco-friendly?*
- 10. Are emissions from our entire business system kept to a minimum?*

*As will be expected, the responses will be varied, and at times, may seem contradictory.*

***Step two***

*The responses to the questions (in step one) above should be analysed, and the suggestions made should be prioritised into those which can be implemented immediately, and those which can and should be implemented in the short-, medium-, and long-term. To add to the suggestions received, you are advised to look at the practical examples provided in this brochure of the areas in which responsible business practices can be implemented. It is expected that you will not consider implementing certain suggestions because you believe that the firm cannot afford to do so. This is understandable, and it must be remembered that becoming a responsible business is a process, and not a once-off activity. However, this process can be expedited if you are made aware of the benefits of engaging in responsible business practices, which are summarised at the end of this brochure. Please note that the benefits will vary, depending on the type of business, the specific actions proposed, and the effectiveness with which they are implemented.*

*Furthermore, not all of the benefits will accrue to your firm immediately, and it is difficult to precisely measure some of the benefits, because they are intangible in nature.*

**Step three**

*Having familiarised yourself with the benefits of adopting responsible business practices, you must personally champion responsible business practices across all the functions within the enterprise: marketing, human resources, finance, operations, and purchasing. It is important that you commit to a statement of what being a responsible business entails, and to a set of ethical values which will guide your actions and those of your employees.*

**Step four**

*It is your responsibility, (or a designated employee), to collate and formalise the firm's responsible business practices, and communicate and promote them at every opportunity. An effective two-way communication must be established with the firm's employees, clients, suppliers, and the local community, and they must be informed of the firm's responsible business practices. Use the intranet, website, newsletters, meetings, and the media to highlight your firm's activities and practices.*

**Step five**

*After six months, and thereafter, periodically, the benefits, both tangible and intangible, that have accrued to the firm and the community, should be measured – this will help to motivate you and your employees of the merits of adopting responsible business practices, and further entrench these practices in the enterprise.*

**EXAMPLES OF AREAS OF ENGAGEMENT IN RESPONSIBLE BUSINESS PRACTICES FOR YOUR ENTERPRISE**

<b>Employees</b>	<b>Environment</b>	<b>Community</b>	<b>Customers and Suppliers</b>
<i>Promote and safeguard the health and well-being of all employees</i>	<i>Design environmentally friendly products and production processes</i>	<i>Offer some of the firm's products or services free, or at cost, to local charities and community organisations</i>	<i>Improve the quality and safety of the firm's products</i>
<i>Empower workers by involving them in decision-making, especially on matters affecting them.</i>	<i>Reduce the use of energy, water and other natural resources.</i>  <i>Reduce emissions of hazardous substances.</i>	<i>Support local suppliers, and, as far as possible, hire</i>	<i>Promote the responsible and safe use and disposal of your products</i>

<p><i>Provide training &amp; development opportunities for employees</i></p> <p><i>Engage in non-discriminatory practices (on the basis of gender, race, age, ethnicity, disability, sexual orientation, or religion) i.r.o. hiring, salary, promotion, training or termination of any worker</i></p> <p><i>Practice responsible and fair remuneration or financial support of employees (e.g. pension systems)</i></p> <p><i>Provide educational assistance to your workers</i></p> <p><i>Enhance gender equality in the workplace.</i></p> <p><i>Ensure a better work/life balance for your workers.</i></p> <p><i>Encourage your workers to lead a healthy lifestyle, and provide exercise facilities or offer subsidised gym membership.</i></p> <p><i>Educate and support workers with Aids, alcohol and/or drug problems.</i></p>	<p><i>Reduce waste and pollution, and dispose of waste in an environmentally-friendly manner</i></p> <p><i>Copy and print on both sides of paper, and reuse items like envelopes, folders and paper clips</i></p> <p><i>Minimise packaging through effective design, and use eco-friendly materials (reduce, reuse, and recycle)</i></p> <p><i>Use recycled products – e.g. paper, files, toner cartridges, and re-filled ink-jet cartridges</i></p> <p><i>Turn off lights, computers and other equipment when not in use, and shut off all electrical appliances at the end of the working day.</i></p> <p><i>Use energy-efficient appliances and light bulbs, and vehicles.</i></p> <p><i>Pay staff, suppliers and creditors electronically, instead of using cheques.</i></p> <p><i>Implement an environmental management system, like ISO 14001.</i></p>	<p><i>employees from the local communities</i></p> <p><i>Offer in-service training/experiential learning opportunities for students from the local schools/colleges</i></p> <p><i>Help a local school or community group to become more efficient and sustainable, by using the owner/manager's business acumen and expertise</i></p> <p><i>Set up a payroll-giving programme, with a local charity or community organisation being the beneficiary, and encourage staff to contribute (perhaps offering to match their contributions).</i></p> <p><i>Allow staff to volunteer in the community during working hours and link it to their training and development..</i></p> <p><i>Recruit locally and employ people from diverse backgrounds, including disadvantaged communities.</i></p>	<p><i>Price your goods and services fairly.</i></p> <p><i>Do not engage in misleading advertising</i></p> <p><i>Improve customer service standards.</i></p> <p><i>Be more accessible to customers with disabilities.</i></p> <p><i>Apply social and environmental criteria when selecting suppliers.</i></p> <p><i>Pay suppliers on time</i></p> <p><i>Support local suppliers, where possible</i></p> <p><i>Respect human rights in your supply chain</i></p> <p><i>Adopt a moral and ethical stance in all business relationships.</i></p>
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## ***WHAT ARE THE BENEFITS OF ENGAGING IN RESPONSIBLE BUSINESS PRACTICES FOR YOUR ENTERPRISE?***

*The following is a summary of some of the benefits that will accrue to your firm in following responsible business practices:*

*Your employees will be more committed and dedicated to your enterprise.*

*As a result of improved employee skills and motivation, the enterprise's productivity will improve.*

*Staff absenteeism and staff turnover will decrease, and this will result in lower recruitment and training costs.*

*It will become easier to attract and retain a staff.*

*Your firm will gain and retain customers because of its environmentally friendly practices.*

*Your firm will gain a competitive advantage when tendering for contracts..*

*Your firm will realise significant cost savings as a result of reducing energy and material use, minimising waste and packaging, and by recycling.*

*Your firm will maintain and improve its 'licence to operate' from the local community.*

*Through positive publicity, your firm's business reputation will improve.*

*By engaging in environmentally-friendly practices your firm will be contributing to sustainable development.*

## **6.6 LIMITATIONS OF THE STUDY**

The published literature in the area of SMEs in South Africa is limited, and some of the information, especially the statistical information, was dated, and at times, conflicting; hence, there was an over-reliance on newspaper and magazine articles. The primary data for this study was collected by means of self-administered mail questionnaires, and it is possible that some of the data reported may be biased. Also, the sample for the study was drawn up from the membership lists of the three largest Chambers of Commerce in



KwaZulu-Natal, and the majority of the members belong to one population group, namely, the white population group, although there are a significant number of small and medium enterprises in KwaZulu-Natal which are owned by Indians, Coloureds and Africans. Hence, one should be careful not to generalise the findings across all population groups of SME owners in KwaZulu-Natal.

## **6.7 DIRECTIONS FOR FUTURE RESEARCH**

The study focused on the perceptions and behaviour of SMEs in KwaZulu-Natal regarding their social responsibility. This was motivated by the fact that KwaZulu-Natal is the researcher's province of residence, as well as by logistical and financial considerations. Future studies could examine social responsibility among SMEs in other provinces in South Africa, with a view to undertaking a comparative analysis. A more comprehensive study could examine the social responsibility of SMEs in South Africa, and the results could be compared with the social responsibility of SMEs from other countries, both from the developing and the developed world.

Future research could also be undertaken to compare the social responsibility of SMEs from the different sectors of the economy, and, also, to establish the nature and the extent of the differences, if any, in the social responsibility practices between small and medium enterprises in KwaZulu-Natal, and in South Africa.

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## ANNEXURES

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## ANNEXURE A

P.O. Box 396  
Hyper by the sea  
DURBAN 4053  
23 October 2006

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Dear Sir/Madam

### **SURVEY ON SMALL AND MEDIUM SIZED ENTERPRISES IN KWAZULU-NATAL**

I am a senior lecturer in the department of Management at the Durban University of Technology, and I am currently engaged in my doctoral studies at the University of KwaZulu-Natal. The aim of my research is to establish the perceptions and practices of the owners/managers of small and medium sized enterprises in KwaZulu-Natal in respect of their responsibilities towards their employees, the community, and the environment. Although SMEs, such as yours, play a very important role in the South African economy, there is very little information on the above-mentioned aspects.

In the above regard, I need to undertake a survey, and your organization, as a member of the local Chamber of Commerce, has been identified as one of the respondents. Your participation in the survey will make a meaningful contribution towards expanding the body of knowledge in this area, not only in South Africa, but globally as well.

**Your responses are completely anonymous, and therefore cannot be traced to you or your organisation. I am sincerely appealing to you to please take a few minutes to complete the attached questionnaire, and post it as soon as possible in the enclosed reply-paid envelope.**

Yours sincerely

-----  
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## ANNEXURE B

### SURVEY ON SMALL AND MEDIUM SIZED ENTERPRISES IN KWAZULU-NATAL

PLEASE INDICATE YOUR ANSWERS BY PLACING A CROSS (X) IN THE APPROPRIATE COLUMN/ROW

**Q1. To which one of the following categories does your business belong?**

1.1	Agriculture, forestry and fishing		1.2	Clothing, footwear, and textiles	
1.3	Chemicals; chemical, rubber & plastic products		1.4	Construction & Building materials	
1.5	Educational services		1.6	Electronic & electrical equipment	
1.7	Engineering/Manufacturing		1.8	Financing, insurance, real estate & business services	
1.9	Food producers & processors		1.10	Health services	
1.11	Leisure, hotels & catering services		1.12	Paper, printing & Publishing	
1.13	Personal & household services		1.14	Retail trade	
1.15	Transport, communication & storage		1.16	Wholesale trade	
1.17	Other (please specify):				

**Q2. How long have you owned/managed your present business?**

1	2	3	4	5
Less than 5 years	6 - 10 years	11 - 15 years	16 - 20 years	More than 20 years

**Q3. How many people are employed (full-time) by your organization?**

1	2	3	4	5
Less than 50	50 - 100	101 - 150	151 - 200	Over 200

**Q4. Rank, from 1 to 5, (with 1 being the least important and 5 the most important), your organisation's obligations to the following:**

4.1	Owners/shareholders	
4.2	Employees	
4.3	Customers	
4.4	The community/society	
4.5	The environment	

**Q5. Please indicate by means of a cross (x) to what extent you agree or disagree with the following statements:**

		Strongly disagree	Disagree	Neither agree, nor disagree	Agree	Strongly agree
5.1	I consider aspects such as image, public relations, and goodwill important to the success of my business	1	2	3	4	5
5.2	Small and medium sized businesses should pay significant attention to their social and environmental responsibilities	1	2	3	4	5
5.3	If a business is socially and environmentally responsible it is more likely to succeed	1	2	3	4	5
5.4	If a business follows responsible business practices then it is more likely to be successful	1	2	3	4	5

**Q6. To what extent would you describe your business as:**

		Don't know	Not at all	A little	A fair amount	A great deal
6.1	having responsible business practices?	1	2	3	4	5
6.2	being socially and environmentally responsible?	1	2	3	4	5

**Q7. In your opinion, in which of the following areas should SMEs be involved?**

		YES	NO	DON'T KNOW
7.1	Reducing the environmental impact of our operations	1	2	3
7.2	Waste reduction and promoting recycling	1	2	3
7.3	Training and development of employees	1	2	3
7.4	Encouraging a healthy work/life balance among staff	1	2	3
7.5	Taking responsibility for the health and welfare of staff	1	2	3
7.6	Ensuring a mutually beneficial relationship with society and our business	1	2	3
7.7	Being active in the local community	1	2	3
7.8	Donations, and/or working with non-profit organisations	1	2	3
7.9	Working with local education institutions (like schools)	1	2	3
7.10	Investing and operating in deprived or run-down areas	1	2	3
7.11	Engaging with traditionally excluded groups, such as the long-term unemployed or the homeless	1	2	3
7.12	Affirmative Action, Employment Equity, Black Economic Empowerment	1	2	3

**Q8. With respect to your employees, please indicate which of the following are offered by your organisation:**

8.1	Subsidised medical aid of staff	
8.2	Contribution towards staff pension/provident fund	
8.3	Training and development courses	
8.4	Payment (fully or partially) of staff's study fees	
8.5	Subsidised meals/uniforms for staff	
8.6	Free/Subsidised transport for staff	
8.7	Bursaries/Interest-free loans to dependants of staff who are studying	
8.8	Education and counselling to staff in respect of HIV/Aids, alcoholism and substance abuse	
8.9	Incentives and reward schemes	
8.10	Other benefits offered, and not reflected above <b>(please specify below)</b>	

**8.10 Other:**

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**Q9. With respect to the environment, which of the following apply to your organisation?**

		YES	NO	N/A
9.1	Does the organization comply with all the environmental laws?	1	2	3
9.2	Does the organization dispose of its waste in an environmentally friendly manner?	1	2	3
9.3	Does the organization use recycled materials in production and/or packaging?	1	2	3
9.4	Has the business taken any measures to reduce or control the pollution caused by its operations	1	2	3
9.5	Has the organization made efforts to reduce its energy consumption by using energy-saving machinery, equipment and/or lighting?	1	2	3
9.6	Has the organization compared its environmental initiatives with those of other firms/competitors?	1	2	3
9.7	Has the company developed measurable performance standards for environmental compliance?	1	2	3
9.8	Other: if your organization has implemented any other environmentally-friendly measures which are not indicated above <b>please specify below</b>	1	2	3

**9.8 Other:**

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**Q10. With regard to social/community issues, please indicate which of the following apply to your organization:**

10.1	Our business pays all its taxes and obeys all the relevant laws, so there is no need for involvement in any social or community issues	
10.2	Our business offers financial support to local educational institutions	
10.3	Our business is involved in crime fighting initiatives in the community	
10.4	Our business sponsors sports/sports development, and/or cultural events	
10.5	Our business donates cash and/or goods to local charitable organisations	
10.6	Our business is involved in efforts to improve the health of the community	
10.7	In sourcing supplies, our business gives preference to Black owned companies	
10.8	None of the above is applicable to our business	
10.9	Other: Our business is involved in the community other than/in addition to the above-mentioned ways, as <b>specified below</b>	

**10.9 Other:**

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**Q11. People tend to describe the collective term for all of the activities listed in Q 8, 9 and 10 (relating to employees, the environment and the community/society) in different ways. What phrase/s would you use to describe this?**

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**Q12. What motivates your organisation's involvement in the areas outlined by you in Q8 – Q10 above?**

12.1	Because it is good for the image of the business	
12.2	To create and improve customer loyalty	
12.3	To improve staff satisfaction and morale	
12.4	To fulfill the demands of local/foreign corporate clients	
12.5	To build a better relationship with the local community	
12.6	To build a better future for everyone	
12.7	Because it has a positive effect on profits	
12.8	ISO Certification	
12.9	Other ( <b>please specify below</b> )	

**12.9 Other:**

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**Q13. In terms of your business's engagement with its employees, the environment, and/or the community (as reflected by your responses to Q8, 9 and 10), please indicate to which of the following stakeholders you communicate your business's involvement?**

13.1	External shareholders	
13.2	Suppliers	
13.3	Customers	
13.4	Employees	
13.5	Government (local, provincial, or national)	
13.6	The trade press	
13.7	The local community in which we operate	
13.8	The local or regional press	
13.9	We do not communicate our involvement	

**Q14. In your opinion, what are the obstacles/barriers to your organisation's further involvement in the areas that you have listed as important for SMEs to be involved in (see Q7, page 2)?**

14.1	Never thought about it/lack of interest	
14.2	Costs/impact on profits	
14.3	Lack of time/manpower	
14.4	There are no benefits for my business	
14.5	Other <b>(please specify below)</b>	

**14.5 Other:**

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**Q15. Which of the following would be most useful to help small and medium sized enterprises further engage in these areas?**

15.1	A list of guidelines on how to get involved	
15.2	A list of areas in which small and medium sized organizations could get involved in	
15.3	Information and advice on the benefits of involvement in these areas	
15.4	Don't know	
15.5	Other <b>(please specify below)</b>	

**15.5 Other:**

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**Q16. In the last 12 months, which of the following have you/your organization experienced?**

		Yes	No	Don't know
16.1	A large corporate/governmental client asked you to satisfy them on your environmental standards	1	2	3
16.2	A large corporate/governmental client asked you to satisfy them on your commitment to, or involvement with society and the community in which your business operates	1	2	3
16.3	A large client asked you to satisfy them on your health and safety working practices	1	2	3
16.4	Your employees/the unions demanded greater benefits	1	2	3
16.5	A large client asked you to satisfy them on affirmative action, employment equity, and/or black economic empowerment (BEE) criteria	1	2	3
16.6	Your business won a competitive bid because of its environmental and/or social practices	1	2	3
16.7	An external shareholder enquired about your business's social and environmental practices	1	2	3

**Q17. In your opinion, which of the following factors pose a threat to the success of your business?**

17.1	Shortage of skilled labour	
17.2	High levels of crime	
17.3	High levels of HIV/Aids infection of employees	
17.4	Compliance with Affirmative Action/ Employment Equity/Black Economic Empowerment criteria or legislation	
17.5	Shortage of raw materials	
17.6	Increasing costs of energy	
17.7	Other ( <b>please specify below</b> )	

**17.7 Other:**

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**Q18. How important is each of the following in influencing the way you run your business?**

		<b>Not important</b>	<b>Important</b>	<b>Very important</b>
18.1	My personal beliefs and values	1	2	3
18.2	The consequences of my actions for my business	1	2	3
18.3	The law, which sets out what is right and wrong	1	2	3
18.4	My religious/spiritual beliefs	1	2	3

**Q19. How would you rate the success of your business?**

1	2	3	4	5
very unsuccessful	unsuccessful	neither successful, nor unsuccessful	successful	very successful

**Q20. Please indicate your highest educational qualification:**

20.1	Up to standard 10/grade 12	
20.2	Diploma/Degree	
20.3	B.Tech/Honours	
20.4	M.Tech/Masters/MBA	
20.5	D.Tech/Doctorate	

**Q21. Please indicate the age group to which you belong:**

21.1	Under 30 years	
21.2	30 - 40 years	
21.3	41 -50 years	
21.4	51-60 years	
21.5	Over 60 years	

**Q22. Please indicate your gender:**

22.1	Male	
22.2	Female	

*Thank you very much for sacrificing your valuable time to complete this questionnaire. It is greatly appreciated.*

**PLEASE DETACH THE COVERING LETTER AND MAIL YOUR COMPLETED QUESTIONNAIRE IN THE ENCLOSED REPLY- PAID ENVELOPE.**

# ANNEXURE C

## STATISTICAL ANALYSIS OF DATA

### 1. DESCRIPTIVE STATISTICS

**TABLE 1**

**BV1: To which one of the following categories does your business belong?**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agriculture, forestry and fishing	5	2.4	2.4	2.4
Clothing, footwear, and textiles	13	6.2	6.2	8.6
Chemicals; chemical, rubber & plastic products	19	9.0	9.0	17.6
Construction & Building materials	12	5.7	5.7	23.3
Educational services	5	2.4	2.4	25.7
Electronic & electrical equipment	8	3.8	3.8	29.5
Engineering/Manufacturing	25	11.8	11.8	41.3
Financing, insurance, real estate & business services	42	19.9	19.9	61.2
Food producers & processors	4	1.9	1.9	63.1
Health services	10	4.7	4.7	67.8
Leisure, hotels & catering services	2	0.9	0.9	68.7
Paper, printing & Publishing	12	5.7	5.7	74.4
Personal & household services	2	0.9	0.9	75.3
Retail trade	13	6.2	6.2	81.5
Transport, communication & storage	18	8.5	8.5	90.0
Wholesale trade	12	5.7	5.7	95.7
Other	9	4.3	4.3	100.0
<b>Total</b>	<b>211</b>	<b>100.0</b>	<b>100.0</b>	

**TABLE 2**

**BV2: How long have you owned/managed your present business?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 5 years	31	14.7	14.7	14.7
	6 - 10 years	42	19.9	19.9	34.6
	11 - 15 years	42	19.9	19.9	54.5
	16 - 20 years	27	12.8	12.8	67.3
	Above 20 years	69	32.7	32.7	100.0
	Total	211	100.0	100.0	

**TABLE 3**

**BV3: How many people are employed (full-time) by your organization?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 50	122	57.8	57.8	57.8
	50 - 100	46	21.8	21.8	79.6
	101 - 150	15	7.1	7.1	86.7
	151 - 200	20	9.5	9.5	96.2
	Above 200	8	3.8	3.8	100.0
	Total	211	100.0	100.0	

**TABLE 4**

**BV4.1 : Owners/shareholders**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Important	34	16.1	16.3	16.3
	Moderately Important	15	7.1	7.2	23.4
	Important	55	26.1	26.3	49.8
	Highly Important	30	14.2	14.4	64.1
	Extremely Important	75	35.5	35.9	100.0
	Total	209	99.1	100.0	
Missing	System	2	.9		
	Total	211	100.0		

**TABLE 5**

**V4.2 : Employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Important	6	2.8	2.9	2.9
	Moderately Important	23	10.9	11.1	13.9
	Important	57	27.0	27.4	41.3
	Highly Important	77	36.5	37.0	78.4
	Extremely Important	45	21.3	21.6	100.0
	Total	208	98.6	100.0	
Missing	System	3	1.4		
Total		211	100.0		

**TABLE 6**

**BV4.3 : Customers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Important	21	10.0	10.0	10.0
	Moderately Important	11	5.2	5.3	15.3
	Important	26	12.3	12.4	27.8
	Highly Important	35	16.6	16.7	44.5
	Extremely Important	116	55.0	55.5	100.0
	Total	209	99.1	100.0	
Missing	System	2	.9		
Total		211	100.0		

**TABLE 7**

**BV4.4 : The community /Society**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Important	29	13.7	13.9	13.9
	Moderately Important	76	36.0	36.4	50.2
	Important	35	16.6	16.7	67.0
	Highly Important	36	17.1	17.2	84.2
	Extremely Important	33	15.6	15.8	100.0
	Total	209	99.1	100.0	
Missing	System	2	.9		
Total		211	100.0		

**TABLE 8**

**BV4.5 : The environment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Important	74	35.1	35.4	35.4
	Moderately Important	40	19.0	19.1	54.5
	Important	29	13.7	13.9	68.4
	Highly Important	31	14.7	14.8	83.3
	Extremely Important	35	16.6	16.7	100.0
	Total	209	99.1	100.0	
Missing	System	2	.9		
	Total	211	100.0		

**TABLE 9**

**SV5.1: I consider aspects such as image, public relations and goodwill important to the success of my business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.5	.5	.5
	Disagree	2	.9	.9	1.4
	Neutral	10	4.7	4.7	6.2
	Agree	68	32.2	32.2	38.4
	Strongly Agree	130	61.6	61.6	100.0
	Total	211	100.0	100.0	

**TABLE 10**

**SV5.2: Small and medium sized businesses should pay significant attention to their social and environmental responsibilities**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	1	.5	.5	.5
	Disagree	12	5.7	5.7	6.2
	Neutral	58	27.5	27.5	33.6
	Agree	108	51.2	51.2	84.8
	Strongly Agree	32	15.2	15.2	100.0
	Total	211	100.0	100.0	



**TABLE 11**

**SV5.3: If a business is socially and environmentally responsible it is more likely to succeed?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly disagree	2	.9	1.0	1.0
	Disagree	28	13.3	13.3	14.3
	Neutral	69	32.7	32.9	47.1
	Agree	83	39.3	39.5	86.7
	Strongly Agree	28	13.3	13.3	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
Total		211	100.0		

**TABLE 12**

**SV5.4: If a business follows responsible business practices then it is more likely to be successful?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	1	.5	.5	.5
	Neutral	10	4.7	4.7	5.2
	Agree	82	38.9	38.9	44.1
	Strongly Agree	118	55.9	55.9	100.0
	Total	211	100.0	100.0	

**TABLE 13**

**SV6.1: Having responsible business practices**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	A little	3	1.4	1.4	1.4
	A fair amount	42	19.9	19.9	21.3
	A great deal	166	78.7	78.7	100.0
	Total	211	100.0	100.0	

**TABLE 14**

**SV6.2: Being socially and environmentally responsible**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Dont know	2	.9	1.0	1.0
	Not at all	1	.5	.5	1.4
	A little	43	20.4	20.6	22.0
	A fair amount	100	47.4	47.8	69.9
	A great deal	63	29.9	30.1	100.0
	Total	209	99.1	100.0	
Missing	System	2	.9		
Total		211	100.0		

**TABLE 15**

**SV7.1: Reducing the environmental impact of our operations**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	165	78.2	79.7	79.7
	No	16	7.6	7.7	87.4
	Don't know	26	12.3	12.6	100.0
	Total	207	98.1	100.0	
Missing	System	4	1.9		
Total		211	100.0		

**TABLE 16**

**SV7.2: Waste reduction and promoting recycling**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	189	89.6	90.0	90.0
	No	10	4.7	4.8	94.8
	Don't know	11	5.2	5.2	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
Total		211	100.0		

**TABLE 17**

**SV7.3: Training and development of employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	199	94.3	94.8	94.8
	No	10	4.7	4.8	99.5
	Don't know	1	.5	.5	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
Total		211	100.0		

**TABLE 18**

**SV7.4: Encouraging a healthy work/life balance among staff**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	191	90.5	90.5	90.5
	No	14	6.6	6.6	97.2
	Don't know	6	2.8	2.8	100.0
	Total	211	100.0	100.0	

**TABLE 19**

**SV7.5: Taking responsibility for the health and welfare of staff**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	150	71.1	71.1	71.1
	No	42	19.9	19.9	91.0
	Don't know	19	9.0	9.0	100.0
	Total	211	100.0	100.0	

**TABLE 20**

**SV7.6: Ensuring a mutually beneficial relationship with society and our business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	168	79.6	79.6	79.6
	No	16	7.6	7.6	87.2
	Don't know	27	12.8	12.8	100.0
	Total	211	100.0	100.0	

**TABLE 21**

**SV7.7: Being active in the local community**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	115	54.5	55.0	55.0
	No	54	25.6	25.8	80.9
	Don't know	40	19.0	19.1	100.0
	Total	209	99.1	100.0	
Missing	System	2	.9		
	Total	211	100.0		

**TABLE 22**

**SV7.8: Donations, and/or working with non-profit organisations**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	129	61.1	61.1	61.1
	No	57	27.0	27.0	88.2
	Don't know	25	11.8	11.8	100.0
	Total	211	100.0	100.0	

**TABLE 23**

**SV7.9: Working with local education institutions (like schools)**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	120	56.9	57.1	57.1
	No	53	25.1	25.2	82.4
	Don't know	37	17.5	17.6	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		

**TABLE 24**

**SV7.10: Investing and operating in deprived or run-down areas**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	68	32.2	32.2	32.2
	No	92	43.6	43.6	75.8
	Don't know	51	24.2	24.2	100.0
	Total	211	100.0	100.0	

**TABLE 25**

**SV7.11: Engaging with traditionally excluded groups, such as the long-term unemployed or the homeless**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	76	36.0	36.0	36.0
	No	80	37.9	37.9	73.9
	Don't know	55	26.1	26.1	100.0
	Total	211	100.0	100.0	

**TABLE 26**

**SV7.12: Affirmative Action, Employment Equity, Black Economic empowerment**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	129	61.1	61.1	61.1
	No	60	28.4	28.4	89.6
	Don't know	22	10.4	10.4	100.0
	Total	211	100.0	100.0	

**TABLE 27****SV8.1: Subsidized medical aid of staff**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	132	62.6	62.6	62.6
	No	79	37.4	37.4	100.0
Total		211	100.0	100.0	

**TABLE 28****SV8.2: Contribution towards staff pension/provident fund**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	151	71.6	71.6	71.6
	No	60	28.4	28.4	100.0
Total		211	100.0	100.0	

**TABLE 29****SV8.3: Training and development courses**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	191	90.5	90.5	90.5
	No	20	9.5	9.5	100.0
Total		211	100.0	100.0	

**TABLE 30****SV8.4: Payment (fully or partially) of staff's study fees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	136	64.5	64.5	64.5
	No	75	35.5	35.5	100.0
Total		211	100.0	100.0	

**TABLE 31****SV8.5: Subsidised meals/uniforms for staff**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	125	59.2	59.2	59.2
	No	86	40.8	40.8	100.0
Total		211	100.0	100.0	

**TABLE 32****SV8.6: Free/Subsidised transport for staff**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	56	26.5	26.5	26.5
	No	155	73.5	73.5	100.0
Total		211	100.0	100.0	

**TABLE 33****SV8.7: Bursaries/Interest-free loans to dependants of staff who are studying**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	57	27.0	27.0	27.0
	No	154	73.0	73.0	100.0
Total		211	100.0	100.0	

**TABLE 34****SV8.8: Education and counselling to staff in respect of HIV/Aids, alcoholism and substance abuse**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	119	56.4	56.4	56.4
	No	92	43.6	43.6	100.0
Total		211	100.0	100.0	

**TABLE 35****SV8.9: Incentives and reward schemes**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	149	70.6	70.6	70.6
	No	62	29.4	29.4	100.0
Total		211	100.0	100.0	

**TABLE 36****SV8.10: Other benefits offered, and not reflected above**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	38	18.0	18.0	18.0
	No	173	82.0	82.0	100.0
Total		211	100.0	100.0	

**TABLE 37**

**SV9.1: Does the organization comply with all the environmental laws?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	167	79.1	79.1	79.1
	No	5	2.4	2.4	81.5
	Not Applicable	39	18.5	18.5	100.0
	Total	211	100.0	100.0	

**TABLE 38**

**SV9.2: Does the organization dispose of its waste in an environmentally-friendly manner?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	171	81.0	81.0	81.0
	No	11	5.2	5.2	86.3
	Not Applicable	29	13.7	13.7	100.0
	Total	211	100.0	100.0	

**TABLE 39**

**SV9.3: Does the organization use recycled materials in production and/or packaging?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	79	37.4	37.4	37.4
	No	54	25.6	25.6	63.0
	Not Applicable	78	37.0	37.0	100.0
	Total	211	100.0	100.0	

**TABLE 40**

**SV9.4: Has the business taken any measures to reduce or control the pollution caused by its operations?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	93	44.1	44.1	44.1
	No	17	8.1	8.1	52.1
	Not Applicable	101	47.9	47.9	100.0
	Total	211	100.0	100.0	

**TABLE 41**

**SV9.5: Has the organization made efforts to reduce its energy consumption by using energy-saving machinery, equipment or lighting?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	101	47.9	47.9	47.9
	No	49	23.2	23.2	71.1
	Not Applicable	61	28.9	28.9	100.0
	Total	211	100.0	100.0	

**TABLE 42**

**SV9.6: Has the organization compared its environmental initiatives with those of other firms/competitors?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	42	19.9	20.0	20.0
	No	111	52.6	52.9	72.9
	Not Applicable	57	27.0	27.1	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		

**TABLE 43**

**SV9.7: Has the company developed measurable performance standards for environmental compliance?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	22.3	22.3	22.3
	No	97	46.0	46.0	68.2
	Not Applicable	67	31.8	31.8	100.0
	Total	211	100.0	100.0	

**TABLE 44**

**SV9.8: Other: Has your organization implemented any other environmentally-friendly measures which are not indicated above**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	22	10.4	10.5	10.5
	No	44	20.9	21.0	31.4
	Not Applicable	144	68.2	68.6	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		



**TABLE 45****SV10.1: Our business pays all its taxes and obeys all the relevant laws**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	85	40.3	40.5	40.5
	No	125	59.2	59.5	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		

**TABLE 46****SV10.2: Our business offers financial support to local educational institutions**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	46	21.8	21.8	21.8
	No	165	78.2	78.2	100.0
	Total	211	100.0	100.0	

**TABLE 47****SV10.3: Our business is involved in crime fighting initiatives in the community**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	19.4	19.4	19.4
	No	170	80.6	80.6	100.0
	Total	211	100.0	100.0	

**TABLE 48****SV10.4: Our business sponsors sports/sports development, and/or cultural events**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	84	39.8	39.8	39.8
	No	127	60.2	60.2	100.0
	Total	211	100.0	100.0	

**TABLE 49****SV10.5: Our business donates cash and/or goods to local charitable organisations**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	174	82.5	82.5	82.5
	No	37	17.5	17.5	100.0
	Total	211	100.0	100.0	

**TABLE 50**

**SV10.6: Our business is involved in efforts to improve the health of the community**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	44	20.9	20.9	20.9
	No	167	79.1	79.1	100.0
Total		211	100.0	100.0	

**TABLE 51**

**SV10.7: In sourcing supplies, our business gives preference to Black-owned companies**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	92	43.6	43.6	43.6
	No	119	56.4	56.4	100.0
Total		211	100.0	100.0	

**TABLE 52**

**SV10.8: None of the above is applicable to our business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	2.8	2.8	2.8
	No	205	97.2	97.2	100.0
Total		211	100.0	100.0	

**TABLE 53**

**SV10.9: Other: Our business is involved in the community other than/in addition to the above -mentioned ways**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	17.1	17.1	17.1
	No	175	82.9	82.9	100.0
Total		211	100.0	100.0	

**TABLE 54**

**SV12.1: Because it is good for the image of the business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	75	35.5	35.5	35.5
	No	136	64.5	64.5	100.0
Total		211	100.0	100.0	

**TABLE 55****SV12.2: To create and improve customer loyalty**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	92	43.6	43.6	43.6
	No	119	56.4	56.4	100.0
	Total	211	100.0	100.0	

**TABLE 56****SV12.3: To improve staff satisfaction and morale**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	147	69.7	69.7	69.7
	No	64	30.3	30.3	100.0
	Total	211	100.0	100.0	

**TABLE 57****SV12.4: To fulfill the demands of local/foreign corporate clients**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	42	19.9	19.9	19.9
	No	169	80.1	80.1	100.0
	Total	211	100.0	100.0	

**TABLE 58****SV12.5: To build a better relationship with the local community**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	82	38.9	38.9	38.9
	No	129	61.1	61.1	100.0
	Total	211	100.0	100.0	

**TABLE 59****SV12.6: To build a better future for everyone**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	160	75.8	75.8	75.8
	No	51	24.2	24.2	100.0
	Total	211	100.0	100.0	

**TABLE 60****SV12.7: Because it has a positive effect on profits**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	59	28.0	28.0	28.0
	No	152	72.0	72.0	100.0
	Total	211	100.0	100.0	

**TABLE 61****SV12.8: ISO Certification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	16.1	16.1	16.1
	No	177	83.9	83.9	100.0
	Total	211	100.0	100.0	

**TABLE 62****SV12.9: Other**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	25	11.8	11.8	11.8
	No	186	88.2	88.2	100.0
	Total	211	100.0	100.0	

**TABLE 63****SV13.1: External shareholders**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	52	24.6	24.6	24.6
	No	159	75.4	75.4	100.0
	Total	211	100.0	100.0	

**TABLE 64****SV13.2: Suppliers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	61	28.9	28.9	28.9
	No	150	71.1	71.1	100.0
	Total	211	100.0	100.0	

**TABLE 65****SV13.3: Customers**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	105	49.8	49.8	49.8
	No	106	50.2	50.2	100.0
	Total	211	100.0	100.0	

**TABLE 66****SV13.4: Employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	141	66.8	66.8	66.8
	No	70	33.2	33.2	100.0
	Total	211	100.0	100.0	

**TABLE 67****SV13.5: Government**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	45	21.3	21.3	21.3
	No	166	78.7	78.7	100.0
	Total	211	100.0	100.0	

**TABLE 68****SV13.6: The trade press**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	17	8.1	8.1	8.1
	No	194	91.9	91.9	100.0
	Total	211	100.0	100.0	

**TABLE 69****SV13.7: The Local community in which we operate**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	41	19.4	19.4	19.4
	No	170	80.6	80.6	100.0
	Total	211	100.0	100.0	

**TABLE 70****SV13.8: The Local or regional press**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	25	11.8	11.8	11.8
	No	186	88.2	88.2	100.0
	Total	211	100.0	100.0	

**TABLE 71****SV13.9: We do not communicate our involvement**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	66	31.3	31.3	31.3
	No	145	68.7	68.7	100.0
	Total	211	100.0	100.0	

**TABLE 72****SV14.1: Never thought about it/lack of interest**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	5.7	5.7	5.7
	No	199	94.3	94.3	100.0
	Total	211	100.0	100.0	

**TABLE 73****SV14.2: Costs/impact on profits**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	112	53.1	53.1	53.1
	No	99	46.9	46.9	100.0
	Total	211	100.0	100.0	

**TABLE 74****SV14.3: Lack of time/manpower**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	150	71.1	71.1	71.1
	No	61	28.9	28.9	100.0
	Total	211	100.0	100.0	

**TABLE 75****SV14.4: There are no benefits for my business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	15	7.1	7.1	7.1
	No	196	92.9	92.9	100.0
	Total	211	100.0	100.0	

**TABLE 76****SV14.5: Other**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	5.7	5.7	5.7
	No	199	94.3	94.3	100.0
	Total	211	100.0	100.0	

**TABLE 77****SV15.1: A list of guidelines on how to get involved**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	101	47.9	47.9	47.9
	No	110	52.1	52.1	100.0
	Total	211	100.0	100.0	

**TABLE 78****SV15.2: A list of areas in which small and medium sized organizations should get involved**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	100	47.4	47.4	47.4
	No	111	52.6	52.6	100.0
	Total	211	100.0	100.0	

**TABLE 79****SV15.3: Information and advice on the benefits of involvement in these areas**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	102	48.3	48.3	48.3
	No	109	51.7	51.7	100.0
	Total	211	100.0	100.0	

**TABLE 80**

**SV15.4: Don't know**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	36	17.1	17.1	17.1
	No	175	82.9	82.9	100.0
	Total	211	100.0	100.0	

**TABLE 81**

**SV15: Other**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	21	10.0	10.0	10.0
	No	190	90.0	90.0	100.0
	Total	211	100.0	100.0	

**TABLE 82**

**SV16.1: A large corporate/governmental client asked you to satisfy them on your environmental standards**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	18.5	18.5	18.5
	No	166	78.7	78.7	97.2
	Don't know	6	2.8	2.8	100.0
	Total	211	100.0	100.0	

**TABLE 83**

**SV16.2: A large corporate/governmental client asked you to satisfy them on your commitment to, or involvement with society and the community in which your business operates**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	43	20.4	20.4	20.4
	No	159	75.4	75.4	95.7
	Don't know	9	4.3	4.3	100.0
	Total	211	100.0	100.0	



**TABLE 84**

**SV16.3: A large client asked you to satisfy them on your health and safety working practices**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	57	27.0	27.0	27.0
	No	148	70.1	70.1	97.2
	Don't know	6	2.8	2.8	100.0
	Total	211	100.0	100.0	

**TABLE 85**

**SV16.4: Your employees/the unions demanded greater benefits**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	32	15.2	15.2	15.2
	No	172	81.5	81.5	96.7
	Don't know	7	3.3	3.3	100.0
	Total	211	100.0	100.0	

**TABLE 86**

**SV16.5: A large client asked you to satisfy them on affirmative action**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	131	62.1	62.1	62.1
	No	78	37.0	37.0	99.1
	Don't know	2	.9	.9	100.0
	Total	211	100.0	100.0	

**TABLE 87**

**SV16.6: Your business won a competitive bid because of its environmental OR social practices**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	22	10.4	10.4	10.4
	No	175	82.9	82.9	93.4
	Don't know	14	6.6	6.6	100.0
	Total	211	100.0	100.0	

**TABLE 88**

**SV16.7: An external shareholder enquired about your business's social and environmental practices**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	7.6	7.6	7.6
	No	187	88.6	89.0	96.7
	Don't know	7	3.3	3.3	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		

**TABLE 89**

**SV17.1: Shortage of skilled labour**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	131	62.1	62.1	62.1
	No	80	37.9	37.9	100.0
	Total	211	100.0	100.0	

**TABLE 90**

**SV17.2: High levels of crime**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	126	59.7	59.7	59.7
	No	85	40.3	40.3	100.0
	Total	211	100.0	100.0	

**TABLE 91**

**SV17.3: High levels of HIV/Aids infection of employees**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	102	48.3	48.3	48.3
	No	109	51.7	51.7	100.0
	Total	211	100.0	100.0	

**TABLE 92****SV17.4: Compliance with Affirmative Action/ Employment Equity/Black Economic Empowerment criteria**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	80	37.9	37.9	37.9
	No	131	62.1	62.1	100.0
	Total	211	100.0	100.0	

**TABLE 93****SV17.5: Shortage of raw materials**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	32	15.2	15.2	15.2
	No	179	84.8	84.8	100.0
	Total	211	100.0	100.0	

**TABLE 94****SV17.6: Increasing costs of energy**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	43	20.4	20.4	20.4
	No	168	79.6	79.6	100.0
	Total	211	100.0	100.0	

**TABLE 95****SV17.7: Other**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	30	14.2	14.2	14.2
	No	181	85.8	85.8	100.0
	Total	211	100.0	100.0	

**TABLE 96****SV18.1: My personal beliefs and values**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not important	5	2.4	2.4	2.4
	Important	47	22.3	22.3	24.6
	Very Important	159	75.4	75.4	100.0
	Total	211	100.0	100.0	

**TABLE 97**

**SV18.2: The consequences of my actions for my business**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not important	3	1.4	1.4	1.4
	Important	43	20.4	20.5	21.9
	Very Important	164	77.7	78.1	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		

**TABLE 98**

**SV18.3: The law, which sets out what is right and wrong**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not important	4	1.9	1.9	1.9
	Important	71	33.6	34.1	36.1
	Very Important	133	63.0	63.9	100.0
	Total	208	98.6	100.0	
Missing	System	3	1.4		
	Total	211	100.0		

**TABLE 99**

**SV18.4: My religious/spiritual beliefs**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not important	83	39.3	40.1	40.1
	Important	59	28.0	28.5	68.6
	Very Important	65	30.8	31.4	100.0
	Total	207	98.1	100.0	
Missing	System	4	1.9		
	Total	211	100.0		

**TABLE 100**

**SV19: How would you rate the success of your business?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very unsuccessful	2	.9	.9	.9
	Unsuccessful	1	.5	.5	1.4
	Neutral	17	8.1	8.1	9.5
	Successful	138	65.4	65.4	74.9
	Very successful	53	25.1	25.1	100.0
	Total	211	100.0	100.0	

**TABLE 101**

**BV5: Please indicate your highest educational qualification**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to standard 10 / grade 12	37	17.5	17.6	17.6
	Diploma / Degree	121	57.3	57.6	75.2
	B.Tech / Honours	18	8.5	8.6	83.8
	M.Tech / Masters / MBA	31	14.7	14.8	98.6
	D.Tech / Doctorate	3	1.4	1.4	100.0
	Total	210	99.5	100.0	
Missing	System	1	.5		
	Total	211	100.0		

**TABLE 102**

**BV6: Please indicate the age group to which you belong**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Up to 30 yrs	7	3.3	3.3	3.3
	31- 40 yrs	40	19.0	19.0	22.3
	41 - 50 yrs	70	33.2	33.2	55.5
	51 - 60 yrs	62	29.4	29.4	84.8
	Above 60 yrs	32	15.2	15.2	100.0
	Total	211	100.0	100.0	

**TABLE 103**

**BV4.3 : Customers \* BV5: Please indicate your highest educational qualification (Cross-tabulation)**

		BV5: Please indicate your highest educational qualification					Total
		Up to standard 10 / grade 12	Diploma / Degree	B.Tech / Honours	M.Tech / Masters / MBA	D.Tech / Doctorate	
BV4.3 : Customers	Least Important	1.9%	6.3%	1.0%	1.0%		10.1%
	Moderately Important	1.4%	2.9%		1.0%		5.3%
	Important	1.4%	4.8%	1.9%	3.8%	.5%	12.5%
	Highly Important	1.9%	9.1%	1.9%	3.4%	.5%	16.8%
	Extremely Important	11.1%	34.1%	3.8%	5.8%	.5%	55.3%
Total		17.8%	57.2%	8.7%	14.9%	1.4%	100.0%

**TABLE 104**

**SV9.2: Does the organization dispose of its waste in an environmentally friendly manner \* BV5: Please indicate your highest educational qualification (Cross-tabulation)**

		BV5: Please indicate your highest educational qualification					Total
		Up to standard 10 / grade 12	Diploma / Degree	B.Tech / Honours	M.Tech / Masters / MBA	D.Tech / Doctorate	
SV9.2: Does the organization dispose of its waste in an environmentally friendly manner	Yes	13.3%	46.2%	7.1%	12.9%	1.4%	81.0%
	No	2.4%	1.9%	1.0%			5.2%
	Not Applicable	1.9%	9.5%	.5%	1.9%		13.8%
Total		17.6%	57.6%	8.6%	14.8%	1.4%	100.0%

**TABLE 105**

**SV10.7: In sourcing supplies, our business gives preference to Black owned companies BV5: Please indicate your highest educational qualification (Cross-tabulation)**

		BV5: Please indicate your highest educational qualification					Total
		Up to standard 10 / grade 12	Diploma / Degree	B.Tech / Honours	M.Tech / Masters / MBA	D.Tech / Doctorate	
SV10.7: In sourcing supplies, our business gives preference to Black owned companies	Yes	6.2%	23.8%	4.3%	9.0%	.5%	43.8%
	No	11.4%	33.8%	4.3%	5.7%	1.0%	56.2%
Total		17.6%	57.6%	8.6%	14.8%	1.4%	100.0%

**TABLE 106**

**BV4.4 : The community /Society \* BV6: Please indicate the age group to which you belong (Cross-tabulation)**

		BV6: Please indicate the age group to which you belong					Total
		Up to 30 yrs	31- 40 yrs	41 - 50 yrs	51 - 60 yrs	Above 60 yrs	
BV4.4 : The community /Society	Least Important		1.0%	4.3%	5.3%	3.3%	13.9%
	Moderately Important	1.0%	7.2%	14.4%	9.1%	4.8%	36.4%
	Important	1.4%	3.3%	4.8%	6.2%	1.0%	16.7%
	Highly Important	.5%	4.8%	4.8%	3.8%	3.3%	17.2%
	Extremely Important	.5%	2.9%	5.3%	4.8%	2.4%	15.8%
Total		3.3%	19.1%	33.5%	29.2%	14.8%	100.0%

**TABLE 107**

**SV5.2 : Small and medium sized businesses should pay significant attention to their social and Environmental responsibilities \* BV6: Please indicate the age group to which you belong (Cross-tabulation)**

		BV6: Please indicate the age group to which you belong					Total
		Up to 30 yrs	31- 40 yrs	41 - 50 yrs	51 - 60 yrs	Above 60 yrs	
SV5.2 : Small and medium sized businesses should pay significant attention to their social and environmental responsibilities	Strongly disagree			.5%			.5%
	Disagree		.5%	1.4%	2.8%	.9%	5.7%
	Neutral	2.4%	5.2%	9.0%	8.1%	2.8%	27.5%
	Agree	.5%	10.9%	15.6%	14.7%	9.5%	51.2%
	Strongly Agree	.5%	2.4%	6.6%	3.8%	1.9%	15.2%
Total		3.3%	19.0%	33.2%	29.4%	15.2%	100.0%

**TABLE 108**

**SV9.3: Does the organization use recycled materials in production and/or packaging? \* BV6: Please indicate the age group to which you belong (Cross-tabulation)**

		BV6: Please indicate the age group to which you belong					Total
		Up to 30 yrs	31- 40 yrs	41 - 50 yrs	51 - 60 yrs	Above 60 yrs	
SV9.3: Does the organization use recycled materials in production and/or packaging	Yes	1.9%	4.3%	14.2%	11.8%	5.2%	37.4%
	No	.5%	5.7%	9.0%	6.6%	3.8%	25.6%
	Not Applicable	.9%	9.0%	10.0%	10.9%	6.2%	37.0%
Total		3.3%	19.0%	33.2%	29.4%	15.2%	100.0%

**TABLE 109**

**SV8.7: Bursaries/Interest-free loans to dependants of staff who are studying \* BV5: Please indicate your highest educational qualification (Cross-tabulation)**

		BV5: Please indicate your highest educational qualification					Total
		Up to standard 10 / grade 12	Diploma / Degree	B.Tech / Honours	M.Tech / Masters / MBA	D.Tech / Doctorate	
SV8.7: Bursaries/Interest-free loans to dependants of staff who are studying	Yes	3.3%	14.8%	2.9%	5.7%		26.7%
	No	14.3%	42.9%	5.7%	9.0%	1.4%	73.3%
Total		17.6%	57.6%	8.6%	14.8%	1.4%	100.0%

## 2. INFERENCE STATISTICS

### 2.1 T-TESTS

TABLE 110

		t-test		
		t	df	Sig. (2-tailed)
BV4.1	Equal variances assumed	2.152	207	.033
	Equal variances not assumed	2.016	54.923	.049
BV4.2	Equal variances assumed	-2.525	206	.012
	Equal variances not assumed	-2.694	63.988	.009
BV4.3	Equal variances assumed	.648	207	.517
	Equal variances not assumed	.638	57.787	.526
BV4.4	Equal variances assumed	-2.051	207	.042
	Equal variances not assumed	-2.058	59.118	.044
BV4.5	Equal variances assumed	-.543	207	.588
	Equal variances not assumed	-.538	58.357	.592



**TABLE 111**

		t-test		
		t	df	Sig. (2-tailed)
SV18.1	Equal variances assumed	1.133	209	.259
	Equal variances not assumed	1.000	51.865	.322
SV18.2	Equal variances assumed	-.128	208	.898
	Equal variances not assumed	-.123	56.459	.902
SV18.3	Equal variances assumed	.941	206	.348
	Equal variances not assumed	.905	56.480	.369
SV18.4	Equal variances assumed	.317	205	.752
	Equal variances not assumed	.324	60.591	.747
SV19	Equal variances assumed	2.273	209	.024
	Equal variances not assumed	1.911	49.857	.062

## 2.2 ANOVA TESTS

**Interpretation Rule:** 1. If **p** value is less than or equal **p= 0.05**, statistically there is significance difference between groups opinions.

2. If **p** value is greater than **p>0.05**, statistically there is **NO** significance difference between groups opinions.

Note: p indicates probability

**TABLE 112****2.2.1: Number of years in business****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
BV4.1	Between Groups	32.595	4	8.149	.003
	Within Groups	403.385	204	1.977	
	Total	435.981	208		
BV4.2	Between Groups	4.619	4	1.155	.364
	Within Groups	215.612	203	1.062	
	Total	220.231	207		
BV4.3	Between Groups	3.205	4	.801	.780
	Within Groups	371.675	204	1.822	
	Total	374.880	208		
BV4.4	Between Groups	4.732	4	1.183	.601
	Within Groups	350.369	204	1.717	
	Total	355.100	208		
BV4.5	Between Groups	1.873	4	.468	.936
	Within Groups	468.911	204	2.299	
	Total	470.785	208		

**TABLE 113****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV5.1	Between Groups	1.454	4	.363	.534
	Within Groups	95.030	206	.461	
	Total	96.483	210		
SV5.2	Between Groups	1.904	4	.476	.563
	Within Groups	131.783	206	.640	
	Total	133.687	210		
SV5.3	Between Groups	7.846	4	1.961	.053
	Within Groups	168.635	205	.823	
	Total	176.481	209		
SV5.4	Between Groups	.586	4	.146	.819
	Within Groups	78.163	206	.379	
	Total	78.749	210		

**TABLE 114****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV18.1	Between Groups	.230	4	.057	.921
	Within Groups	51.372	206	.249	
	Total	51.602	210		
SV18.2	Between Groups	.198	4	.049	.919
	Within Groups	43.369	205	.212	
	Total	43.567	209		
SV18.3	Between Groups	.504	4	.126	.770
	Within Groups	56.491	203	.278	
	Total	56.995	207		
SV18.4	Between Groups	4.934	4	1.233	.138
	Within Groups	141.501	202	.701	
	Total	146.435	206		
SV19	Between Groups	3.163	4	.791	.109
	Within Groups	85.122	206	.413	
	Total	88.284	210		

**TABLE 115****2.2.2: Number of people employed****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
BV4.1	Between Groups	7.487	4	1.872	.470
	Within Groups	428.494	204	2.100	
	Total	435.981	208		
BV4.2	Between Groups	5.695	4	1.424	.254
	Within Groups	214.536	203	1.057	
	Total	220.231	207		
BV4.3	Between Groups	5.875	4	1.469	.519
	Within Groups	369.005	204	1.809	
	Total	374.880	208		
BV4.4	Between Groups	9.145	4	2.286	.253
	Within Groups	345.956	204	1.696	
	Total	355.100	208		
BV4.5	Between Groups	18.616	4	4.654	.082
	Within Groups	452.169	204	2.217	
	Total	470.785	208		

**TABLE 116****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV5.1	Between Groups	2.256	4	.564	.298
	Within Groups	94.227	206	.457	
	Total	96.483	210		
SV5.2	Between Groups	2.107	4	.527	.511
	Within Groups	131.580	206	.639	
	Total	133.687	210		
SV5.3	Between Groups	2.406	4	.601	.587
	Within Groups	174.075	205	.849	
	Total	176.481	209		
SV5.4	Between Groups	2.350	4	.588	.180
	Within Groups	76.398	206	.371	
	Total	78.749	210		

**TABLE 117****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV18.1	Between Groups	.778	4	.195	.534
	Within Groups	50.824	206	.247	
	Total	51.602	210		
SV18.2	Between Groups	1.720	4	.430	.081
	Within Groups	41.846	205	.204	
	Total	43.567	209		
SV18.3	Between Groups	1.305	4	.326	.317
	Within Groups	55.690	203	.274	
	Total	56.995	207		
SV18.4	Between Groups	.721	4	.180	.909
	Within Groups	145.714	202	.721	
	Total	146.435	206		
SV19	Between Groups	2.564	4	.641	.192
	Within Groups	85.721	206	.416	
	Total	88.284	210		

**TABLE 118****2.2.3: Level of education****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
BV4.1	Between Groups	18.741	4	4.685	.061
	Within Groups	414.869	203	2.044	
	Total	433.611	207		
BV4.2	Between Groups	3.809	4	.952	.467
	Within Groups	214.549	202	1.062	
	Total	218.357	206		
BV4.3	Between Groups	2.255	4	.564	.872
	Within Groups	371.668	203	1.831	
	Total	373.923	207		
BV4.4	Between Groups	1.841	4	.460	.898
	Within Groups	348.602	203	1.717	
	Total	350.442	207		
BV4.5	Between Groups	9.198	4	2.299	.396
	Within Groups	455.720	203	2.245	
	Total	464.918	207		

**TABLE 119****ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV5.1	Between Groups	.855	4	.214	.765
	Within Groups	95.340	205	.465	
	Total	96.195	209		
SV5.2	Between Groups	.714	4	.178	.894
	Within Groups	132.910	205	.648	
	Total	133.624	209		
SV5.3	Between Groups	1.132	4	.283	.858
	Within Groups	175.107	204	.858	
	Total	176.239	208		
SV5.4	Between Groups	.648	4	.162	.789
	Within Groups	77.847	205	.380	
	Total	78.495	209		

**TABLE 120**

**ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV18.1	Between Groups	.834	4	.209	.468
	Within Groups	47.761	205	.233	
	Total	48.595	209		
SV18.2	Between Groups	1.053	4	.263	.248
	Within Groups	39.377	204	.193	
	Total	40.431	208		
SV18.3	Between Groups	1.135	4	.284	.392
	Within Groups	55.860	203	.275	
	Total	56.995	207		
SV18.4	Between Groups	.682	4	.171	.918
	Within Groups	145.753	202	.722	
	Total	146.435	206		
SV19	Between Groups	1.251	4	.313	.568
	Within Groups	87.016	205	.424	
	Total	88.267	209		

**TABLE 121**

**2.2.4: Age group of SME owners**

**ANOVA**

		Sum of Squares	df	Mean Square	Sig.
BV4.1	Between Groups	9.626	4	2.407	.334
	Within Groups	426.354	204	2.090	
	Total	435.981	208		
BV4.2	Between Groups	2.953	4	.738	.600
	Within Groups	217.277	203	1.070	
	Total	220.231	207		
BV4.3	Between Groups	7.197	4	1.799	.410
	Within Groups	367.684	204	1.802	
	Total	374.880	208		
BV4.4	Between Groups	3.477	4	.869	.733
	Within Groups	351.624	204	1.724	
	Total	355.100	208		
BV4.5	Between Groups	2.518	4	.629	.894
	Within Groups	468.267	204	2.295	
	Total	470.785	208		

**TABLE 122**

**ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV5.1	Between Groups	.498	4	.124	.899
	Within Groups	95.985	206	.466	
	Total	96.483	210		
SV5.2	Between Groups	1.611	4	.403	.643
	Within Groups	132.076	206	.641	
	Total	133.687	210		
SV5.3	Between Groups	1.057	4	.264	.872
	Within Groups	175.424	205	.856	
	Total	176.481	209		
SV5.4	Between Groups	.815	4	.204	.708
	Within Groups	77.934	206	.378	
	Total	78.749	210		

**TABLE 123**

**ANOVA**

		Sum of Squares	df	Mean Square	Sig.
SV18.1	Between Groups	2.842	4	.711	.019
	Within Groups	48.760	206	.237	
	Total	51.602	210		
SV18.2	Between Groups	1.197	4	.299	.220
	Within Groups	42.370	205	.207	
	Total	43.567	209		
SV18.3	Between Groups	.786	4	.197	.586
	Within Groups	56.209	203	.277	
	Total	56.995	207		
SV18.4	Between Groups	1.872	4	.468	.625
	Within Groups	144.563	202	.716	
	Total	146.435	206		
SV19	Between Groups	2.100	4	.525	.289
	Within Groups	86.185	206	.418	
	Total	88.284	210		

## 2.3 CORRELATIONS

### Interpretation Rules:

- (a) If the p value)  $\leq 0.05$ , then, statistically, there is significant correlation.
- (b) Pearson correlation coefficient (r) values start from -1 to +1
- (c) If - sign, then it means that there is a negative correlation (If one variable increases, then the other variable will decrease); and if + sign, then it means that there is a positive relationship. (If one variable increases, then the other variable also increases).
- (d) If  $r = .10$  to  $.29$  or  $-.10$  to  $-.29$  - small (moderate) correlation  
 If  $r = .30$  to  $.49$  or  $-.30$  to  $-.49$  - medium correlation  
 If  $r = .50$  to  $1.0$  or  $-.50$  to  $-1.0$  - large (strong) correlation

**TABLE 124**

**Correlations**

	BV4.1	BV4.2	BV4.3	BV4.4	BV4.5
BV4.1 Pearson Correlation	1	.116	.056	-.183**	-.118
Sig. (2-tailed)		.096	.420	.008	.088
N	209	208	209	209	209
BV4.2 Pearson Correlation	.116	1	.494**	-.058	-.080
Sig. (2-tailed)	.096		.000	.402	.250
N	208	208	208	208	208
BV4.3 Pearson Correlation	.056	.494**	1	-.327**	-.285**
Sig. (2-tailed)	.420	.000		.000	.000
N	209	208	209	209	209
BV4.4 Pearson Correlation	-.183**	-.058	-.327**	1	.650**
Sig. (2-tailed)	.008	.402	.000		.000
N	209	208	209	209	209
BV4.5 Pearson Correlation	-.118	-.080	-.285**	.650**	1
Sig. (2-tailed)	.088	.250	.000	.000	
N	209	208	209	209	209

\*\* . Correlation is significant at the 0.01 level (2-tailed).



**TABLE 125**

**Correlations**

	SV5.1	SV5.2	SV5.3	SV5.4
SV5.1 Pearson Correlation	1	.232**	.191**	.140*
Sig. (2-tailed)		.001	.005	.042
N	211	211	210	211
SV5.2 Pearson Correlation	.232**	1	.527**	.269**
Sig. (2-tailed)	.001		.000	.000
N	211	211	210	211
SV5.3 Pearson Correlation	.191**	.527**	1	.370**
Sig. (2-tailed)	.005	.000		.000
N	210	210	210	210
SV5.4 Pearson Correlation	.140*	.269**	.370**	1
Sig. (2-tailed)	.042	.000	.000	
N	211	211	210	211

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

**TABLE 126**

**Correlations**

	SV18.1	SV18.2	SV18.3	SV18.4
SV18.1 Pearson Correlation	1	.352**	.307**	.264**
Sig. (2-tailed)		.000	.000	.000
N	211	210	208	207
SV18.2 Pearson Correlation	.352**	1	.170*	.126
Sig. (2-tailed)	.000		.014	.070
N	210	210	208	206
SV18.3 Pearson Correlation	.307**	.170*	1	.136
Sig. (2-tailed)	.000	.014		.052
N	208	208	208	205
SV18.4 Pearson Correlation	.264**	.126	.136	1
Sig. (2-tailed)	.000	.070	.052	
N	207	206	205	207

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

## 2.4 CHI-SQUARE TESTS

Interpretation Rule: If the  $p$  value is less than or equal  $p \leq 0.05$ , then, there is a statistically significant relationship; if the  $p$  value is greater than  $p > 0.05$ , then, there is **NO** statistically significant relationship.

**TABLE 127**

**SV7.1 versus SV7.2**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	71.602	4	.000
N of Valid Cases	207		

**TABLE 128**

**SV 7.2 versus SV7.3**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.297	4	.862
N of Valid Cases	209		

**TABLE 129**

**SV7.3 versus SV7.4**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.603	4	.021
N of Valid Cases	210		

**TABLE 130**

**SV7.4 versus SV7.5**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.565	4	.000
N of Valid Cases	211		

**TABLE 131**

**SV7.5 versus SV7.6**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	34.219	4	.000
N of Valid Cases	211		

**TABLE 132**

**SV7.6 versus SV7.7**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	46.081	4	.000
N of Valid Cases	209		

**TABLE 133**

**SV7.7 versus SV7.8**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	78.685	4	.000
N of Valid Cases	209		

**TABLE 134**

**SV7.8 versus SV7.9**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	85.190	4	.000
N of Valid Cases	210		

**TABLE 135**

**SV7.9 versus SV7.10**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	91.737	4	.000
N of Valid Cases	210		

**TABLE 136**

**SV7.10 versus SV7.11**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	177.618	4	.000
N of Valid Cases	211		

**TABLE 137**

**SV7.11 versus SV7.12**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.561	4	.000
N of Valid Cases	211		

**RELATIONSHIP BETWEEN SOCIAL RESPONSIBILITY AND BUSINESS SUCCESS**

**TABLE 138**

**SV8.1: Subsidized medical aid of staff**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.423	4	.034
N of Valid Cases	211		

**TABLE 139**

**SV8.2: Contribution towards staff pension/provident fund**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.259	4	.002
N of Valid Cases	211		

**TABLE 140**

**SV8.3: Training and development courses**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.410	4	.022
N of Valid Cases	211		

**TABLE 141**

**SV8.4: Payment (fully or partially) of staff's study fees**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.557	4	.109
N of Valid Cases	211		

**TABLE 142**

**SV8.5: Subsidised meals/uniforms for staff**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.838	4	.008
N of Valid Cases	211		

**TABLE 143****SV8.6: Free/Subsidised transport for staff****Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.628	4	.804
N of Valid Cases	211		

**TABLE 144****SV8.7: Bursaries/Interest-free loans to dependants of staff who are studying****Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.136	4	.274
N of Valid Cases	211		

**TABLE 145****SV8.8: Education and counselling to staff in respect of HIV/Aids, alcoholism and substance abuse****Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.182	4	.016
N of Valid Cases	211		

**TABLE 146****SV8.9: Incentives and reward schemes****Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.420	4	.170
N of Valid Cases	211		

**TABLE 147**

**SV8.10: Other benefits offered, and not reflected above**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.610	4	.158
N of Valid Cases	211		

**TABLE 148**

**SV9.1: Does the organization comply with all the environmental laws?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.117	8	.927
N of Valid Cases	211		

**TABLE 149**

**SV9.2: Does the organization dispose of its waste in an environmentally-friendly manner?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.911	8	.546
N of Valid Cases	211		

**TABLE 150**

**SV9.3: Does the organization use recycled materials in production and/or packaging?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.564	8	.803
N of Valid Cases	211		

**TABLE 151**

**SV9.4: Has the business taken any measures to reduce or control the pollution caused by its operations?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.684	8	.090
N of Valid Cases	211		

**TABLE 152**

**SV9.5: Has the organization made efforts to reduce its energy consumption by using energy-saving machinery, equipment or lighting?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.356	8	.241
N of Valid Cases	211		

**TABLE 153**

**SV9.6: Has the organization compared its environmental initiatives with those of other firms/competitors?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.256	8	.833
N of Valid Cases	210		

**TABLE 154**

**SV9.7: Has the company developed measurable performance standards for environmental compliance?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.655	8	.686
N of Valid Cases	211		



**TABLE 155**

**SV9.8: Other: has your organization implemented any other environmentally-friendly measures which are not indicated above?**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.631	8	.470
N of Valid Cases	210		

**TABLE 156**

**SV10.1: Our business pays all its taxes and obeys all the relevant laws**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.302	4	.081
N of Valid Cases	210		

**TABLE 157**

**SV10.2: Our business offers financial support to local educational institutions**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.205	4	.524
N of Valid Cases	211		

**TABLE 158**

**SV10.3: Our business is involved in crime fighting initiatives in the community**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.997	4	.558
N of Valid Cases	211		

**TABLE 159**

**V10.4: Our business sponsors sports/sports development, and/or cultural events**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.237	4	.083
N of Valid Cases	211		

**TABLE 160**

**SV10.5: Our business donates cash and/or goods to local charitable organisations**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.311	4	.860
N of Valid Cases	211		

**TABLE 161**

**SV10.6: Our business is involved in efforts to improve the health of the community**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.028	4	.731
N of Valid Cases	211		

**TABLE 162**

**SV10.7: In sourcing supplies, our business gives preference to Black owned companies**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.874	4	.300
N of Valid Cases	211		

**TABLE 163**

**SV10.8: None of the above is applicable to our business**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.149	4	.533
N of Valid Cases	211		

**TABLE 164**

**SV10.9: Other: Our business is involved in the community  
other than/in addition to the above -mentioned ways**

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.759	4	.780
N of Valid Cases	211		

## ANNEXURE D


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Cell: 0822673192

21 JANUARY 2008

### TO WHOM IT MAY CONCERN

This is to certify that I have proofread the thesis of SOOBRAMONEY CHETTY for accuracy of language and expression. After implementing changes, wherever applicable, I declare that this dissertation, to the best of my knowledge, is grammatically correct.



Dr H.L. Garbharran

B.A., Honours., M.P.A., D.P.A.

## ANNEXURE E



RESEARCH OFFICE (GOVAN MBEKI CENTRE)  
WESTVILLE CAMPUS  
TELEPHONE NO.: 031 – 2603587  
EMAIL: ximbap@ukzn.ac.za

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12 MAY 2006

MR. S CHETTY (7608562)  
MANAGEMENT STUDIES

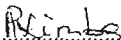
Dear Mr. Chetty

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/06126A

I wish to confirm that ethical clearance has been granted for the following project:

“Socially responsible behavior among selected small and medium sized enterprises in KwaZulu-Natal”

Yours faithfully

  
.....  
MS. PHUMELELE XIMBA  
RESEARCH OFFICE

PS: The following general condition is applicable to all projects that have been granted ethical clearance:

THE RELEVANT AUTHORITIES SHOULD BE CONTACTED IN ORDER TO OBTAIN THE NECESSARY APPROVAL SHOULD THE RESEARCH INVOLVE UTILIZATION OF SPACE AND/OR FACILITIES AT OTHER INSTITUTIONS/ORGANISATIONS. WHERE QUESTIONNAIRES ARE USED IN THE PROJECT, THE RESEARCHER SHOULD ENSURE THAT THE QUESTIONNAIRE INCLUDES A SECTION AT THE END WHICH SHOULD BE COMPLETED BY THE PARTICIPANT (PRIOR TO THE COMPLETION OF THE QUESTIONNAIRE) INDICATING THAT HE/SHE WAS INFORMED OF THE NATURE AND PURPOSE OF THE PROJECT AND THAT THE INFORMATION GIVEN WILL BE KEPT CONFIDENTIAL.

cc. Faculty Officer (Post-Graduate Studies)  
cc. Supervisor (Prof. K Poovalingam)