



**Social Investment beyond the Corporate domain:
exploring social investment activities amongst small enterprises
in Durban.**

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A handwritten signature in black ink, appearing to read "Glen Robbins", is written over a horizontal dotted line.

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Abstract

This study explores the concept of Social Investment beyond the corporate domain. The issue of Corporate Social Investment (CSI) has been on the South African radar since the 1970's and on the international agenda since the 1950's. Very little, however is known about what small businesses are doing in the area of social investment (SI); in fact there is no national research currently looking at this area which makes this a significant research need. Given the fact that small businesses are significant contributors to our country's economy it is of essential importance to determine what (if anything) is happening in this field.

There were a number of significant findings around this research. Firstly it would seem that small businesses generally have a good awareness and understanding of CSI, and most are implementing SI to some extent. Despite this, there seems to be a 'silence' around this topic; small businesses are not communicating with each other about SI or what they are doing in this area and the public is not being made aware of the SI of small business. These findings begin to shed light on an important area that has thus far been ignored. They show that small businesses' contribution to SI is much more significant than many people suspect. The gaps in the current knowledge have significant policy implications both for the government and for the small business sector (Triologue, 2007) and so ways to break the said 'silence' need to be found.



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Declaration

Submitted in partial fulfilment of the requirements for the degree of Masters of Development Studies , in the Graduate Programme in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal,
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I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. It is being submitted for the degree of Masters of Development Studies in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.



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List of Acronyms

BBE	Black Economic Empowerment
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DCCI	Durban Chamber of Commerce & Industry
KZN	KwaZulu-Natal
OVC	Orphaned and Vulnerable Children
RSA	Republic of South Africa
SED	Socio-Economic Development
SI	Social Investment
SME	Small and Medium Enterprises
SMME	Small Medium and Micro Enterprises
QSE	Qualifying Small Enterprise

CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION TO CHAPTER

Corporate Social Investment (CSI) has played a role in South Africa for many years, but this role has become increasingly significant since the country became a democracy and with the introduction of Broad-Based Black Economic Empowerment (BBBEE). However, much of the CSI work that is being done remains in the realm of big business – corporates – with little knowledge about what small businesses are doing to be socially responsible.¹ Despite this, small businesses have a significant role to play in the country's economy (Berry, von Blottnitz, Cassim, Kesper, Rajaratnam & Ernst van Seventer, 2002) and in economic transformation (SARS, 2004) through creating jobs, and thus distributing wealth and alleviating poverty. Bearing in mind the important role that these small businesses' play in the country, it is necessary to discover more about the intersections between small businesses and social responsibility to ensure that small businesses practices do not become a "blind spot in which exploitative and environmentally destructive practices flourish" (Raynard & Forstater, 2002: 65). This is an area that remains largely un-researched both internationally and here in South Africa, making it an important research need.

This chapter provides a basic introduction to, and overview of, the research project. It begins by stating the topic of the research, followed by a discussion of the problem that needs to be addressed, and an explanation of why this issue is significant and worthy of study.²

1.2 RATIONALE

At the 2007 CSR conference,³ the involvement of SMEs in socially responsible behaviour was identified as a major area of needed research (Roussow, 2007). Very little is known about SME involvement in CSI initiatives both locally and internationally and in the South African context it

¹ In the context of this study, a small business is defined as having 11-50 employees. For further discussion on this see 'concept clarification' in this chapter.

² Appendix 1 provides clarification of important concepts used in this research and is useful to read at this point.

³ Conference entitled. "Being a good corporate citizen: Corporate Social Responsibility Conference" held in Midrand, Johannesburg, 29-30 May 2007

remains an un-researched area. The purpose of this study is to investigate these matters further in an attempt to meet this research need and determine the extent of social investment beyond the corporate domain amongst SMEs in Durban.

While the ideas of being involved in the community, of charity work and looking after the poor have existed for centuries, it was not until the mid-1950's that these ideas entered the corporate domain to become what is now known as 'corporate social responsibility' (CSR) (Frederick, 2006). It was only in 1972 that 'corporate social responsibility' entered the South African consciousness under the title of 'corporate community giving' and only with the birth of democracy that corporate social responsibility really began to take root (Dialogue, 2007). "Given government's new vision and strategy, companies were beginning to realise that they needed to contribute to the national reconstruction and development effort" (Dialogue, 2007). It was during this time that CSR became more widely known and understood as corporate social investment in the South African context. However, the focus remained on the 'corporate' – on what big business was doing to aid in this developmental process.

In 2001, at the Corporate Social Investment forum, Dr Zola Skweyiya, Minister for Social Development, gave a keynote address in which he stated that:

An essential part of this process is government's role in facilitating an enabling environment for corporate social investment. Significant steps were taken in this regard by President Mandela when he launched the National Business Initiative (NBI) in March 1995. The aim of developing a partnership between business and government in the area of socio-economic delivery, without creating dependency by government structures on business assistance is still valid today.

The question is; why should companies feel compelled to partner with the "government in the area of socio-economic delivery"? In a recent presentation, Dr. David Fig (2007) addressed this issue, commenting that companies, and specifically South African companies, have a certain responsibility towards society. These responsibilities include addressing the long legacy of poverty and income inequality rooted deeply in our country's history of colonialism, segregation and apartheid (Terreblanche, 2002). This legacy has played a role in "persistent [and increasing] poverty and extreme inequality" (May, Carter, Haddad & Maluccio, 2000: 1) with a "gap between rich and poor... [which] is one of the largest in the world (World Bank 2001: 593). Terreblanche, (2002: 371) identifies the business sector as "one of the main players in, and beneficiaries of, [the] systematic exploitation" of colonialism and Apartheid. In this attempt to correct the wrongs of the past, the need for CSI has

become more of an imperative since the end of the Apartheid era. Acting in a way that is socially responsible is therefore of fundamental importance.

The South African Government has recognised the role that business plays in correcting the wrongs of the past and as such has placed the restructuring of business at the core of its politics, the main vehicle of this being the Broad-Based Black Economic Empowerment Act of 2003 (RSA, 2003). The aim of this act was to “promote... equality, increase broad-based and effective participation of black people in the economy and promote... increased employment and more equitable income distribution” (RSA, 2003).

BBBEE is made up of ‘seven pillars’ or areas in which companies can be compliant with the Act and can consequently acquire points for their BBBEE scorecard. One of these is Corporate Social Investment (CSI). Companies who take part in CSI activities can score up to 5 points out of 100 on their scorecard. BBBEE is consequently the framework within which most CSI happens in South Africa and is therefore central to this research process.

There are currently around 400 registered corporate companies in South Africa, the majority of which are involved in CSI activities (Rossouw, 2007). There are however, small, medium or micro enterprises (SMMEs) – approximately 60 000 of which are registered businesses (Rossouw, 2007) – which would not be thought of as ‘corporate’ businesses. It was found that these formal SMEs (registered businesses) contribute approximately 34.5% to the GDP of South Africa (Ntsika, 2001) and are therefore a significant contributor to the South African economy. Bearing in mind that the government of the country sees a role for business in social investment,⁴ what role do these smaller firms play?

Involving small and medium enterprises (SMEs) in CSI is no straight forward matter. It could be argued that by their very nature SMEs are involved in social investment. For example, the “government recognises the vital role small businesses play in stimulating economic activity, creating jobs, alleviating poverty and improving the living standards of all in South Africa” (SARS, 2004). It is therefore important not to underestimate the role that SMEs already play in adding social and economic value to individuals and communities (Smit, 2007). On the other hand, perhaps they have a

⁴ “Social Investment” as apposed to “Corporate Social Investment” is used when the activities of CSI apply specifically to small businesses. This will be discussed further in the ‘concept clarification’ section later in this chapter

role to play in more active help to these communities or people. Being as small as they are however, SMEs cannot get involved in CSI initiatives to the extent that big corporates can as they are limited financially and in terms of personnel capacity. This poses questions around the scale and scope of SME CSI activity. With regards to scale, to what extent should SMEs get involved in CSI initiatives or to what extent are they currently involved? Similarly, with regard to scope, what form are these initiatives currently taking and what form should they take? Further, what factors motivate the scale and scope of SMEs' social investment activities? Another issue to consider is that a number of SMEs may be beneficiaries of CSI initiatives themselves (see for example the case of South African Breweries whose CSI focus is to enable the creation of small businesses – SAB, 2006). This is interesting when considering their subsequent CSI involvement.

With all of these factors in mind, a further question arises around the driving factors for SMEs involvement in social investment activities. Are there certain trends or defining features which those SMEs involved in social investment have in common? Can lessons be learned from these enterprises that when identified could aid others SMEs in developing similarly socially responsible business outlooks? On the other hand, what factors hinder SMEs from getting involved in such activities?

The involvement of SMEs in socially responsible behaviour has been identified as a major area of needed research (Roussow, 2007) as very little is known about this in our current South African context. Bearing in mind this context of large scale poverty and inequality in South Africa, along with the government's mandate to partner with business to face these challenges, it becomes necessary to look more deeply into the issues raised here. The purpose of this study is to investigate these matters further in an attempt to try and answer these pressing questions and meet this research need. This research therefore aims to determine the extent of social investment beyond the corporate domain by determining whether SMEs are currently participating in social investment, and if so what is the nature of such participation.⁵ Further, the factors that influence or hinder such activity will be explored. The exact research questions looked at will be presented at the end of Chapter 2 after a consideration of the literature.

In order to find answers to these pressing questions, it is necessary to talk to managers and owners of small businesses to determine what their feelings, opinions and impressions are of their role in social investment. Thus, this research will take a qualitative approach to research in order to interview

⁵ The specific context for this research being Durban, KwaZulu-Natal.

participants and find out more about what they think about the subject. The exact methodology used in this research will be discussed in Chapter 3.

In Chapter 4, the results and findings of this research will be presented along with analysis and discussion of both. These will seek to answer some of the questions raised and more specifically, the research questions presented at the end of Chapter 2. The final chapter (five) will present the major conclusions that can be drawn from this research, along with a discussion around the limitations that were encountered and where further research is needed. Figure 1 provides a graphic tool or 'flow chart' for understanding the layout and findings of this dissertation.

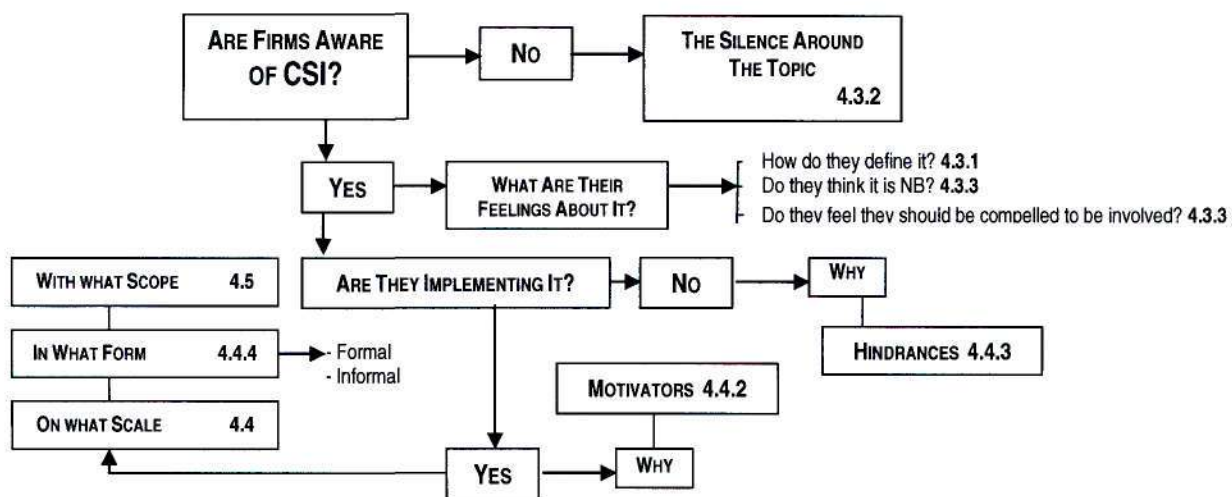


Figure 1: Flow Chart; a pictorial representation of the research

1.3 CONCLUSION TO CHAPTER

This chapter has sought to provide an overview of the need for this current research and a basic understanding of some important concepts that are referred to in this current paper. While the issue of small businesses and SI has been identified as a major area of research need (Rossouw, 2007), it is necessary to look at previous research to determine just how substantial this need is. It is with this aim in mind that we turn to Chapter 2.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

A great deal has been written about Small and Medium Enterprises (SMEs), the role they play, their performance and their specific nature in the South African context. Literature on SMEs and social investment (SI) is however, scarce. This chapter seeks to bring together a number of key literature fields to provide a platform for the analysis of the field work data presented in Chapter 4. To create this platform, literature around our South African situation (and more specifically, the context of KwaZulu-Natal) is discussed. This is followed by a discussion of small and medium enterprises and some insights are provided as to why they deserve attention. These two initial sections provide a background for understanding this research. Subsequent to this, an examination of social investment in its broader sense is presented which includes an important section specifically exploring the literature around small firms and SI. In order to support critical analysis a range of texts on CSI and CSR are explored in these sections. Finally, the gaps that are evident in the current literature and research are explored.

2.2 CONTEXT

As has already been identified, South Africa's history of segregation, particularly in the forms of colonialism and Apartheid, has been one of the factors which have contributed to continued high levels of poverty and inequality in our country, with approximately 48.5% of the population falling below the poverty line and a Gini coefficient of 0.635 in 2001 (UNDP, 2003). KwaZulu-Natal (KZN) is South Africa's most populated province containing 20.9% of South Africa's 47 850 700 people (Stats SA, 2007). It has been estimated that 5.7 million people (61%) in KZN live in poverty (Schwabe, 2004) which is high (though not the highest in South Africa) especially given that a relatively large percentage of the province is urbanised (42%) (May *et al.* 2000). On top of this poverty problem, KZN also has the highest level of inequality, along with the Eastern Cape (both having a Gini coefficient of 0.65) (JBIC, 2006). It is in this context that the need emerges for businesses to partner with the government in responding to social challenges.

2.3 SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA

It is difficult to know exactly how many SMEs there are in South Africa, especially if those unregistered businesses belonging to the informal economy are considered. It is also “made difficult by the absence of adequate data. No time series data is available and the individual estimates of the total number of enterprises in South Africa vary considerably” (GEM, 2004: 22). Rossouw (2007) reported that there were 600 000 small and medium enterprises, while Berry, von Blottnitz, Cassim, Kesper, Rajaratnam & Ernst van Severter, (2002) report that in all there are between 1.6 and 3 million small, medium and micro enterprises (SMMEs) in South Africa.

This paper focuses specifically on small and medium size enterprises (SMEs) and excludes to a large extent very small, micro or survivalist enterprises which make up “an immense majority” (Berry, *et al.* 2002: 1). As has been mentioned, expectations for this sector are high, not only to aid South Africa's economic growth but also itself to be a vehicle for development by creating employment and redistributing income (Smit, 2007; SARS, 2004; Berry *et al.* 2002). In some respects, this expectancy is well-founded as “owner-managed enterprises already employ nearly 4.1 million people including the owner-managers” (GEM, 2004: 53). On the other hand, much of this expectation remains a theoretical hope as “in comparison with many other developing countries, the contribution of South Africa's SMMEs to employment and economic growth is low” (Berry, *et al.* 2002: 5).

2.4 AN EXAMINATION OF CORPORATE SOCIAL INVESTMENT

2.4.1 What Is CSI?

Corporate Social Investment (CSI) has been around in various guises for a quarter century or perhaps longer (depending on one's view of history). It has evolved to the status of a profession and is being debated on the world stage, advanced by globalisation and technology.

(Next Generation, 2005)

Corporate Social Investment is closely tied in with two other related concepts, that of Corporate Social Responsibility and Corporate Citizenship. Njenga & Smit (2007) explain how these three concepts operate to some extent along a continuum. Many companies begin by instituting CSI practices. Here they invest in the community with the hope of benefiting in the long run – the focus being is on ‘corporate reputation’. At times, this may need to be enforced or encouraged by law (as is the case in South with the Broad-Based Black Economic Empowerment Act of 2003). With time,

these practices may become socially responsible (Corporate Social Responsibility [CSR]). At this stage the act of investing in the community becomes more than something to be complied with, and instead becomes a part of the corporate identity of a company. CSR can be understood as

how businesses align their values and behaviour with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to be accountable to its stakeholders (CSRnetwork.com, 2005)

Finally companies may reach the stage of corporate citizenship where social involvement becomes part of the corporate character of a company and “completes the picture by incorporating CSI and CSR” (Njenga & Smit, 2007: 5).

The issue of CSR is one that has been discussed and debated for a number of decades (Aupperle, Carroll & Hatfield, 1985; Keim, 1978; Elkins, 1977). The issue of CSI has been less widely discussed with very little literature available on this concept alone. Much of the current work on CSI can only be identified in individual company case studies and not in academic research. Because of this, most of this literature review will focus on CSR

2.4.2 What Constitutes Socially Responsible Behaviour?

It is difficult to draw up a definitive list of the exact features of CSR – very often CSR will constitute different activities depending on the specific business environment (Raynard & Forstater, 2002). CSR is specifically associated with “Social” responsibility as is suggested in its acronym – however, it is loosely tied to other concepts such as Corporate Environmental Responsibility, sustainable development and business ethics (Vogal, 2005). CSI Solutions (a South African based business focussing on adding strategic planning to CSR initiatives) suggests that the following can be included in CSR:

- Orphaned and Vulnerable Children (OVC)
- Health
- Poverty Alleviation
- Education
- Housing
- Infrastructure
- Environment
- Sports development
- ICT and Telecommunications
- Agriculture and food security
- Job Creation
- Skills Development
- Youth Development
- Road Safety
- Energy
- Arts & Culture

Raynard and Forstater (2002) supplement this in saying that CSR initiatives should focus on “reducing social ‘bads’ such as poverty, human rights abuse and environmental degradation, and increasing social ‘goods’ such as sustainable livelihoods, education and biodiversity” (p. 66). It is with these features in mind that CSR is considered.

2.4.3 Arguments Against CSR.

Waiweru (2006: 95) outlines a number of the arguments that have been laid against CSR. Firstly, he states that CSR is seen to “violate... the policy of profit maximisation and as a result stockholders will suffer”. Secondly, “society will be better off if it asked businesses only to maximise their efficiencies and thus lower costs”. Thirdly, CSR “will increase the price of the end item because ‘cost is passed on’ (businesses increase prices as a means of acquiring back some of the amount spent on CSR) and as a result purchasers of the item in the end suffer increased prices”. Fourthly, “most corporate executives lack the knowledge, perception, skills and patience to deal with and solve society’s problems”. Fifthly, “social actions cannot be measured, so why participate in them?” Lastly, “businesses already have too much power. Increased activity in the social arena will only increase its power to remould society to their way of thinking”.

2.4.4 Arguments for CSR.

A more responsibly managed firm will face fewer business risks than its less virtuous competitors: it will be more likely to avoid consumer boycotts, be better able to obtain capital at lower costs, and be in a better position to attract and retain committed employees and loyal customers.

(Vogal, 2005: 16-17)

Waiweru (2006) outlines a number of benefits for a corporation involved in CSI initiatives. He states, firstly, that it improves financial performance. This is however a contested point since some research (Aupperle, Carroll & Hatfield, 1985) has shown that there is no statistically significant relationship between CSI and increased financial performance while Vogal (2005: 17) flatly states that there is “no evidence that behaving more virtuously makes firms more profitable”. However, Holmes’ (1976) research showed that most CEOs viewed social investment is desirable and necessary, even if it means a reduction in short-term profits or no long-term returns. McGuire, Sundgren & Schneeweis, (1988) found that financial performance may increase CSI rather than the other way around. Vogal (2005) states while profitability may not be a motivator in an enterprise becoming more socially responsible,

this does not mean that there is no business case for socially responsible behaviour. The extract from Vogel (2005) in the epigraph to this section emphasises what he means by this.

The second benefit CSR produces, argues Waiweru (2006) is enhanced brand image and reputation, or what Elkins (1977) calls public relations or advertising. Thirdly CSI can lead to increased productivity and quality; “company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision making often lead to increased productivity and reduced error rate” (Waiweru, 2006: 93). Fourthly it can lead to increased sale and customer loyalty (related to Elkins’s public relations or advertising mentioned earlier). Fifthly CSI can lead to a companies increased ability to attract and retain employees. Sixthly, Waiweru claims that CSI can help a company to keep up with competitors and with the market as “governments, investors, local communities and suppliers are all putting pressure on companies to live up to the expectations of a company in society and in the environment” (Waiweru, 2006: 94). These six reasons as they are laid out by Waiweru (2006) are similar to earlier findings by Elkins, (1977).

Another consideration that may lead corporations to become more involved in SR initiatives is company size – which is a point particularly relevant to this current study. One survey in which top and middle managers were asked to prioritise the goals of their companies showed that of those who listed social responsibility as a priority, the largest percentage (+/- 30%) were from large corporations with over 5000 employees (Abouzeid and Weaver, 1978). This is in line with Kamens’ (1985) theory of corporate giving which hypothesises that “larger corporations will have higher corporate giving rates than smaller ones, holding constant profitability and the costs of giving” (Kamens, 1985: 36). This finding is relevant to the current study which looks specifically at the possibilities for smaller firms to get involved in socially responsible activities. Keim, (1978) however found that there was no significant correlation between a corporations size and its social involvement or philanthropic activity. It would seem therefore that results are inconsistent suggesting further research and analysis are required.

Other factors that cause firms to become involved in ‘corporate giving’ are how integrated business elites are within their communities and whether firms are involved with selling services rather than goods (Kamens, 1985). Finally Njenga and Smit (2007) propose that companies may desire to be involved in CSR “because they care about the well being of the context in which they do business” (2007: 9) and because they “care about a sustainable future for the world” (2007: 10).

2.4.5 CSI in the South African Context

There is little literature on CSI within South Africa. In their 10th edition of the “CSI Handbook” for South Africa, ‘Triologue’ (2007) provides a useful overview of the evolution of CSI in South Africa. The idea of corporates being involved in community upliftment was first introduced in South Africa in 1972 by Professor Meyer Feldberg under the title “corporate-community giving”. “His call was based on the common-sense belief that socially responsible behaviour is the bedrock of long-term productivity and profitability of the company” (Triologue, 2007: 5). Pre-democracy, CSI was evident in South Africa but its approach was largely welfarist rather than following any ‘developmental approach’. Further it was largely directed towards ‘worthy causes’ in response to funding applications from NGOs. Priority was given to projects where donations were tax deductible (such as education) and was largely in the form of cash donations. Giving was discreet with limited marketing potential or coordination between the different role players. The focus was on inputs (money being spent appropriately) rather than outputs (developmental goals achieved) (Triologue, 2007).

It was not until democracy, that CSI in South Africa truly became an integral part of business practice. CSI in the first decade of South Africa’s democracy was typically governed by a by a professional set of principles rather than the *ad hoc* approach that had been adopted previously. CSI has also become more integrated with business through involving management and employees (through employee volunteering programmes) rather than a separate fund not connected to the business in any way. Further, projects were chosen based on their “logical fit with the company” (Triologue, 2007: 16) – in other words their alignment with core business. Further, grant-making became more *pro*-active instead of *reactive*, in that companies sought partnerships with communities rather than waiting for requests. There was also a move to fewer, more targeted and larger projects and flagship projects, away from ‘randomly’ supporting a number of different organisations. Monitoring and Evaluation also became centrally important during this period.

Finally, Triologue (2007) describe a “CSI style in the era of economic transformation”. “As CSI has become more professional and strategic, so we have begun to see pockets of corporate social investment excellence” (Triologue, 2007: 26). It is during this era that Broad-Based Black Economic Empowerment (BBBEE) really begins to play a role in terms of compliance with the codes, and businesses aligning their CSI budgets with these charters and codes. Trends to align projects with core business and to focus initiatives on a few larger projects and flagship projects have also continued and been extended. The understanding of ‘development’ and ‘achieving developmental goals’ through CSI has also been increased through longer-term partnerships with communities and other civil society and

government organisations. Further, during this period, there has been increased communication about CSI through processes like formal reporting.

2.5 SME INVOLVEMENT IN SOCIAL INVESTMENT ACTIVITIES

CSR has tended to be adopted more by large multinational companies than by small and medium sized enterprises (SMEs). Business benefits, such as reducing operational costs through environmental efficiency and enhanced reputation through positive responses to stakeholders' concerns, are not really significant to SMEs. It is much easier for large companies than small companies to adopt CSR. But it is crucial to find ways to advance these issues without imposing prohibitive costs and other resource barriers to the majority of companies of the world

(Tongzon, 2004: 107)

As the quote above highlights, CSI is largely understood as an activity that remains in the sphere of interest of larger enterprises. Some would also argue that given the role SMEs perform in the country, they are through their very nature acting in socially responsible ways. For example, Raynard and Forstater (2002) highlight that SMEs have been found to be key in employment creation (and consequently poverty reduction) and their presence has been correlated with reductions in income inequalities. These authors go on to say that SMEs may be involved in 'silent CSR' as they

- are less internationally mobile than TNCs; therefore they take a more long term view of investment in an individual locality.
- may exhibit strong religious/philanthropic approaches – especially if it is a family based business.
- have more links to the local civil and cultural environment and may be more aware of local risks and emerging issues than internationally managed companies. (Raynard & Forstater, 2002: 35 – paraphrased)

Being involved in such 'silent' CSR means that these SMEs may not have a formal "CSR Strategy" but are nevertheless investing in their environment in a socially responsible manner. In relation to the epigraph by Tongzon (2004), the question then arises – is SME involvement in SI activities merely reported less or is it given less attention because it is smaller and therefore falls below the radar of public interest and attention?

In looking at attitudes to CSR among SMEs in developing countries, Raynard and Forstater (2002) found that generally there was awareness of CSR among these firms and that it was seen to be an important issue. Their research (although limited to a small sample size) revealed that

there is a general concern about the threats CSR may pose in creating a barrier to markets and the burden of compliance and monitoring. However, there were perceived to be a number of opportunities presented by CSR, including access to markets and better alignment to consumer concerns (Raynard & Forstater, 2002: 53)

In light of this, the companies included in the sample indicated that there was a need for heightened awareness of CSR among SMEs and the need for careful management to mediate these threats and opportunities effectively. They also highlighted the point that it is necessary to draw SMEs into CSR activity so as to ensure that "SMEs are not able to undercut universal CSR standards and become a blind spot in which exploitative and environmentally destructive practises flourish" (Raynard & Forstater, 2002: 65).

Despite the difficulties that smaller firms may face (especially the need to focus solely on their core product in order to survive and generate a profit), they too operate within the context of a particular society, and so should ideally act in a way that is socially responsible, and 'gives back' to the community from which they emerge. As Tongzon (2004) highlights, it is necessary to find creative ways for SMEs to do this, without affecting their sustainability as a business. In fact Draper (2000) maintains that "the fact that small businesses have a heightened requirement for... employees, strong personal relationships and successful local engagement means that small firms can be a good environment for corporate social responsibility to flourish".

As has been mentioned, CSI as a concept is not alone in its field. It is closely tied up with the concepts of CSR and corporate citizenship. As social responsibility becomes more about a corporate's identity and its culture it shifts from the realm of CSI towards CSR or corporate citizenship. The enterprise's worldview and therefore model of business is a central aspect in becoming more socially responsible. How can SMEs develop a world view which is associated with those of corporate citizenship, or as Smit has said, "How can "SMEs develop business models that will add social capital to the environments in which they do business" (Smit, 2007: personal communication). According to the same writer, answering this question is a possible point of access for SMEs into social responsibility.

Two things arise here, the issue of social capital and that of developing appropriately responsible world views within business. With regard to the question of social capital, this is a sociological concept which has been written widely about, and has many divergent definitions depending on the author and the context about which they were writing. The term was first introduced in 1961 by Jane Jacobs (Cooke & Wills, 1999) but Coleman in the 1980's and 1990's (writing about education and social capital) and

Putnam in the 1990's (writing about organisations and social capital) were central in bringing social capital to the forefront of scholarly thought.

Putnam explained that "social capital refers to features of social organization such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit" (1995, 67). Social capital has also been defined as "any feature of a social relationship that, directly or indirectly, confers reproductive benefits to a participant in that relationship" (Savage & Kanazawa, 2004). Out of these two definitions the following highly relevant points to the discussion of SME involvement in social investment can be drawn. Firstly, building social capital means building networks or relationships between individuals or groups of people. Secondly, such relationships are directly or indirectly mutually beneficial. And thirdly, these relationships build trust and cooperation.

When a firm invests in society, they build relationships between themselves and the particular group they choose to invest in. The aim of investing in a group of people is to improve their well being. However, as has been shown in the literature, social investment has benefits for the firm as well (in terms of improving customer relations for example, or their public profile or decreasing business risk). Hence, such behaviour is also mutually beneficial. Finally, if done correctly (in a participatory way rather than a with top-down approach – see Chambers, 1997), such initiatives could build trust and cooperation. Thus there is a case for the idea that CSI could add social capital to the business environment.

The second point raised by Smit (2007) is that of developing business models for SMEs that become closer to the ideals of corporate citizenship. Kawaguchi (2004) gives the example of a number of SMEs in Japan which have not established separate CSR departments, but have instead incorporated socially responsible activities as a part of their core product, business philosophy or business 'world view'. Kawaguchi gives the example of two medium sized enterprises in Japan. The first is a mail-order business whose mission is "to identify 'green' products in the market place" (2004: 143) and who, in order to do this drew up a constitution which outlined their environmental policy. Their product selection and marketing strategy were then both geared towards this socially responsible core philosophy of providing their customers with products that were environmentally friendly. The second business was also a medium sized enterprise. This was a manufacturing company with a "unique company philosophy and culture" (2002: 145) which directly focussed on socially responsible behaviour. The central way that this company did this was through establishing

clear rules for dividing profits equally among society, the company and its shareholders, and employees. Sharing profits with society represents [the company's] social contribution and, among other things, takes the form of donations through its foundation (Kawaguchi, 2002: 146)

Here the creative ways that medium size enterprises are engaging with social responsibility can be seen. Additionally, a move towards an ideal of corporate citizenship can also be seen. While SMEs may not be able to develop CSI departments, or a unique CSI strategy, these examples show that social responsibility can be adopted as part of a worldview or a particular method of doing business.

Kawaguchi (2004) goes on to outline the Shiga CSR model, which is based on Japan's own traditions and cultural heritage. This model is interesting because it provides two points to learn from. Firstly, it provides a model based more on corporate citizenship than CSI (which could possibly be more useful to SMEs). Secondly it provides an interesting culturally specific example of a CSI model. It is based on an ancient Japanese merchant philosophy of 'triple-win' which involves business that benefits consumers, producers and society:

This model is deeply rooted in the idea that CSR in Japan today is based on the framework built in the United States and Europe and that, though admirable, its approaches to specific corporate activities are not necessarily appropriate to Japan. (2002: 147)

What is most beneficial about this approach is that it takes a concept important in our globalised world and adapts it to the local context, identifying how CSR is unique in this specific culture and context.

In some key research done on SMEs and CSR in Europe (CERFE Group, 2001) a number of important findings were identified. Firstly, it was found that SME 'good practice' was generally directed towards being environmentally responsible (more than being socially responsible) or looking at issues of sustainable development. This has been attributed to the fact that there is greater public awareness about environmental policy and standardisation than such social policies. Secondly, it was found that unlike big corporates, SMEs do not engage in a wide mix of CSR activities, but instead (perhaps due to their size and therefore capacity) tend to focus on one or two issues that are important to them. Additionally, these issues are normally based in the local context. Thirdly, a link was established between CSR activity within SMEs and "the relations that [these] enterprises maintain with associations and the other non-commercial relations they have with other collective organizations (other enterprises, citizens' organizations, etc.) and/or public bodies" (CERFE, 2001: 61) including links with other foreign countries. Finally, it was found that those SMEs more likely to engage with CSR activities focussed more on quality than those firms that are less likely to undertake CSR. All of these findings are of central importance to the current study in determining motivating factors for Durban-based SMEs in CSR.

2.6 GAPS IN THE RESEARCH

While the research on CSR and CSI is fairly varied, it reveals that little research has been done on the links between the two different yet similar concepts. There has not been a lot of research into the role that small to medium sized industries and firms could play in social responsibility and investment – and as has been mentioned this has in fact been identified as a major area needing research by a number of leading CSI practitioners in South Africa (CSR conference, 2007). Previous research has produced varied results as to whether the size of the firm impacts on their levels of CSI with some research showing it does affect CSI and others showing no correlation. Given the substantial percentage that these small and medium firms contribute to South Africa's GDP, it is necessary to do further research into this area. Reynard and Forstater (2002) state that where research has been done into SME involvement in CSR activities, it is normally focussed on appropriating CSR activities of larger firms to SMEs, "there is little analysis of the different dynamics, issues and pressures facing SMEs and their potential for influence, in particular for developing countries" (p. 35). Similarly, there is little knowledge being generated about what motivates or hinders small firms from getting involved in SI.

2.7 KEY RESEARCH QUESTIONS

From looking at the literature around CSI, small businesses and the South African context, the need for further knowledge and research is clearly evident. This research therefore seeks to fill this 'gap'; in the course of which more questions and research areas will no doubt be discovered. Based on the need for research in this area (discussed in the introduction) and the gaps in the current research (discussed in this chapter), the following questions guide this research:

1. To what extent are small firms currently involved in SI activities? (i.e. what is the scale of their activities?)
 - a. What drives or motivates those that are involved to include SI activities in their business framework
2. What form does this SI activity take? (i.e. what is the scope of their activities?)
 - a. What drives or motivates these decisions?
 - b. Are these activities predominantly in the realm of SI, or do they begin to move towards corporate citizenship?

3. What is preventing small firms from getting involved in SI initiatives?
4. What lessons can be learnt about small business SI from talking to small companies?

2.8 CHAPTER CONCLUSIONS

This chapter has sought to provide an overview on the literature that is currently available around Social Investment and Small Businesses. By providing an overview of these matters in South Africa and more specifically in KwaZulu-Natal, the ground was laid on which this current research is based. Following this, some attention was given to understanding the concept of CSI in more detail and a variety of frameworks were then presented which allows for some theoretical exploration of the issues that are raised by SME social investment. Finally, identifying 'gaps' in the research led to the important questions that this research aims to answer being raised. To answer these questions, this research seeks to understand what role Small Businesses in Durban are playing in social investment.

CHAPTER 3

METHODOLOGY

3.1 INTRODUCTION

This chapter seeks to present the methodology or research methods used in this current study. A methodology “specifies how the researcher may go about practically studying whatever he or she believes can be known” (Terre Blanche & Durrheim, 1999: 6). As such, this chapter presents an overview of the steps taken to obtain information about what ‘can be known’ about small businesses and social investment (SI). This chapter begins with a discussion around the research design. This is followed by an explanation of the sample and the sampling method and then how data collection proceeded and was subsequently analysed. Before the data collection began in earnest, a pilot test was conducted to ensure that the methods worked and a brief discussion of this makes up the final section of this chapter.

3.2 RESEARCH DESIGN

“A research design is a strategic framework for action that serves as a bridge between research questions and the execution or implementation of the research” (Durrheim, 1999: 29). In order to answer the research questions stated at the end of chapter 2, it is necessary to distinguish this ‘framework for action’. According to Durrheim (1999), a research paradigm is based on decisions around 1) paradigm, 2) Purpose, 3) Techniques and, 4) Context. This research will be based within the Interpretivist paradigm as it seeks to “explain the subjective reasons and meanings that lie behind social action” (Terre Blanche & Durrheim, 1999: 6) – in this case the social action would be small businesses involvement in SI. ‘Purpose’ involves decisions around, “the object of study” and “the type of study”. The “object of study” will be discussed further in the next section (Sample and Sampling Methods), but in terms of the “type of study”, this research is primarily an exploratory study as it is a new study for which there is not much current research. As such, it employs an “open, flexible and inductive approach to research [in an] attempt to look for new insights into [the] phenomena” (Durrheim, 1999: 39) of small business SI. Further, this research will be an empirical study using primary data. It will primarily be a Qualitative study – however, elements of Quantitative data will also be actively sought. The *techniques*

employed include decisions around sampling, data collection and analysis. These will be discussed in more detail through the rest of this chapter. Finally, issues of *context* involves understanding that this current research takes place in a specific contextual situation; as this is largely a question around the impact a researcher and the settings could have on the results (Durrheim, 1999: 49) this is looked at in more detail Appendix 3, “Issues around Ethics and Reflexivity”.

3.3 SAMPLE & SAMPLING METHOD

The sample was drawn from the population of small business owners who are registered with the Durban Chamber of Commerce and Industry (DCCI). To qualify as a small business, companies need to employ between 11 and 50 employees. A list of random numbers was generated to choose which firms would be a part of the random sample of 80.⁶

The research is made up of 2 parts, a brief telephonic interview and a more in-depth, hour long interview. Of the 80 firms contacted to be a part of the telephone interview, only 32 were willing to be a part of the research, meaning that the final sample used in this research was less than half its intended size. This in turn, impacts on the results, especially in terms of generalisability. A random sample means that any findings generated are more or less generalisable to the rest of the population however, the fact that the sample was so severely skewed (due to so many people not being willing to take part) impacts on this. Further, the sample is much smaller than intended making it difficult to determine trends. Despite this, the research is still useful and a sample of 32 is still substantial for research that is largely qualitative.⁷

During this brief telephonic interview, those firms which were stand alone businesses (not part of a larger chain) were asked if they would be willing to be a part of a longer, more in-depth interview. In planning the research, it was thought that there should be between 10 and 15 participants who should make up this second interview which would be chosen out of the larger sample according to systematic sampling. When however, the sample turned out to be so small, it was decided that all firms who fitted into the ‘stand-alone’ small business category should be asked to take part. A total of 10 firms

⁶ The random numbers were generated using <http://people.hws.edu/ryan/Ryan/Pages/Random.html>

⁷ While all of the sample group were classified as small according to the DCCI's data base (in terms of the research's criteria of having between 11-50 employees) there were a proportion of them which were not stand-alone businesses, but were one branch of a larger company. While on a national or regional level, these companies may not be small businesses, it is nevertheless interesting to determine what that particular branch – in their individual capacity – is doing.

responded that they were willing and so made up the sample for the second part of this research, which is within the desired range for number of interviews for this section.

In choosing how many people should be a part of the entire research, the 'general rule of thumb' according to Babbie & Mouton (2004) was followed. Here they state that,

A general rule of thumb indication for a South African master's level study in the interpretive paradigm is between five and twenty or twenty-five respondents, depending on the nature of the study... (Babbie & Mouton, 2004: 287)

Based on this it was decided that a larger sample was needed for the short interview (than for the long) as this was very brief and intended to gauge general perceptions in an attempt to determine possible trends. Because this shorter interview was in place with a larger sample size, it meant that fewer participants needed to take part in the longer interview which is why only 10-15 were originally required and a final sample of 10 is satisfactory.

The benefit of using the DCCI as the pool from which the sample was drawn, is that random sampling can be used as there is a complete 'list' of appropriate small enterprises. The shortcoming of using such a population is that it may not be fully representative of all the SMEs in Durban. It is with this constraint in mind that research was done.

3.4 DATA COLLECTION

To answer the first and second research question (excluding the 'sub' questions of each of these main questions – i.e. excluding questions 1a; 2a/b) the 32 companies in the sample were asked if they are currently taking part in SI activities and if so what these were.

From this initial interview 10 firms took part in a more in-depth qualitative interview. These firms each took part in an hour long, semi-structured interview. Interview questions were focused on answering the four main research questions (including all the 'sub' questions) in more depth and uncovering attitudes and ideas towards and around CSI, and more specifically SI.

The hour-long semi structured interview can largely be placed in the survey tradition rather than that of the basic qualitative interview. The latter is less structured and can be understood more as a "general

plan of inquiry but not a specific set of questions that must be asked in particular words and a particular order” (Babbie & Mouton, 2004: 289). The interview here was largely structured, although at times did provide scope for the researcher to deviate to probe deeper into certain responses. The interview was made up of open and closed-ended questions. The open-ended questions were designed to probe deeper into respondents’ feelings about and understandings of SI. Closed-ended questions were used to achieve greater uniformity in a number of questions, and to generate quantitative results, but were always accompanied by a similar open-ended question to obtain more qualitative insights. The lists of possible answers in the closed-ended questions were put together through reading other literature on the topic and talking to key informants in the field, who also identified possible aspects to include.

It is believed that this is the most appropriate way to collect the information needed for this research as representatives from the companies have a chance to talk one-on-one to the interviewer in a safe environment about their views of CSI, while still providing answers to the specific questions important to this research. The purpose of conducting two types of interviews (short and long) was two fold. Firstly, this enabled the researcher to collect a wide range of information about the central aspects of the research and then to go more in-depth and unpack these findings more through the long interview. Secondly, this enabled triangulation to take place. Triangulation refers to “the use of multiple perspectives to check one’s position against” (Kelly, 1999: 430). The results obtained in these two methods could then be cross checked against each other to check for consistency. Bearing in mind the 3-4 week gap between the telephone interview and the long interview this was important. Similarly, using qualitative and quantitative methods in the study also helped to triangulate results.

3.5 DATA ANALYSIS

Qualitative data was analysed according the qualitative data analysis procedure outlined by Jacques De Wet & Zemitri Erasmus in their article Towards Rigorous Qualitative Analysis (2005). The limited Quantitative data that was generated used quantitative methods of data analysis. To do this, the procedure as set out in Terre Blanch and Durrheim (1999) was followed.⁸

⁸ Discussed in more detail in Appendix 2: Methods used for Data Analysis

3.6 PILOT TESTING

“Pilot studies are used to identify possible problems with proposed research, using a small sample of respondents before the main study is conducted” (Macleod, 1999: 298). In this research, a small business owner from the population, but outside of the particular sample was chosen and contacted. Given the small sample size of the long interview, it was decided that only one participant was needed for the pilot study. The interview was then conducted in exactly the same manner as the actual research. The main point of conducting this pilot study was to check that the participant understood all the questions (their language and the way they were phrased), to check that the interview fell approximately within the hour time frame and to make sure that there were no administration difficulties. Once the pilot interview had been completed, the respondent was asked to briefly give some feedback about the interview; what they felt were any areas the needed improving, where they felt things had been left out and where there was a lack of clarity. After the interview, simple analysis was conducted on the results to further determine if the instrument was producing the needed data. After this process, only two minor changes were made to the instrument to improve it. One involved the rating system of 3 closed-ended questions and the other a minor language alteration.

3.7 CHAPTER CONCLUSIONS

This chapter presented a discussion around the methodology used to conduct the research. It began by presenting the research design; this shows the overall ‘framework’ or ‘plan’ around which this research is structured. From there, other aspects of the methodology can be understood and were discussed. The sample and sampling method, data collection and data analysis were then presented, before a brief discussion was had around the pilot test that was conducted. Now that the research methods used in this research are understood, it is possible to turn to the next chapter which looks at the research results and an analysis and discussion of these.

CHAPTER 4:

RESULTS AND DISCUSSION

4.1 INTRODUCTION

This chapter presents the results of the research along with a discussion of the research findings. There are six major subsections in this chapter. The first presents a demographic overview of the sample, secondly understandings and awareness of CSI are looked at. The scale of SI followed by the scope of SI amongst small businesses is then presented. The penultimate section looks at other interesting findings before the final section presents a general discussion and recommendations based on this study. Each of these sections has a number of subsections themselves. It is important to note that this discussion will focus more on certain findings that are specifically pertinent to this current research, than on others.

Figure 2 on the following page represents the researcher's interpretation of these findings. It is a flow diagram which captures a summary of the results of the research. Through the research it was discovered that there were a number of themes that were connected in some way. This made the write up fairly complex at times. It is therefore the purpose of Figure 2 to clarify some of these linkages.

The starting point is the block in the top left hand corner, "Are firms aware of CSI". From here the chart flows out asking and answering different questions. For example, if the answer to that first question is "no" then this leads to the finding that (and discussion around) "the silence" that surrounds small business SI. This discussion will then be had in section 4.3.2 (the number in that block). If on the other hand, firms answer that "yes" they are aware of CSI then two areas become important. Firstly, what are their feelings about this (the relevant follow-on points then identified, as well as the section number where they will be discussed further) and are they implementing SI practices in their own small businesses. If they are not, the flow chart then points to reasons why they are not (specifically 'hindrances' which will be discussed in section 4.4.3) and if they are, the question why is also asked (specifically what are the 'motivators' for such action which is discussed in section 4.4.2). Further, if the answer is 'yes' they are involved in SI activities, then the research is interested in finding out on what scale this takes place amongst small businesses, in what form and what scope. Important findings from this research are then identified for each of these headings. On the right hand side of the page are some other important issues that were explored in this research and the ways they connect to other research findings are highlighted.

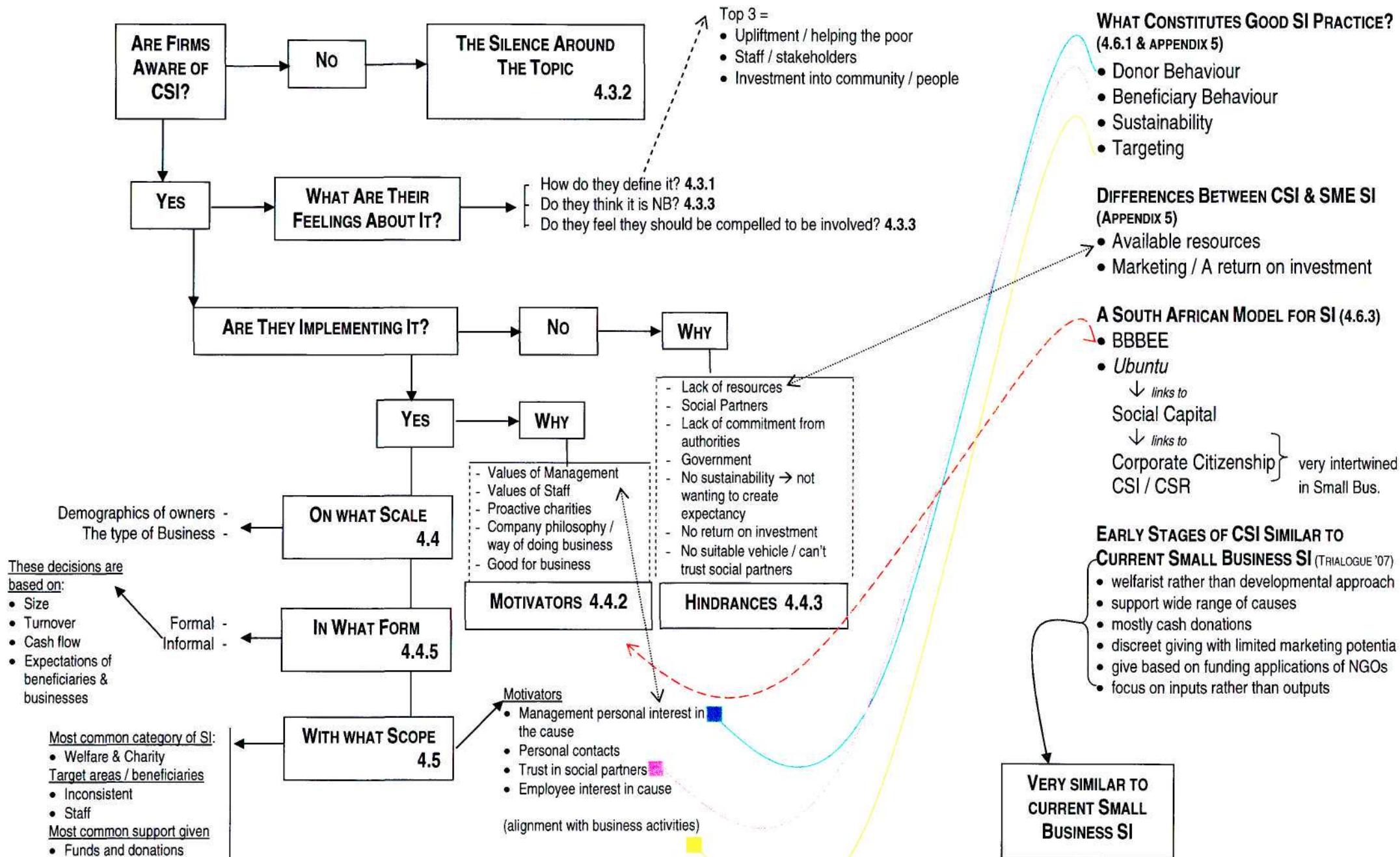


Figure 2: Flow Chart; an in-depth pictorial representation of the research findings

4.2 A DEMOGRAPHIC OVERVIEW OF THE SAMPLE

This section paints a demographic picture of the owners of the various small businesses involved in the study. Of the 32 companies that were interviewed in the short telephone interview, 17 of them were owned by more than one person (having either two or three owners). This meant that altogether there were 49 owners (excluding the companies which had large groups of owners or people running them such as shareholders or committees). Of these 49, over half of the owners were white (26 people or 53.06%). Ten of the owners were Indian (20.41%), 6 were black (12.24%) and 1 was Asian (2.04%). Figure 3, below represents these findings.

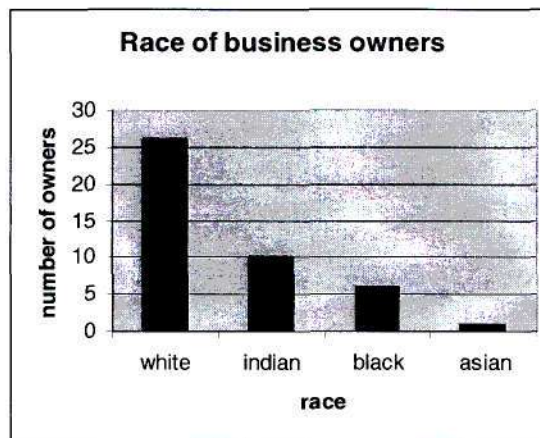


Figure 3

Of those companies with more than one owner (excluding those 3 companies with shareholders again) only 5 of them were owned by people of differing races. In terms of gender, 40 of the 49 owners were male (81.63%) (Figure 4 below) and in terms of age, most of those who owned the company classified themselves (or the owner if the person interviewed was not the owner) as "middle aged" (35 people or 71.43%). Only 6 reported that they were younger than 45 and 9 reported that they were older than 55 (Figure 5)

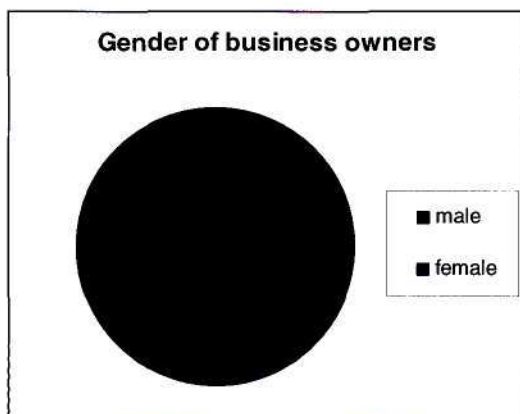


Figure 4



Figure 5

In other words, most of the firms interviewed were owned by people who were white, male and middle aged.⁹

For the long interview, only 10 participants took part. All 10 of these were male and middle aged. Two were black, 4 were Indian and 4 were white. Being a part of the long interview was an option made available to all firms which were 'stand alone businesses' (discussed in the methodology chapter). However, not all firms chose to be a part of this more in depth interview. It is for this reason that the smaller sample needed for the longer interview does not demographically match the sample for the shorter telephone interview.

The sample of small firms was chosen because of the number of employees they had (between 11 and 50). Table 1 below is a frequency table and looks at employee numbers. It breaks the number of staff employed into different categories or brackets, and then counts how many companies fall into each bracket in terms of the numbers of staff that are employed. The percentage of these is then worked out along with the cumulative frequency and the cumulative percent.

Number of Employees				
number of employees	frequency	cumulative frequency	percentage	cumulative percentage
11-20	12	12	37.50	37.50
21-30	11	23	34.38	71.88
31-40	5	28	15.63	87.50
41-50	4	32	12.50	100.00

Table 1

As can be seen from Table 1, 23 of the 32 firms interviewed (71.88%) had 11-30 employees. While there is no distinction made between 'smaller' and 'larger' small businesses in terms of government legislation, it is interesting that so many fall into the 'smaller' half. The difficulties that small businesses normally face (in terms of income, small numbers of staff, lower productivity and inconsistent cash flow – to be discussed more in a later section which looks at hindrances) are probably more acutely felt by the 'smaller' of the small businesses. If this hypothesis is true, it would mean that the hindrances to SI that all firms feel are more acutely felt within this particular sample.

⁹ It is possible that this sample is biased and not representative of small businesses and their owners in Durban. The DCCI is still in a process of transformation. Until such time, a bias of white males is to be expected.

Firm's turnover was not available from the database and so each firm had to be asked if they were willing to disclose this information during their short telephone interview. While some firms did not want share this information, it was found that those who did, did not always fall into the small business category in terms of turnover – or more importantly for this study, fell outside of the QSE limits¹⁰. Only 23 out of the 32 firms were willing to share information on their turnover. Of these, only 7 were QSEs with 8 falling under the QSE limit (having a turnover under R5 million) and another 8 falling over the QSE limit (of over R35 million). These results are represented in figure 6 below.

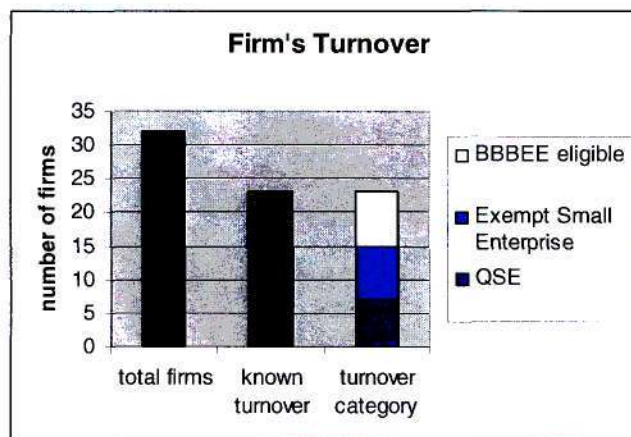


Figure 6

This is another limitation to the study as, although all of the firms did fall within the employee limits of a small business, many seemed to fall outside of the turnover limits. Although this factor is only secondary to employee numbers, it does impact on results as will be discussed.

In terms of number of years in operation, firms in this sample had, on average, been in operation for 29.3 years. If the outliers are excluded however (one firm reported for example that their company had been in operation for 248 years) this average comes down to 21.8 years.¹¹

Now that this initial picture of the sample has been drawn it is possible to look at the particular findings relevant to this research.

¹⁰ Companies which have a turnover of over 5 million but less than 35 million are classified as Qualifying Small Enterprises and qualify to obtain a BBBEE rating based on 4 of the 7 pillars of BBBEE. See Chapter one, 'Concept Clarification' for more details.

¹¹ It is possible that this sample is biased and not representative of small businesses and their owners in Durban. As has been noted, the DCCI is still in a process of transformation which may mean that newer businesses have not joined the Chamber. Further, the very fact that on average most of these firms have been in operation for just over 20 years, gives weight to the footnote earlier that a slow transformation process is responsible for most business owners in the sample being white and male. As the mean number of years in operation for businesses comes down, it is more than likely that business owners will become more representative of South Africa's population (in terms of greater numbers of previously disadvantaged people)

4.3 UNDERSTANDINGS AND AWARENESS OF CSI

As a starting point to exploring social investment activities amongst small businesses in Durban, it is necessary to determine the levels of understanding and awareness that small businesses have about the topic. For this section, businesses' behaviours which contribute to socio-economic upliftment are referred to as CSI (Corporate Social Investment) or at times CSR (Corporate Social Responsibility), as these terms are more widely used than 'SI' on its own. It is only later in the chapter when we look specifically at the behaviours of small businesses and not corporates that we return to 'SI'. Determining what the understandings and awareness of CSI / CSR are, provide a good basis on which the rest of the discussion around SI can be grounded.

There are three subsections to this section of Chapter 4. The first looks more specifically at how small businesses define CSI. The second looks at the issue of the silence around SI. The third looks at whether or not small businesses think it is important to be involved in SI, and further, whether they feel that small businesses should be compelled to be involved. All three of these sections help to draw a clearer picture about the understandings of and awareness about CSI and SI amongst small businesses.

4.3.1 How small businesses define CSI

In looking at how small businesses define CSI / CSR, it is possible to determine a number of different factors such as; what they understand CSI to be, what activities they understand it to include, what the levels of awareness are generally amongst the respondents and aspects of CSI and CSR and the continuum that Smit & Njenga (2007) speak about of CSI to CSR to corporate citizenship. As was described in Chapter 3 (Methodology) there were two methods of collecting data in this research, the first was a short telephone interview and the second was a longer one-on-one interview with respondents. In the short interview, companies were asked to briefly describe what they understood by the terms 'corporate social investment' or 'corporate social responsibility'. As this was an open-ended question, the answers were quite varied, but in general showed that companies had quite a good understanding of the basics of these two terms. Upon analysis, their responses could be categorised into a number of different themes. Each time a respondent made reference to a particular theme it was recorded and the results were captured in Figure 7.

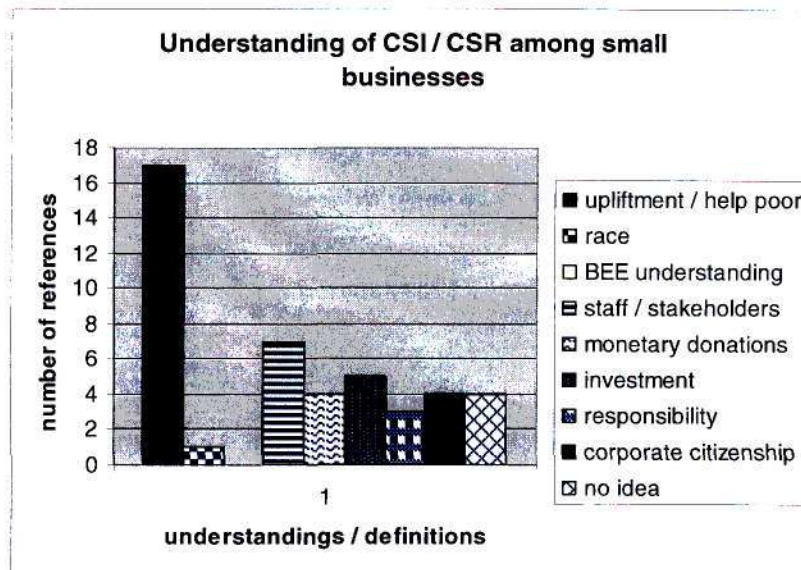


Figure 7

From this graph it can be seen that most respondents felt that CSI/CSR had something to do with 'upliftment' or 'helping the poor'. Within this category, they also commented that it involved 'giving back to the community' and helping the 'previously disadvantaged' (all together there were 17 references to behaviours of this sort).

The second column shows that only one respondent made reference to race or culture in their response, saying it was about "giving more to help African people" (PART. 48¹²). The connection this participant made between 'helping the poor' (recorded in the first column) and the poor being associated with a particular racial group is interesting and is a particularly unique comment on the South African context where the majority of the poor are black people (due to the legacy of Apartheid and racial discrimination). In line with this, it is also interesting that no firm made the connection here between CSI and BBBEE or government legislation. Such a connection was only established in the longer interview where participants had more time to talk and explain their thoughts.

After 'upliftment/helping the poor' the second highest response was "staff / stakeholders". Seven respondents made reference to the fact that CSI / CSR needed to be directed towards the staff members, or stakeholders within the immediate business sphere. This issue of staff being the major focus of SI also came up fairly strongly in the long interviews and is discussed in more detail in later sections.

¹² A note on the abbreviation: "PART" stands for "Participant" and the number afterwards is the number given to that particular participant to be able to distinguish between them.

Looking at the graph again, 4 firms made reference to the fact that CSI / CSR takes the form of monetary donations as the specific type of SI support that firms provide beneficiaries with (as opposed to donating time or assets). It is interesting that all of these firms had been in operation for 10-20 years, with three firms falling within a year of 20 years in operation. In other words, it would seem that these are fairly well established firms who view CSI as involving monetary donations. Could this suggest that because they have been in operation for a number of years they are fairly established in their method and views of CSI and have not necessarily kept up with progressive thoughts on the topic? For instance, Trialogue (2007) found that in recent years (or as they call it the era of economic transformation) there has been a definite move away from such donations or 'welfarist' approaches towards a more developmental approach (note that this is amongst big business). Due however, to these figures falling around the mean (the average number of years in this sample is 21.8 years if outliers are excluded) and the small sample size, it is not possible to say anything conclusively. This research would need to be done with a larger, more representative sample to determine if these findings are transferable to the rest of the population. This understanding of CSI (relating to monetary donations) is discussed in more detail in section 4.5.3 which looks at the type of support that small businesses most often provide in SI.

In terms of social investment, social responsibility or corporate citizenship, 5 people made reference to the word "investment" as a basis for understanding the social activities businesses are involved in. As an 'investment', participants would expect some sort of return for the money (or other input) they give to the social cause. Social responsibility as opposed to social investment was also mentioned by participants (3 of them). Extending this a number of people seemed to suggest principles that tie-in with corporate citizenship. Further discussions around the CSI – CSR – Corporate Citizenship continuum that Smit and Njenga (2007) discuss take place in section 4.7.

From looking at these definitions, it is clear that most small companies have some understandings of the basics of this concept; though these definitions are extremely broad and at times relate to beneficiary categories or types of support rather than simply a definition. Similarly, earlier research also found that small businesses generally seemed to have a good awareness of CSI or CSR (Raynard & Forstater, 2002). Efforts were made to determine if certain understandings or definitions of CSI were consistent amongst various businesses (for example if small businesses in operation for a similar amount of time, or with a similar turnover or with similar employee numbers had similar definitions for CSI). Given the small sample size, it was no specific patterns were found other than for 'monetary donations' which have just been discussed. Despite this general understanding, there were some who

had no understanding of CSI. The last of the column shown on the graph represents the 4 participants who had 'no idea' what CSI or CSR was. It is to this point that we turn to in the next section which looks at the silence around SI in more detail.

4.3.2 The Silence around SI

While most of the firms interviewed in both the short and the long interview had a sound understanding of the basics of what CSI / CSR means, there was nevertheless an underlying silence around the topic. This silence directly impacts the levels of implementation and awareness of SI. Apart from the four participants in the short interview who had no understanding whatsoever of CSI / CSR, this silence became strongly evident in the first section of the long interview which focussed on what the participant's felt was happening in the field of SI amongst other small businesses in the Durban area. Most of the participants battled answering these questions, and some did not even feel able to hazard a guess. For example, when asked what target areas or beneficiary categories were most commonly supported by small businesses one respondent answered,

"The problem is that I think from smaller businesses they don't really tend to share this kind of information. So I can't really comment for them" (PART. 39)

While another answered,

I think this is a difficult question to answer really because we don't talk about this topic in the industry generally... I have no idea what the other businesses are thinking (PART. 69)

Through both of these answers, the same issue arises; 'we don't share this kind of information' and 'we don't talk about this'; both point to this idea of 'silence'. So while there may be a good awareness about what the concept means, there is not a lot of knowledge about what is actually happening. Further, not only is this knowledge not being generated among small businesses, it is also not being generated in the academic world (hence the gap in the research identified in the literature review) which is the reason for this current study. This silence generates a number of problems, some of which were highlighted by the participants themselves. Firstly, it is suggested that there is a link between this silence and actual levels of SI involvement. According to one participant,

...people probably get talked into [SI activities] by someone saying 'come on, take part in this particular thing it's going to do this good for such and such'. Whereas you yourself would probably have never thought of it unless you were reminded of that particular thing or whatever it was you were being asked to contribute towards (PART. 23)

In other words, it is the talking to other firms who are involved or who know of an organisation to support, or the specific community organisation approaching and speaking to the small business owner that motivates firms to give; without this they themselves "would probably have never thought of it" (this links to the fact that personal contacts are a motivator).

In line with this, it is interesting to note that those firms which were not involved in SI at all were also not aware what other small businesses were doing in terms of SI and often reported that other small businesses were also not doing anything. Alternatively, those firms who were involved in SI activities on a long-term basis were usually more aware of what other small businesses were doing. Based on this very small sample, there would seem to be a link between awareness of what others are doing and levels of involvement (although direction of this link is not clear). Such a link could suggest that increasing levels of communication about SI involvement (or decreasing the silence) could consequently increase participation in SI. On the other hand, this link could mean that increasing the levels of participation, could decrease the silence; however the quote by participant 23 cited above, would suggest the former direction more likely. More research would however need to be done to find conclusive evidence about this point.

The second factor linked to the silence around SI, is that small businesses do not get any recognition for the work they do do in the field. As one respondent noted,

... a lot of the charity and the charitable work, the businesses don't necessarily associate themselves with that work, so they're not doing it for the sake of marketing. So I could see a big community centre go up somewhere and you don't know whether its government based or whether it's been done by businesses in that area. I mean they don't do it for that, so I don't know the details of any other major projects (PART. 39)

The main point of this quote again, is that there is a silence around SI which means that people do not know what others are doing; or who to attribute the good work that they do see to. While many small businesses feel that this is good, that to do charitable work for the 'right reasons' is important, it does perpetuate the cycle of silence. The inherent problem with this silence is that it potentially limits the levels of SI. Often hearing about the work that others do is in itself a motivator for action. As one respondent put it,

...right now we have a stalwart in work organisations who've spent a life time burning the back burner, and there's no recognition. Although they don't do it for recognition, I think recognition is a tool that develops further contribution on their part, and I think it's important... but I think that publicity would have been important because it serves as inspirational purposes, not for his ego but for inspirational purposes for greater society – how can I take a leaf out of his book? What is it I can do in terms of a contribution to society? (PART. 47)

In other words, greater publicity and recognition would put the good work that individuals and companies do into the public domain. This participant suggests that recognition could prompt the original giver to continue giving while simultaneously promoting greater society to imitate such behaviour. It would bring the issue of SI into the public awareness and public interest and thus promote it.

A number of participants mentioned that they would do something, but often needed something to 'jog their memories' to get involved. For some, this could be hearing about the good work others are doing, (as participant 47 highlighted above) for others this could be having someone remind them about a certain cause (see quote by participant 23 on the previous page). Another aspect that has served to 'jog people's memories' and bring SI into the public domain is Broad-Based Black Economic Empowerment (BBBEE). According to one participant,

[We have always been involved in some giving, but] the situation now is that you can now score a couple of points [from doing CSI]. So now you start to think of it and think is there not anything else we can do. So it's certainly something that jogs your memory about it. So if there is something else that you can do, then I think you're far more likely to do it now than before (PART. 54)

In other words, because companies can now score points for CSI according to the Qualifying Small Enterprise (QSE) scorecard, they may now think for the first time, or be reminded of its importance and value. Alternatively, small firms may already be doing SI and BBBEE is simply the vehicle through which their activities are now becoming more visible and thought through. This suggestion is supported by other research which hypothesised that,

since some of the other scorecard elements (such as BEE ownership) can be particularly onerous for smaller companies, SED [and consequently SI] expenditure represents a relatively easy route for them. We therefore believe that many QSEs striving to meet BEE scorecard requirements will select SED as one of their qualifying categories and will, accordingly, increase or introduce spending on social projects. (Triologue, 2007: 83).

The issue of BBBEE will be discussed again in subsequent sections; however within this context it is valuable to note the important role that BBBEE has played in generating awareness around SI.

The current research suggests that there is a general silence around this topic of SI and small businesses. This is reflected both in the academic literature and in 'real life' as this area is not prominent in the consciousness of small businesses. It is hoped that this research will take the first step in filling this gap. In order for small business SI to really take off, it would seem that this silence around the topic needs to be broken, and for more open communication about what different businesses are involved in to take place. This is in line with earlier research which found that there was a need for heightened awareness of CSR among SMEs (Raynard & Forstater, 2002). More information is however, needed to verify these findings, prove them on a larger scale and determine exactly what their implications are. Subsequently more concrete recommendations can be made.

4.3.3 Importance of & compulsion to be involved in SI

In order to get a complete picture of small businesses understandings' of SI it is necessary to look at what value they place on it. Do they feel it is important? Further than this, do small business feel that they should be compelled to be involved in SI. Most companies felt that it was important for small businesses to be involved to some extent in social investment or socio-economic delivery. This is in line with earlier research by Holms (1976) which found that most CEOs of companies felt that SI was important, desirable and necessary. As one participant put it,

every business and every person should be involved in social development. I think that there're too many people out there who need the help and the support. And I think if everyone clubs in [then change could happen]... (PART. 69)

The point that is significant here is that the needs of society are so significant that everybody needs to play a role to meet them. Further, because small businesses are members of society they need to contribute to the well-being of that society, through practices like social investment.

For another participant, not only are small businesses members of society, but they also hold a specific place in society that strategically places them for social involvement,

I think [SI is] very important because they're smaller businesses and so they're much, more closer to the community than the big corporations. (PART. 41)

Other participants expanded on this, saying that because small businesses *are* smaller, they are more in tune with their staff and consequently the local communities where the staff come from. Managers and owners of small businesses are thus more likely to hear what the needs are and find out from the members of the community themselves (via the staff) how these needs can be met. Raynard and Forstater's (2002) research agreed with this point as they found that SMEs have stronger links to the local environment which means that they are more aware of emerging risks or issues that larger companies would be. This strategic placing of small businesses within the community is therefore significant.

Other firms felt that while social involvement was important, it may not always be possible to do. Involvement in social investment, while valuable, is dependent on whether a company can afford it (PART. 39), and can justify it to their staff (PART. 23). The issue of available funds has come up as a significant hindrance to SI and will be discussed in more detail later. Ultimately, while some firms felt that there may be factors hindering the ability to be involved in SI, they all felt that if these could be overcome, then it would be important for small businesses to be involved.¹³

While more research (with a bigger sample) is needed to confirm these results, it would seem that most companies do feel that it is important for small businesses to be involved in SI on a purely intellectual or theoretical level. Whether theory translates into practice is another question that will be explored when the 'scale' of SI amongst small businesses is looked at. Thinking that SI involvement is important and believing that small businesses should be 'compelled' to be involved are however, two different things.

The issue of compulsion is fairly complex and emotive as it ties into people's feelings about the government, BBBEE, being a South African and so on. When asked if companies should feel compelled to be involved in SI, one participant answered,

No not at all. Well it depends on A. is the company making a profit. If the company is not making a profit, then there is enough that companies are already compelled to do anyway. This would be over burdening. (PART. 23)

¹³ Despite these findings, it is important to remember that there may have been some level of acquiescence at play which may have influenced participants to answer in this way. This would be due to the fact that the interview was specifically asking questions around SI, and so despite every effort of the researcher to appear neutral, participants could nevertheless attempt to answer in a way that they thought would please the researcher. Every precaution was however taken to prevent this, and so it is more than likely that most of the respondents did answer truthfully

Again the issue of available funds is raised but more importantly, the fact that compelling a small business to be involved in SI would be 'over burdening' for it. Another company felt that small businesses should be

not compelled but rather encouraged. Once compulsion comes so does a natural tendency to resist and I think it is important that businesses give for the joy of giving. Otherwise it's just another form of taxation that people become resentful of. (PART. 47)

This participant raises a number of points that are significant. Firstly, compulsion could lead to resistance and resentment and take away the 'joy of giving'. This links to the idea of 'motives'. The research found that some participants believed that the motives driving a person to give were important while others believed that the motives do not matter, rather it is the end result that matters – is the person or company giving or not. This is discussed further in Appendix 5 (what constitutes good SI practice). What is important here is that if it is taken from the point of view that the motives behind getting involved in SI do matter, then compulsion would be a bad thing. The other significant factor that this participant (and others raised) is that compulsion would turn SI into a form of taxation.

Most of the companies felt therefore, that compelling a small business to be involved with SI would be expecting too much from the small business given the constraints that they already face (such as limited turnover and inconsistent cash flow). Despite this, one participant was unsure if SI would ever truly take off amongst small businesses unless they were compelled to be involved and two others believed that companies should in fact be compelled to be involved. Their reasons for this were based on the same reasons they felt SI was important in the first place (discussed earlier in this section).

As can be seen, no clear consensus was reached about whether small businesses feel that compulsion would be important. It would perhaps be interesting to conduct a focus group to get business owners and managers to come together and debate this issue face to face. This would potentially generate different and interesting conclusions. Most do feel that it is important for small businesses to be involved in theory, (which is consistent with earlier research by Raynard and Forstater in 2002) and so it will be interesting to compare these results to how many are actually involved in SI activities. Further, these issues were discussed in the long interview, which means that only 10 participants took part. It would be interesting to ask such questions in a more quantitative format with a larger sample to draw out patterns to determine how these responses match up to demographic and other business factors (such as the race or gender of the owner, the sector or the size of the business). Because of the small sample size no such patterns were distinguishable.

4.3.4 Concluding thoughts to this section

This section has aimed to provide an overall picture of the understandings and awareness of SI amongst small businesses in Durban. Overall, it would seem that firms generally have a very sound understanding of the basics of CSI as a concept. Despite this, it would seem that there is a 'silence' around the topic. This silence most clearly manifests with small businesses knowing very little about what their colleagues in the field are doing with regards to SI. It would seem that there is a need to break this silence if SI is going to really take off amongst these small businesses and not "undercut universal CSR standards and become a blind spot" (Raynard & Forstater, 2002) through not taking part. Lastly, it would seem that most small businesses do feel that SI is important however, there are major reservations about the issue of compulsion and forcing firms through legislation to get involved in SI. Key here is the fact that compulsion could be over-burdening to small firms.

4.4 THE SCALE OF SI INVOLVEMENT AMONGST SMALL BUSINESSES

This section seeks specifically to present findings on the first research question.¹⁴ Towards the end of the section, a third research question will also be considered in relation to the findings.¹⁵

As a starting point for understanding the scale of SI amongst small businesses, the short telephone interview is of use to determine how many of the respondents were actually involved in SI activities. Of the 32 people interviewed for the telephone interview, 20 of them reported that they were involved in social investment activities, 3 that they were involved in an *ad hoc* basis, 2 were 'sort of' involved and 7 said that they were not involved at all. What is difficult here is that each individual interviewed had a different understanding of what the term "social investment" or "social responsibility" meant. In order to understand the scale of social investment more fully, it is necessary to develop some sort of standardised rating. To do this the actual scope of SI activities that each firm described themselves as being involved in was analysed. From looking at these it became possible to distinguish 4 different categories of involvement,

- Involved
- Not involved
- Involved at an *ad hoc* level
- Involved in staff development

¹⁴ 'To what extent are small firms currently involved in SI activities? (i.e. what is the scale of their activities?)' and 'What drives or motivates those that are involved to include SI activities in their business framework'

¹⁵ What is preventing small firms from getting involved in SI initiatives?

The number of respondents that fitted into each category were then counted (adjusted responses),¹⁶ and along with the original responses are recorded in Figure 8.

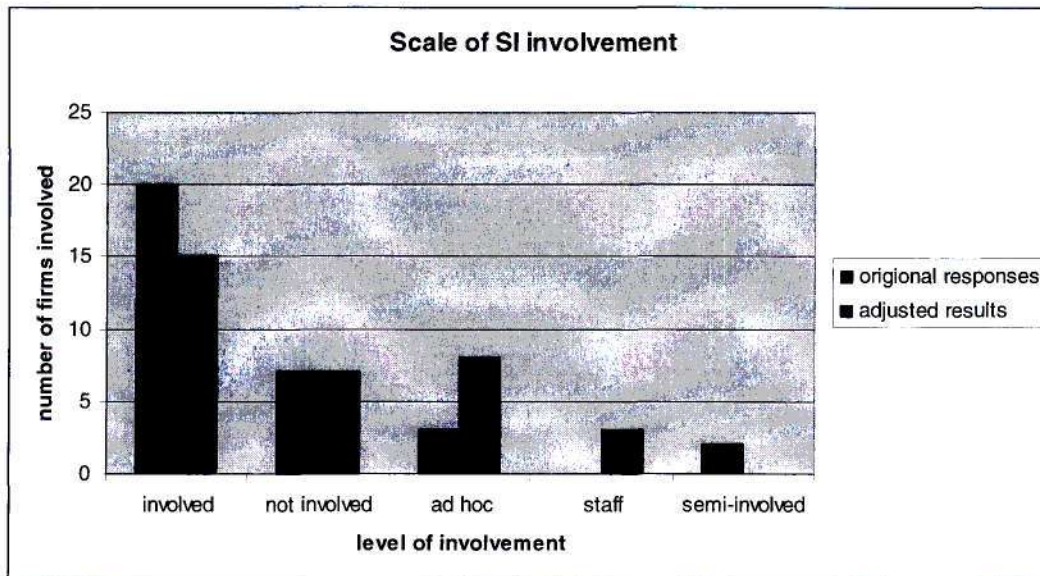


Figure 8

From looking at the graph it can be seen that just under half the respondents are involved in SI (15 firms based on the manipulated results). Eight firms can be seen to be involved in 'ad hoc' SI and 3 firms in SI activities relating to staff. Only 7 of the respondents reported that they were not involved in SI at all.

Overall, it would seem that most small firms are involved in some sort of SI, whether informally, formally or through developing staff. The rest of this section will attempt to shed some more light onto the overall scale of SI. In order to do this (and answer the first research question stated at the outset of this section), it is necessary to look at who it is that are involved in SI activities (based on the adjusted responses in Figure 8). From having a better understanding of this, something of the overall scale of SI involvement can be understood. In order to see who is involved in SI the types of businesses that are involved will be looked at. These will draw the picture of the type of business owners and businesses respectively that are involved in SI. Followed by this, the factors motivating and hindering firms to get involved in SI will be looked at. Finally, a look will be taken at the scale of firms that are involved in

¹⁶ Adjusting the responses did have some complexities, but was nevertheless useful in highlighting the difference between firm's views and their actual involvement. Even once this adjustment had been done however, there are still short falls, as any activities that the participants did not report on could not be considered. For example upon adjustment it became clear that 3 of the 32 firms interviewed were involved in SI activities relating to their staff. In the longer interviews where a portion of the participants were interviewed and more discussion was possible, it became evident that at least 2 other firms were also involved in SI activities for their staff. While we can therefore provide an estimate of the scale of involvement in SI activities amongst these firms based on their responses (and our manipulation of these) we cannot truly know the extent of involvement or exactly the type of involvement taking place.

formal or informal (or *ad hoc*) social investment. The issue of staff involvement will be looked at in more detail at a later stage as it is best understood as a beneficiary category for SI.

4.4.1 An overview of the businesses that were involved in SI

Employee Numbers and Turnover

Seven of the firms interviewed in the short telephone interview could be classified as small businesses both in terms of employee numbers in terms of QSE rating (see Figure 6). Of these, 6 were involved in social investment in some way; 1 of these was on an *ad hoc* basis and 5 were permanent. While this total number is very small and so no generalisations about the whole population can be made it is still interesting to note that most QSEs from this sample are involved in SI.

Turning to those firms who reported no involvement with SI (7 of them), 3 could be classified as exempt small businesses based on their turnover. Consequently these do not need to use the BBBEE scorecard or do SI. One firm fell over the QSE limit (having a turnover of above R35million) and so should technically, be giving to socio-economic delivery (and CSI) activities if they wanted to score points on their BBBEE scorecard.¹⁷

BBBEE Perceptions

It is also interesting to look at perceptions and understandings of BBBEE and compare these to who is involved in SI activities. Overall 27 participants gave their views of BBBEE. Of these, only 8 felt positive about the Act and 4 neutral about it, all the others were either negative about the Act or had some reservations. It is interesting that none of the 7 firms not involved in SI activities felt positively about BBBEE (they were either negative about it, did not know much about it, or thought the Act itself was a good idea but was being poorly implemented). Bearing in mind that the sample was largely white, middle aged and male, this does shed some interesting light on their views of BBBEE. BBBEE will be discussed further at a later stage, however in terms of looking at the scale of people involved, it is interesting to note that there seems to be a link between no involvement in SI and no positive feelings about BBBEE. It would be interesting to ask this same question with a larger size and to compare answers across race, age and gender groups to see if it is consistent.

¹⁷ The years that the business had been in operation and the demographic details of the business owners were also looked at to try and determine patterns around which types of firms are involved in SI. However, the sample size proved too small and the findings too irregular to suggest possible patterns.

Business Priorities

Previous research found that small businesses which had a stronger focus on quality also had a stronger focus on SI (CERFE Group, 2001). In order to test this finding in this current sample, participants in the long interview were asked what their top three business priorities were. From the sample, 4 of the 5 companies which focussed on quality also had a focus on some sort of SI. It would therefore seem that overall, these results do concur with the previous findings. It would be interesting to do this research with a larger sample of firms from Durban to see if these results are truly replicable.

One other business priority which respondents noted is interesting to consider – that of conducting ethical business. Of the 4 firms that reported this as a business priority, 3 reported that they were involved in either formal or informal SI and while the 4th was involved in enterprise development within his supply chain. There would therefore seem to be a link between SI involvement and holding 'ethical business practices' as a business priority.

4.4.2 Motivators for SI involvement

In order to find out more about the scale of SI, it was necessary to find out more about what motivates firms to be involved in the first place. Finding out this information may highlight factors which could be important in motivating other firms to also get involved. Values of management came out as the strongest motivator for involvement in SI activities. The second biggest motivator was reported to be the values of the staff and their desire to get involved in SI.

It is interesting that values of management appeared to be the key motivator to a business's involvement in SI. In small businesses, very often the owner and the management are the same person or two to three people. They are therefore the main (only) decision makers and the main initiators within the business. Their values and concerns are therefore key to what happens in the business. Because the other factors (such as brand building or marketing) are not as available to small business, something other than self-gain would need to drive decisions to get involved in SI activities. Njenga & Smit (2007) highlight this fact saying that individual values are important factors contributing to the desire of a business getting involved in SI.

The other major motivator for small businesses involvement in SI initiatives was the values of their staff members. As one participant pointed out, SI activities are

...an initiative from staff. I mean this is generally what we see in this business is that guys that are involved in their churches and community projects will come to us and say can you help us, and then we'll tend to give them something (PART. 39)

Participants also highlighted the fact that their staff like it when they gave to charities and that charitable behaviour often leads to increased staff commitment to the business as well as to increased productivity and quality (PART. 69). This is directly in line with the findings of Waiweru (2006) which found that SI can lead to increased productivity and quality and that taking part in SI can lead to increased ability to attract and retain employees – within this research, this was because the employees liked what the business was doing for the wider community. Whether it is the values of management or values of staff, it is interesting that it is the people in the firm who provide the major motivators for SI involvement. Whereas arguments for corporate SI are largely directed by business values (such as marketing and brand building, Waiweru, 2006) this research's findings seem to suggest that small business SI seems to be largely driven by people values.

No firm mentioned marketing or brand building directly and in fact in the long interview these two were reported as 'not a motivator at all' by participants. According to one participant,

for our size company and for the type of end market that we have we don't need to get any marketing or benefit out of [SI]... So we don't... go and advertise it because you know, our customers are not necessarily interested in that – at least not at this stage, maybe in the future it might not be. (PART. 69)

This is inline with other research which found that “business benefits, such as... enhanced reputation through positive responses to stakeholders concerns, are not really significant to SMEs” (Tongzon, 2004: 107). However, as another participant mentioned, there is some need for SI as,

you do not want to be seen to not be giving back to the community (PART. 39)

as this could have negative come backs for the business. As Vogal (2005) highlighted, involvement in SI actually lowers business risks by maintaining a good relationship with the public – this seem to hold for both large and small businesses. It would seem that the issue of marketing and brand building is a complex one that may require some mediation on the part of the firm, and further, may be a motivating factor that is very specific to a certain company or sector depending on their target market.¹⁸

¹⁸ This research also identified 3 other factors which act as motivators for small businesses in SI, these are presented in Appendix 4.

Overall, it can be said that the biggest motivating factors for small businesses involvement in SI activities are 'human' factors that relate strongly to values. This is inline with the views of Njenga & Smit (2007) that companies may desire to be involved in SI "because *they care* about the well-being of the context in which they do business" (2007: 9 – emphasis added) and Oliver-Evan's (2007) findings that small businesses are in general 'caring entities'.

4.4.3 Hindrances to SI involvement

Looking at the factors which hinder small businesses from SI involvement is another important aspect in understanding the scale of SI. Further, by determining what the hindrances are, ways of overcoming these obstacles can consequently be brainstormed and implemented to increase levels of SI.

The most commonly reported hindrance to small business SI was the availability of resources. All of the ten firms interviewed in the long interview mentioned this in some regard. The biggest resource which hindered SI was the lack of available funds. Other resource shortages cited were a lack of available man power, time and space. Because these firms are small every resource they own is utilised and concentrated in the direction of their core business. Any 'extra's' in this regard would be extremely costly or over burdensome for the small business. As one participant put it,

to go and spend that on community uplifting doesn't make financial sense. So although they do it in house, they don't have the financial muscle to do it outside of that. (PART. 80)

This factor is specifically a hindrance if the small business is attempting to grow (PART. 49) or is trying to get out of debt (PART. 39).

Trust in social partners emerged as the second largest hindrance to SI involvement (scale) and also in determining which projects were supported (scope). As one participant put it,

If you're going to invest socially, you need to have some sort of guarantees that it's going to work or not (PART. 49)

In relation to trust in social partners, respondents raised concerns that,

You know, how often do you hear of people putting money into different organisations and they see other things happening rather than what they're supposed to be doing socially. (PART. 46)

Being able to trust the organisations that you choose to partner with through providing funding or any other sort of SI is clearly important for small businesses. Situations where social partners have proven that they cannot be trusted to use donations for the intended cause have raised serious questions and scepticism with the 'donors'. Not being able to trust social partners is a major 'de-motivator' for businesses and thus has serious consequences on the future of charitable behaviour,

Because at the end of the day if you don't get results of the good work then why give the time? (PART. 46)

This issue of being able to trust social partners is linked to another factor; that of the beneficiaries themselves and their effectiveness. As was mentioned in the previous section where proactive charities were seen to be a motivator to SI involvement, it would seem that many charities themselves are hindrances to companies wanting to get involved in SI. As one participant put it,

So the [hindrance] is a lack of initiative from civil society organisations... you find that the best people with the best minds they generally will not open an NGO... So you get people there who are nice people but they really don't know how to talk to a business man and explain to him [about SI]... I think if NGOs were managed by much more driven, much more smarter people, CSI could be flying. (PART. 41)

In other words, the people who work for groups that SI could support are at times the very factors hindering SI. Trialogue reports that earlier efforts of CSI were more "reactive responses to funding appeals" (2007: 83) (i.e. were largely driven by the beneficiaries themselves). On the other hand, in recent years, CSI has become more considered and strategic (Triologue, 2007). It would seem therefore, that small business SI is in a similar place to earlier models of CSI. This point is interesting and will be discussed further in this chapter.¹⁹

In conclusion, it would seem that the major hindrance to SI is a lack of resources followed by not being able to trust social partners. Solutions to these problems are not a focus of this dissertation but will be looked at briefly towards the end of this chapter when recommendations can be made based on the entirety of this research's findings.

4.4.4 Formal vs. informal SI

A distinction that this research was interested in was between formal and informal social investment. This is based on the previous findings that small businesses are more likely to be involved in 'silent CSR' (Raynard & Forstater, 2002) which the authors link to not having a formal SI strategy but are

¹⁹ Other hindrances outside of a lack of resources & trust in social partners that participants mentioned are Presented in Appendix 4

rather doing SI more informally. The original understanding of this research was that formal SI involved the business creating a formal company policy which directed their SI decisions and strategy and informal meaning more *ad hoc*, needs based SI involvement.²⁰ While all the participants viewed informal involvement in a similar light, their view of formal SI differed. For most participants, formal SI related more to a long term commitment to a particular cause or organisation.

All of the 10 firms interviewed felt that informal and *ad hoc* SI was the most likely form of SI happening amongst other small businesses. Amongst the firms interviewed, one was not involved in any sort of social investment, two were involved in formal SI and all the others were involved in some sort of informal, *ad hoc* SI. One firm mentioned that the formality / informality of a SI programme was directly linked to the size of the business,

If I grow big enough I can put a formal plan in place and make it part of a structured process. But I'm not at that stage. (PART. 47)

Another firm (PART. 54) concurred with this saying that the form of SI (informal / formal) was dependent on the size of the business. Based on this, it could be said that while businesses are small they may have an informal approach to SI (if any approach at all) but that with growth of the company, this could become more formal. This is significant as it could mean that informal involvement in SI activities is a predictor of later formal SI involvement for companies as they grow. It would be interesting to conduct some longitudinal research to see if this suggestion made by the participants is in fact, true.

Another reason for maintaining a more informal approach to SI was linked to turnover.

Every month, there's never the same turnover... The month we do good, we can say hey lets do something (PART. 46)

Put differently,

The uncertainties surrounding a small business makes it very difficult to create a quantum of contributions and to stay by that because we're subject to the waverings of the market and to things like that... small businesses can say we're going to set aside R15000 for contributions. Months 1-6 may go smoothly, but then the reserve bank suddenly decides that they're going to change the interest rates or fuel is an issue, or electricity is an issue and our computers are now kicking out and therefore we cannot work. Once you've committed to R15000 per month how do we do it? So it is dependant on our turnover and profit and so it's set on a month basis. I think this month I'm going to give a sum of 10 thousand next month might be 2 thousand because that's what's now available (PART. 47)

²⁰ See Appendix 1 for concept clarification

While some firms see problems with turnover and cash flow as hindrances to SI involvement, (see earlier discussion on 'hindrances') it is interesting that these firms see it not as an overall hindrance to SI, but just as a hindrance to involving themselves in formal SI. Having a formal company policy could be problematic as cash flow problems could mean that companies may not be able to maintain this commitment,

Structuring (SI) in would make things difficult. People would start to expect things (PART. 41)

Another factor which one firm described as making informal SI more attractive than formal was that,

I think when something is informal then... the result doesn't matter as much in a way – it's still ok if you don't quite get the result that you wanted. When you make something formal and then you don't achieve that goal then its kinda... ya... you notice that more. When you set down pen to paper and say this is what we're going to do, but it's not done, you then have a market that you have to gauge against. So I think that's why a lot of it is informal, because it's easier that way (PART. 01)

In other words, formality may not only increase the expectations of the beneficiaries, but will also increase the expectations of the other stakeholders in the firm – the management, the staff, the clients and so on. Given the fact that small businesses already suffer from resource limitations (one of which is time) it would therefore be beneficial to them to 'save time' though doing informal rather than formal investment.

While formal investment may be more beneficial than informal (in terms of effective development) the obstacles to formality would have to be overcome before this could happen. It would be necessary to find a way for formal involvement to be less resource-intensive and easier for small businesses to take part in. Ways to overcome cash flow vacillations would also need to be found. At this stage, it would seem that Raynard and Forstater's (2002) claim that small business SI is 'silent' and so more informal rather than formal company policy is in fact, true.

4.4.5 Concluding thoughts to this section

When trying to determine the scale of SI amongst small businesses, the major limitation of this study was the small sample size which made it difficult to determine trends. In order to mediate this anticipated limitation the first half of the long interview sought to find out about the behaviours of other small businesses that the participant was in contact with. However, due to the 'silence' and little communication between firms about SI (discussed earlier) this was not possible. Whilst the extent of this

finding was unexpected and its effects on the research (in terms of being able to determine scale more fully) unfortunate, it is nevertheless an important finding which contributes considerably to the knowledge and needs in this field. Despite all of these organisations being members of a common body, (the DCCI) there is little sharing taking place amongst them. This is significant.

With regards to the size of the company and the likelihood of getting involved with SI, earlier findings were mixed. Some research found that there was a definite connection between the size of the company and SI involvement – meaning that smaller companies were less likely to be involved in SI (Kamens, 1985). Other research found that there was absolutely no link between the size of the company and acts of SI (Keim, 1978). In terms of this current research, the scale of involvement was fairly widespread across small businesses, suggesting that their smaller size does not impact on their acts of SI (in line with Keim's, 1978 research). Despite this, it would seem that size does impact on the form of SI – specifically on formality or informality – as it would seem that smaller companies are more likely to get involved in informal SI.

4.5 THE SCOPE OF SI INVOLVEMENT AMONGST SMALL BUSINESSES

This section seeks to answer the research question 'What form does this SI activity take?' (i.e. what is the scope?). Once such information has been determined it is then necessary to determine what motivates these decisions that small businesses make.

In the long interview, participants were asked three types of questions which were aimed at understanding what they felt the scope of SI activities amongst small businesses was. Two out of the 10 people did not wish to respond to these questions as they felt they did not know enough about what other small businesses were doing to give a realistic answer. Other participants who did respond commented on how hard it was to say what other small businesses were doing as this was generally an 'untalked' about area of business. This relates back to the 'silence around small business SI discussed earlier.

4.5.1 Categories of SI

The first question participants were asked was to rate how common they felt various categories of social investment programmes were. Participants were asked to rate each point as rare, fairly common or

widespread. The number of times each point was put into each category was then counted. These responses are recorded in Table 2.

Responses to SI Categories	
SI Category	Most participants felt this category of SI was:
Public awareness/public education	Rare
Welfare/charity	Widespread
Job creation	Rare
Supply chain/market development	Rare
Community development in support of government programmes	Rare
Community development independent of government & education and training	Rare

Table 2

In other words, the majority of firms felt that welfare and charity happened on a widespread scale while all other categories were predominantly rated as rare. While the numbers involved are too small to do any sort of statistical analysis with them, what is interesting is the high degree of agreement reached by the various firms involved. This fact alone gives the numbers some credibility or weight.

On considering earlier sections, it was found that most people defined CSI as ‘upliftment’ or ‘helping the poor’ or ‘giving back’ to the community. All of this is closely linked to welfare and charity. The consistency of results also then gives weight to the fact that ‘b’ is the most common category of SI.

4.5.2 Target areas of SI

Participants were then asked to rate the target areas or beneficiary categories (based on the list drawn up by CSI solutions, see Literature Review) according to the same system just discussed. These answers are found in Table 3.²¹

²¹ a note on understanding the table: there are 5 columns in this table, the first describes the beneficiary category, the second states how many people responded that they felt that giving to that beneficiary category was widespread, the third how many people responded that it was fairly common, the fourth was how many felt it was rare and finally the fifth column states the mode, or most common response given

Participant's feeling about which beneficiary categories are most widely supported				
Target Area	widespread	fairly common	rare	Mode
Orphaned and Vulnerable Children (OVC)	2	5	1	fairly common
Health	3	2	3	
Poverty Alleviation	2	4	2	fairly common
Education	1	5	2	fairly common
Housing	2	2	4	Rare
Infrastructure	0	3	5	Rare
Environment	1	1	6	Rare
Sports development	1	5	2	fairly common
ICT and Telecommunications	0	1	7	Rare
Agriculture and food security	2	3	3	Rare
Job Creation	3	3	2	Widespread
Skills Development	2	4	2	fairly common
Youth Development	1	3	4	Rare
Safety and security (including road safety)	5	1	2	Widespread
Energy	3	1	4	Rare
Arts & Culture	0	3	5	Rare

Table 3

What is clear from looking at this table is that for most categories is that answers are fairly evenly distributed over the three possible responses making it difficult to establish any clear patterns.

There are only 2 categories where a fairly clear consensus was reached, this was for ICT and telecommunications and environmental concern. Seven and 6 people respectively (out of 8) felt that these beneficiary categories were rarely supported. Generally, it was found that more agreement was reached over what was rare and fairly common then over what activities were widespread. This would suggest that firms agree on what is not happening, but are vague about what is.

These results are however, very vague and because so many responses are fairly evenly distributed across all three responses suggesting that they are fairly random guesses. Where some consensus has been reached (where 6 or more people felt the same way) it would be possible to draw shaky conclusions about the types of beneficiary categories that are supported. More then anything however, these findings give weight to the argument of the 'silence' around small business SI with small business owners just not aware of what their colleagues are doing.

In an attempt to mitigate the effects of 'random guesses' it is helpful to compare the responses just discussed with the responses participants gave with regards to the activities they were actually involved in. In the short telephone interview, participants were asked what SI initiatives they were involved in. Here respondents were not prompted by any list, but were simply asked, in an open ended question to list the activities that they were involved in. Their responses were then analysed to determine possible themes. Upon analysis, it was found that their responses about the activities or initiatives they were involved in fitted well into the list drawn up by *CSI Solutions* just discussed.

The top four beneficiary categories that the sample was involved in were orphaned and vulnerable children, education and poverty alleviation and skills development. This is interesting as all 4 of these categories were only rated as "fairly common" in the question that has just been discussed. If we compare these results to other research (Triologue, 2007) which looks corporate SI, interesting correlations can be made. Triologue's research showed that education was the most widely supported development sector or beneficiary category in CSI (with 92% of corporates spending money in this area). Poverty alleviation (termed social development in the CSI study) was the second most widely supported sector (the third in this current study). Training was this studies 4th most widely supported sector (and was the 5th in the CSI study) and OVC which was rated as the most widely supported sector in this study, did not feature in the CSI study (Triologue, 2007). This close correlation points to the fact that small business support seems to be in line with the concerns and interests of big business. This supports the earlier finding that while there may be 'silence' around the topic, there is nevertheless some level of awareness.

One area which was mentioned a number of times, which was not included in the listing compiled by CSI solutions, was the area of religious organisations. According to one participant,

Then the smaller organisations support not just charitable organisations, but also religious organisations. And religious organisations I believe are part of the social well being... it helps to keep social order. Yet giving there is not seen as a legitimate charitable activity. The state does not encourage that type of behaviour on the part of businesses... But I believe that that scope needs to be enlarge to include bonafide religious organisations because of the good work that they do. (Part 47)

This finding is consistent with earlier research that found that SMEs "may exhibit strong religious... approaches" (Raynard & Forstater, 2002) to SI.

Staff as Beneficiaries

In both the short and the long interview it can be seen that for some participants, social investment had a lot to do with the way staff are treated,²² although this is not evident in Table 3. One participant reported that,

You don't want to go and give a big chunk of your profits back to corporate social responsibility because you think it's an important value, and the next day you have 100 people out of jobs... it's probably a cliché, but charity begins at home, and your home is your business. So you've got to make sure you sort out everything internally before you go out and give to the rest of your community (PART. 39)

While SI may be an important value, it is however constrained by a concern for the staff. Corporate giving cannot happen at the expense of staff and business in general. Other participants highlighted again, that their number one responsibility was towards staff emphasising the importance of,

Uplift[ing] the population around us, the guys who work around us. (PART. 01)

For some the 'population around us' stretches slightly past staff, to include other stakeholders,

we are a narrow based company in the sense, firstly from our size (we're a lot smaller) and we're not a retail organisation so we don't have a large customer base. So our focus out there is restricted to our stakeholders in the business, so that would be the suppliers, the contractors and most importantly the employees. So then our responsibility would be towards that narrow base of people that we interact with. (PART. 69)

This view is more inline with the definition provided by the CSR network (2005) which considers the reach of CSR to include all the stakeholders in the business.²³ The focus in all of this is on acting in a responsible way within the business context, through giving back or investing into the people directly in contact with your business. The reason for this focus lies largely in the nature of the small business. Firstly, many do not have the resources to do more (as was discussed earlier). Secondly, the very quality that defines them (being small) also promotes a unique type of relationship between employers and employees, often not an option for bigger business,

but the smaller ones are that much more easier and you become that much more connected with the guys that you work with and you rely on them more and they rely on you more. And it is so much easier to interact and to help them out... You probably want to uplift them as much as possible because by making it easier for them you just make the whole work situation that much better (PART. 01)

²² This goes beyond 'staff training' and making sure your staff are 'happy' and extends to specific SI activities that are focused towards staff (such as poverty alleviation or sports development that is specifically for staff's benefit).

²³ "how businesses align their values and behaviour with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to be accountable to its stakeholders" (CSRnetwork.com, 2005)

This goes back to earlier research which found that because of the nature of small businesses, they have a greater requirement for strong personal relationships with employees (Draper, 2000). Because of this, it is true that they are very well placed to be involved in SI initiatives which uplift staff. This relationship between employers and employees is important and valuable for the staff themselves, for the employers and for business in general. In many ways looking after and caring for staff therefore promotes a mutually beneficial relationship and could arguable therefore generate social capital. The issue of social capital will be discussed in more detail later in this dissertation.

It is true that “CSI refers solely to interventions and expenditure on communities external to the business” (Triologue, 2005: 26) and so “staff directed CSI” is not really a possibility. Given the unique context of small businesses and the important role that the government sees them playing in the fight against poverty, perhaps it is necessary to reconsider CSI definitions or, more specifically, maybe it is necessary to consider that small business SI will have a distinctly different feel and scope to CSI. As such, the actions that they take towards uplifting staff could play a centrally important role here.

4.5.3 Type of SI support

The final question that was asked in the long interview to determine the scope of SI involvement, asked respondents to rate how they felt firms most often provided social investment support. The possible areas of support to rate included

- a. funds / donations
- b. labour time of staff
- c. expertise support
- d. use of facilities / resources
- e. donation of facility / asset
- f. other (specify)

The majority (75% or 6 out of the 8 firms) however felt that funds and donations were widespread forms of social investment support with no clear consensus reached for the other points.

In order to determine clearer patterns the activities that each firm stated they were involved in (from the short interview) needs to be analysed to determine the type of support they provide. This analysis showed that 19 projects were supported through funds and donations with less than 3 projects being

supported through the other options. Despite the fact that the firms' perceptions of what other firms were doing did not show clear patterns, this would suggest that the overall conclusion that most firms support SI in terms of funds and donations was correct. It would also suggest that the conclusion that all other forms of support are fairly rare is correct.

It is interesting to consider why funds and donations are the most common type of SI support.

The reason for this is that it's less onerous and time consuming. (PART. 47)

If one considers that the major hindrance to small firms getting involved in SI is a lack of resources, this participant's response starts to make more sense. Resources are not just financial, they also include time – and time is costly! While other forms of social investment may be cheaper financially they take up a lot more time and effort. This finding confirms earlier research which found that SMEs in South Africa are largely involved in cash donations (Oliver-Evans, 2007).

In the arguments against CSI, Waiweru (2006) comments that “most corporate executives lack the knowledge, perception, skills and patience to deal with and solve society's problems” (pg 95). Given this fact, and the reasons just discussed, it would seem that funds and donations are the most logical form of SI support to provide. Such support however, requires more trust in social partners than other forms of support because here the firm relies completely on the good will of its social partners to utilise the funds efficiently and effectively. The challenge provided by untrustworthy social partners therefore needs to be addressed as a matter of urgency.

4.5.4 Motivators for the Scope

During the long interview, firms were asked to rate what factors motivated them to support certain projects. The two factors which received the widest agreement (with 6 out of the 9 firms feeling the same way) were alignment with business activities (rated as not important as a motivator) and top management's personal interest in the cause (rated as very important as a motivator). Top management's personal interest in the cause being the most important relates back to the findings discussed earlier which showed that this was also a general motivator to get involved in SI. For the other factors, 5 of the 9 firms felt that, “personal contacts” was a very important factor in determining which projects to support.

Alignment with Business Activities

It is interesting that most of the respondents felt that 'alignment with business activities' was not an important motivator in deciding which SI projects to get involved in. At one stage in the interview, one of the respondents stated that,

I think it [SI] carries more weight if it's not connected to your core business...I think it carries less weight if as architects we start plastering houses... Because that's very much easier to do so I don't think you go very much out of your normal way to help someone who needs it. (PART. 41)

In other words, for this participant, not only was alignment with business activities not a motivator, but it was in fact a hindrance or a 'de-motivator'. The feeling expressed here is that for SI initiatives to have any real value they cannot be aligned with business activities as alignment would mean no extra effort on the part of the small business. The discussion now goes beyond the factors that motivate firms to support a particular cause and extends right to the heart of what is considered good SI practice. 'Effort' here is the underlying factor which determines a valuable or invaluable SI initiative for this participant. This discussion around what constitutes good SI practice is continued in Appendix 5. At this point, what is important is that Participant 41's comment highlights a reason why alignment with business activities is not a motivator to get involved in particular projects.

While the inherent value in aligning SI work with business can be debated, it would seem that it makes better business and developmental sense to align SI initiatives with your area of expertise or with some sort of available internal expertise. As one participant put it, firms should,

target a particular sector that you feel you are able to improve or support or that you feel you are able to do something for. It's no use me saying well I'll give money to farmers and I know nothing about farming and my company has nothing to do with farming, so I would target a particular sector that you feel you could constructively provide support or expertise (PART. 23)

In other words, targeting a developmental need that also falls within your field of specialisation means that the job can be more efficiently and effectively completed. One of the arguments against CSI that earlier research has found and that was mentioned earlier was that "most corporate executives lack the knowledge... [and] skills... to deal with and solve society's problems" (Waiweru, 2006: 95). This argument could be mitigated if businesses were to target SI initiatives into areas that they do have 'knowledge and skills'. In fact, it has been asserted that "it is only through greater alignment that that the business benefits... [of SI] are likely to be reaped" (Dialogue, 2005, 26).

Another benefit of aligning business with SI is that you can better see and track the benefits (PART. 69). It allows the business to justify the time, money or effort that goes into the cause by having better access to tangible results. For many firms, the once-off donations that they give are fairly impersonal with little follow-up knowledge of how that money is used. It would seem therefore, that alignment with business activities may make for a more personal, or hands-on way of conducting SI initiatives.

Another benefit is the strategic power in alignment, “it is now widely recognised that CSI programmes are more likely to achieve a balanced social and corporate return if they are aligned with the company’s normal business operations” (Triologue, 2007: 46). ‘Alignment’ can be a valuable aspect of SI – of which alignment to core business is one form. SI initiatives can also be aligned to business in terms of the economic sector it is in or by being geographically close together (Triologue, 2005). Both of these other forms of alignment also make good business sense.²⁴

Personal Contacts

For most small businesses (and in fact all businesses) the primary focus is to survive and generate an income. In small business, turnover and personnel are more limited than in big business. This means that, very often, all their energy needs to be focussed on core business. They may not therefore have the time or resources to seek out social partners for themselves and so may rely on word of mouth or personal contacts in their choice of projects. According to one respondent,

people probably get talked into [SI activities] by someone... Whereas you yourself would probably have never thought of it unless you were reminded of that particular thing (PART. 23)

Personal contacts therefore influence people and serve as this ‘reminder’ to get involved in SI and generally to help to generate awareness. The issues raised here – and particularly in the second quote – go back to issues of awareness and ‘silence’ around SI. Given that this research has shown that small businesses do not communicate a lot about SI it is questionable as to whether the value of personal contacts as a motivator to get involved in a project could ever be fully realised.

²⁴ In terms of supporting geographically close communities, “more stable [local] communities make for a more certain and more secure operating environment, and positive relations with community stakeholders are also likely to ensure reciprocal support from them, which is good for business” (Triologue, 2007: 84). Further, supporting the economic sector which aligns with the particular small business also makes strategic sense as “support for sectoral initiatives generally leverages core competencies and gives rise to a more robust economic sector” (Triologue, 2007: 84).

4.5.5 Concluding thoughts to this section

This section has attempted to shed some light onto the scope of SI involvement amongst small businesses. Overall it was found that the most common category of SI amongst small businesses was welfare and charity and this was largely supported through funds and donations. The results around target areas or beneficiary categories were varied but overall seemed to point to the fact that while it was not clear what small businesses are doing, it is clear what they are not doing; namely ICT and telecommunications and environmental concern and energy, arts and culture, youth development to a lesser extent. Given our current energy crisis, it would be interesting to conduct this research again in a few months or years time to see if the priority of 'energy' has become greater. One beneficiary group that did seem to receive widespread support was the staff; this was largely due to the nature of small businesses which promotes a closer more 'family' relationship between employers and employees. Finally, the motivators of for the scope of SI were looked at and top management's personal interest in the cause was found to be the major motivator in determining which causes received support.

4.6 OTHER FINDINGS

This penultimate section of Chapter 4 looks at some other important themes and findings which emerged through the research but did not necessarily answer some of the main research questions directly. In this section, issue of what constitutes good SI practice for small businesses is considered. This is followed a brief look at some racist attitudes which emerged through this research and lastly, a "South African way" of doing SI (and even CSI) will be considered. This will be done though looking at the concept of BBBEE and *ubuntu*.

4.6.1 What constitutes good SI practice?

Considering what constitutes 'good SI practice' is important – especially when taken from the point of view of the small business. It sheds further light on their perceptions and understandings of the topic and also potentially provides a basis of learning for other firms wanting to initiate SI interventions and activities. Business owners highlighted a number of points to be considered when thinking about 'good practice'. Firstly, it is possible to look at the donor or the beneficiary when considering 'good practice'. If the donor is looked at, good practice could include responsible giving. There is a responsibility on the donor to ensure that they are giving to worthy causes; this will mean that a social return on investments

is more and the intervention is more likely to succeed. This then links to the idea of good SI practice involving the beneficiary or social partner to ensure that the project is sustainable. Sustainability and targeting were seen as two other beneficial aspects which would lead to good SI practice. These ideas are discussed in more detail in Appendix 5.

4.6.2 Prejudice & racism – unresolved issues

While not a focus of this study, it is noteworthy that many respondents reflected views which suggested they were at odds with key aspects of South Africa's present political, social and economic trajectories. Some of this was reflected in comments which displayed a considerable degree of distrust by the respondents in the new government,

I mean one only has to look at the majority of people who have HIV. How do their own people view the situation? How do their own leaders get the message across? (PART. 54)

Note here that the participant talks about 'their own people' and 'their own leaders'. There is no identification with them, 'they' are entirely other to the person speaking. What is specifically interesting is that the participant later made reference to Jacob Zuma and other government officials choosing to distance himself from the country and the country's leaders despite being a South African citizen.

This quote highlights not just the distrust for the government but also disturbingly, a degree of racial and other forms of prejudice – attitudes which came up in a number of other interviews as well. This clearly impacts on how firms might approach SI, especially where it is linked to the transformatory intent of much of government policy. This issue is significant and bears much further thought and research however, as it is not a focus of this present research it cannot be discussed further here.

4.6.3 A South African way of doing SI

In the literature review in Chapter 2, the work of Kawaguchi (2004) was outlined. The author talks about the value of establishing a culturally appropriate form of SI and cites examples based on Japan's Shiga model of CSI. What is so valuable about this approach is that it takes a concept important in our globalised world and makes it relevant and specific to the local context, drawing on aspects of that context and culture to do this. Deriving from this, it is useful to think about our own South African context and how SI models could be established in line with our specific culture and heritage. As Karaguchi

(2004) highlights, while CSI is good, it is deeply rooted in a Western concept (the United States and Europe) of corporate giving that may not be relevant to the Japanese – or in this case, South Africa. There are two things currently, which contribute to a South African model for SI. The one is the framework within which SI (or CSI specifically) has been placed and through which it is most usually enacted – BBBEE. And the other is a philosophy or way of existence that is deeply rooted in the African culture – the concept of *ubuntu*. While links between *ubuntu* and (C)SI have not been drawn before, the values of this will be explored further.

Broad-Based Black Economic Empowerment

BBBEE is the framework in South Africa in which (C)SI is most commonly understood. As has been explained, CSI forms one of the seven pillars of the BBBEE scorecard and QSEs²⁵ can choose SI as one of the four criteria they choose to fulfil to become compliant. Results in this research highlighted the fact that BBBEE has generated a lot of confusion and mistrust amongst white business owners which can be seen in some of the comments they made about it. A number of the business people interviewed did not even know that there was a difference between BEE and BBBEE which was introduced in 2003.

In one particularly long quote, participant 01 summed the current situation up well,

Particularly as white folk, white businessmen, there's a lot of ignorance about [BBBEE]. Its seen as communistic plot to... I dunno... to take more work away from us and give it to the black folk. And its kind of sad because what its done is made the business arena that much more aggressive or... people get a whole bunch more freaked out about it because now I've had this business for the past 30 years and now some black chap down the road is taking my business. And because it hasn't been explained properly – and that's really the sad part that it hasn't been explained properly... This whole BEE thing it's not actually bad at all. The thing is that it's just so misunderstood. I mean I went to a braai on Saturday and there were a whole bunch of guys that I didn't really know and we got chatting, and this one guy said, "and you know, this bloody black empowerment, I've just lost a contract blah, blah, blah" and I said "well what is your score card" and they were like "shewph, scorecard?" and then I started chatting to them about it... So BEE is not a bad thing, it's actually an ethical thing, it really is. It's not the evil that most people think it is. Unfortunately because of our ignorance, and maybe our lack of desire to know anything about it, it's just a new government thing that's come out that seems to favour one race over another; but at the end of the day its actually a good thing, it helps with the upliftment of those around you... At the moment it's a bit lax because it's only just come in, but I reckon in a few years time we're actually going to have to hire someone to drive this whole process. (PART. 01)

This very lengthy quote sums up a number of different themes and ideas that other participants raised. Firstly he explains that there is a lot of ignorance and misunderstanding around BBBEE. Through the interviews this was clear to see as most participants did not know what BBBEE was and thought it still referred purely to black ownership of the business. Most did not understand the concept of the '7 pillars of BBBEE' very well – or at all. Another interesting point that this participant raised was that much of the

²⁵ Qualifying Small Enterprise

'not knowing' about what BBBEE is based in "our lack of desire to know anything about it". This highlights an apathetic attitude towards BBBEE that was evident in a number of responses.

Another point that this participant highlighted was that "at the moment it's a bit lax". A number of other participants raised this point explaining that there has been a definite shift in thinking about BBBEE from last year to this year. Whereas last year they were swamped with requests for their rating, this year interest has declined. Much of this is based in the fact that the government is yet to finalise the details around the Act to establish accredited BBBEE verification agencies. This has left a number of participants 'frustrated' (PART. 54) and concerned. This frustration extends to the fact that many small businesses find BBBEE complex and fairly confusing and therefore expensive (especially in terms of time) to try and implement. This links to what participant 01 said about the Act not being explained properly. It is interesting that the DCCI commented that they held workshops to explain about BBBEE and how to become compliant, but none of the participants in this study seemed to have any knowledge of this. It is not clear whether this is due to apathy on the part of businesses or poor instruction and support from government. Whatever the case, there seems to be a significant break in communication between authorities or supportive bodies and the business that are meant to be implementing this Act 'on the ground' as it were. It would seem that if government wants small business to comply with this Act, then they need to ensure that access to this information is easy for them [business] and that this break in communication is addressed.

These two findings are fairly significant bearing in mind the government's policy choice to bring about economic transformation in the country is largely through BBBEE. While it is not a main focus of this research, it is necessary to find out more about these areas; is the fact that businesses do not know a lot about BBBEE a symptom of a lack of interest or a lack of government communication? In order for the effective implementation of BBBEE amongst small businesses, it is necessary to find the answers to these questions.

One final and most important finding to this current study, is that BBBEE may play a significant role to encouraging firms to take part in SI. Participant 54 raised the point (which has been discussed) that BBBEE helps to generate awareness around and 'jog people's memories' to get involved in SI. Where companies may not have thought of it before, they are now more likely to decide to do certain activities. If the shortcomings around BBBEE that these participants have raised could be addressed, it would seem that it could be a very positive factor in developing a truly South African flavoured type of SI.

Ubuntu

The philosophy of *ubuntu* can most clearly be explained through the Zulu phrase, “*umuntu ngabantu ngabantu*” which can be translated as “a person is a person through people” – in other words, in society we all rely on each other for our existence. Based on this ideal, businesses are members of society and so draw from society’s resources to operate (depending on the business this could be in the form of human resources, physical resources, spatial resources and so on). According to a participant,

If [doing business] was based on that philosophy, on that motto; if all these things were based on that motto; that businesses they function because of the people who work for them... And everything impacts on those around you, you know. So if it was seen in that way, that you do things because it [affects] those around you.... And seeing their development has a long term benefit to you. (PART. 41)

Much of what is understood to be CSR is rooted in the idea that businesses do have some sort of responsibility to give back to society, but it would seem that if South African CSI could be established within the *ubuntu* framework it could in fact help to further embed it in our society – and in fact help people to see how SI is in fact good for business.

It has to be ingrained from an early age that we all need to contribute to each others welfare. Am I my brother's keeper? The answer is yes because he is my keeper, whether I like it or not. Society is about interdependence, not independence (PART. 47)

As members of society, ‘I am my brother's keeper’ and based on this, the welfare of ‘my brother’ directly affects my own welfare. While it is easy to view this as a slip into an idealism that is far removed from the real world, one must not fall into that trap. *Ubuntu* does in fact make business sense. A nation with a poverty rate as high as ours, where 48.5% fall below the poverty line (UNDP, 2003), means that close to half our population are effectively excluded from entering and playing a part in our markets. By ‘uplifting’ or ‘giving back’ (as participants described CSI) to the poor and thus fighting poverty, the poor will effectively begin to obtain the resources to enter the market – which can only be good for business. Understanding this however, requires a more long term view of ‘return on investment’ rather than the short term view that governs the way most firms do business.

4.7 DISCUSSION AND RECOMMENDATIONS

It would seem that the majority of small firms are involved in some sort of SI at either a formal or informal level, this would mean that SI is clearly not a matter reserved for big business alone, small business are currently playing a significant role in this field, however a lack of communication between

them and a general 'silence' around this topic is hindering the potential of this work. Oliver-Evans (2007) has been involved in research looking at SMEs and SI in the South African context. This as yet unpublished research found that 80% of small businesses in South Africa claimed to have given to others in the preceding year to the estimated value of R1.4 billion. These findings, along with this research's findings, are ground-breaking and suggest that the role of SMEs in development cannot go unnoticed much longer. There is an urgent need to 'break the silence' around this topic.

Raynard & Forstater, (2002) highlighted a need for heightened awareness of CSR among SMEs and the need to draw SMEs into CSR activity so as to ensure that "SMEs are not able to undercut universal CSR standards and become a blind spot in which exploitative and environmentally destructive practises flourish" (Raynard & Forstater, 2002: 65). Many of the small businesses interviewed in this research process, agreed with the importance of taking part in SI however, they felt that there were hindrances, specific to the small business context which would somehow need to be overcome, for this to happen. Additionally, this research also found that formal investment may be more beneficial than informal SI (in terms of issues of sustainability and effectiveness). There are however, serious obstacles to formality which would need to be overcome before this could happen, specifically, the resource-intensive and generally more complex nature of SI. In order to fully embrace SI it is necessary to find creative ways to overcome the hindrances and obstacles that small businesses face, so that SI does not jeopardise the sustainability of the business in any way (a conclusion similar to that drawn by Tongzon, 2004).

The first idea which participant's suggested was to do with targeting (discussed earlier) and pooling resources. Here, it is understood that small businesses are limited in the amount that they can do or give and so in order to be more effective in the SI that they do, they choose to partner with other firms and together target a particular cause or organisation. This could take a number of forms. Firstly, firms in a particular geographic area or from the same sector could get together and choose a local cause that they feel would be important to support. Together they could then draw up a 'loose' SI strategy – giving each other space for fluctuations in cash flow and so on. The problem with this is that it could still potentially be costly in terms of time. The other option is to choose to support a specific organisation which does development work or which specifically channels funds to areas of need and insures that this is done responsibly.²⁶ It would seem that there is a need for more organisations of this sort who could serve as 'mediators' between the community or the beneficiary groups and small businesses. This would fulfil the requirement of responsible giving and could ensure that donor's money is spent

²⁶ Two participants mentioned the work of the "Divine Love" organisation, and another mentioned the work of the "Community Chest".

effectively, efficiently and with all the necessary procedures in place for donors (such as monitoring and evaluation).

A second area which would potentially increase small business involvement in SI would be through breaking the silences around SI. A lot of this has to do with greater publicity for those firms who are doing something (for reasons discussed in earlier sections of this chapter) which would aid in getting 'small business SI' onto the public agenda and into the public consciousness. It would seem that for SI to take off, strategies need to be formulated around how to 'break the silence' around SI.

A third area which has been discussed is the issue of aligning the SI initiative with the core product of the business. This would minimise the resources spent on SI and so be more cost effective for small businesses. It is truism that businesses are in business only if they are good at what they do (if they are not good, the market quickly pushes them out). It is also true that SI activities are too often poorly run (if we think back to participant 41's comment that about poor management of civil society organisations) and so not as effective as they could be. There is therefore a desperate need for SI initiatives that are good, efficient and effective. It would appear that alignment with business activities could provide a solution to this. Kawaguchi (2004) gives two examples from medium sized firms in Japan that have incorporated socially responsible activities as part of their daily business routine – in other words the very way they do business is informed by their socially responsible view of business. These ideas, along with the ideas of corporate citizenship, social responsibility and social investment will now be discussed in more detail.

It would seem that the distinctions between CSI, CSR and corporate citizenship made by Smit and Njenga (2007) do not always hold in the small business context and that very often there is a merging of these three, so that the end result is not a linear relationship based on the idea of a continuum, but is rather an interconnecting relationship where at times one of the three is more present than the others. Ultimately investment and responsibility are tightly connected which is in turn connected to the 'identity' of the company or the way they do business – which is in fact corporate citizenship.²⁷

²⁷ The idea of looking after staff and ensuring that they are uplifted as a form of social involvement is a good example of this. As one participant put it "*I would say most guys in a small business would invest a lot of time and effort and money into the guys that work for them because they're an important part*" (PART. 01). This comment highlights the notable relationship between looking after staff, social investment, social responsibility and corporate citizenship. The social *investment* that many small businesses make is into their staff; (it is an investment because they expect some sort of long term in terms of more productivity, lower staff turnover which in turn leads to skills retention and less money needed to be spent on training new staff members). It is however more than this, because of the 'family dynamic' that emerges in a small business from close relationships between staff and employers (discussed earlier), looking after staff is therefore more than just an investment and a matter of compliance, it is a responsibility that they feel they have to their staff and need to fulfil. Over and above this however, it is a way of doing business – a part of the 'identity' or 'character' of the company to treat staff in an uplifting way both inside and outside the work place.

In the literature review, the words of Smit (2007) regarding developing business models for SMEs that become closer to the ideals of corporate citizenship were discussed. The examples cited in the literature review highlight the fact that while SMEs may not be able to develop CSI departments or a unique CSI strategy, CSI or corporate citizenship could nevertheless be adopted as a worldview or a particular method of doing business, specifically a method of doing business based on the *ubuntu* philosophy. In the interviews with the participants, this issue came up in a number of different formats some of which have already been discussed.

One interesting aspect of this is the importance of establishing a 'culture of giving'. This would be a completely different business model to that of the normal capitalist notion of 'how can I make the most money'. If SI becomes a central part of the way small businesses do business, it would change the very nature of business. Note again, the link to the *ubuntu* philosophy. Participants 54 and 46 elaborated on this saying that such a culture is important for all stakeholders in business, including the employees. That on all levels of the business, people needed to be encouraged to 'give back' to society.

It is at this point that discussions around social capital become important. Social capital is closely connected to the ideals of *ubuntu* and thus to this discussion around the importance of developing new world views or business models. The idea of social capital,

mocks the other leading tenet of mainstream economics – the idea of 'economic man', the individual separate, self rationally calculating the costs and benefits of his every action on the basis of self-interest. Instead, the concept of social capital lends legitimacy to the idea of individual-in-community: each person is defined not just alone but in relationship to others; each person seeks to be part of something larger and can realise him or herself only when part of something larger. The successful community is not a collection of atomistic individuals bumping into each other's self-interest, but rather is a network, a web of individuals-in-community. (Wilson, 1997: 756)

We have seen examples though this research of how social capital has been built through companies being involved in SI. As one participant said,

The more you give to the environment of other communities. It's an upliftment to your company together with your people... So I'm getting more productivity because the people know what we do for the others out there in their areas... So indirectly there is a ripple effect in these things. (PART. 46)

We see here an example of a mutually beneficial relationship based on SI actions. Thus, by involving oneself in SI and by adopting the *ubuntu* philosophy as a lens through which to conduct business, social capital is built. One significant factor about social capital is that it builds trust and cooperation (Putnam,

1995). Given the earlier discussions around racism and the mistrust that is currently present in some working environments, building social capital could be a uniquely important factor in overcoming our legacy of racism, mistrust and segregation and consequently, the role of SI is more than just 'giving back', it is in fact about 'the future' as participant 40 said in their telephone interview.

Before bringing this section – and chapter – to a close, one final area is worth considering briefly. In the literature review (Chapter 2), one section looked specifically at Trialogue's (2007) interpretation of CSI within the South African context. According to this, CSI within the South African Context can be broken into three distinct periods, the pre-democratic era (1970's – 1994), the first decade of democracy (1994-2004), and the era of economic transformation (2004-2007). Each of these three eras have different 'CSI models' and approaches to CSI have progressed from largely welfarist, *ad hoc* donations to a much more developmental approach being utilised in the present day. From looking at the distinctions in CSI style between these three areas, what is most interesting is that small business SI seems to be at the earliest stage of CSI – with approaches being very similar to those CSI styles of the pre-democratic era.²⁸ Because small business SI is only just starting to become an area of interest – and is as yet largely an unknown quantity both from an academic and a small business point of view (again the discussions around 'silence' are significant) – it is significant to note that its characteristics now are very similar to CSI when it first began. It would seem therefore, that with time small business SI may progress along a similar trajectory to CSI. With time, therefore, small business SI could become as important developmentally to South Africa as CSI is currently.

It is with that thought that this chapter comes to an end. As can be seen there are many lessons that can be learnt from the participants about how to increase social investment levels amongst small businesses. There is already good awareness about the basics of SI and most firms are involved to some extent in SI. As Raynard & Forstater, (2002) highlight, there is a need for careful management to mediate the threats and opportunities presented to small businesses effectively. If this is done, it is believed that SI amongst small businesses could take off. There is a drastic need for more research in this area. This research simply provides the groundwork and answers some initial research questions – as is the case with all exploratory research. The findings of the research however, highlight even more gaps that need to be filled. Further research in this area will aid in 'breaking the silence' and generating more knowledge about what is happening in this field.

²⁸ Being largely welfarist (rather than following any 'developmental approach'); directed towards 'worthy causes' in response to funding applications from NGOs; priority given to projects where donations were tax deductible (such as education) and was largely in the form of cash donations; giving is discreet with limited marketing potential or coordination between the different role players. The focus is on inputs (money being spent appropriately) rather than outputs (developmental goals achieved). (Triologue, 2007)

CHAPTER 5: CONCLUSION

5.1 INTRODUCTION

This research paper now begins to draw to an end. In this final, concluding chapter a summary of the important findings is presented. This is followed by a discussion around some of the limitations and problems that this research encountered. Through the findings of this research, a number of areas were discovered where further research is needed. These are presented towards the end of the chapter before the concluding thoughts and closing remarks are made.

5.2 SUMMARY OF IMPORTANT FINDINGS

This research has produced some important results about social-giving patterns amongst small businesses. While this research has been conducted on an extremely small scale; looking only at Durban based businesses within the Durban Chamber of Commerce and Industry (DCCI), the results produced shed invaluable light onto this largely unresearched topic.

One of the most significant findings of this research is the 'silence' around small business SI. While social giving does seem to be happening on a very large scale, it would seem that small businesses are not communicating with each other about this sphere of business and further, that the outside world is not paying much attention to this sphere either. The effect of this is an essential silence around this topic and consequently the potentials of small business SI not being fully realised. Given the fact that small businesses have limited resources (in terms of time, finance and labour) the need for effective ways to overcome these were highlighted. One of the most valuable of these would be breaking this 'silence' so that avenues of collaboration, targeting and identifying worthy social partners.

Motivators to SI involvement as well as other hindrances were also found in this research. It would seem that these need to be combined in creative ways so that the hindrances are constrained and consequently the motivators given more space to become effective. The values of the people in the

business emerged as the strongest motivating factor in small business to getting involved in SI. This was tied closely with having a company philosophy centred on doing ethical business (which was identified as another motivator). Other motivating factors included pro-active charities and the fact that (depending on the business) SI involvement could be good for business. Another very important finding was the role that BBBEE plays in small business involvement. Generally, this was found to be somewhat of a motivator in getting small business involved. It was found however, that there was not a widespread understanding of the intricacies of BBBEE, while most people had an understanding of BEE, there were a number who did not understand the changes to BBBEE. It is unclear however, whether this confusion is due to disinterest on the part of the small business, or insufficient government communication, training and support for small businesses with regards to BBBEE. It would seem that this needs to be addressed as a matter of urgency if the full benefit of BBBEE (and possible therefore SI) is utilised by small businesses. This consequently links to another hindrance to SI that small businesses highlighted, namely a lack of commitment and support from authorities and government.

Apart from a lack of government support and a lack of resources, other hindrances which were identified included the major problem of not being able to trust social partners to do the job that they say they will. Another hindrance was the fact that SI among small businesses does at times have limited sustainability due to cash flow and profitability demands. A final hindrance was that SI is not always seen as an investment because of the limited returns.

Other important findings were around the importance of creating a South African model of CSI. As South Africa is the only country in the world that has codified CSI (Triologue, 2007), through the Codes of Good Practice which are a part of BBBEE we already have a uniquely South African 'feel' to SI. In order to uniquely root SI in our South African context from a cultural and heritage point of view and not just from government legislation it would seem that the concept of '*ubuntu*' needs to be embraced in a similar way to Japan's Shiga CSR model Kawaguchi (2004),

Finally, if one looks at the 'evolution' of CSI in South Africa 3 distinct phases can be identified (Triologue: 2007) the earliest of these phases stretched from the 1970's (when CSI was first introduced into South Africa) until the beginning of democracy in 1994. It would seem that small business SI is at a similar stage to this early form of CSI in that it is fairly welfarist in nature, responding to needs as they arise (i.e. being fairly *ad hoc*) rather than having a strategic developmental approach to SI. This largely takes place through cash donations which are given discreetly with limited marketing potential and with

a focus on inputs rather than developmental outputs (Triologue, 2007). While small business SI will always be different to CSI because of the nature of small businesses (in terms of size, turnover and being more connected to staff and local communities), there is however, much room for improvement. It is possible that with time, small business SI could move along a similar trajectory to CSI until it becomes the entity that CSI is today.

5.3 LIMITATIONS AND PROBLEMS FACED

While every effort was taken to create a research design and process that were sound and had no gaps, there were nevertheless a few problems faced and limitations to this research.

Firstly, there was a problem around the sample size as only 32 out of the 80 firms contacted were willing to be a part of this research. Further research is therefore needed to confirm these findings.²⁹

Another limitation with regards to the sample, was linked to the fact that all firms were drawn from the Durban Chamber of Commerce and Industry's database.³⁰ It is possible that only a certain type of business would want to, or have the ability to join the DCCI. Given the benefits that belong to the DCCI brings, along with the membership fees to join, it is possible that small businesses who choose NOT to be a part of the DCCI are a distinct category of small businesses on their own. It would be interesting to conduct this research again with a wider sample group to compare behaviours or attitudes of those firms who do belong to the DCCI with those who do not to see if there are significant differences.

While it is important to note all of these limitations in relation to this current research, it is also noteworthy that every effort was taken to mitigate the worst of their effects. As this research provides an initial, exploratory look into this, as yet, unresearched topic much research is still needed. Future

²⁹ The other problem was that this small sample size was symptomatic of a low response rate, which in itself raises a lot of other questions. Why was the response rate so low? Why were so many firms unable or unwilling to be a part of this research? Is the poor response rate somehow indicative of small firms' attitude to SI? If one considers it, these two actions (taking part in research and SI) have aspects that are in common; both require time away from core business and both require some sort of drive to help someone other than your self or your business. This touches on two aspects which were found to be motivating factors or demotivating factors in this research, a lack of time was found to be a hindrance to SI involvement, and personal values were found to motivate involvement. It is interesting that most of the participants in this research were involved in some sort of SI. While this is interesting, the really interesting thing would be to talk to people, who were too busy to be involved in, or did not 'value' involvement in the research and so declined participation. While the trends seemed developed through this research showed that most small business were involved in some sort of SI activity, it would be extremely valuable to see what the other 48 firms out of the original sample are doing.

³⁰ of businesses with between 11 and 50 employees

research can draw from this methodology and findings and problem solve these limitations from the outset of the research.

5.4 AVENUES FOR FURTHER RESEARCH

Throughout this research – specifically when the results were presented – areas of further research need were highlighted. This section will not pick up all of these points, but will explore briefly, some of the most significant of these.

One of these is the fact that there is a large degree of ‘silence’ surrounding small business SI. It would seem that there is an urgent need to conduct more research into this area – specifically action research that begins to find creative solutions to these problems in partnership with small businesses themselves.

More research is also needed into the scale and scope of small business SI. While this research was able to present initial results, it would be useful to see if these are consistent when a larger sample is used, when a sample from outside the DCCI is used and on a wider national level. It would also be interesting to dive deeper into the motivating factors for such involvement.

‘Values of people’ (either management or staff) were identified as major motivators for SI involvement. It would seem that more research is needed to determine who these people are. What is it that makes one particular manager, or one particular group of people more likely to value social giving or SI? For example, does this relate to demographics, religion, culture or education? Is one group of people more likely to value SI than another and thus push their business to get involved socially?

One of the major hindrances identified, was that small businesses feel that they cannot trust their social partners. The relationship between non-profit or civil society organisations and their donors needs to be explored further. What role does each party need to play in order to be ‘socially responsible’, accountable and truly developmental in their orientation? How can relationships of trust be built between businesses and their social partners?

5.5 CONCLUSION

While much research has been done worldwide, into the area of Corporate Social Investment, there remains less focus on SMEs. Very little is known on an international level (and nothing as yet on a national level) about what small businesses are doing with regards to social investment. This research provides an important first look at the issue on a localised level. By choosing a small sample of Durban based firms, important trends, issues and questions have been found and raised. These provide an invaluable insight into little understood areas and forms a platform on which future research can be based. The gaps in the current knowledge have significant policy implications, both for the government and for the small business sector (Triologue, 2007) and so it is important that the vital role that SMEs play in SI is addressed and the 'silence' around this area broken. In the South African context it is important to encourage further exploration of these issues in order to address the persistent and increasing poverty and inequality levels and rectify the wrongs of the past that that business sector has been involved in creating and continues to benefit from. Responding to such challenges through social investment contributes to business survival and growth prospects and importantly, shows a commitment to the sustainability and development of South Africa.

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APPENDIX 1

CONCEPT CLARIFICATION

As a basis for further discussion, it is necessary to present some of the concepts that are used in this paper. While some of these concepts have formal definitions based on previous research or official understandings, others require 'looser' definitions that suit the context of this research. Many of the definitions are not based on literature or previous research, but rather apply to this specific research; either as the researcher described them to participants, or based on the responses the participants themselves gave.

- **Small Business:** For the purposes of this study, a small business is any company registered with the DCCI that employs between 11 and 50 employees (RSA, 1996). Small businesses are also classified according to their total annual turnover (anywhere from R2million – R25 million depending on the sector they are in) and their total gross asset value. As a number of firms did not want to disclose this information, it was necessary to consider size first and turnover only as a point of interest for those firms willing to share that information. With this understanding of turnover as a secondary determinant of a small business, it is also important to note that for this study, the classification of a small business in terms of turnover according to the South African constitution (RSA, 1996) is not as useful as the classification found in the Broad-Based Black Economic Empowerment Act (2003). This is because CSI falls within "Socio-Economic Development", (SED) one of the 7 pillars of BBBEE in South Africa, (making companies who are involved in certain SI activities able to qualify for BBBEE points). According to this Act, businesses that have a turnover of over R35 million (medium to large businesses) qualify for BBBEE points. Companies which have a turnover of over 5 million but less than 35 million are classified as Qualifying Small Enterprises (QSEs) and qualify to obtain a BBBEE rating based on 4 of the 7 pillars of BBBEE. Companies with a turnover of less than 5 million are classified as Exempt Micro Enterprises (EMEs) because they earn below the VAT threshold. These companies are automatically rated as a Level 4 BBBEE provider. It is therefore QSEs that are of particular interest to this study. A turnover between R5-35million will be considered as a secondary definition of small businesses – subsequent to the number of staff that a company employs.
- **Social Investment (SI):** Corporate Social Investment is a well-understood concept in South Africa (this will be defined and discussed in Chapter 2, the Literature Review). In this research however, the focus is on small businesses and not large, corporate companies. Where 'SI' is

used, it therefore refers to the same behaviours as constitute CSI, but takes them out of the corporate context to make them applicable to the small business context.

- **Formal SI activities:** When a company has a planned policy directing decisions around SI activities it is considered 'Formal SI' (and happens through a formal company policy or developmental strategy).
- **Ad hoc / informal SI activities:** These are SI activities that happen on an impromptu basis or as the need arises. Here, any organisation or charity could contact the small business seeking funds and 'on the spur of the moment' the firm chooses to support that cause. Both *ad hoc* and formal SI activities involve some interaction with "the community" or with underprivileged people or the organisations supporting these people which fall outside of the boundaries of the firm and their stakeholders.
- **SI activities relating to staff:** many firms were not involved in SI activities outside of the boundaries of their firm, but felt that they were doing a lot for their staff in terms of SI. This included training (outside of skills development), paying various expenses for them (in terms of health or family maintenance) and other activities outside of the purely employer-employee work relationship. The intricacies and complexities of this are discussed later in the dissertation.

APPENDIX 2

METHODS USED FOR DATA ANALYSIS

Qualitative data was analysed according to the qualitative data analysis procedure outlined by Jaques De Wet & Zemitri Erasmus in their article "Towards Rigour in Qualitative Analysis" (2005). They suggest two phases to data analysis and two steps to each phase.

First Level Coding

The initial step of the first phase involved a close reading of the data which gave the researcher a preliminary impression of the various issues coming through in the data as well as placing these issues in a specific context. The second step of phase one involved first-level coding. In this step the researcher attempted to simplify the data by categorising the text and assigning labels to emerging themes.

Second Level Coding

The first step of the second phase involves second-level coding. It is here that clusters and hierarchies of information were identified and possible relationships within the data were highlighted (De Wet & Erasmus, forthcoming). The researcher then used 'Microsoft Word' to record data and search for themes.

The limited quantitative data that was generated used quantitative methods of data analysis. To do this, the procedure as set out in Terre Blanch and Durrheim (1999) was followed. This involved an initial three step process to prepare the data before it could be analysed statically. First the generated data was coded, which involved 'applying a set of rules to the data to transform... the information provided on a questionnaire into a meaningful numerical format' (p 98). Second, the data was entered into the computer in a format that could be used by a computer statistical package. Finally the data was cleaned so as to check for any errors in the coding and entering phases of data preparation. Once this had been done, 'Microsoft Excel' was used to analyse the data descriptively.

APPENDIX 3

ISSUES AROUND ETHICS AND REFLEXIVITY

Issues around ethics and reflexivity were considered throughout the research process. In terms of reflexivity, it is important for the researcher to be 'self-conscious' of their role in affecting the outcomes of the research throughout the entire research process (Eagle, Hayes & Sibanda, 1999). This involves being aware of the affect that the researcher has on the research context, the participants, and the researcher's own subjective understandings and worldviews and the ways this impacts on the research. While every precaution was taken to ensure that the researcher remain as neutral as possible, and encouraged the participants to talk as freely about the topic as needed for this type of research, it is nevertheless true, in this research as with most research, that the researcher would have a role to play in the type of research that is produced. Issues of reflexivity are brought up at appropriate times through this dissertation wherever it may have been an issue.

In terms of ethics, this study involves the participation of human subjects representing an SME. Their views that are shared as a part of this study therefore need to be protected from a personal point of view, and in terms of protecting the SME.

The research received ethical clearance from the university before research could take place. When the data collection process was about to begin, all participants taking part in the telephonic interview were briefed as to who the researcher was, what the study is about, and where the results would be disseminated. They were told that if they were not comfortable with answering any of the questions they should not feel compelled to, and further that they could end the interview at any stage. Before taking part in the longer, in-depth exercise, the participants received a letter outlining again all the earlier stated details, as well as ensuring them of their complete anonymity, their right to withdraw from the research process at any time and details on how the data will be stored once the study has been completed. Participants were required to sign a copy of this letter before taking part in the study.

Throughout the research process the researcher closely considered De Vos's (1998) list of ethical criteria, and held these close as the 'guiding light' for interaction with participants. Every effort was taken to make ethical decisions at every stage of the research. Firstly, no harm was done to the participants in any way and the research was done only after informed consent was obtained (through talking and explaining to them for the telephone interview and through the informed consent letter written to them before the long interview) to insure that no deception or violation of privacy could take

place. Further, it was insured that all participants knew that their participation was completely voluntary and that they could withdraw from the research at any stage. Issues of language were also considered. All the participants were screened during the telephone call to make sure that they understood English or to determine if a translator would be needed for the long interview. Despite this precaution, all participants were fluent in English and so no translator was needed.

Issues of power and dominance were also considered given the fact that the researcher is often in a position of power given their status and position of the 'knower' (De Vos, 1998 & Chambers, 1997) and the use of academic language (Terre Blanche & Durheim, 1999) this is an important consideration. In order to deal with any issues of language or 'academic speak' the pilot study was conducted where the participant was asked to identify any such issues working through the interview. As was mentioned earlier, one or two minor issues were pointed out, and the researcher consequently changed these for the rest of the interviews. More generally in terms of issues of power and dominance, it would seem that in this case, the researcher was by and large not in a position of power over participants. All of the participants interviewed in the long interview were men and were middle aged or older. The researcher on the other hand is female and in her early 20's. The attitude most participants took to her was one of paternalism and wanting to 'help out' as much as possible. While this meant that power and dominance did not affect the research from the point of view of the researcher having power over the participants, it did mean that some level of acquiescence was possibly present with participants 'trying to be helpful' and therefore giving responses that they felt the researcher was looking for. The researcher therefore made every effort to be encouraging in any sort of answer whether for or 'anti' SI amongst small businesses.

APPENDIX 4

OTHER MOTIVATORS AND HINDERANCES

Other Motivators for SI involvement	
Motivator	Discussion
Proactive charity	a number of firms mentioned that they were most likely to give when a charity or organisation actually phoned them up looking for money or donations. The more proactive the charity was in seeking SI from small businesses, the more likely small businesses were likely to get involved. The beneficiary can in fact be seen to be a major motivator and hindrance for a company to get involved in SI. This matter will be further discussed in the next section which looks at hindrances to SI involvement
A company philosophy or way of doing business	This relates back to values of management , however here it talks more about the values of the entire business or its ways of operating. Most interestingly, this links to Smit and Njenga's (2007) idea of corporate citizenship. In other words, having a sense of corporate citizenship would seem to be a motivating factor in getting firms involved in SI. Corporate citizenship and establishing a specific 'world view' which directs business will be discussed towards the end of this chapter in section 4.6.
Because it is good for business in some way	This factor was one of the minor motivators reported. Aspects of this that participants mentioned were that because other players in the market were, they also needed to; while another mentioned the need for tax cuts through being involved in SI and another that they felt being involved was important because it was something their clients valued

Other Hindrances to SI Involvement		
Hindrance	Participant	Discussion
a lack of commitment & support from outside, official bodies to get involved	PART. 69	In the long interview no participants aware of any organisations or institutions that promote (support) CSI. Participant 69 expanded on this, explaining that government and other outside bodies were not enforcing SI enough (mainly because they were not enforcing the implementation of BBBEE enough) which stopped small businesses from getting properly involved. This links back to the earlier discussion around compulsion and the fact that unless some pressure is exerted on companies, they will not take part in SI
government	PART. 01	Government was reported as a hindrance to SI because of decisions or actions which are taken which limit small business's profitability and therefore monies available for SI. These include <ul style="list-style-type: none"> • cheap imports • restrictive labour laws. Small businesses have been identified as key in employment creation (Raynard & Forstater, 2002 & SARS, 2004) however

		<p>participants reported that they are constrained in the job creation that they can do because of restrictive labour laws,</p> <p style="padding-left: 40px;">labour regulations and laws... goooosh... they're just so constrictive! You have a lot of guys whothrough peak periods and now you're really flat out, you could do with an extra three or four guys but you cannot afford to take them on, because to get rid of them afterwards is just close to impossible. So government has kind of killed that. (PART.01)</p> <p>According to these participants tight labour laws actually limit the SI that can be done in terms of employment and job creation. It would seem that for this reason, the expectancy placed on this sector to not only aid in South Africa's economic growth, but to also in and of itself be a vehicle for development through creating employment (Smit, 2007; SARS, 2004; Berry et al. 2002) may be out of touch with reality.</p>
<p>sustainability of large involvement or contributions and not wanting to create an expectancy or set a precedent</p>	<p>PART 01, PART 39, PART 41, PART 49</p>	<p>Because of the nature of a small business with their vacillating turnover and cash flow, ongoing contributions are more than likely not possible and many firms do not want to create an expectancy amongst beneficiaries. As one participant put it, if</p> <p style="padding-left: 40px;">you give to one and then everyone expects the same of you and then you don't know how to differentiate and justify why you're supporting one and not the other (PART. 39)</p> <p>Even in terms of SI in relation to your staff members, trying to avoid setting a precedent and creating an expectation can be a hindrance in getting involved in SI;</p> <p style="padding-left: 40px;">They come to you and say, look we have a problem here, someone has died and we need R2000 to bury the guy...With 10 or 12 guys that's easy, but with 40 guys you can't do that – because if you do it for one you have 40 guys queuing at the door saying you did it for him now do it for us (PART. 01)</p>
<p>apathy on the part of businesses and staff</p>	<p>PART. 01</p>	<p>The biggest reported motivator for SI involvement was the values of the people of the organisation, it makes sense therefore that the opposite of this (apathy and an unwillingness to be involved) would therefore hinder SI involvement. As one participant said,</p> <p style="padding-left: 40px;">I think if someone came in here with a real burning on their heart or a real passion for something and they will see it through [SI would happen]. But so often someone comes up with a wonderful idea, but then you sit with the can (PART. 01)</p> <p>This apathy in terms of SI is also linked to the fact that SI is</p>

		not core business and therefore not of central importance to daily business routines.
no return on investment	PART. 01, PART. 69	In line with the financial constraint is the issue of 'investment' and SI being money spent where there is not an immediate return seen. PART 69 claimed that this was one of the biggest problems for small businesses; however, it would seem to be a constraint of all businesses regardless of size, specifically due to concerns around profit maximisation (Waiweru, 2006).
a lack of a suitable vehicle/ no trust in social partners/ no guarantees that that contribution will work	PART. 54, PART. 46, PART. 49	The last point (not being able to trust business partners) was raised a number of times, and is probably the second largest hindrance that small businesses face outside of resource shortages. As such it will be discussed in more detail.

APPENDIX 5

OTHER LESSONS

What constitutes good SI practice?

Considering the issue of 'good SI practice' is important – especially when taken from the point of view of the small business and what they consider good practice to be. It sheds further light on their perceptions and understandings of the topic, and also potentially provides a basis of learning for other firms wanting to initiate SI interventions and activities. The firms interviewed for the long interview were asked what they felt constituted good CSI practice. Not many common themes arose out of this question, as each participant had different ideas.

Some participants felt that there was not really such a thing as good SI practice;

I don't know if you can really get a good and a bad... how do you differentiate between a donation being a good donation and a bad donation. I guess for me all donations would be a good donation... every person has a different interpretation or understanding about what is a worthy cause out there (PART. 39)

This participant judges the value of the SI initiative purely on the giver; they are giving and therefore that is a good thing, regardless of what their motives for giving are (an important issue for some firms which was touched on earlier).

One participant disagreed and felt strongly that motives do matter;

what constitutes... good social investment initiative is if it's done not for economic benefit, really for the betterment of the beneficiaries. (PART. 41).

For this participant, when an SI initiative is done for economic benefit (such as marketing, gaining publicity or trying to placate inconvenienced communities by doing something for them and thus letting your business activities carry on unhindered) it loses all its value as a worthy form of SI. Again, however, note with both participant 41 and 39 that good SI practice lies purely with the giver; are they doing it or are they not doing it, and are their motives pure or not. On the other hand, some participants felt that good social investment practice was not rooted with the giver, but rather with the beneficiary; or ultimately the effects of your giving;

If you're going to invest socially, you need to have some sort of guarantees that it's going to work or not (PART. 49)

And,

I think good practice would be supporting organisations that are correctly registered to ensure that all resources are correctly channelled and that there is accountability in transferring these. ... Giving it to responsible organisations [is important] and as long as they have the reputation

and you know that the bulk of the money is going to go towards the intended purposes, not towards administration and drivers and that kind of stuff. (PART. 47)

And,

Good SI practise would be to obviously target a particular sector that you feel you are able to improve or support or that you feel you are able to do something for (PART. 23)

In these three responses, the main idea is about the effect of giving. Is the giving having the desired effect or impact; it is a results-based understanding of SI and touches on the idea of responsible giving. Giving responsibly involves more than purely writing out a cheque every couple of months. It involves some sort of commitment from the company to invest responsibly by finding out more details about the organisation that they are giving to so that they know that the money is going to be used in a effective manner. Responsible giving, however, could potentially take up a lot of time, and as was discussed earlier this would just add to the cost of giving. It is necessary to consider more ways that responsible giving can happen without being hugely time consuming. According to one participant who has had an ongoing relationship with a particular organisation,

I mean I've been very happy with Boys Town. They keep you posted as to what they're doing and that type of thing. (PART. 54)

This ties together the onuses that are on both the donor and the beneficiary in responsible giving. The donor has the responsibility of ensuring that they give their money to responsible organisations which will do the work. The beneficiary, in turn has the responsibility of keeping the donor updated about how that money is being used. A big worry of a small business who cannot afford big SI schemes or massive monitoring and evaluation processes is where their money is going. So in the spirit of ubuntu / building social capital (to be discussed in the final section of this chapter) it is important for organisations to report back to their donors – no matter how once-off the donation was.

The third quote mentioned (at the top of this page by participant 23) highlights the issue of alignment as well as raising the issue of targeting and focussing your efforts on one particular area or cause. In line with this another participant mentioned that you need to,

champion a cause that is close to your heart. And make that your primary focus and then support other charities or good works. But adopt a major cause within your community and make that your charity. (Part 47)

Earlier research found that such behaviour is common amongst small businesses – that they do not have a wide mix of causes that they support but rather focus on one or two because of their size (CERFE Group, 2001). While this is true for some firms in this research, others were nevertheless involved in a very wide range of SI causes – specifically if they were involved in very ad hoc SI where they only gave money when and if they were contacted by a charity. Whichever charity contacted them was therefore included in their SI. Targeting SI activities thus does have certain benefits, specifically being able to do more for the cause that you choose to ‘champion’ through continuous support.

Continuous support is good for ensuring sustainability. While most of the firms interviewed felt that they could not commit to a certain amount every month (by putting a debit order through for example) because of issues of cash flow, one of them in particular had decided to support one main charity that they had been involved in donating to for a number of years (Boys Town, Part 54). What was valuable about this was that a relationship was able to be established over this time, and the participant was able to see the value of their giving. In line with sustainability, one participant felt that CSI – specifically for corporates – should be

Something that you could touch, leave and it will go on... on its own and you don't need to keep putting money in. because then you can go on and help somebody else and your reach becomes more. In other words to start a project which will entirely depend on your donations for as long as it exists so that the day you leave it's gone. Then you know you get people back to square one. (Part 41)

This participant used the example of a SI project starting a school or another community development project, providing the funds for that and then leaving; the school now has no way of sustaining itself or its new equipment. This is a hugely important point and a major concern amongst those in the CSI field (CSI Conference, 2007). It is however largely a concern that remains in the CSI domain and does not stretch to the SI that small businesses do. This is largely because the amounts that small businesses give are too small to sustain a whole project; normally they are just one of a number of donors supporting a particular charity or organisation. This organisation will then have its own staff workers continually seeking funding and maintaining the project. The role for small businesses would be to ensure, therefore that the charities that they choose to support are themselves sustainable and worthy causes (again relating back to the idea of responsible giving and trust in social partners mentioned earlier. So for example, bad practice would be to give to projects that are not sustainable. Two participants brought this issue up (Parts. 49 & 69) citing examples of projects they knew where money had been given to a particular group of people in order to fulfil a particular social cause. The beneficiaries had however received insufficient or no training and skills and so were not able to do the job.

There are a number of valuable lessons that can be established from this section. Firstly, it is possible to look at the donor or the beneficiary when considering 'good practice'. If the donor is looked at, good practice could include pure motives and responsible giving. The issue of having 'pure motives' does seem to be slightly impractical. A business is run according to business principals which is what makes them unique and valuable players in society, they invest and expect a return on investment. Such a business principal should not be seen as a threat to good practice, but should rather be seen as potential; expecting a return on investment can be the basis for sound SI that has tangible effects. Further, if a business is giving, it is good that they want some sort of return, it is what makes them what they are – successful businesses – and without this attribute they would not be able to stay active and contributing to the economy. Expecting a return on investment does nothing to the value of that investment, they are still investing which is the bottom line. In terms of responsible giving, this responsibility does lie with the donor to ensure that they are giving to worthy causes; this will mean that a social return on investments is more likely – in other words it is more likely for the intervention to succeed. This then links the idea of good SI practice involving the beneficiary or social partner to ensure that the project is sustainable. Sustainability and Targeting were seen as two other beneficial aspects which would lead to good SI practice.

What differentiates CSI from SME SI?

There are certain differences between corporate SI and small business SI. Understanding these also allows us to have a better understanding of the specifics of small business SI. The two biggest differences as highlighted by the participants are

- Resources (financial, time and labour)
- A return on investment or marketing

Nearly all of the participants in the long interview mentioned these two factors as the major differences. In terms of resources; big business has them and Small businesses do not. Because their turnover is normally a lot smaller it is common for all the resources in a small business to be channelled to keeping the business in operation. Labour, time and even premises are resources that all have financial value; it is not possible to have one extra person or one inch of extra space solely dedicated to SI work within a small business as any if this could cost the company significantly in terms of ability to sustain itself. In big, corporate business however, there is often a team of people working on the company's CSI strategy who have their own office space, computers, and access to most other resources that other employees in the business have. Further in terms of the quantity of financial giving, small businesses

generally have a much smaller turnover than big businesses and so the amount that they give is normally a lot smaller. In addition to this,

When bigger corporates budget for the year, they put in a fee for CSI for the year. Smaller enterprises generally tend to do it if they have funds available or if the need arises or if it's requested (PART. 39)

This talks again of the ad hoc nature of small business SI and how because of resources, this is another factor which distinguishes them from CSI. Even where small businesses may give on an ongoing basis to one particular group (making it a formal arrangement) there is still usually no company policy surrounding this, no 'SI strategy' as it were with commitments to meet certain development goals.

In terms of a return on investment, most small businesses involvement is not done for marketing purposes,

I think most of them [corporates] get something back... Small businesses don't get a return, and I don't think they're looking for a return. (PART. 54)

Participant 23 made the comment that small businesses could therefore be seen to be having a "purer motive" than big business for getting involved in SI – the issue of motives has just been discussed in the previous section, and the issue of marketing as a motive was discussed in an earlier section. What is important here is that CSI is much more likely to be used as a marketing technique than SI is to be used by small businesses. There are pro's and cons to this, and arguably, small businesses are not tapping into the marketing potential of their giving enough. This is however, a very controversial issue.

Understanding these differences also adds to the discussion on 'hindrances' had earlier, and consequently helps us to see what obstacles need to be overcome if SI is going to take off among small businesses. The difference in resource amounts and marketing potential (both significantly less in small businesses) are the two main areas which differentiate small business SI from CSI. While the differences in marketing potential is not always seen as a bad thing by small businesses, comments made about not seeing a return on investment with regards to SI (which was viewed as a negative thing) means that if this areas could be boosted, it may draw others into the playing field. These thoughts will be considered again in the final section of this chapter.

APPENDIX 6

SAMPLE OF INTERVIEW SCRIPT – LONG INTERVIEW

*This interview has two segments – 1. to get your **general** perspective on CSI in business. The second section will be to find out info about your specific firm*

Section 1: General Perspectives on CSI

1. How would they define CSI – note main key words used
2. How do they respond to the definition provided –one or more and ask them to comment

Social Responsibility involves the firm 'giving back' to society in some way, or acting in a way that is socially responsible. It could involve reducing social 'bads' such as poverty, human rights abuse and environmental degradation, and increasing social 'goods' such as sustainable livelihoods, education and biodiversity" (Reynard & Forstater: 2002: 66).

"how businesses align their values and behaviour with the expectations and needs of stakeholders - not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to be accountable to its stakeholders" (CSRnetwork.com, 2005)
3. should companies be compelled to partner with the government in the area of socio-economic delivery
4. How widespread are SI activities amongst the businesses you have contact with
 - 1 = none
 - 2 = some
 - 3 = most
 - 4 = all
5. Of these 7 points, what would you say the major motivators for getting involved in SI are? (major motivator 1, somewhat motivating 2, not a motivator at all 3?)
 - a. brand building,
 - b. marketing,
 - c. supply chain upgrading,
 - d. values of management,
 - e. values of staff,
 - f. contractual requirement (eg with large supplier of customer)
 - g. other (please specify)
6. What factors might hinder firms from getting involved in SI?
7. What form does SI generally take amongst these businesses – **prompt**: formal company policy vs informal ad hoc decisions of staff vs mix of the two.

- a. What might motivate a choice of approach in this regard?
8. Of the following categories of SI programmes which are the most common and which are the least common (widespread 1, fairly common 2, rare 3):
 - a. public awareness/public education,
 - b. welfare/charity,
 - c. job creation,
 - d. supply chain/market development,
 - e. community development in support of government programmes,
 - f. community development independent of government & education and training
 - g. other (specify)
9. What target areas/beneficiary categories that you are aware of are most common in SI (widespread 1, fairly common 2, rare 3):
 - a. Orphaned and Vulnerable Children (OVC)
 - b. Health
 - c. Poverty Alleviation
 - d. Education
 - e. Housing
 - f. Infrastructure
 - g. Environment
 - h. Sports development
 - i. ICT and Telecommunications
 - j. Agriculture and food security
 - k. Job Creation
 - l. Skills Development
 - m. Youth Development
 - n. Safety and security (including road safety, neighbourhood watch etc)
 - o. Energy
 - p. Arts & Culture
10. How do firms most often provide SI support: (widespread 1, fairly common 2, rare 3)
 - a. funds/donations,
 - b. labour time of staff,
 - c. expertise support,
 - d. use of facilities/resources,
 - e. donation of facility/asset (eg product produced by company or computer etc)
 - f. other (specify)
11. What constitutes good CSI practise? Alternatively; what constitutes bad practice?
12. Could you identify an example of a project that you are familiar with that you believe is good? Why do you feel this?
13. Could you identify a project that you would consider to be bad csi practise?
14. Do you feel that its important for SME's to be involved in SR practices? Why?

15. What are the 3 most important factors that you feel would differentiate SME CSI from corporate CSI (give reasons)
16. Are you aware of any organisation, institutions (public or private, local or national) that promote CSI? (name them & identify what types of support these provide)
17. What is your understanding of B-BBEE?
18. Have you heard of Qualifying Small Enterprise (QSE) scorecard? If so, what is your understanding of this?

Section 2: Specific Firm's experiences of CSI

Pick up on detail from prelim telephone interview

1. What would you say your top 3 priorities of your business are?
2. Would you say your business operates fairly independently of, or dependent upon other initiatives, organisations or people?
3. Within the context of this firm, what is your definition of SI?
4. Is your business currently involved in any social investment activities as a formal part of your business activities? (if **yes** go to 6 if **no** go to 5)
5. Is there any informal arrangement around CSI-type activities in your firm (eg toy story by one or two staff or bursary by MD? If yes go to 5a-f, if no go to 7
 - a. What sort of activities?
 - b. How would you rate the following factors in your choice project (in terms of importance: 1 not important, 2 somewhat important, 3 very important)
 - i. Alignment with business activities
 - ii. Personal contacts
 - iii. Profile and publicity within key markets
 - iv. Available internal expertise
 - v. Trust in social partners
 - vi. Top Management's personal interest in the cause
 - vii. Employee interest in the cause
 - viii. Other (what are these)
 - c. Are they actively endorsed or just tolerated by management?
 - d. Are firm resources used in their support
 - e. What stops the firm making these more formally part of the firms activities?
 - f. Are there any factors that make informal activities more attractive than formal activities

NOW GO TO QUESTION 7

6. What Social investment activities is your firm currently involved in?
 - a. List how many SI initiatives the firm is currently involved in and the form that these initiatives take.

- b. How would you rate the following factors in your choice of the type of CSI projects (in terms of importance: 1 not important, 4 essential):
 - i. Alignment with business activities
 - ii. Personal contacts
 - iii. Profile and publicity within key markets
 - iv. Available internal expertise
 - v. Trust in social partners
 - vi. Top Management's personal interest in the cause
 - vii. Employee interest in the cause
 - viii. Other (what are these)
 - c. What are the perceived benefits or opportunities of such involvement (in terms of importance: 1 not important, 4 essential)
 - i. Employee upliftment/ growth
 - ii. Conducting business in an ethical way
 - iii. Improved public relations (with potential markets)
 - iv. Improved public relations (with the community in which you're situated)
 - v. 'giving back' to society
 - vi. Paying for the wrongs of the past
 - vii. Increasing business opportunities
 - viii. Other...
7. What are the 3 main factors that prevent you participating in CSI activities – which is the most important
 - a. **For companies NOT involved in CSI:** Would anything change your decision to adopt CSI? If so what?
 8. Has your firm been involved in any other social investment activities in the last two years.
 9. The concept of CSR has been criticised for being a western invention, how could we make it more relevant to our South African context?.