

UNIVERSITY OF KWAZULU-NATAL

**CORPORATE SOCIAL RESPONSIBILITY IN SMALL AND MEDIUM
ENTERPRISES IN PIETERMARITZBURG**

By

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**A dissertation submitted in fulfilment of the requirements for the degree of
Master of Commerce**

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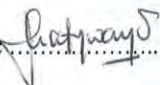
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2015

DECLARATION

I, Victor Hlatywayo declare that:

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ACKNOWLEDGEMENTS

I would like to thank the Lord Almighty, who guided me through this journey, for it is through Him that I successfully completed my study.

I wish to express my sincerest gratitude to my supervisor Mrs Evelyn Derera for without her guidance and constructive criticisms I would not have reached this far. I also want to acknowledge Prof Chitakunye and College staff for all their encouragement and for making this journey enjoyable.

To my brothers and their families, I thank you for the sacrifices you made to get me to this point. Thank you for all the support and for encouraging me to soldier on when the going was getting tough. To my mother and late father, I thank you for your prayers and for the wisdom you planted in me.

Lastly, I would like to thank all my friends who made me to believe in myself and aim for the best not forgetting my course mates for making this journey exciting.

DEDICATION

This research work is dedicated to my late aunt Mrs Rev Daisy Hohoza Dube. My heart will always be with you as I continue to live by your word.

ABSTRACT

Corporate Social Responsibility (CSR) has been identified and adopted by large businesses as a business strategy that is used to enhance company performance. It is globally used to link business and society through sustainable development and good governance. Studies show that CSR in Small and Medium Enterprises (SMEs) is under researched and is still associated with large firms, even in emerging economies where SMEs play a pivotal role in the economic development of their countries. The main objective of this study is to explore the nexus between CSR and SMEs in Pietermaritzburg in South Africa. In particular, the study explores the perceptions, the drivers of CSR activities in SMEs, the challenges of implementing CSR initiatives and the strategies employed by SMEs to overcome some of the challenges they encounter. A non-systematic literature review approach was conducted where insights were drawn from a wide range of secondary sources such as peer reviewed journal articles, non-peer reviewed publications on the topic. Mixed methods was used to collect primary data. An exploratory sequential design was adopted as a mixed method technique to understand the interplay between CSR concepts in SMEs. Two hundred and forty-three (n=243) respondents participated in the study in their capacity as entrepreneurs, managers or supervisors and employees. A convenience sampling technique was used to select participants for the study. A thematic analysis technique was used to analyse qualitative data. Statistical Package for Social Science (SPSS) computer software was used to analyse quantitative data. The empirical findings reveal that SMEs acknowledged CSR as business concept. The results indicated that their CSR activities are mainly hampered by lack of finance, management skills shortage, and minimal access to information and shortage of manpower. Finally, the results revealed that SMEs prefer to engage in partnerships with each other or large businesses when implementing CSR initiatives. Government should introduce regulatory framework as policy (e.g. tax incentives) that encourages SMEs to engage in CSR programs. This approach will redefine the voluntary nature of CSR and mitigate some of the daily challenges SMEs encounter in their pursuit for sustainable growth.

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LIST OF ACRONYMS

AIDS	Acquired Immunodeficiency Syndrome
ARW	African Rainbow Minerals
BSR	Business Social Responsibility
CSR	Corporate Social Responsibility
DTI	Department of Trade and Investment
GEM	Global Entrepreneurship Monitor
GDP	Gross Domestic Product
HIV	Human Immunodeficiency Virus
ISO	International Organization for Standardization
SEDA	Small Enterprise Development Agency
SME	Small Medium Enterprise
SPSS	Statistical Package for Social Science
OECD	Organisation for Economic Co-operation
UKZN	University of KwaZulu-Natal
VAT	Value Added Tax
WBCSD	World Business Council for Sustainable Development

CHAPTER 1

INTRODUCTION AND BACKGROUND OF STUDY

This chapter introduces and discusses the background and outlines the rationale of the research. It also states research problem and intentions of the study. The chapter also highlights the research design adopted for this study. Furthermore, critical terms used are discussed in the context of the study.

1.1 Introduction

Over the past decades Small and Medium Enterprises (SMEs) have been playing a critical role to the development of South Africa (World Bank, 2011:7; Mahembe, 2011:25). According to the World Bank (2011:07), SMEs contributed 78% of global employment generation. The South African Competition Commission (2012:7) and Global Entrepreneurship Monitor South Africa (2012:7) indicate that SMEs contributed between 63% and 67% of employment generation between 2011 and 2012 in South Africa. This further translated to 53% GDP of the country.

Fatoki and Asah (2011:170) and Goldberg, Habberton and Ractliffe (2015:10) point out that like large firms, SMEs face legal, environmental and operational challenges that require drastic measures. Zeka (2012:28) and Kongolo (2010:2287) support the same view when they claim that the results of these challenges have been shown by the significant high numbers of SMEs that are closing down annually in South Africa. These challenges have also been augmented by a high number of informed consumers who are constantly complaining about the effects of companies' actions to societies (Bampton, Odemilin and Samy, 2010:205; Zeka, 2012:45). These developments result in people demanding more society-oriented investments from companies. Given the unique challenges SMEs face today, they require the support of stakeholders. Based on this view, adopting CSR become very important for SMEs (Freisleben, 2011:54).

However, there are various ways of describing societal obligation of businesses in literature. The researcher acknowledges Neuman (2006:23) who argues that the term business social responsibility (BSR) is more suited with SMEs. Therefore, the term BSR was adopted and used in the questionnaire survey while the term CSR is mainly used in literature review. CSR has been identified and adopted by large businesses as a business strategy used to stimulate

business activities and improve business success (Gatti, Caruana, and Snehota, 2012:66; Narbaiza, Ibañez, Aragón, and Iturrioz, 2009:62). According to McWilliams and Siegel (2011:05), CSR is used by large firms to build relationships with societies through sustainable development and good governance. Large businesses have adopted various strategic tools to gain a competitive advantage. Fitjar (2011:33) points out that CSR has been accepted by large firms as an integral part of differentiation strategy. Previous CSR studies on large businesses have also shown that it is a strategic investment that could be used to improve the financial position of the company and help it achieve a reputable position within society (Zeka 2012:44; Friesleben, 2011:54). However, studies reveal that CSR in SMEs is under researched and is still associated with large businesses (Seeletse and Ladzani, 2012:11458; Turyakira, Venter and Smith, 2012:107). Yet it is critical for SMEs to include CSR in their business models since it has financial benefits to the organisation (Seeletse, and Ladzani, 2012:11458; Kitzmueller, 2010:10). The same observation was echoed by Santos (2011:499) who highlights that CSR is critical in building social capital that helps reduce problems faced by societies.

Although CSR has been used as business strategy, there is no universally agreed definition for it (MacGregor and Fontrodona, 2011:80). According to Friesleben (2011:54), some studies associate CSR with business ethics such as “philanthropy, community, workplace diversity, safety, human rights and environment”. World Business Council for Sustainable Development (2013:03) identified CSR as, “the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of workers, their families and surrounding communities and societies at large.” In their study to determine significance of CSR in SMEs, Bampton *et al.* (2010:205) and Zeka, (2012:45) echoed the same sentiments as they agree that CSR happens when organisations focus on the social agenda beyond that which is expected by laws.

Since there is no universally agreed CSR definition the study is guided by the following definitions to achieve its research objectives:

“The social responsibility of business encompasses the economic, legal, ethical, and discretionary [later referred to as philanthropic] expectations that society has of organizations at a given point in time” (Carroll and Shabana, 2010:89).

Neoliberal researchers consider CSR as “the adoption of a set of voluntary policies, codes or guidelines initiated and driven by the corporation” (Broomhill, 2007:6).

These definitions were selected because they share similar views on social benefits that can be achieved by firms when they incorporate CSR initiatives in their business models. The above definitions were also selected because they focus on firms' voluntary efforts aimed at acquiring an added advantage by meeting social needs of society through ethical and lawful operations. These definitions assisted the researcher to explore deeper insights for the study.

1.2 Background and context of the study

Over the past decades people have been critically analysing the effects of business activities on communities (Seeletse and Ladzani, 2012:11458). Concerns have been raised regarding business ethics, business impact on communities and natural environment. This has become so evident among people (Santos, 2011:499). According to Sen (2011:06), businesses have been called to increase actions towards social change and emphasis on maintaining social balance with communities. As a result businesses have been under pressure to adjust their business practices and embrace sustainable programmes. According to Vivier (2013:70), such pressure can be embraced and act as a differentiation strategy that can be used to benefit the company both in the short and long-term. The above arguments brought about the birth of CSR aimed at bridging the gap between the societal concerns and business practices. Fundamentally, Carroll and Shabana (2010:82) observed that CSR emerged as a tool that is used to control corporate power in large firms and direct it towards producing social goods and assist surrounding communities.

Based on these perceptions, European SMEs are pressurised to consider and handle the societal and environmental impacts of their activities that go beyond obeying the laws governing their actions (Santos, 2011:499). However, Jamali, Lund-Thomsen and Jeppesen (2015:5) argue that SMEs relatively face little pressure to engage in CSR activities in South Africa because the government does not follow up on the implementation of statutory laws at lower levels. Additionally, various developments have also redefined large business' view on CSR benefits in South Africa. This has resulted in large organisations shifting their focus to social voluntary initiatives. For example, The Gates Foundations committed US\$5.5 billion

towards global research in eradicating poverty, malaria and HIV/AIDS (The Gates Foundation, 2013:02). In recent years, the African Rainbow Minerals (ARW) executive chairman Mr Patrice Motsepe announced that he will be pledging at least half of his income through the family foundation towards social projects aimed at improving lives of the poor, disabled, unemployed youths and women in South Africa (Motsepe Foundation 2013:1). Anglo American Platinum unveiled R890 million social investment plans aimed at improving its employees and surrounding communities in Rustenburg (Anglo American, 2013:2). The company also invested 5% of its social plan to cater for other social projects in the entire country.

The above examples show the significant shift and attention that large businesses are giving to CSR initiatives in South Africa. This has shown that there are great rewards that businesses can derive from these philanthropic activities (Cooke, 2010:78; Preuss and Perschke, 2010:536). While SMEs have been under pressure from government, media and various lobby groups to account for the social effects to society, it is high time that they consider and embrace CSR as strategic armament for success (Turyakira, 2012:34).

Additionally, many large companies responded to societal pressure by adopting CSR programs in their business models. Nevertheless, it has been realised that contemporary practices to CSR are separated from the wide business management strategy of many SMEs (Friesleben, 2011:54). Based on misguided perceptions on the advantages CSR has to large firms, it still can contribute significantly towards SMEs' key competencies. These sentiments are echoed by Santos (2011:499); Zeka (2012:02), Fitjar (2011:32) and Cooke (2010:78) who point out that CSR is a strategic tool that is central and vital to SMEs operations. It is therefore vital for SMEs to adopt CSR concepts as strategic tools to enhance their performance.

1.3 Research problem

Global studies show that CSR is widely associated with large corporations than with SMEs. Given the considerable role SMEs play in the economic development of South Africa, they are also expected to be involved in social initiatives. Furthermore, it is widely known that CSR has an essential element to the enhancement of societies and has been globally accepted as a vital concept in business (Sen, 2011:7; Fitjar, 2011:32). CSR has proved to be a strategic tool that enhances performance. Literature shows that large businesses have adopted CSR in

their business models as a key element for long-term sustainability and good governance. However, this is not the case in SMEs where CSR is widely associated with large businesses. It is therefore important to focus on CSR in SMEs since research in this sector is being overlooked (Sen, 2011:07; Seeletse and Ladzani, 2012:11458; Turyakira *et al.*, 2012:107). Therefore the research problem that the study explores is to deeper understanding of SMEs on CSR in Pietermaritzburg, South Africa.

1.4 Research objectives

The objectives of the study are:

- To explore the perceptions of small and medium enterprises on corporate social responsibility.
- To analyse the drivers of corporate social responsibility practices in small and medium enterprises.
- To determine how small and medium enterprises are implementing corporate social responsibility activities.
- To investigate the challenges experienced by small and medium enterprises in implementing corporate social responsibility and why they face these challenges.
- To examine strategies used by small and medium enterprises to overcome some of the challenges encountered in implementing corporate social responsibility activities.

1.5. Research questions

The main research question is: “What is the nexus between CSR and SMEs in Pietermaritzburg, South Africa?”

The research questions guiding the research study are:

- What are the perceptions of small and medium enterprises on corporate social responsibility?
- What drives small and medium enterprises to engage in corporate social responsibility initiatives?
- How do small and medium enterprises implement corporate social responsibility activities?

- What are the challenges experienced by small and medium enterprises in implementing corporate social responsibility programmes and why do they face these challenges?
- What are the strategies used by small and medium enterprises to overcome some of the challenges encountered in implementing corporate social responsibility activities and how effective are these strategies?

1.6 The rationale of the study

The study is driven firstly by the need to understand interplay between CSR in SMEs. The study was also motivated by global trends where companies continue to reap great rewards at the expense of communities and the natural environment in which they operate (Viviers, 2009:48). The study is important because it seeks to understand how SMEs can embrace CSR as strategic tool that can be used to enhance their competitive. The rationale of the study is also backed by Kumar and Tiwari's (2011:22) and Zeka's (2012:39) studies on CSR where they concluded that there is link between CSR activities and sustainable profits to the organisation.

The study is also triggered by Narbaiza, Ibañez, Aragón and Iturrioz (2009:62) study which highlighted that CSR benefits to society have been extensively documented and have been associated with company performance. The same view is also supported by Sen (2011:7) who argues that CSR has been widely associated with large businesses that have been embracing CSR concepts into their strategic plans and considering them as strong elements for long-term sustainability. It is fundamentally important to focus on CSR in SMEs since research in this sector is being overlooked (Sen, 2011:7; Seeletse and Ladzani, 2012:11459). Although there is enormous global research on CSR activities by large businesses, more research is needed on how CSR can be used by SMEs to improve their business performance in Pietermaritzburg, South Africa (Seeletse, and Ladzani, 2012:11458; Zeka 2012:143).

Additionally, SMEs are recognised as entities that like to learn from networking with other businesses so this can be enhanced by engaging in CSR programmes where ideas will be shared (Inyang, 2013:125). In spite of this, SMEs are also known to have less formalised missions so by embracing CSR, they will be able to transform their activities through engaging with communities (MacGregor and Fontrodona, 2011:90). MacGregor and

Fontrodona (2011:90) further point out that those CSR strategies can be used as a means of crafting a long-term benefit centred on building continuity in the competitive business environment. This was in support of Cooke (2010:78) and Fitjar (2011:32) who argue that CSR creates a social bond that enhances company reputation and subsequently increases profit margins. Since CSR studies in large businesses show financial success, similar studies on SMEs are equally important to understand its unique significance to this critical sector of the economy.

Given economic contributions by SMEs to the country and society, further studies are required to get deeper understanding on how SMEs can improve business performance by embracing CSR concepts in their business models.

1.7 Research methods for the study

1.7.1 Research methods

As the nature of the research is an exploratory research, mixed method research design was adopted for this study. A mixed methods technique called exploratory sequential design was chosen to gather primary data. This involves combining two methods of gathering data in a single study (Tashakorri and Teddie, 2010:51). Therefore, the study utilised in-depth interviews and a questionnaire survey to achieve its objectives. This approach gave the researcher the opportunity to benefit from the advantages of both methods (Yeasmin and Rahman 2012:154). This technique was used because it offers the researcher the ability to get reliable outcomes since the strengths of each method is utilised while weaknesses of each method can compensate by the other (Dhalberg and McCraig, 2010:27). An exploratory sequential design was adapted as two phased approach. The first phase involved in-depth interviews (qualitative survey) with entrepreneurs. The results were used to inform the second phase (questionnaire survey) where questions were designed from insights drawn from in-depth interviews results.

1.7.2 Data collection methods

A non-systematic literature review was conducted where insights were drawn from a wide range of secondary sources such as peer reviewed journal articles and non-peer reviewed publications on the topic. This was done to get in-depth understanding on the research topic. Primary data was collected using in-depth interviews and questionnaire survey. In-depth

interviews were conducted between the researcher and entrepreneurs. A questionnaire survey was conducted with people who participate in SMEs as either managers/supervisors or employees. A convenience sampling technique was used to select participants for the study.

1.7.3 Data analysis and statistical techniques

The data from in-depth interviews were transcribed and summarised to identify themes that are in line with the research objectives. Themes were identified from the transcribed data. The Statistical Package for Social Science (SPSS) computer software was used to analyse quantitative data. Furthermore, descriptive statistical tools such as mean and standard deviation were used in detailing the perceptions, drivers, challenges and strategies used by entrepreneurs in implementing CSR initiatives. Inferential statistics were used to analyse quantitative data. Principal Component analysis was used to calculate latent factors for all five CSR constructs identified for the study (perceptions, drivers, challenges, implementation and CSR strategies). In addition, Kruskal Wallis tests were used to identify the significant differences of all questions asked on the five constructs of the study. Both the Kolmogorov-Smirnov and Shapiro-Wilk tests were used as non-parameters to determine the effects of questions used for each construct of the study.

1.8 Limitations of the research study

The main limitation of this research is that the entire sample was taken from SMEs registered with the Department of Economic Development, Tourism and Environmental Affairs in Pietermaritzburg. As such, the results of the study cannot be generalised across all SMEs in the Pietermaritzburg. The other limitation is that the study used a non-probability sampling technique (convenience sampling) to select participants. Therefore, the results of this study do not reflect the responses of the entire population. However, the researcher recommends that the insights drawn from the study be used by SMEs in Pietermaritzburg and in the entire country. Despite the above limitations, the findings lay a foundation for future research.

1.9 Definition of key terms

This section defines some of the key terms that were used in this study.

1.9.1 Accountability

Accountability is a concept that focuses on business ethics that is reflected in the compliance with laws and regulations, transparency actions and responsiveness to legitimate expectations (Visser, Matten, Pohl, and Tolhurst, 2007:04). Current trends on corporate governance reflect that there is a paradigm shift in the perceptions that companies are only accountable to their owners and investors and other people they do business with rather than to communities at large (Visser *et al.*, 2007:04). Accountability focuses on a company's willingness to be answerable and the ability to accept the blame from its operations. Businesses that comply with rules and regulations are more likely to have a comparative advantage derived from customer loyalty (Visser *et al.*, 2007:04).

1.9.2 Responsibility

There are various understandings on responsibility depending on the context (Bevan, Corvellec and Fay, 2011:1). Responsibility can be defined and considered as the commitment to completing a task that has to be fulfilled and has chances of failure. Responsibility can be viewed as an individual or corporate responsibility. Bevan *et al.*, (2011:1) pointed that by entering into business, firms create responsibility which they must act on accordingly. These corporate responsibilities defines the decisions made by the organisation.

1.9.3 Sustainability

According to Visser *et al.* (2007:446), sustainability refers to the ability to operate in the long term. In relation to CSR, sustainability refers to the ability of an organisation to remain profitable and ensuring that the environment is well taken care of as it inspires to achieve its long term objectives. It is very important for an organisation to seek a balance between its short-term profitability and its future ambitions. According to Crane, Matten, and Spencer (2008:56) sustainability focuses on putting society and the environment first so that an organisation will gain trust from society and achieve its long term objectives.

1.9.4 Stakeholders

Stakeholders in this study are defined as individuals, or groups of people in society that are affected by business or influence business activities (Freeman *et al.*, 2010:11). These groups of people define the CSR policies of an organisation. In this study stakeholders will include employees, communities, investors and government.

1.9.5 Social capital

There is no universally agreed definition upon social capital. According to Saeed and Arshad, 2012:224) and Sen (2011:37), social capital means various groups and values which assist them work together in an organisation. It is these values and beliefs that encourage SMEs to engage in CSR investments (Saeed and Arshad, 2012:224). According to the World Bank cited in Sen (2011:37), social capital does not only show social cohesion within society but it is the “glue that holds people together”. Social capital is mainly associated with SMEs employees who have varied expectations from their companies (Russo and Perrini, 2011:210). The study uses intangibility elements of the definition that binds groups of people together to get deeper insights from participants.

1.9.6 Entrepreneurship

There is also no universal agreed upon definition for entrepreneurship (Goetz, Partridge, Deller and Fleming, 2010:31; Agbenyegah, 2013:41). Entrepreneurship involves identifying and pursuing a business opportunity or the expansion of an existing venture by a person or group of people (Neuman *et al.*, 2009:9; Chen, Weng and Hsu, 2010:11). According to Bridge, O'Neill and Martin (2009:56), entrepreneurship is also linked to owning a business and self-employment in small business. According to Vosloo (1994) cited in Derera (2011:14), entrepreneurship is also associated with managing a business venture irrespective of its size or existing period. Hence in this study entrepreneurship entails the establishment of a business venture by an individual or by a group of people.

1.9.7 Entrepreneur

An entrepreneur is a person who takes a calculated risk to establish and manage a business venture with the aim of making profit. An entrepreneur could also be defined as:

“...a person, who sees an opportunity in the market, gathers resources and creates and grows a business venture to meet these needs. He or she bears the risk of the venture and is rewarded with profit if it succeeds” (Nieman and Nieuwenhuizen, 2009:09).

1.9.8 Corporate social responsibility

There is no agreement definition of CSR (MacGregor and Fontrodona, 2011:80; Inyang, 2013:125). According to Inyang, (2013:152), CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with

their stakeholders on a voluntary basis. Liu and Fong (2010:35) note that CSR is largely understood as a range of voluntary initiatives, beyond legal and contractual requirements, which, if undertaken effectively should eventually benefit the workforce, their families and local communities and ultimately improve the overall welfare of the community and contribute to economic development”.

1.9.9 Small and medium enterprises

SMEs is not amenable to a universally accepted definition (Neuman, 2007:10). The definition of SMEs varies in context across countries, industries, organisations, agencies and the academic community (Bosch *et al.*, 2011:578; Inyang, 2013:125). However, the definition include both qualitative and quantitative aspects such as controlling a small market share and capital contribution by members respectively.

1.10 Structure of the dissertation

The dissertation has six interlinked chapters as presented in Figure 1.1.

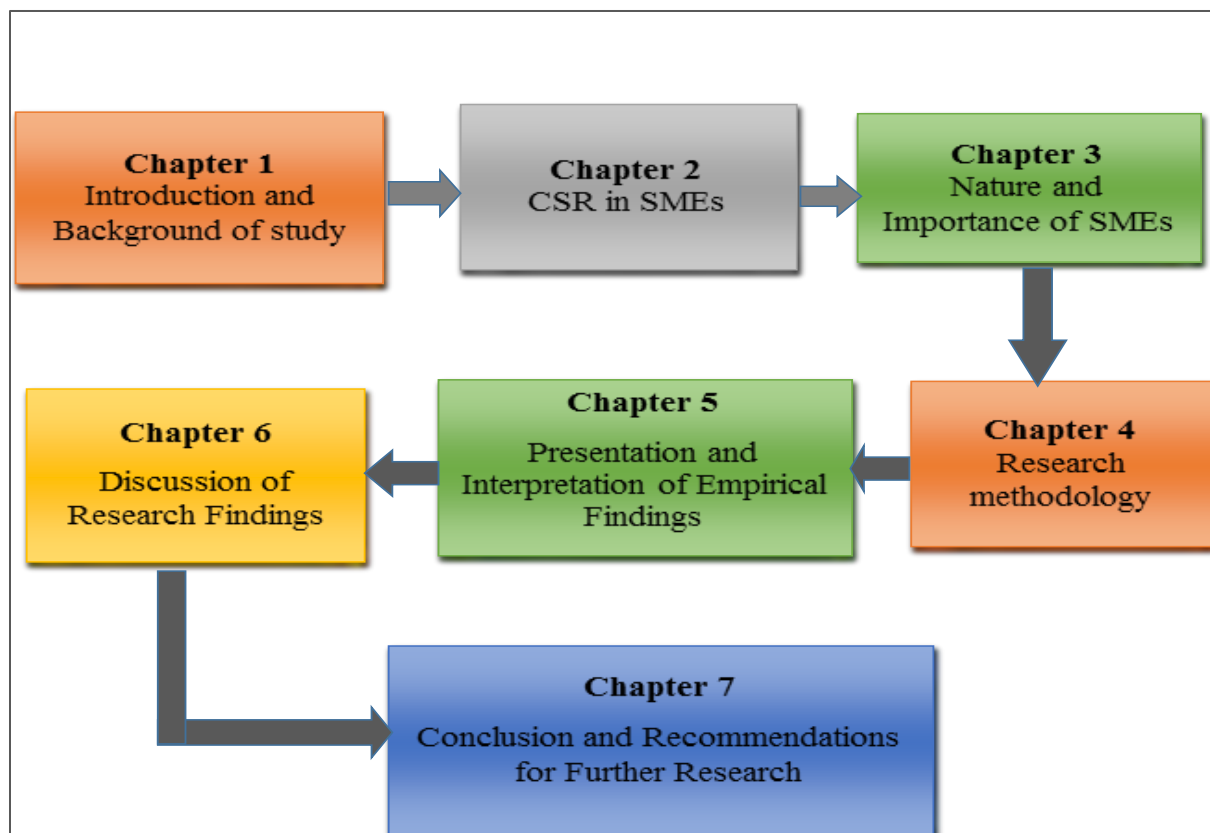


Figure 1.1: Structure of study

Source: Author's own compilation.

Chapter 1: Introduction and background of study

This chapter provides a detailed introduction, rationale of study, background of study and limitations of the study.

Chapter 2: Corporate social responsibility in small and medium enterprises

Chapter 2 contains a comprehensive literature review on CSR dimensions and theoretical frameworks (stakeholder, economic, social capital theory) that are vital for this study.

Chapter 3: The nature and importance of small and medium-sized enterprises (SMEs)

This chapter contains a detailed literature review on SMEs as business entities in relation to the objectives of the study. It explores the challenges, benefits and strategies used by SMEs in implementing CSR programs.

Chapter 4: Research methods

Chapter 4 consists of a well-rounded description of the research methods used for the study. It provides a detailed approach on how an exploratory sequential design was carried out to achieve the research objectives.

Chapter 5: Presentation and interpretation of empirical results

The chapter presents the findings and interpretation of empirical results. In-depth interviews were transcribed and themes identified as results. SPSS was used to capture quantitative data (questionnaire survey). Descriptive and inferential statistics were used to present interpret results.

Chapter 6: Discussion of research findings

This chapter discusses empirical results (presented in Chapter 5) in line with the research objectives of the study. The discussion was guided by the inclusion of literature findings on theoretical analysis of CSR and SMEs from the respective literature review chapters.

Chapter 7: Conclusion and recommendations for further research

The chapter gives conclusions and recommendations based on the findings obtained from the secondary and empirical evidence. The chapter also points out the limitations of the study and gives suggestions for future research to the field management.

1.11 Conclusion

This chapter provided the main purpose and motivation for the study. It highlighted the research problem, the research questions, the rationale and the objectives of this study. This was followed by the research design adopted, ethical considerations and limitations for the study. Finally the structure of the dissertation was presented. The following chapter reviews literature that is relevant for the study.

CHAPTER 2

LITERATURE REVIEW: CORPORATE SOCIAL RESPONSIBILITY IN SMALL AND MEDIUM ENTERPRISES

The previous chapter outlined the introduction, background and the rationale of the study. The objective of this chapter is to review literature on CSR in relation to SMEs and the objectives of the study. The chapter also examines literature on how large businesses have embraced CSR in their business models and how such initiatives impacted on their performance.

2.1 Introduction

This chapter firstly discusses theories that are relevant to the study. Stakeholder theory is explored as a strategic framework which distinguishes various stakeholders and the different responsibilities that businesses have towards themselves and the stakeholders. Economic theory is discussed with emphasis on SMEs' responsibilities to maintain a balance between profit maximisation and adaptation of CSR initiatives in their unique business models. Furthermore, social capital theory is explored as a social network that defines the relationship and norms that determine how people interact in the business environment and how such relations can be sustainable to SMEs (Sen, 2011:37). Therefore, stakeholder, economic and social capital theories have also been identified to explore the objectives of this study.

2.2 Brief historical background of CSR

The following section shows a brief historical background of the CSR concept. CSR emerged at the early stages of industrial revolution and was coined by Professor Bowen immediately after World War II (Polášek, 2010:10; Sen, 2011:28). According to Sen (2011:16), Bowen coined CSR as social commitment at a wider view than just as simple company responsibility. According to Polášek (2010:10), the CSR concept has evolved over the years due to the interactions between industrialisation and globalisation. According to Bowen (1953), cited in Polášek (2010:10), firms are required to produce social goods that improve the well-being of societies in order to meet their performance. However, there is no universally agreed definition for CSR (MacGregor and Fontrodona, 2011:80).

According to Horrigan (2007:85), people have been increasingly critically analysing the effects of businesses activities on communities. This views is also highlighted by Sen, (2011:6) who elaborated that such developments have brought about social anticipations and an emphasis on social balance and positive actions. As a result, businesses have been under pressure to adjust their business practices and embrace CSR programs. Furthermore, MacGregor and Fontrodona (2011:87) and Galbreath (2009:133) assert that CSR is now regarded as a strategic instrument used to reduce the monopoly of big companies and shift their focus towards producing goods and services that are environmental friendly and assist the well-being of surrounding communities. A historical view of the CSR concept can be used to further understand the developments of the concept and how it can be used by SMEs.

The following section discusses the dimensions of corporate social responsibility.

2.3 The dimensions of Corporate Social Responsibility

There are four dimensions of CSR which include economic, legal, ethical and philanthropic responsibilities (Carroll and Shabana, 2010:90). The four dimensions are shown on Figure 2.1.

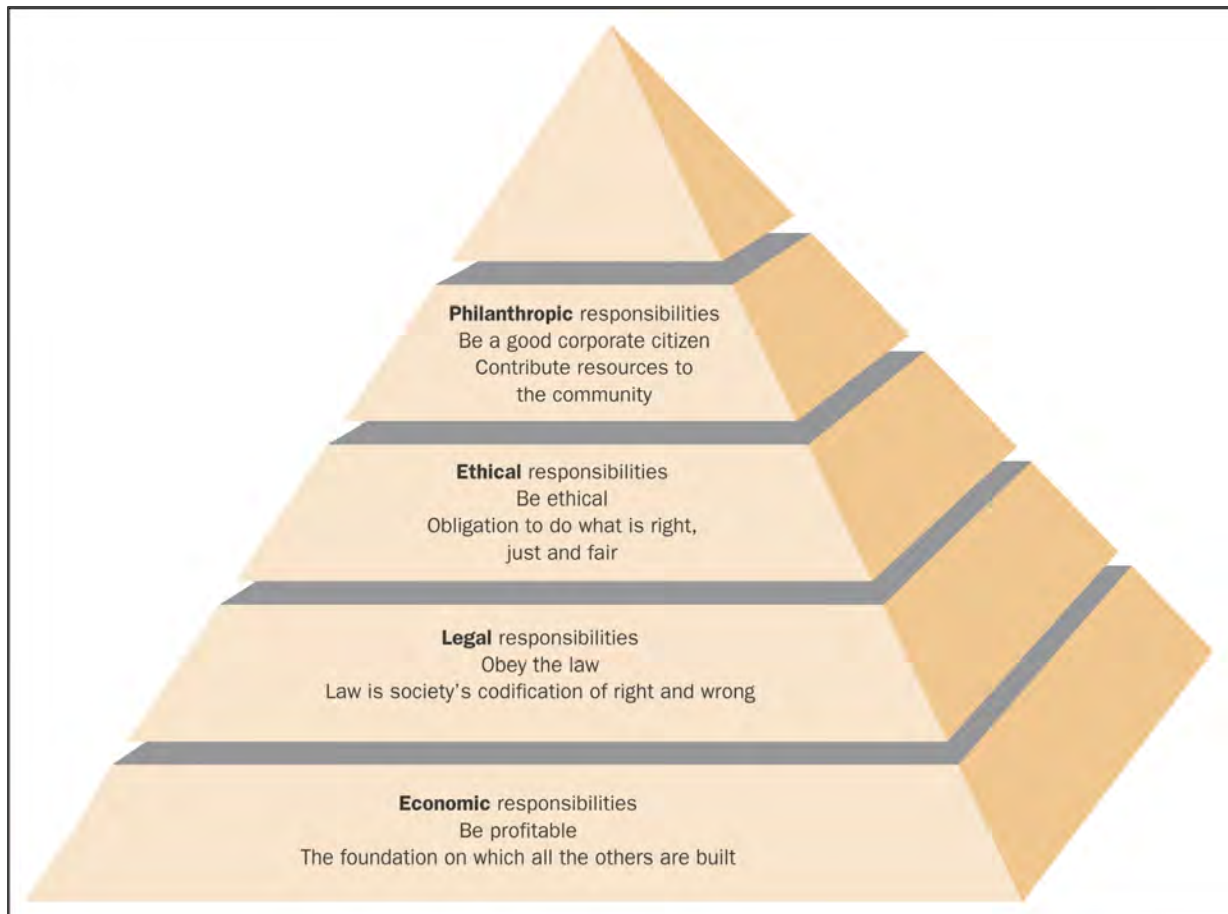


Figure 2.1: Carroll's corporate social responsibility pyramid

Source: Carroll and Shabana (2010:90).

2.3.1 Economic responsibility

According to Carroll and Shabana (2010:90), the economic responsibility of business is “to produce products and services that will translate into profit to the organisation”. According to Carroll and Shabana (2010:90), when a company achieves its economic expectations it will be able to perform other responsibilities. When a company achieves its economic responsibilities it will not be able to breach ethical and legal expectations by committing crimes and fail to invest in philanthropic activities (Carroll and Shabana, 2010:90). Dartey-Baah and Amponsah-Tawiah, (2011:134) agree that important economic responsibilities of business are to maintain accurate reporting of company activities, maintain a profitable structure and pursue low costs systems.

2.3.2 Legal responsibility

Every business has responsibility to pursue its activities according to the legal framework of the country (Carroll and Shabana, 2010:88). According to De Schutter (2008:203), legal

responsibilities involve “obeying the statutes, regulations, administrative codes, executive enactments, and court rulings or decrees issued”. When an organisation obeys legal requirements it will be able to achieve its economic ambitions and eventually be in a position to meet ethical and philanthropic responsibilities. Some of the legal requirements are to maintain operating activities that produce products and services which comply with government specifications and in accordance with the law (Carroll and Shabana, 2010:88).

2.3.3 Ethical responsibility

Ethical responsibility refers to actions that are considered acceptable by members of the community even though they are not written down as laws (Carroll and Shabana, 2010:95). Such actions are considered as fair and just to a particular society and community. Carroll and Shabana (2010:95) suggest that these responsibilities of a company “embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders’ moral rights.” One of the important ethical responsibilities of business pertains to respecting morals of society and maintaining corporate integrity. However, it is difficult to determine ethical expectations as some ethical issues are defined by the culture of society. This makes it difficult to determine what is ethical from one society to the other. Still, businesses are expected to look for what is acceptable to society and as stipulated by government ethical codes.

2.3.4 Philanthropic responsibility

Philanthropic responsibility is referred to as a responsibility that is not expected as moral or ethical but is a firm’s reactions to community’s expectations (Sen, 2011:48). They are considered as voluntary and charitable initiatives that businesses carry out in response to society’s needs. Such initiatives are also not enforced by law or ethical principles (Hartman and DesJardins, 2011:211). Carroll and Shabana (2010:97) also note that some of the voluntary responsibilities include contribution to education, infrastructure development of communities and health contributions to society and employees by an organisation. It is vital for businesses to pursue their profit ambitions in accordance to the legal framework of the country (Carroll and Shabana, 2010:97). By so doing they will be killing two birds with one stone, that is realising their profit expectations while maintaining ethical obligations to society and the environment. According to Carroll and Shabana, (2010:97), philanthropic

responsibilities can only be performed when a company is profitable and operates according to legal and ethical framework of the country and expectations of society.

The following section will explore various CSR frameworks which will assist in exploring CSR in SMEs.

2.4 Corporate social responsibility theoretical frameworks

The corporate social responsibility framework explains that businesses must not only focus on economic activities but also consider the implications of their actions to the natural environment and the surrounding communities (Santos, 2011:499; Sen, 2011:28). CSR concepts also recommend that businesses can maximise revenue while obeying the moral expectations of societies (Sen, 2011:28). William and Chandler (2010:45) elaborate CSR recommendations for society to call for businesses to serve them and not only their owners or investors.

However, Turyakira *et al.* (2012:106) study on CSR's influence on the competitiveness of businesses noted that the concept has emerged as an interesting topic to both academic and business fields. This was in support of The International Organisation for Standardisation (ISO) report which defines CSR as "a balanced approach for organisations to address economic, social and environmental issues in a way that aims to benefit people, communities and society" (International Organisation for Standardisation- 26000, 2010:1). Nevertheless, it is difficult to define CSR as several issues regarding the concept remain disagreed upon.

Consequently, Ndhlovu (2009:76) used neoliberal economic views to explore the CSR concept on business performance. Neoliberal researchers consider CSR as a burden to business as it interferes with the operations of business (Ndhlovu, 2009:76; Freeman *et al.*, 2010:268). However, several perceptions on CSR follow Carroll (1999) legal approach by highlighting that it can be imposed by law and regulations (William and Chandler, 2010:45). Friesleben (2011:54) views CSR as an ethical obligation that business has in its pursuit for economic ambitions. According to Sen (2011:28), these arguments brought about the birth of CSR, a concept that can be used to narrow the gap between business and societal problems.

Various theories have been identified to explore and understand CSR in SMEs. In order to understand theoretical perspectives of CSR and to be able to address the objectives of the study, it is vital to explore stakeholder, economic and social capital theories. These theories

were selected among other critical theories because they focus on business management principles derived from societal engagements (Carroll and Shabana, 2010:89). Furthermore, Sen (2011:29) acknowledges that there have been various developments in CSR over the past decades. However, these developments have not only redefined CSR concepts but laid foundation for analysis of some of the frameworks such as stakeholder, economic and social capital theories. Sen (2011:29) asserts that these theories are still being used to explore CSR practices in businesses today.

The theories were selected and discussed as frameworks that can be used to understand CSR in SMEs and how they can be used to answer the objectives of the study.

2.4.1 Stakeholder theory

According to Freeman *et al.* (2010:11), stakeholder theory was first used by Stanford Research Institution (SRI) in 1963. It was defined as those “those groups who can affect or are affected by the achievement of an organisation’s purpose” (Freeman, 1984:49). Sen (2011:29) asserts that these theories are still being used to explore CSR practices in businesses today. Freeman *et al.* (2010:11) introduced the stakeholder theory which stresses that managers must not only aim to satisfy owners/investors of the company but must totally satisfy all stakeholders (e.g. customers, community, suppliers and workers). This view was echoed by Carroll and Shabana (2010:89) when they agreed that stakeholder theory’s main focus is that organisations are expected to meet stakeholder expectations as well as the objectives of the owners and the shareholders. Mason and Mason (2012:480) assert that customers are now sensitive to how products are produced and about the image and the values of the company. Furthermore, societies have noted with great concern that their welfare cannot be enhanced in a deteriorating environment. Society now expects business to act responsibly as a moral thing to do and not as profit driven initiative (Dagilienė 2012:213).

Freeman *et al.* (2010:11) point out that “stakeholder theory relates to organisational management and business ethics and addresses the morals and values involved in the management of an organisation”. Figar and Figar (2011:02) made a distinction between the narrow and wider significance of stakeholder theory. A narrow view looks at relevant groups that influence major financial interests and keeping the relationship of the company and stakeholders (Figar and Figar, 2011:02). Furthermore, Figar and Figar (2011:02) highlight that a wider view focuses on the influence companies have on others. However, both views

agree on the definition of stakeholders as individuals or groups that are affected by companies and that affect the company (Figar and Figar, 2011:02). Stakeholders can be classified as primary and secondary. According to Desjardins (2009:47), primary stakeholders are groups which provide critical contributions and support to companies (e.g. shareholders, employees, suppliers, customers, community and the government). Without these stakeholders companies will not survive. Secondary stakeholders are those individuals or groups (e.g. media and special interest groups) that influence or rely on the company and are not essential for its survival (Figar and Figar, 2011:02; Sen, 2011:34).

According to Keys *et al.* (2010:321), stakeholder theory can be used to examine concepts such as CSR in business. However, Ferrero, Hoffman and McNulty, (2012:3) and Sen (2011:29) argue that the theory's definition focuses on the traditional view and is limited to shareholders whose motive is to meet the objectives of their entities. Since its inception, stakeholder theory has been accepted into organisations' structures. Additionally, Sen (2011:29) acknowledges the importance of stakeholder theory, but he points out that it tends to focus on "corporation" or large companies rather than with SMEs. Although the nature of stakeholder theory to SMEs may not be different, it is vital to consider its essence particularly to this sector. Furthermore, Ferrero *et al.*, (2012:4) used Friedman's economic theory to support Freedman's notion on CSR. Sen (2011:30) argued that stakeholder theorists do not take note of Friedman (1962)'s view of profit maximization but suggest that managers do not only have moral obligations towards shareholders but also to stakeholders. Fundamentally, Freeman *et al.* (2010:35) argue that this theory and Friedman's notion of profit maximisation is compatible with each other as they both focus on satisfying stakeholder's value. However, Ferrero *et al.*, (2012:4) and Sen (2011:30) suggest that in order to achieve profit maximisation goal, managers have to pay attention to all stakeholders and to go beyond the focus of stakeholders.

The following section discusses the views of economists on CSR which was led by Smith in 1750 and later explained further by Friedman in (1970) as highlighted below.

2.4.2 Economic theory

According to Smith (1750) as cited in Brown and Forster (2012:1), economic views on CSR emerged as both economic theory and as a source of ethical reference that are of great

importance to both CSR and stakeholder theorists. Brown and Forster (2012:1)'s three main concepts of justice, perfect rights, economic and moral obligation can be used to satisfy both business and society. However, Smith (1756) as cited in Kurucz, Colbert, and Wheeler, (2008:84) introduced this theory based on the "invisible hand" where market mechanism independently can improve the well-being of society. This would mean that firms will meet the greatest good to society when they are pursuing their self-interests (Carroll and Shabana, 2010:90). Importantly, Russo and Perrini, (2011:213) support the same view when they highlighted the existing link between CSR investments and profit margins. Demand for products and services must be influenced by the market and government must not interfere businesses with activities (Ndhlovu, 2009:77). Carroll and Shabana (2010:90) further argue that government should focus on crafting policies that are aimed at levelling the playing field and have limited interference on business activities.

Consequently, Friedman (1970) as cited in Rahman (2011:168) questioned the notion of CSR when he argue that businesses have a single duty of maximising returns for its investors. According to Rahman (2011:168), Friedman introduced agency theory where he points out that businesses have only one responsibility, that of utilising its resources according to the "rules of the game meaning engaging in open and free competition without deception or fraud" and carry out operations that are aimed at increasing profits for its stockholders and investors. According to Hult (2011:01), agency theory's views regard CSR as the misuse of company returns and assets they can use to produce more money for investors. Carroll and Shabana (2010:90) argued that when firms engage in social activities they will be diverting investor's finance and consequently reduce profits to stakeholders and investors. In any case, managers are not experts in handling social issues so their efforts may yield negative results (Carroll and Shabana, 2010:91).

Additionally, Connelly, Ketchen, and Slater (2011:89) point out that in a free market economy, managers are workers of business and they have responsibility to employers. Friedman (1970) as cited in Carroll and Shabana (2010:91) state that managers will violate "principle of voluntary exchange" when they impose CSR decisions to shareholders. However, Connelly *et al.* (2011:89) argue that firms have moral obligations to improve society's welfare by investing in CSR initiatives. Keynesian economists maintain that CSR costs are comparatively lower than the benefits that firms derive from society (Brown and Forster, 2012:01). Furthermore, Brown and Forster's (2012:01) study on CSR showed that

CSR activities improve labour relations, improve firms' reputation, customer loyalty and productivity. Reinhardt, Stavins and Vietor (2008:220) in their research study to determine impact of CSR on businesses concluded that businesses can maximise profit for shareholders, but they should sacrifice profits for the public.

According to Fatoki and Chiliya (2012:16), CSR relates to responding to social and environmental problems that are far beyond the responsibilities of the organization. CSR involves investing voluntarily in activities aimed at achieving societal goals such as poverty reduction, health and improve environmental conditions (Fatoki and Chiliya, 2012:16). However, Stiglitz (2009:50) study to determine the influence of CSR on firm performance highlighted that "whenever there are externalities – where the actions of an individual have impacts on others for which they do not pay, or for which they are not compensated – markets will not work well." Stiglitz (2009:50) concluded that managers are expected to maximise profits for business owners and shareholders, but they cannot do so where there is no society. In spite of that Ferrero, Hoffman and McNulty (2012:07)'s work on effects of CSR on firm's performance argued that Friedman's agency theory can be viewed in the sense that firms' social contribution is to make sure that their actions do not result in high prices, pollution and high inflation, but aim at reducing poverty and eradicating employee abuse. This economic framework highlights that managers must lawfully pursue efforts that seek to maximise profits or returns to owners/investors of business. Economic theorists also argue that government must take care of social issues (Stiglitz, 2009:50).

The following section will discuss social capital theory to understand how firms can benefit from understanding the dynamics in society which have great influence on CSR initiatives.

2.4.3 Social capital theory

Social capital is referred to as "social networks" which define the relationships and norms that shape or determine how people interact with business (Sen, 2011:37). Putnam (2000), cited in Kikuchi and Coleman, 2012:187), describes social capital as "networks, norms and trust that enable participants to act together more effectively to pursue shared objectives" and it constitutes "moral obligations and norms, social values (especially trust) and social networks (especially voluntary associations)". Social capital does not only show social

cohesion within society but it is the “glue” that hold people together (Kikuchi and Coleman, 2012:187).

Social capital has emerged as a vital element used to understand corporate governance and define values of a society. In spite of the significant role of social capital to business, Kikuchi and Coleman (2012:187) note that there is no consensus on its meaning for it but an agreed fact is that, it focuses on productive and a relationship that brings rewards to individuals or groups. According to Kikuchi and Coleman (2012:187), the theory was further defined as a “function” that is not viewed as a single entity but a collection of entities that have shared norms and values which define their structure and actions of members. Social capital is based on the ideals and beliefs which create synergy within a group (Russo and Perrini, 2011:210). It is these values and beliefs that encourage SMEs to engage in CSR investments (Sen, 2011:238; Saeed and Arshad, 2012:224). Although social capital has been used by large businesses, it has proven to be a popular tool used to determine financial performance of small businesses as it impacts on issues of morality, accountability, public responsibility and good reputation (Russo and Perrini, 2011:210).

According to Sen (2011:238), social capital theory has gained recognition in small business management. A study to determine the influence of social capital theory on business concluded that SMEs can embrace CSR initiatives to leverage against their lower negotiating power and financial capacity (Saeed and Arshad, 2012:224). Significantly, Russo and Perrini, 2011:210) point out that those SMEs are motivated by the need to have social capital that can be obtained through relations with individuals outside their networks. According to Sen (2011:238), such external links can be achieved from CSR activities. SMEs tend to benefit from social capital by establishing connections with networks that enhance their goodwill, boost trust and status as a concerned and trustworthy organization (Saeed and Arshad, 2012:224). Russo and Perrini (2011:210) further suggest that social capital has emerged as a central approach to business that SMEs can use it to deal with problems that are prevalent in business environment today (such as market penetration and customer satisfaction). Social capital can be used by SMEs to create a relationship with society through CSR initiatives.

The study draws insights from all the above theories (economic, stakeholder and social capital theory).

2.5 Conclusion

The chapter highlighted critical literature on CSR in relation to research objectives of the study. It outlined historical and various dimensions of CSR in relation to the study. Important theoretical frameworks discussed include stakeholder, economic and social capital theories. The following chapter presents a comprehensive literature review on small and medium enterprises in relation to objectives of the study.

CHAPTER 3

THE NATURE AND IMPORTANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)

The previous chapter provided literature review on corporate social responsibility in SMEs. This chapter discusses SMEs in relation to the objectives of the study.

3.1 Introduction

Global studies on SMEs show that governments in developed and developing countries recognize them as key drivers of economic growth (Freisleben, 2011:54; World Bank Report, 2011:07). SMEs are now widely acknowledged as major contributors of employment generation, innovators and as engines for wealth generation in South Africa (Ncwadi, 2011:127; Mazanai, 2011:208; Okpara, 2011:157). To further understand the uniqueness of SMEs, the following section explores SMEs as a business concept, their influence on the economic growth of the country and the challenges they experience in their operations.

The chapter is divided into three sections. The first section explores SMEs as a business concept in general and more specifically in the South African context. The second section discusses the significance of SMEs in South Africa. The third section examines the challenges faced by SMEs while the fourth section explores CSR strategies for SMEs. The chapter finally identified various CSR benefits that are related to the implementation of CSR activities to SMEs.

3.2 Small and Medium Enterprises

SMEs have been seen as an interesting concept which has drawn much interest from the academic and economic circles (Sen, 2011:45). Research studies reveal that CSR studies in SMEs is under-researched in South Africa (Seeletse and Ladzani, 2012:11458; Zeka, 2012:19). According to DTI (2008:02), clarity on certain aspects regarding definition, characteristics, ownership, management, and size of entities remain unsolved. According to Zeka (2011:21), SMEs are viewed as enterprises that are “independently owned, operated and financed”. SMEs are also identified by their unique structure where entrepreneurs are the managers who run the business.

However, according to Sen (2011:48; Turyakira *et al.*, 2012:20), defining SMEs has proved to be difficult since there is no acknowledged common definition for it. The criteria used to define SMEs differ from country to country and region to region (Turyakira *et al.*, 2012:107; Neuman, 2007:10). While SMEs definitions vary, they include both qualitative and quantitative aspects (Bosch *et al.*, 2011:578; Neuman, 2007:10). Quantitative aspects include all elements that can be measured such as capital contribution by members, profits and value of assets. Qualitative aspects of the definition include elements that cannot be measured such as type of business activities, company formation and ownership (Bosch *et al.*, 2011:578).

USA and China use the number of employees (usually less than 500), year turnover, and the total asset to define SMEs. However, defining SMEs in China is difficult because it depends on the industry (United States International Trade Commission, 2010:3; Liu, 2008:40). What is considered as SME in these countries may be viewed as a large corporation in Africa.

According to the European Commission (2009:3), SMEs are defined according to the number of employees that an organisation employs and the turnover produced. The definition includes micro-entities, small businesses and medium-sized businesses and is abbreviated as SMEs. The same report illustrates that a company is regarded as small when it employs less than 50 employees and yearly revenue of 10 million euros or yearly balance sheet not exceeding 10 million. A company is recognized as a medium enterprise when it employs less than 250 people and has an annual turnover not exceeding 50 million euros or a balance sheet of less than 43 million euros. The European Commission definition can be clearly viewed on the Table 3.1 below.

Table 3.1: European SMEs Categories

Company category	Employees	Turnover	or	Balance sheet total
Medium-sized	Less than 250	Less than / = € 50 m		Less than = € 43 m
Small	Less than 50	Less than/ = € 10 m		Less than/ = € 10 m
Micro	Less than 10	Less than/ = € 2 m		Less than/ = € 2 m

Source: European Commission (2009:3).

South Africa classifies SMEs based on each industry, number of employees, annual turnover and on VAT registration.

3.2.1 South African definition of SMEs

According to the Department of Trade and Industry, (1996:02), the National Small Business Act of 1996 Section 102 is used to define and classify businesses according to micro, very small, and medium-sized using given guidelines in respective sectors of economy in the country.

The National Small Business Act of 1996 defines ‘small and medium enterprises’ as follows:

“A separate and distinct business entity, including co-operative enterprises and non-governmental organizations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub sector of the economy mentioned in column I of the Schedule” (South Africa, 2004:02).

Small medium enterprises in South Africa are classified as micro, very small, small or medium entities as shown in Table 3.2.

Table 3.2: Classification of small-medium enterprises in South Africa

Sector/ subsectors in accordance with the Standard Industrial Classification	Size or class	Total full- time equivalent of paid employees Less than	Total annual turnover Less than (R million)	Total Gross Asset Value (fixed Property excluded) Less than (R million)
Agriculture	Medium	120	R4.00m	R4.00m
	Small	50	R2.00m	R2.00m
	Very small	10	R0.40m	R0.40m
	Micro	5	R 0.15m	R 0.15m
Mining and Quarrying	Medium	200	R30.00m	R18.00m
	Small	50	R7.50m	R4.50m
	Very small	20	R3.00m	R1.80m
	Micro	5	R 0.15m	R 0.10m
Manufacturing	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R 0.15m	R0.10m
Electricity, Gas and Water	Medium	200	R40.00m	R15.00m
	Small	50	R10.00m	R3.75m
	Very small	20	R4.00m	R1.50m
	Micro	5	R 0.15m	R 0.10m
Construction	Medium	200	R20.00m	R4.00m
	Small	50	R5.00m	R1.00m
	Very small	20	R2.00m	R0.40m
	Micro	5	R 0.15m	R 0.10m
Retail and Motor Trade and Repair Services	Medium	120	R30.00m	R5.00m
	Small	50	R15.00m	R2.50m
	Very small	10	R3.00m	R0.50m
	Micro	5	R 0.15m	R 0.10m
Wholesale Trade	Medium	120	R50.00m	R8.00m
	Small	50	R25.00m	R4.00m
	Very small	10	R5.00m	R0.50m
	Micro	5	R 0.15m	R 0.10m
Commercial Agents and Allied Services	Medium	120	R30.00m	R8.00m
	Small	50	R15.00m	R4.00m
	Very small	10	R3.00m	R0.50m
	Micro	5	R 0.15m	R 0.10m
Catering	Medium	120	R10.00 m	R 2.00 m
	Small	50	R 5.00 m	R 1.00 m
	Very small	10	R 1.00 m	R 0.20 m
	Micro	5	R 0.15 m	R 0.10 m

Source: Department of Trade and Industry (1996:02).

Sector/ subsectors in accordance with the Standard Industrial Classification	Size or class	Total full- time equivalent of paid employees Less than	Total annual turnover Less than (R million)	Total Gross Asset Value (fixed Property excluded) Less than (R million)
Transport	Medium Small Very small Micro	120 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 2.00 m R 1.00 m R 0.20 m R 0.10 m
Storage	Medium Small Very small Micro	120 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m
Communications	Medium Small Very small Micro	120 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m
Finance	Medium Small Very small Micro	120 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 4.00 m R 2.00 m R 0.40 m R 0.10 m
Business Services	Medium Small Very small Micro	120 50 10 5	R20.00 m R10.00 m R 2.00 m R 0.15 m	R 4.00 m R 2.00 m R 0.40 m R 0.10 m
Community	Medium Small Very small Micro	120 50 10 5	R10.00 m R 5.00 m R 1.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m
Social and Personal Services	Medium Small Very small Micro	120 50 10 5	R10.00 m R 5.00 m R 1.00 m R 0.15 m	R 5.00 m R 2.50 m R 0.50 m R 0.10 m

Source: Department of Trade and Industry (1996:02).

Table 3.2 shows both qualitative and quantitative classifications of SMEs in South Africa. According to the National Small Business Act of 1996 as amended in 2004, companies are classified according to sectors. The number of permanent workers employed, annual turnover and net total asset value is used to classify the size of the company in each sector.

For a businesses to be recognized as small enterprise, it should employ less than 50 people across all sectors and have gross asset value that ranges between R2 million to R10 million depending on the sector. Very small enterprise is required to hire a maximum of 10 people

and an annual turnover that ranges between R1 million and R5 million with a net asset value less than R50 million depending on the sector. Medium enterprises businesses are required to employ at least 120 permanent employees in all sectors except in the mining and quarrying, manufacturing, electricity, gas and water and in construction sectors where businesses are required to employ at least 200 permanent employees (Department of Trade and Industry, 1996:02).

Micro enterprises are expected to hire between 1 to 5 people and have a maximum turnover of R0.5 million and total of gross asset value of less than R0.15 million across all sectors. However, annual turnover varies from sector to sector. For example, medium-sized enterprises in the manufacturing and mining and quarrying sectors have an asset value of less than R15 and R18 million respectively. In other sectors net asset value varies from R0.50 to R4.5 million. In short, the number of permanent people employed is mainly used as a base in categorizing enterprises in different sectors between medium, very small, small and micro (Department of Trade and Industry, 1996:02).

While there are various ways of defining and describing SMEs, it is critical to explore the significant role they play in communities and in the economic growth of the country.

3.3 Significance of SMEs in South Africa

The role played by SMEs in the global economy is widely acknowledged by many countries (World Bank, 2011:07). The Organization for Economic Co-operation and Development (OECD) reported that there are 95% of SMEs within its organization that contribute 60% of jobs in private firms which increase innovation, and help in regional integration and global social unity annually (World Bank 2011:7). SMEs have remained resolute in improving economic growth, create jobs, improve quality of life and stabilise social and political structure of the economy (Zeka, 2011:25). According to the Global Entrepreneurship Monitor (GEM) Report (2012:1), there has been a remarkable increase in SMEs development in Africa. According to Mahembe (2011:25), SMEs are considered as the engine and backbone of “economic industrialization”. Studies conducted by Abor and Quartey (2010:224) showed that SMEs contributed to half of South Africa’s GDP in 2010. The World Bank (2011:7) showed that SMEs’ contribution to employment generation was 39% in South Africa and 78% in China. The South African Competition Commission (2013:07) indicated that “99.3% of the country’s companies are SMEs that contribute to 53% to employment and 53% to

GDP”. The Global Entrepreneurship Monitor (2012:1), pointed out there is a “very tight correlation between the level of entrepreneurship in South Africa and its rate of economic growth”.

SMEs are regarded as friendly entities (Zeka, 2012:25). They are more able to forge and maintain good relationships because they are more personalised than big companies. SMEs are also able to forge good relationships with communities through their ability to offer specialised and personalised services. They generally employ workers from communities where they are located and train workers thereby equipping them with skills they eventually use in developing surrounding communities.

In spite of all the contributions made by SMEs to economic development and social enhancement to communities and society, there are various challenges that affect SMEs in realising their potential and possible investment in CSR initiatives. The next section discusses the challenges faced by SMEs in implementing CSR activities.

3.4 Main challenges faced by SMEs

Global studies on success rates of SMEs showed that the number of SMEs shutting down annually remain higher in developing countries than in developed countries (Global Entrepreneurship Monitor, 2012:12). Although SMEs contribute immensely to economic growth, employment creation and social wellbeing of societies, they face various strategic management challenges (Turyakira *et al.*, 2012:110; Ramasobana and Fatoki, 2014:285). Global studies on SMEs echo the same sentiments that lack of funding, access to finance together with lack of managerial skills make it more difficult for SMEs to implement CSR initiatives (Global Entrepreneurship Monitor, 2012:12). This is a major problem to entrepreneurial growth in both developed and developing countries (Global Entrepreneurship Monitor, 2012:12; Mahembe, 2011:07).

CSR challenges faced by SMEs in the country are influenced by historical background of the country (Ndhlovu 2009:81). CSR emerged and was adopted by government to encourage firms invest in CSR initiatives which will help government in reducing social ills and reducing the inequality gap in the country (Ndhlovu 2009:81; Littlewood and Holt, 2013:03). The South African government initiated a Broad-Based Black Economic Empowerment (B-BBEE) policy to encourage CSR investments. The policy advocates that state jobs are only

allocated to businesses that conform to its standards and guidelines. However, due to the voluntary nature of CSR, it is difficult for SMEs to understand how and when they can embrace the concept as a business management strategy (Flores-Araoz, 2011:01). Although there are laws and regulations such as South African Companies Act, Policy Document and the King II and King III reports that enforce CSR practices by SMEs in South Africa, implementation remains voluntary (Flores-Araoz, 2011:01; Littlewood and Holt, 2013:03).

According to Seeletse and Ladzani (2012:11461) SMEs in South Africa consider CSR initiatives as an extra burden to their operations. Seeletse and Ladzani (2012:11461) also noted that SMEs are not willing to invest on extra initiatives that do not have direct benefits to their main operations. SMEs are worried about short-term benefits and do not realize the long-term benefits of investing in CSR practices. The same view was echoed by Baden, Harwood and Woodward (2011:260) who further highlight that entrepreneurs/managers are discouraged by the administrative process and costs involved in pursuing CSR. For example, the standards requirements for CSR engagements are viewed as not conducive for SMEs in South Africa (Baden *et al.*, 2011:260). CSR investments by both large and SMEs are recognised as “strategic philanthropy” (Ndhlovu, 2011:74). The same view was echoed by Valente (2010:50) who argues that voluntary activities are mainly prominent in education and healthcare of society and communities where investments focus on long-term growth.

It is the voluntary nature of CSR which makes it difficult for SMEs to understand its strategic benefits. Given the voluntary nature and various challenges faced by SMEs such as access to finance, lack of managerial skills, administrative costs and lack of information, implementing CSR becomes an option for SMEs in South Africa (Flores-Araoz, 2011:01; Ndhlovu, 2011:81). Thus SMEs in South Africa are less motivated to engage in CSR practices than large companies (Seeletse and Ladzani, 2012:11461). The following sections discuss some of the challenges that impact on CSR engagements in SMEs.

3.4.1 Financial constraints

Lack of finance is the main problem that SMEs face and failure to access capital compound their daily predicaments (Boysana and Ladzani 2011:52). Due to financial constraints, SMEs are not able to hire consultants for advice and to invest in skills training initiatives for their businesses (Abor and Quartey, 2010:224). The notion that SMEs are entities without resources is critical on how they implement CSR activities (Kechiche and Soparnot,

2012:100). Kechiche and Soparnot (2012:100) further argue that entrepreneurs who believe they do not have enough money are unlikely to think positively about CSR and also believe that money needed or invested in CSR initiatives will not be recovered. Lack of financial resources also means that SME owners are not able to employ and pay adequately highly skilled workers, produce quality products/services and carry out daily activities necessary for the growth of the business (Boysana and Ladzani 2011:52). Lack of capital also determines the type of technology and equipment SMEs use. This does not only impact on the level of output but defines the way they position themselves as businesses (Abor and Quartey, 2010:224). Boysana and Ladzani (2011:52) point out that it is very difficult to manage and grow a business when there is no money.

Fatoki and Odeyemi (2010:129) argue that SME owners experience financial challenges due to conditions embedded in lending institutions and lending models that they use. Many emerging SMEs venture into business with no adequate financial resources in the country (Fatoki and Odeyemi, 2010:129). SMEs do not get enough financial assistance from the South African Venture Capital Association which only allocates little money to SMEs in the entire country (Fatoki and Odeyemi, 2010:129). According to Fatoki and Odeyemi (2010:130), SMEs also do not get enough funding due to lack of funding in the formal sector in South Africa. This was also noted by Fatoki, Herbst and Roberts-Lombard, (2010:76) who suggested that the South African economy is experiencing challenges which leaves financial institutions with no option but to raise costs on borrowing of capital thereby making it difficult for SMEs to access loans. Many new SMES in South Africa resort to banks and other financial institutions for financial assistance. However, due to lack of collateral emerging entrepreneurs find it difficult to get financial assistance in South Africa (Bowen *et al.*, 2009:16; Eriksson, Katila, and Niskanen, 2009:178; Fatoki and Odeyemi, 2010:130). Furthermore, SMEs that manage to get loans find it difficult to manage debts.

3.4.2 Lack of management skills

As discussed above, financial challenges impede on CSR programs. The GEM Report (2013:12) suggests that lack of managerial capacity results in failures of most SMEs in the world particularly in Africa. The same report also noted that “poor training and education” are critical elements that lead to low SMEs survival rate in South Africa (GEM report, 2013:12). Lack of management skills entails that SMEs do not effectively understand the long term benefits of engaging in CSR initiatives. This does not only affect their financial

performance but defines how SMEs compete with large companies (Abor and Quartey, 2010:224; Bergström and Grunewald, 2009:16). According to Abor and Quartey, (2010:224) and Mahembe (2011:07), lack of management skills means entrepreneurs/managers cannot understand the need and the importance of skills training programs for their workers. According to Okpara (2011:158), SMEs face administrative challenges. Management problems include difficulties emanating from the structure of the company and resource allocation problems (Okpara, 2011:158). These sentiments were supported by Boysana and Ladzani (2011:552) who point out that these problems range from managerial skills which are compounded by lack of financial resources and lack of know-how to manage workers and the daily demands of the business. According to Okpara (2011:158), SMEs also face operational problems. These problems involve allocation of resources in all areas of business such as, supply chain, marketing and human resources management. Lack of managerial skills is also viewed as “*strategic constraints*” (Harris and Gibson, 2006:41). These problems include lack of foresight in aligning business products/services with expectations of the business environment. Lack of strategic vision will not hamper the growth of the company but will hinder the ability of the entrepreneur to invest in CSR activities that may improve its performance (Okpara, 2011:158).

According to Kongolo (2010:2287), SMEs faces administration issues which include basic accounting, financial and human resources management issues. Given the uniqueness of SMEs, owners/managers do multiple tasks which call for managerial skills to maintain a balance between the daily business activities and CSR activities. Okpara (2011:158) noted that the failure to strike a balance is described as “*managerial inefficiency*”. This was in support of Nieman (2006:17) who points out that entrepreneurs are expected to be experts in all areas of the business. Zarook *et al.* (2013:102) also support this idea when they argue that SME entrepreneurs/managers are often administrators of the business and they normally have no skills to manage and lead the company. The same researchers further indicate that understanding the business’s goals and objectives does not necessarily make one a good administrator. The decisions made by entrepreneurs are influenced by their personal goals and expectations (Zarook *et al.*, 2013:102). Although this approach gives them control over the business, Zarook *et al.* (2013:102) argue that it seriously affects the success of the business.

Zarook *et al.* (2013:103) further observed that entrepreneurs use “*trial and error*” methods since they do not have proper training in critical areas of business management. Lack of management skills is a major obstacle to the success of new businesses (Fatoki and Adeyemi, 2010:130). Fatoki and Odeyemi (2010:130) elaborates that “managerial competencies are sets of skills, attitudes, behaviours and knowledge that contribute to the effectiveness of an individual”. This is highlighted by Zarook *et al.* (2013:160) who explore the skills requirements in small enterprises. There is an important difference in business approaches used by an entrepreneur with formal qualification and one who does not (Fatoki and Odeyemi, 2010:130). Fatoki and Chiliya (2012:13) point out that proper training in management of business plays a critical role in the type of administrative policies that are subsequently adopted by SME entrepreneurs in South Africa. Lack of skills also affects the type of engagements with other businesses. The ability to engage with other businesses requires great skills that will assist entrepreneurs with the ability to contribute and tap in on the entrepreneurial ideas that emerges from CSR engagements (Agbenyegah, 2013:201).

According to Zarook *et al.* (2013:103), education levels also determine the type of innovation and technologies entrepreneurs pursue. Arevalo and Aravind (2011:410) revealed that SMEs implement CSR in “*principle*” with no supporting mechanisms of incorporating it with the main activities of the business. This approach does not only result in the failure of CSR programs but in wastage of time and scarce resources (Arevalo and Aravind, 2011:410).

3.4.3 Lack of information and time

Lack of information is related to inadequate skills as discussed above. Researchers have acknowledged the attention given to CSR by SME owners (Kechiche and Soparnot, 2012:100). Studies have indicated that lack of information on the significance of CSR makes it difficult for entrepreneurs to turn CSR into a competitive advantage. However, some studies show that SMEs entrepreneurs are doubtful about what they can receive from CSR initiatives so they are not prepared to do more than what is firmly expected of them by law. Lack of information has adversely affected the way they implement CSR activities. Kechiche and Soparnot (2012:100) highlight that SMEs are mainly concerned about the daily activities of the business hence they do not have time to look for useful information on how to sustain the business. Kechiche and Soparnot, (2012:100) further suggest that lack of information is also compounded by limited understanding on CSR principles.

Lack of information is viewed by the inability to consult support organisations which give help to CSR start-up activities (Kechiche and Soparnot, 2012:100). The Department of Trade and Industry, 2008:12; Abor and Quartey, 2010:224 and Fatoki, 2014:102) also noted that there are various organisations available to assist SMEs implement successful CSR programs. The DTI Report (2008:12) further indicated that lack of information makes SMEs operations more difficult. Herrington *et al.* (2010:49) point out that SMEs entrepreneurs/managers are not acquainted to state services for their businesses. This was supported by Vo (2011:92) who point out that shortage of information is influenced by the fact that entrepreneurs juggles many activities which leave them with less time to explore other sustainable avenues for their businesses.. Consequently, lack of information seriously affects strategic choices undertaken to implement all CSR dimensional areas (Vo, 2011:92).

3.4.4 Size of business

The word “small” has detrimental effects on how entrepreneurs treat CSR. This notion was highlighted by Gurau (2013:05) who pointed out that “the small size and low economies of scale” are viewed as the key characteristics that influence and hamper SMEs from investing in CSR activities. Gurau (2013:05) and Seeletse and Ladzani (2012:11459) suggest that the notion of the “the bigger, the better” has further defined CSR and associate it more with large businesses than SMEs. However, Gurau (2013:05) argue that although size matters, SMEs have high success rate of implementing a successful CSR initiative than large businesses. Gurau (2013:05) further claims that, the success of CSR initiatives in SMEs is due to the participation of workers. Unlike in large businesses, workers are involved in designing CSR initiatives and they participate in the implementation of these activities. Gurau (2013:05) also points out that the simple structure and the location of most SMEs contribute to successful implementation of CSR program. Workers are part of the society and are found in areas where SMEs operate.

3.4.5 Inadequate human resources

Workers perform a critical part in the successful crafting and execution of CSR strategy (Davies and Crane, 2010:128). The same view was echoed by Morsing and Perrini (2009:74) who suggested that the failure to implement a successful CSR strategy is compounded by lack of adequate human manpower. Additionally, Davies and Crane (2010:128) further argued that a successful CSR initiative is mainly affected by the approach used by

entrepreneurs. Entrepreneurs/managers or supervisors are “unspecialised” so they tend to do several jobs at a time (Davies and Crane, 2010:128).

The above section discusses main challenges faced by SMEs on daily basis. Given the impact they have on the daily activities of business, “systematic implementation of CSR activities” is difficult in South Africa. Although there are various challenges faced by SMEs globally and in South Africa, there are CSR strategies that SMEs can use to enhance success rate of CSR programs. The following section discusses some of CSR strategies SMEs can adopt.

3.5 Corporate social responsibility strategies for SMEs

Given the voluntary nature of CSR, there are various strategies entrepreneurs can use to implement successful CSR initiatives. According to Inyang (2013:127), the strategies reveal various areas of CSR activities. CSR strategic areas include various approaches aimed at communities, environment and workers (Maimunah, 2009:02). According to Maimunah (2009:02), working together includes investing in social programmes, building good relationships with workers, communities and investing in programmes aimed at preserving the natural environment. Inyang (2013:127) also points out that CSR initiatives such as helping communities, motivating employees, engaging in actions that seek to protect the environment enhance business performance. Inyang (2013:127) classifies CSR strategies into different categories. These strategies include community focused, environmental focused activities, customer focused initiatives and voluntary investment to community. Table 3.3 shows a summary of CSR strategies.

Table 3.3: CSR strategies and activities

CSR strategies	Activities by SMEs
Community focused	<ul style="list-style-type: none"> • Contribute money to be used to construct infrastructure for the local communities. • Contribute towards scholarships for students in the local communities and other research programmes. • Donate to games and sports events in communities. • Participate in community projects such as building libraries, schools, houses for the needy families. • Donate towards treatment of chronic diseases e.g. Ebola, HIV/AIDS, Cancer, and TB etc. • Provide voluntary counselling and physical support to enhance motivation to workers.
Employees focused	<ul style="list-style-type: none"> • Fair treatment of workers. • Provide bonuses and incentives for workers to stimulate competition in the company. • Include workers in decision making processes.
Environmental Focused activities	<ul style="list-style-type: none"> • Reduce pollution. • Produce products that are environmentally friendly. • Craft and implement policies that can be used to safe guard the natural environment in business processes. • Work with government and other organisations in environmental campaigns.
Customers focused	<ul style="list-style-type: none"> • Make sure customer complaints are responded to quickly. • Make sure that products and services do not harm people and natural environment. • Provide product information to customers. • Provision of honesty advertising, product safety, reliability and durability of products.

Source: Adapted from Zeka (2013:33).

The following strategies can be successful if SMEs form partnerships with each other or with other organisations. The following sections discuss community, employee, environmental focused activities, partnerships and stakeholder consultation as essential strategic ways of implementing CSR programs.

3.5.1 Community focused strategy

Community focused strategy looks at SMEs as a “local character” who engages in community related activities. SMEs are normally located in communities and often employ workers from the same location. According to Inyang (2013:127) and Turyakira *et al.* (2013:160) this approach affords SME entrepreneurs the opportunity to benefit directly and indirectly from community-related activities. By investing in communities, SMEs are in a better position to build a strong bond with communities and societies. This also has motivating factor to workers who participate in CSR community related activities. Some of CSR initiatives that SMEs can invest in are building schools, libraries, donate, sports equipment, books, and money or provide with health care assistance to affected people in the community.

3.5.2 Employee focused strategy

Employee focused strategy looks at ways of enhancing workers through initiatives that motivate them. Some of these activities include “offering training and development, creating equal opportunities and workforce diversity and assisting employees to maintain a good work-life balance” (Turyakira *et al.*, 2013:160). Employee focused initiatives are anchored in the human resources development of the organisation where policies are crafted and implemented to satisfy workers and improve production levels (Turyakira, 2012:63). Inyang (2013:127) suggest that workers are critical assets of the business and they need to be looked after properly.

3.5.3 Environmental focused strategy

Environmental focused strategy looks at ways aimed at conserving the natural environment. According to Inyang (2013:127) and Turyakira (2012:70), environmental focused strategy focuses on designing and producing products that are environmentally friendly. This strategy also involves actions aimed at reducing electricity power consumption, reducing wastes and pollution. Customers prefer to associate themselves with companies that produce products which are environmentally friendly (Turyakira *et al.*, 2013:163; Yazdanifard and Mercy, 2011:639). Yazdanifard and Mercy (2011:640) further suggest that businesses that are

environmentally conscious tend to have increased competitive advantage and sound growth patterns.

3.5.4 CSR Partnerships and stakeholder consultation

Establishing partnerships to implement CSR programmes has proven to be a very critical way of achieving successful CSR initiatives. Von Weltzien Høivik and Shankar, (2011:185) point out that clusters can be formed using a “network model”. According to Campi (2008:143), this approach is also called “Cluster Approach”. Sehic and Sabanovic (2008:604) suggest that this approach encourages “institutional approach to corporate learning which is more sustainable than individual approach”. This view is also supported by Von Weltzien Høivik and Shankar, (2011:186) who point out that for this approach to be successful, SMEs must embrace CSR as their strategy. When SME partnerships consider CSR as their strategy, the model will not only enhance their partnerships but assist in new products and services development realised from working together (Von Weltzien Høivik and Shankar, 2011:185). According to McDonald (2014:333), partnerships help SMEs with the ability to share scarce resources and benefit from the experience of each other. Forming business partnerships in CSR initiatives helps formalise their CSR activities and promote unity of purpose among SMEs.

The partnership approach also provides greater flexibility in dealing with CSR related challenges (Von Weltzien Høivik and Shankar, 2011:185). McDonald (2014:333) suggests that CSR partnerships help SMEs with good relationships and increase competitiveness. A “cluster approach” to CSR implementation, affords members with the ability to innovate, enhance reputation and publicity, reduce costs and enhance integrity and growth (Santos, 2011:491; McDonald, 2014:333). Partnerships also help reduce rivalry between members and across industry sectors. According to McDonald (2014:334), a partnership approach to CSR investments helps SMEs pull resources together and be able to cover huge areas. Furthermore, von Weltzien Høivik and Shankar (2011:185) argues that this model is suitable for SMEs which are in the same location and who face comparable difficulties. Consulting stakeholders on CSR initiatives has proven to have huge benefits to businesses (Turyakira *et al.*, 2012:207). Consulting government does not only assist SMEs function according to the law, but assist in crafting sound a CSR policy framework. For example, SMEs will be able to design packaging materials that enhance their reputation and increase effectiveness.

CSR programs can be successful when team effort is embraced in identifying CSR issues that are aimed at advancing the organization's goals and meeting the expectations of society. When SMEs implement the above strategies, it is more likely that they will have sustained growth and have competitive edge over rivals companies (Turyakira *et al.*, 2012:110). The following section explores some of the benefits that SMEs can have when they embrace CSR practices as business strategy.

3.6 Benefits of CSR to SMEs

There are various benefits that SMEs realise when they embrace CSR initiatives in their business models. Some of the key benefits are illustrated by the model on Figure 3.1.

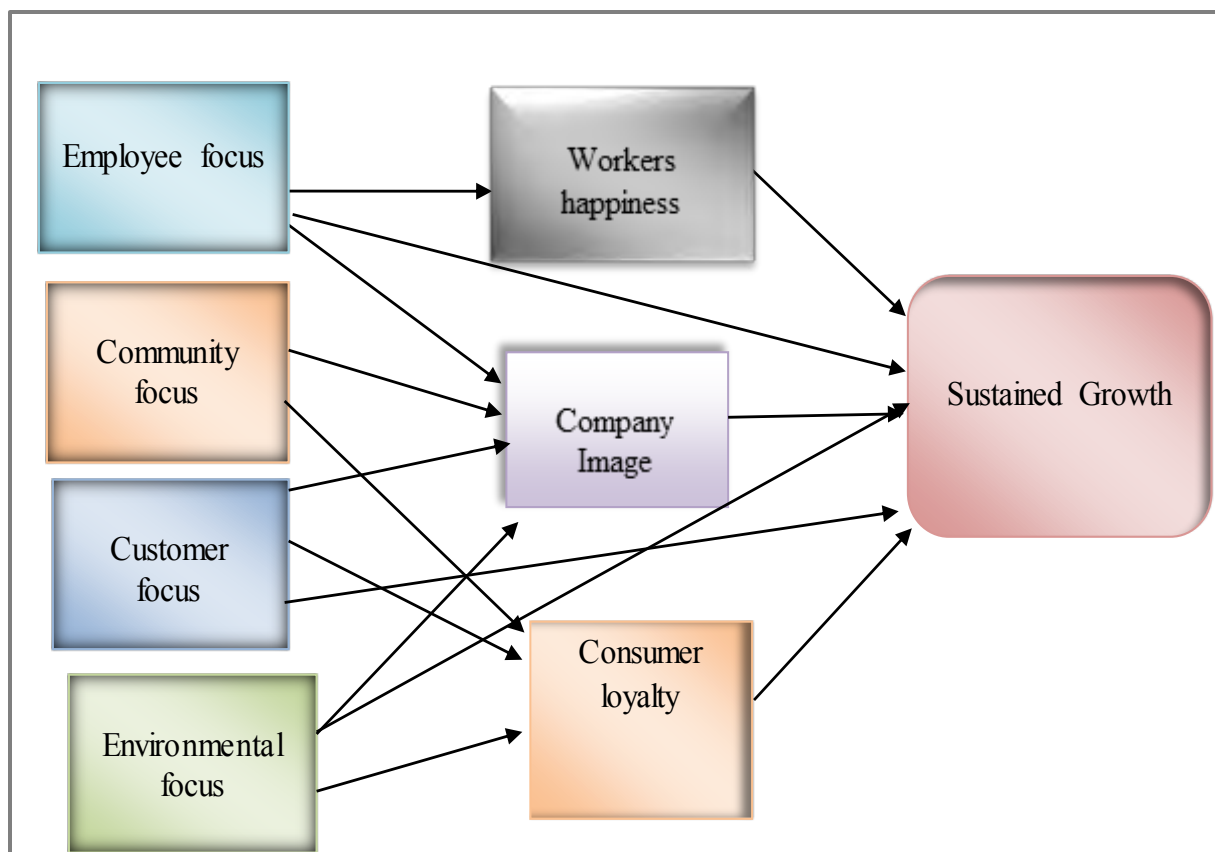


Figure 3.1: Key Benefits of CSR Framework

Source: Author's own compilation.

The above diagram illustrates how CSR actions such as employee, customer, and environmental focus impact on workers moral and attitudes, company image and customer's faithfulness to the organisation's products/services. This model illustrates the linkage between CSR initiatives and outcomes such as customer happiness, company image and

consumer trust to the organisation (Turyakira *et al.*, 2012:110). The same sentiments were echoed by the research study done on SMEs in Czech Republic where CSR initiatives can be used to boost the image of the organisation (Polášek, 2010:165). However, Turyakira *et al.* (2012:110) and Inyang (2013:127) also acknowledged that CSR activities have positive implications on the organization such as worker retention, company image and customer loyalty and increased bottom-line and sustained growth.

According to Friedman (1970) as cited in Rahman (2011:168), businesses have only one responsibility of using firms' resources to maximize profit for its owners or shareholders. Government is mandated to correct market failures so that business will operate in a more regulated environment. The argument is that government cannot always be able to correct market failure due to various issues such as corruption and lack of information. Studies by Inyang (2013:127) and Turyakira (2012:70) on CSR and the environment reveal that CSR strategies that seek to curb environmental degradation (e.g. toxic wastes, pollution etc.) do not only save the environment and improve reputation of the organization but enhance operational efficiency through costs savings. Studies done by Flores-Araoz (2011:01) and Ndhlovu (2009:81) reveal that some contract application requirements consider the company's CSR policy for approval and some governments use CSR activities to award contracts.

McWilliams and Siegel (2011:5) study on financial performance of CSR programs on companies found out that CSR initiatives are regarded as vehicles of social capital. Social capital has been identified as the belief of corporate citizenship that society gives to an organization based on the positive reputation that the organization possesses (Hohnen and Potts, 2007:11). Positive reputations derived from CSR strategies have proved to be drivers of sustainable growth in large businesses (Fatoki and Asah, 2011:170). Customers prefer responsible organizations and customers recognize values of an organization through its CSR initiatives (Turyakira *et al.*, 2013:163; Yazdanifard and Mercy, 2011:639). Yazdanifard and Mercy (2011:640) further point out that SMEs can also gain direct benefits from CSR programs which are associated with increased productivity and product quality realized from training of employees.

According to Seeletse and Ladzani (2012:11458) and Kitzmueller (2010:10), SMEs can embrace strategic CSR to survive the competitive market and legally complex environment. Zeka (2012:44) and Friesleben (2011:54) also noted that large businesses use CSR programs

as ways of distributing resources since it is believed that there is a relationship between CSR investments and good administration. Additionally, Fitjar (2011:33)'s CSR study on large firms shows that it can be applied as a strategic management tool to boost SMEs economic advantage such as customer loyalty, enhanced product offerings, team building, increased revenue base and a positive company image. This was in support of the European Commission survey results which suggest that SMEs consider short-term social benefits and competitiveness over long-term therefore they should embrace CSR in their business models as it can assist them realize both short-term and long term objectives (European Commission, 2009:03). Research studies conducted by (Kitzmueller, 2010:10) on business strategy found out that CSR can be embraced as strategic tool that can be used to enhance firms' welfare and profitability.

Furthermore, MacGregor and Fontrodona (2011:90)'s research study on CSR influence on firms' success also suggests that SMEs have less formal structures, so they are considered as businesses with no strategy. CSR is used as business strategy by large firms to effectively enhance their strategic mission and achieve long term vision. Although CSR has been viewed as an unnecessary expense by SMEs, literature proves that CSR adds value to the organization through innovation (MacGregor and Fontrodona, 2011:90). MacGregor and Fontrodona (2011:90) point out that SMEs have no formal mission so CSR can be used as strategic tool that can be used as a base for a long-term initiative for value creation that is based on sustainability and shared value with stakeholders and society. Innovation has been viewed by many SMEs as key factor to remain competitive, but it is evident that most SMEs are not proactive to innovation (MacGregor and Fontrodona, 2011:90). SMEs consider innovation as too risky hence tend to ignore it. In spite of risks associated with innovation Smith (2011:231)'s CSR studies concluded that "firms with good social responsibility may attract better employees and increase current employees' motivation, morale, commitment, and loyalty to the firm". Moreover, CSR emerged as a new phenomenon aimed at redefining innovative ambitions of global SMEs (Chen *et al.*, 2010:1151; MacGregor and Fontrodona, 2011:90).

CSR initiatives offer close interaction between SME owners/managers and stakeholders that can be used to build sustainable partnership (MacGregor and Fontrodona, 2011:90). The aim of every business is to meet its objectives that are driven by costs efficiency processes. Strategic environmental CSR initiatives have proved to be a long-term cost cutting way that can be adopted by SMEs. Society is more attracted to an environmental friendly organization

(MacGregor and Fontrodona, 2011:90). McWilliams and Siegel (2011:05)'s research results concurred with Fatoki and Asah (2011:170) and Zeka, (2012:28)'s findings that business must embrace CSR concept in their business models as it offer greater financial benefits to the organisation.

3.7 Conclusion

This chapter discussed the nature of SMEs and their significance in South Africa and in the world economy. It presented the main challenges faced by SMEs in relation to CSR practices. The chapter also outlined strategies used by entrepreneurs in dealing with CSR challenges. Finally, the chapter highlighted on some of the benefits derived from CSR investments. The following chapter discusses the research methods that were adopted for this study.

CHAPTER 4

RESEARCH METHODOLOGY

The previous two chapters provided literature review of the study. This chapter describes the research methodology that was used to accomplish the research objectives.

4.1. Introduction

Research methodology is the term used to define the methods, procedures and techniques that are used to answer research problems (Pickard 2013: xviii; Welman *et al.*, 2007:02). This chapter point out how the research was carried out. The researcher used ideas of research onion approach to explain the steps that were followed in carrying out the research. According to Saunders *et al.* (2009:107), “the main layers of research onion are research philosophy, strategy, choices, time horizon, techniques and methods of data collection. The research methods selected for this study helped in determining corporate social responsibility practices in small and medium enterprises. The chapter also highlighted how some of the research processes responded to the research objectives.

4.2 Research philosophy

According to Saunders *et al.* (2009:107), research philosophy is the idea that involves the collection, interpretation, and analysis of collected data. Research philosophy is used to explain the “development of knowledge and the nature of that knowledge” (Saunders *et al.*, 2009:107). Positivism, realism, interpretative, objectivism, subjectivism, pragmatism, functionalist, interpretative, radical humanist, humanist and structuralist are some of various philosophies that can be used in research study (Pickard, 2013:06; Saunders *et al.*, 2009:107). Positivism focuses on the reality as stable which can be described by objective perceptions (Saunders *et al.*, 2009:113). A positivistic research paradigm refers to social research that adopts a scientific method and meticulously tests hypotheses by means of data that take the form of quantitative measurements (Teddle and Tashakkori 2009:342).

Research philosophy further explains the norms which assist researcher in carrying out and analysing data. It eventually helps the researcher in achieving the objectives of the study (Quinlan, 2011:95). There are three main research philosophies that can be used to describe different unique characteristics of research process (Pickard, 2013:07; Saunders *et al.*, 2009:107). Realism defines scientific methods that are independent from the views of people

(Pickard, 2013:07). According to Saunders *et al.* (2009:109), pragmatism focuses on results rather than principles associated with an idea. The three main research philosophies are:

- Ontology – focuses of the researchers’ perspectives about the existence of things and how they work together (Sutrisna, 2009:7; Saunders *et al.*, 2009:109). It is related to the shared values that define the compositions of research questions that will be used to guide the research and subsequent results (Pickard, 2013:7; Quinlan, 2011:96).
- Epistemology – defines the views about the type of knowledge that people acquire in trying to understand how the world functions (Saunders *et al.*, 2009:112). It is the knowledge gained from observing things as they happen (Pickard, 2013:9). This is also known as the acceptable knowledge that is generated by research questions (Quinlan, 2011:96).
- Axiology – is the views that people have about reality. It is defined by the methodology used to acquire the knowledge that will be accepted by people as valuable in research methods used to carry out the research (Quinlan, 2011:96; Saunders *et al.*, 2009:116). Axiology focuses on the shared values that people have which will determine how the researcher will go about finding knowledge (Quinlan, 2011:96).

There are two main approaches that can be used to carry out research. These include deductive (positivist) and inductive (interpretivism) (Jonker and Pennink, 2010:29; Saunders *et al.*, 2009:109).

Deductive research – A deductive approach is concerned with developing a hypothesis (or hypotheses) based on existing theory, and then designing a research strategy to test the hypothesis (Wilson, 2010:7). It looks at creating knowledge that is equally known to different people. Deduction begins with an expected pattern that is tested against observations (Babbie, 2010:52). The research mainly draws its insights from “heavily experiments” as methods that can be proved or denied (Remenyi, Williams, Money and Swartz, 2007:12). It is also called situations testing theories (positivism) where theories and hypotheses are first developed then research strategy crafted to test the hypothesis (Pickard, 2013:9). According to Remenyi *et al* (2007:12), a positivist method uses mathematical and statistical methods to study human behavior and improve causal connections. The positivist approach also maintains that there is a known result about the study that can only be realised when the researcher uses correct

methods and apply them positively using methods of measurements such as validity and reliability (Saunders *et al.*, 2009:113). The researcher used questionnaire survey as a deductive approach to explore insights on CSR in SMEs.

Inductive approach- Inductive research “involves the search for pattern from observation and the development of explanations – theories – for those patterns through series of hypotheses” (Bernard, 2011:7). Inductive approach is also known as bottom-up approach to knowing where the researcher uses observations to build an abstraction or to describe a picture of the phenomenon that is being studied (Lodico *et al.*, 2010:10). It involves collecting data that is used to describe the meaning and experience of human behaviour through research methods such as in-depth interviews, focus group interviews that will be used in formulating theories (Feilzer, 2010:7; Myers, 2009:37). Inductive reasoning is required to understand patterns of behaviour when they happen (Feilzer, 2010:7).

This study used deductive approach to get deeper understanding on CSR in SMEs. The researcher also used this approach to answer research objectives.

4.3. Research objectives

The main aim of this study is to explore the nexus between CSR and SMEs in Pietermaritzburg in South Africa. The objectives of the study are:

- To explore the perceptions of small and medium enterprises on corporate social responsibility.
- To analyse the drivers of corporate social responsibility practices in small and medium enterprises.
- To determine how small and medium enterprises are implementing corporate social responsibility activities.
- To investigate the challenges experienced by small and medium enterprises in implementing corporate social responsibility and why they face these challenges.
- To examine strategies used by small and medium enterprises to overcome some of the challenges encountered in implementing corporate social responsibility activities and how effective these strategies are.

4.4 Research design

An exploratory research design was adopted for this study. An exploratory study was carried out because there is limited information about the matter being studied (Saunders *et al.*, 2009:139). The focus of conducting an exploratory research is to get deeper insights on CSR in SMEs and to advise for future studies. However, carrying out an exploratory research was not meant to come up with ultimate answers or decisions but to produce hypotheses about what is happening in a situation (Sen, 2011:08). This approach was chosen in support of Saunders *et al.* (2009:139), who outlined that exploratory studies “are a valuable means of finding out what is happening, seeking new insights, asking questions and assessing a phenomenon in a new light”. The motive of choosing an exploratory research is that it focuses on an area which has little research on it. The type of information that this research collected and analysed involves an in-depth understanding of a complex phenomenon in business strategic management that involve CSR concepts. The study adapted a triangulation approach in obtaining to achieve the objectives of the study. A triangulation approach involves the use of different data collection methods within one study in order to ensure confirmation of the results (Saunders *et al.*, 2009:146; Creswell and Clark, 2011:02; Yeasmin and Rahman, 2012:156). A mixed method technique called exploratory sequential design was adopted and used as a two phased approach to collect primary data (in-depth interviews and questionnaire survey). Merging insights from previous studies and from participants gave the researcher deeper understanding on research objectives (Creswell and Clark, 2011:02; Dhalberg and McCraig, 2010:27; Yeasmin and Rahman, 2012:154).

4.4.1 Mixed method research approach

Given the exploratory nature of the study, a mixed method design was used to collect primary data. According to Creswell and Clark (2011:2), a mixed methods design is used when “at least one qualitative method and one quantitative method” are used in one research study to get richer and more elaborate data. This is consistent with Yeasmin and Rahman (2012:154) and Takhar and Chitakunye (2012:927) who state that this approach gives the researcher the opportunity of benefiting from advantages of both methods. The use of mixed methods also assists the researcher get deeper insights and boost the acceptability, reliability and validity of the research results (Takhar and Chitakunye, 2012:927; Combs and Onwuegbuzie, 2010:2). A mixed method approach was chosen in accordance with Creswell and Clark (2011:2) who

point out that this approach gives more evidence to the problems being investigated and the ability to understand the interplay between variables of the study.

An exploratory sequential design (a two-phased mixed method approach) can be used to enhance the research by integrating two data sets (Creswell and Clark, 2011:2; Cameron, 2011:248). It adds credibility and validity to the results (Yeasmin and Rahman, 2012:157; Creswell and Clark, 2011:2). This approach is used because it helps the researcher with the ability to utilise the advantages of both methods (Tashakorri and Teddie, 2010:51; Creswell and Clark, 2011:02). By combining these two-phased techniques, the researcher has high chances of getting fair results since the strengths of each method is utilised and weaknesses of either methods are compensated by the other (Takhar and Chitakunye, 2012:927; Cameron, 2011:248).

4.4.1.1 Mixed methods design for the study

The study used a mixed methods approach called exploratory sequential design. Data collection was done through two phases as shown on Figure 4.1.

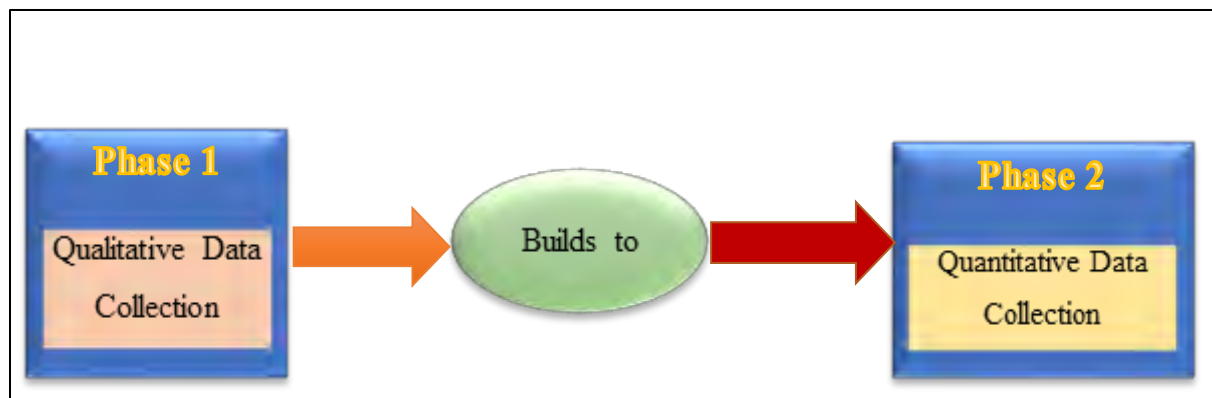


Figure 4.1: An exploratory sequential design

Source: Creswell and Clark (2011:71).

According to Creswell and Clark (2011:71), this approach starts with gathering and analysing qualitative data (first phase). The results from first phase are then used as variables to design questions for second phase. This allows the researcher the opportunity to test research data on a larger sample size (Creswell and Clark, 2011:71). This approach gives the researcher the ability to understand the interplay between the two data sets.

4.5 Sampling design

Sampling design is critical component of research design because it affects the quality of data collected for the study (Bryman and Bell, 2007:184). It is made up of five chronological stages. According to Malhotra, (2010:372), sampling design steps are interlinked and are carried sequentially in the study. The sampling design for this study is shown on Figure 4.2.

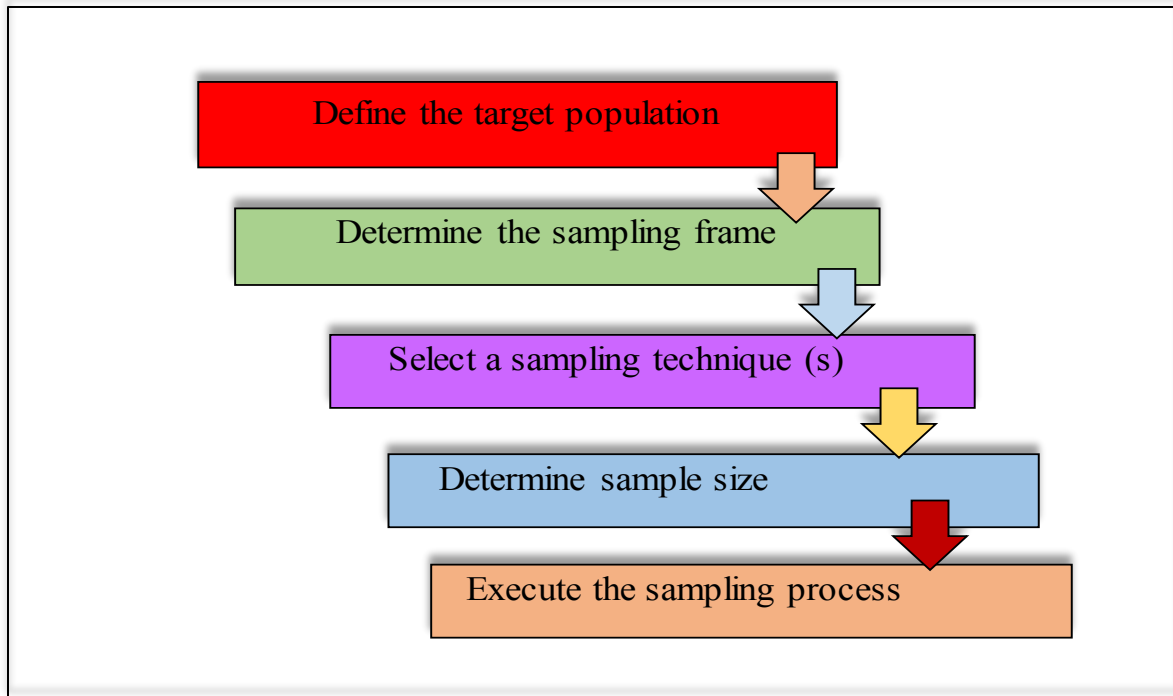


Figure 4.2: The Sampling Design Process

Source: Malhotra (2010:372).

4.6 Target population

Study population refers to people appropriate for consideration in the study (Welman *et al.*, 2005:52; Malhotra, 2010:373). According to Malhotra (2010:372) it is critical to understand the intended population units of analysis and geographical location. Understanding the characteristics of the targeted population will go a long way in reducing problems associated with research costs, response rate and quality of data (Saunders *et al.*, 2009:241). The research population consisted of 803 SMEs registered with Department of Economic Development, Tourism and Environmental Affairs in Pietermaritzburg (Department of Economic Development, Tourism and Environmental Affairs, 2013:1). The database was used because it allows the researcher the ability to formally locate and identify participants for the study. The researcher used Department of Economic and Tourism's database to draw a sampling frame because it is locally available and it is constantly updated.

4.7. Sample size

It is recognised as the number of elements to be included as a sample to represent the population for the study (Welman *et al.*, 2005:67). The research population consisted of 803 SMEs registered with Department of Economic and Tourism in Pietermaritzburg. Participants were drawn from all sectors of the economy. A survey software known as sampling calculator was used to calculate sample size for this study (Creative Research Systems, 2012:1). According to the Creative Research Systems, 2012:1), the sampling calculator is used to find confidence interval (also called margin of error) and the confidence level in research study. Based on the population size of 803 registered SMEs Department of Economic Development, Tourism and Environmental Affairs in Pietermaritzburg, a sample size of 260 SMEs was selected from the study (95% confidence level). The sample for this study includes entrepreneurs, managers/supervisors and workers of sampled enterprises. Since the research adopted mixed method technique called exploratory sequential design, the sample size was divided into two. This was done to get in-depth understanding of the topic and to test results on bigger sample size. Twenty (n=20) entrepreneurs were selected to participate in-depth interviews while two hundred and forty (n=240) were selected to take part in questionnaire survey. The breakdown of the sample size is depicted on Table 4.1.

Table 4.1: Research sample size (participants)

Research Activity	Participants	Number of Participants	Phase of Primary Data Collection
In-depth interviews	Entrepreneurs	20	Phase one
Questionnaire survey	Managers/supervisors and workers	240	Phase two
Total		260	

Source: Author's own compilation.

4.8 Sampling techniques

According to Saunders *et al.* (2003:243), sampling is an approach used in primary research to select more suitable and significant quantity of data for a particular exploratory study. Sampling techniques can be divided into probability and non-probability sampling. Probability sampling technique is used to choose research participants where every

individuals have of the population have the same chances of being chosen (Quinlan, 2011:206; Dahlberg and McCaig 2010:178). Non-probability sampling is a technique used to choose respondents from the population where the chance of anyone being selected in the population is not known (Zikmund *et al.*, 2010:655). The researcher used convenience sampling (non-probability sampling) technique to identify participants for both in-depth interviews and the questionnaire survey. This technique was used because it is reliable and it also assists the researcher to select participants who will be present at that time researcher get to the sampled site (Welman *et al.*, 2005:69). Convenience sampling was also used because it is a quick and less expensive way of identifying research participants (Welman *et al.*, 2005:69).

4.9 Data collection methods

The study utilised both secondary and primary sources to collect data. Literature review was conducted where insights were drawn from peer reviewed journal articles and non-peer reviewed publications on the topic (Dawson, 2007:42; Quinlan, 2011:244). A comprehensive literature survey was used to ensure that important information from previous studies was used in the study. Secondary data collection method is very important approach because it is cheaper than primary data collection methods (Quinlan, 2011:213). It can also result in the discovery of other new information that could not have been obtained using primary data methods (Saunders *et al.*, 2009:268).

Primary data was collected using two instruments (in-depth interviews and questionnaire). In-depth interviews were conducted with participants for the study. This assisted the researcher in getting “first-hand” information (Welman *et al.*, 2005:166). Questionnaire survey was chosen because it is an appropriate way of collecting data in an exploratory research as it allows the researcher to get data from a wider range of participants than other methods (Quinlan, 2011:96).

Primary data collection instruments (in-depth interviews and questionnaire survey) are discussed below.

4.9.1 In-depth Interviews

To get in-depth understanding of interplay between CSR in SMEs, in-depth interviews were conducted with selected participants for the study. This assisted the researcher in getting deeper understanding about the objectives of the study. A semi-structured in-depth interview guide used, helped the researcher to get deep understanding of participant's views on the objectives of the study. In-depth interviews allow respondents to respond freely and express themselves without the researcher assisting them in their responses (Welman *et al.*, 2005:166). In-depth interviews are used to explore hidden issues that could not be unveiled from structured questions. They gave the researcher an opportunity to gain access to certain information that is crucial for the study (Welman *et al.*, 2005:166).

According to Morris (2012:03), in-depth interviews are an easy way of collecting data and also allows new questions to emerge during the interview. New questions are vital in enriching the study. This is also in consistent with Bickman and Rog's (2009:296) view that in-depth interviews are essential ways of collecting data because they offer face-to-face interactions with participants. In-depth interview data was manually recorded and transcripts were further combined for theme analysis.

In-depth interviews were conducted between the researcher and entrepreneurs. They lasted between 20-30 minutes each and the responses were written down. The interview guide was structured in such a way that it collected the background, business profile and CSR information that was vital for the research. This was done in order to get deeper understanding of participant's perceptions about the objectives of the study. The aim of the researcher was to conduct twenty in-depth interviews with small business owners. The researcher used convenience sampling (non-probability) technique to identify participants for in-depth interviews.

4.9.2.1 Structure of in-depth interview guide

In-depth interviews were used to collect primary data because they afford the researcher the opportunity to get deep insights and a thorough understanding on research topic (Quinlan, 2011:244). The interview guide was designed based on issues discussed in literature review chapters.

The in-depth interview guide had seven sections designed to draw insights from participants. Five variables (CSR perceptions, drivers, implementation, challenges and strategies) were used to get insights for the study.

Section A: This section profiled the background information of entrepreneurs. It involved three questions designed to understand age category, highest educational qualification of entrepreneurs while the last question looked at understanding factors that motivated entrepreneurs to start their businesses.

Section B: This section provided the business profile of sampled SMEs. The section had three questions which looked at the period the entrepreneur had been operating the business. The last two questions looked at the sector which the business fell under and the type of ownership of the company.

Section C: This section looked at entrepreneurs' perceptions on CSR. The section had four questions which looked at understanding perceptions of entrepreneurs with regards to CSR. The section was also used to understand why it is necessary for entrepreneurs to engage in CSR activities. The section was also utilised in exploring what entrepreneurs benefit personally when they participate in CSR activities.

Section D: This section was used to draw insights on what drives entrepreneurs to engage in CSR practices. The section was also used to understand why entrepreneurs do not engage in CSR activities. Entrepreneurs were also asked what motivated their business to engage in CSR activities. The section further looked at benefits that accrued to businesses when they engage in CSR initiatives.

Section E: The section looked at how SME owners implemented CSR programs. The section looked at who make CSR decisions and whether they consulted stakeholders on making CSR decisions. The section also looked at whether the way entrepreneurs implement CSR activities was achieving intended results.

Section F: This section looked at exploring challenges entrepreneurs face when they engage in CSR initiatives. The section looked at type of challenges and the intensity they have in the

implementation of CSR programs. Finally the section looked at external forces that impact on the successful implementation of CSR activities.

Section G: It outlined strategies used by entrepreneurs to overcome CSR challenges. The section also looked at effectiveness of CSR strategies being used by entrepreneurs. Finally, section explored other alternative strategies that entrepreneurs can recommend in order to overcome CSR related challenges.

4.9.3 Questionnaire

According to (Quinlan, 2011:322), it is a formalised instrument with questions used to collect insights from respondents. The questionnaire was designed based on insights drawn from previous studies and from in-depth interview findings. Questionnaires have proved to be an easy way of collecting data (Quinlan, 2011:322).

The researcher personally distributed the questionnaires to participants. This approach was used because it is cheap and easy way of administering questionnaires (Zikmund *et al.*, 2010:161). Hand delivery of questionnaires was used because it offers high chances of getting the desired results (Denscombe, (2014:166). Hand delivery of measuring instruments assists the researcher motivates respondents to take part in the research (Denscombe, 2014:166). Hand delivery was also used because it offers flexibility in administering questionnaires.

Two hundred and forty (n=240) questionnaires were personally distributed to entrepreneurs, managers/supervisors and employees by the researcher.

4.9.3.1 Structure of questionnaire

A single questionnaire was used to collect data from entrepreneurs, managers/supervisors and employees. It consisted of three sections.

Section A: This section consisted of questions on personal information of participants. The information asked pertained to age, gender, race and qualification. This requirement is in line with Neuman *et al.* (2007:29) who states that these attributes are critical in establishing and managing business.

Section B: Explored the profile of business which includes elements such as the number of employees, form of business and industry sector. This section is relevant to the study because it provides the researcher with valuable insights about business' capacity to engage in CSR activities (Welman *et al.*, 2005:166).

Section C: Consisted of corporate social responsibility questions with focus on the research objectives. Five variables (CSR perceptions, drivers, implementation, challenges and strategies) were identified and used to draw insights from participants. A Likert-scale was used to measure participant's responses. According to Dahlberg and McCaig (2010:241), a Likert scale is a tool used to measure the degree to which participants agree or disagree with given statements. A 5 point scale ranging from "Strongly Disagree, Somehow Agree, Neither Agree or Disagree, Somewhat Agree to Strongly Agree" was used. Each level was assigned a numeric value or coding ranging from 1 to 5 respectively. This scale was used to get insights on CSR perceptions, drivers, implementation, challenges and strategies used by entrepreneurs, managers/supervisors and employees. The score was in ascending order with highest indicating a most positive reaction (Malhotra, 2009:183).

4.10 Data analysis

Data analysis entails investigating primary data with the intention of getting a better understanding to the problem being investigated (Silver and Lewins, 2012:10). Qualitative data analysis is referred to as non-mathematical procedure that is used to analyse people's words, behaviour and beliefs (Silver and Lewins, 2012:10). In-depth interview data was recorded and transcribed for easy interpretation.

In-depth interview data was transcribed and then summarised to identify themes in line with the research objectives. Theme analysis technique was used to analyse qualitative data. According to Quinlan (2011:420), theme analysis involves a thorough reading of collected data, identifying key areas of focus, and categorising information to make a conclusive analysis. Seven steps were carried out when analysing qualitative data. These include data reduction, data display, data transformation, data correlation, data consolidation, data comparison, and data integration (Onwuegbuzie and Combs, 2011:5). The identified themes were then used to formulate the questions used in the questionnaire survey of the study.

Quantitative data collected from the questionnaire survey was descriptive in nature so statistical tools were used to describe and interpret the numerical data (Dahlberg and McCaig, 2010:23). Questionnaires were checked for errors before data analysis was done. Statistical Package for Social Science (SPSS) computer software was used to capture quantitative data on diagrams, graphs and pie charts. Descriptive and inferential statistics were used to analyse responses for each research objectives. The results were presented in tables and figures for easy reference. This presentation assisted the researcher in further analysis and interpretation of SPSS results.

4.10.1 Descriptive statistics

Descriptive statistics was used to present and describe data (Myers *et al.*, 2010:19). The researcher used frequencies to profile the responses of participants and to present the findings. Since all constructs had different classifications, bar charts, pie charts, bar graphs and histograms were used to present results. Frequency distribution shows the number of respondents for each variable. The researcher also used median and mean as statistical tools to understand tendencies and location of responses. Standard deviation and range were utilised as statistical tools to measure variability of responses and give the researcher significant information, since the study utilised interval-ratios.

4.10.2 Inferential analysis

Inferential statistics is a deductive analysis of data drawn from a population of the study. It is mainly concerned with accuracy and consistency of results of data (Myers *et al.*, 2010:19). The study used Principle Component Analysis (PCA) and Kruskal-Wallis test as inferential analysis on research responses.

4.10.2.1 Principle Component Analysis (PCA)

The used Principle Component Analysis (PCA) was used to measure the relationships between the questions asked on all research constructs of the study. This approach was utilised because the Likert scale used in the questionnaire survey gave the researcher the ability to treat responses as attitude of participants and relate the responses that pertain to the scores on the Likert scale. The overall Principal Component Analysis coefficient was computed for all research variables. Those with higher range (more than 5) were adjusted to the original range of the Likert scale.

4.10.2.2 The Kruskal-Wallis Test

According to Saunders *et al.* (2009:450), the Kruskal-Wallis test is an ordinal measurement test which is used to compare groups of data. Using the Kruskal-Wallis test helps the researcher to understand whether the statistical differences in medians were obtained by statistical chance or they are significant or have bearing on the respondent's perceptions. The researcher tested data for normality. Kolmogorov-Smirnov's and Shapiro-Wilk's tests for normality were done on all research constructs. The results showed that data was not normally distributed so non-parameter tests were carried out to test the research hypothesis.

4.11 Reliability and validity

The researcher made efforts to address and pay attention to reliability and validity issues during designing and carrying out research work. Various steps were taken to address reliability and validity issues as discussed in subsequent sections below.

4.11.1 Reliability

Reliability pertains to the capacity of the measuring instruments to produce consistent results if tested multiple times (Zikmund *et al.*, 2010:305). A pre-test was conducted to determine the reliability of the study instruments and to determine whether they will produce intended response (Zikmund, 2012:301). A statistical reliability analysis was also carried out by an expert (statistician) in the field under study to measure five constructs identified in the questionnaire. The overall Cronbach Alpha statistical analysis results showed a high consistency (Cronbach Alpha=0.859) which is deemed reliable for the study. To further ensure reliability, the research instruments were also written in English, which is the language used in the corporate world. All interview responses were written down to ensure reliability. The questionnaire was properly worded in order to avoid misinterpretation and unnecessary responses.

Reliability testing results

The questionnaire's measures of Business Social Responsibility (BSR) were made up of five constructs, namely BSR Perceptions, BSR Drivers, BSR Implementation, BSR Challenges and BSR Strategies. The scale reliability of these scales is summarized in Table 4.2.

Table 4.2: Questionnaire reliability statistics

Section	N	Number of questionnaire items	Cronbach's Alpha	Comment
BSR Perception	224	5	0.665	Moderate internal consistency
BSR Drivers	225	7	0.799	High internal consistency
BSR Implementation	224	10	0.517	Low internal consistency
BSR Challenges	225	5	0.798	High internal consistency
BSR Strategies	225	7	0.588	Low internal consistency
All five Constructs	223	34	0.859	High internal consistency

Scale reliability analysis seeks to establish if the questionnaire items in the various constructs can be relied upon to address the objectives of this study. Cronbach's Alpha statistic was used to measure the reliability of the questionnaire. The non-Likert scale questions were not included in this reliability analysis. A Cronbach's Alpha value of at least 0.700 would indicate that the research tool to be used is reliable (Santos, 1999:2).

The BSR perceptions construct was found to have slightly less than adequate internal consistence or reliability (Cronbach's Alpha=0.665). BSR Drivers have a Cronbach's Alpha coefficient of 0.799 and is regarded as of a high internal consistency or reliability. BSR Implementation (Cronbach's Alpha=0.517) fell short of the reliability benchmark of 0.700. BSR Challenges (Cronbach's Alpha=0.789) is of high internal consistency or reliability and BSR Strategies with Cronbach's Alpha=0.588 is of low internal consistency. The overall questionnaire however is of very high consistency (Cronbach's Alpha=0.859) when all the Likert scale items are considered together.

If this research instrument is to be used in the future then there is need to relook at the items under BSR perceptions, BSR Implementation and BSR Strategies for a bit of improvement. Generally the research questionnaire was of adequate reliability and the results emanating from data collected made its use to be deemed reliable.

4.11.2 Validity

It is argued that the data collection process in research study has consequences for the validity and reliability of the research (Babbie and Mouton, 2005:45; Dahlberg and McCaig, 2010:34). Validity is concerned with the degree to which a method investigates what it intends to achieve or measure (Zikmund *et al.*, 2010:307). Internal validity is used to ascertain that research instrument measures what it is intended to measure (Cooper and Schindler, 2006:346). External validity is used to find out if the data can be generalised across and beyond the breath the research context (Cooper and Schindler, 2006:346). Content validity refers to the appropriateness of the content of the research instrument. The questionnaire was given to experts in the field under study to assess content validity. A two phased pilot tests was conducted to access the validity of the measuring instruments used in the study.

4.12. Pilot testing

According to Denscombe (2014:165), pilot test denotes to testing research instruments on a smaller sample from research sample to check the reaction of participants when completing them before the main study is conducted (Denscombe, 2014:165). The intention of conducting a pilot test is to identify and eliminate all complications in research instruments. According to Denscombe (2014:165), if pilot test results are positive, this will mean that research instruments may produce same results when used to other respondents.

A two-phased pilot test was carried out. The first phase of the pilot study consisted of two in-depth interviews conducted between the researcher and entrepreneurs. The second phase consisted of five questionnaire survey conducted between the researcher and sampled entrepreneurs/managers, supervisors and employees. These pre-tests were carried out to check dependability and consistence of instruments. The feedback from pilot test was used to adjust the research instruments (interview guide and questionnaire). All pre-test results were incorporated into the measuring instruments. Additionally, these adjustments were also used to further explore various insights which were omitted when the measuring instruments were initial designed.

4.13 Ethical Requirements

Before any conduct was made with research participants, the researcher obtained an ethical clearance certificates for both two phases of the study from the Humanities and Social

Science Research Ethics Committee (HSSREC) of the University of KwaZulu-Natal. The protocol reference number HSS/2510/01M was given for the study. The certificates were issued after the research and data collection instruments were verified if they do not infringe on the rights of participants and comply with ethical requirements of the university. During data collection, participants were given information sheets which include information about the research goals, the matters to be addressed in the study and that their participation is voluntary. Participants were told that they can excuse themselves from the study any time. Informed consent forms were given to all the participants and those willing to participate signed them to indicate their consent. All participants were told of all the procedures of the study in order to maintain confidentiality and to protect their identity. The consent forms and ethical clearance certificates are attached in Appendix A and D of the study respectively.

4.14. Conclusion

This chapter presented on research methodology used for this study. It highlighted critical research elements such as research philosophy, research design, research population, sample size, sample technique, data collection methods and data analysis. The chapter outlined how reliability and validity issues were dealt with in this study. It also discussed pre-testing of research instruments and how ethical issues were addressed in the study. The following chapter presents and interpret empirical results.

CHAPTER 5

PRESENTATION AND INTERPRETATION OF EMPIRICAL RESULTS

The previous chapter explained the research design of this study. This chapter presents and interprets empirical results obtained from data collected in two phases (in-depth interviews and questionnaire survey) of the study.

5.1 Introduction

This chapter is divided into three sections. Section A profiles the demographic results of participants. Section B presents the qualitative results while Section C outlines quantitative results.

5.2 Research responses

The response rate is presented on Table 5.1.

Table 5.1: Response rate

Research Activity	Participants	Number of Participants	Responses (n)	Response Rate (%)
In-depth interviews	Entrepreneurs	20	18	90
Questionnaire survey	Managers/supervisors and workers	240	225	86.5
Total		260	243	93.5

Source: Author's own compilation.

The targeted sample size was 260. Since the research adopted a mixed method technique called exploratory sequential design, the sample size was divided into two. Twenty (n=20) entrepreneurs were selected to participate in in-depth interviews while two hundred and forty (n=240) were selected to take part in the questionnaire survey.

Twenty in-depth interview appointments were made between the researcher and entrepreneurs for the first phase of the study. The response rate was eighteen in-depth interviews (90%). This phenomenal response rate was attributed to the nature and objectives of the study. Entrepreneurs showed great enthusiasm and zeal to engage with the researcher. This greatly contributed to high response rate. The targeted sample for questionnaire survey

was 240. Two hundred and forty (n=240) questionnaires were handed out to entrepreneurs, managers/supervisors and employees. Two hundred and twenty five (n=225) were returned to the researcher. The response rate was 86.5%. The high response rate was mainly attributed to the fact that the questionnaire was hand-delivered. Additionally the high response rate can be credited to the simplicity of questions and structure of the questionnaire. Furthermore, respondents were initially asked that they could return the questionnaire to the researcher.

5.3 Section A: Demographic profile of participants

The demographic results include the data collected from interviews and questionnaire. During the study, participants were asked about background information with regard to their gender, age, highest educational qualification, forms of business venture, type of industry and years of operating business venture. The results of 243 respondents discussed in the following sections.

5.3.1 Gender

The gender representation of empirical results is shown in Figure 5.1.

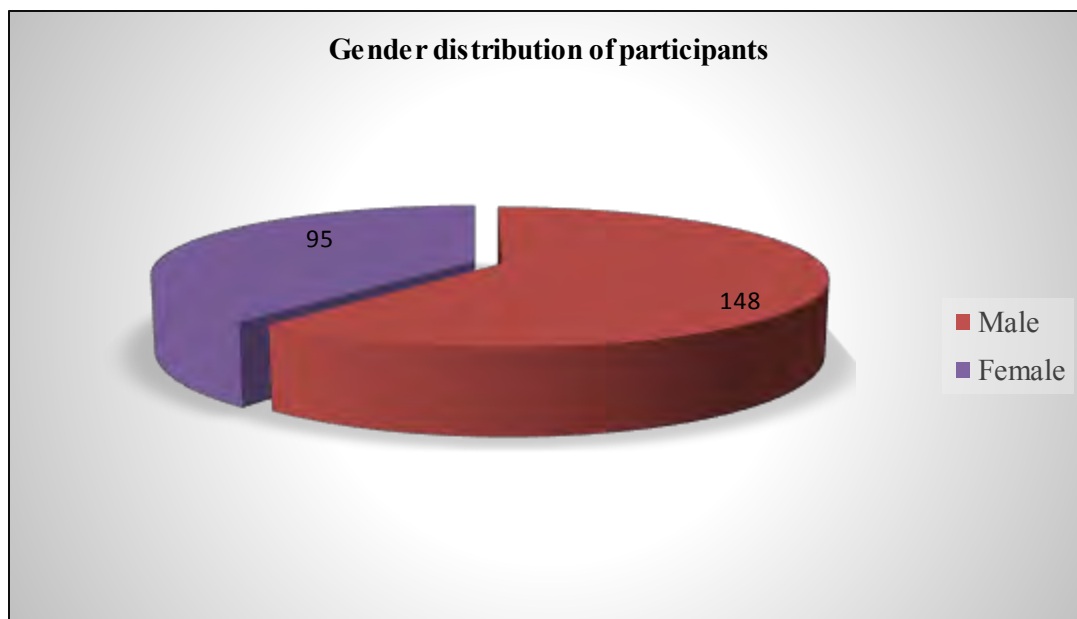


Figure 5.1: Gender distribution of participants

The empirical results showed that the study was dominated (n=148) by male participants. Male constituted 60.9% compared to 39.1% female participants. This reflected a fair gender representation since the study aimed at drawing insights from a wide and balanced gender distribution.

5.3.2 Age

The age distribution of participants is depicted in Figure 5.2.

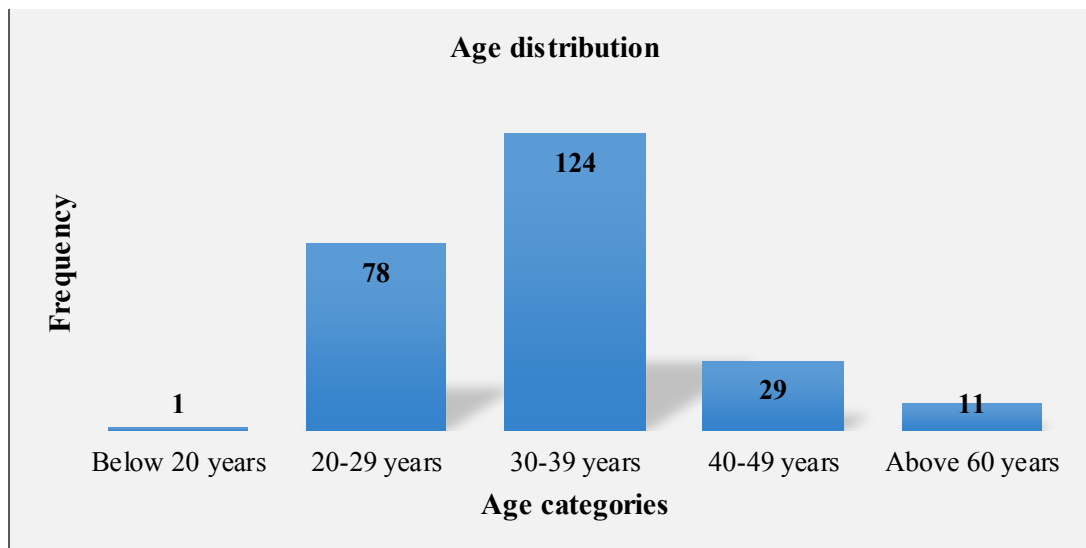


Figure 5.2: Age distribution

As shown in Figure 5.2, the majority ($n=124$) of participants belong to the 30-39 age category. They constituted 51% of the participants while 20-29 age group had seventy eight participants. One participant was below twenty years of age. Twenty nine ($n=29$) and eleven ($n=11$) participants belong to the 40-49 and above 60 age groups respectively. This shows a fair age representation for the study.

5.3.3 Race distribution

The ethnic representation of participants is shown in Figure 5.3.

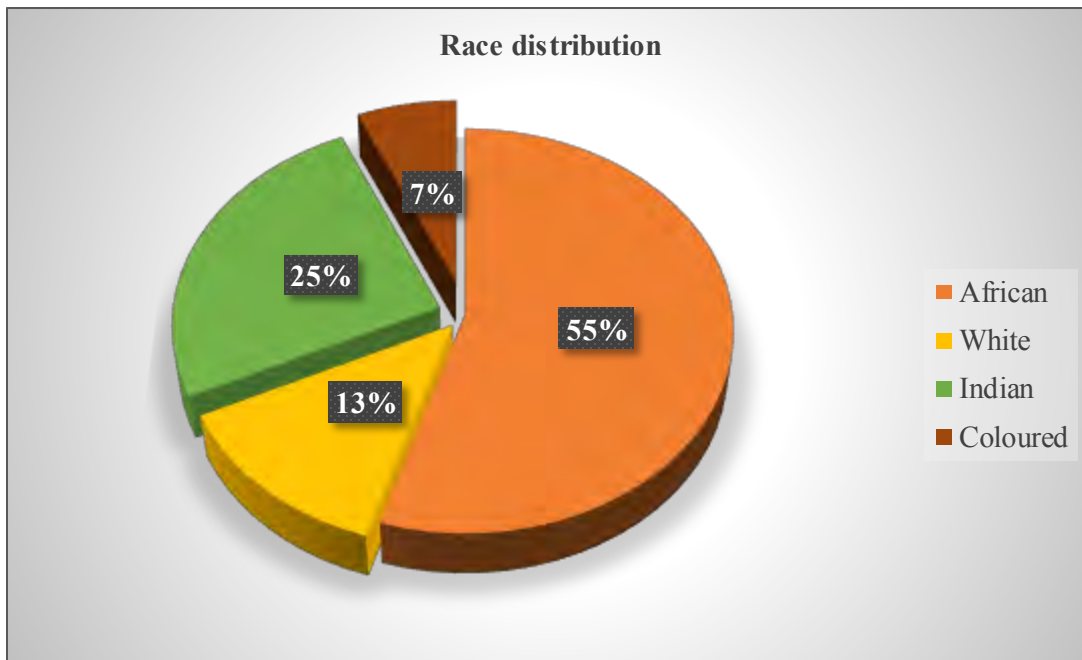


Figure 5.3: Race distribution

The results show that the survey was dominated by African respondents. The empirical results show that 133 participants were Africans who constituted 55% of the respondents. Indians had the second highest number of respondents ($n=62$) which was 25% of the respondents. The White ethnic group consisted of 13% ($n=26$) of the respondents while there were sixteen ($n=16$) Coloureds who constituted 7% of the respondents. The results show a fair ethnic representation of participants for the study.

5.3.4 Position

Figure 5.4 shows distribution of positions held by respondents in their respective companies.

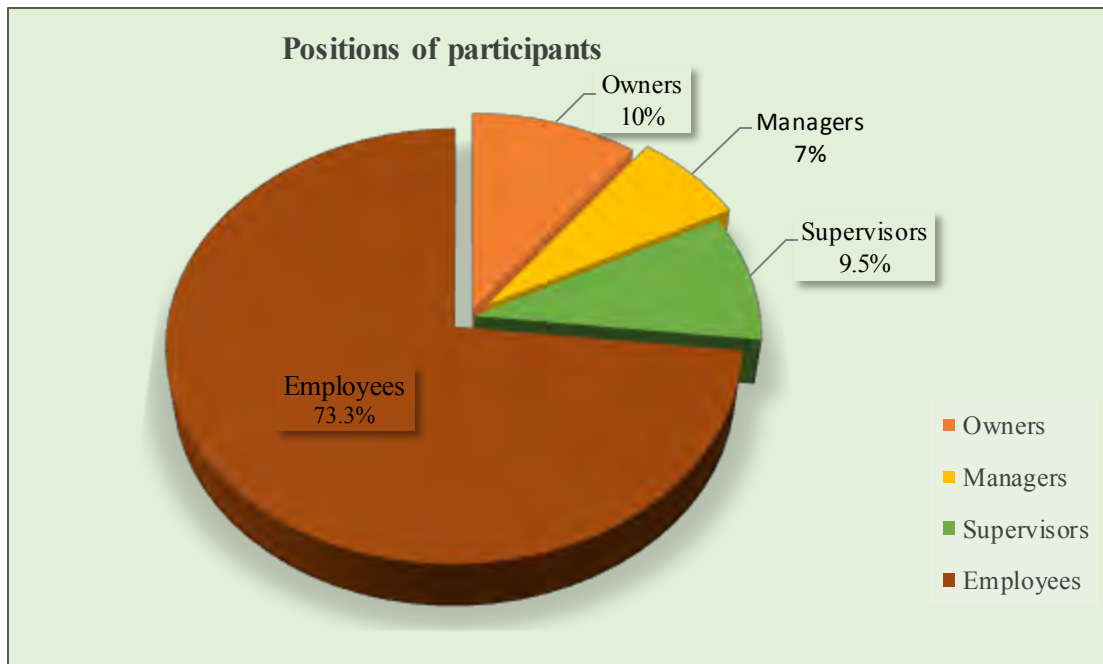


Figure 5.4: Position distribution of participants

The majority (n=178) of the participants were employees who constituted 73.3% of the respondents. Twenty-three (n=23) supervisors participated in the survey. While seventeen (n=17) (7%) were managers, seven (n=7) participants were SME owners who constituted 10% of the respondents.

5.3.5 Highest educational levels of participants

The results on the highest educational levels of participants are depicted in Figure 5.5.

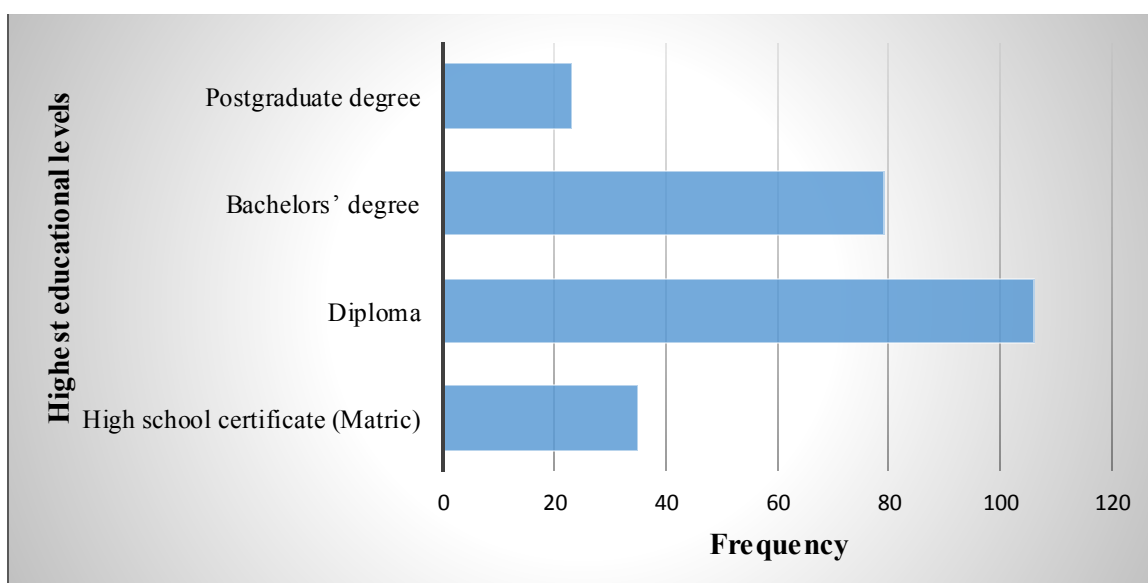


Figure 5.5: Highest educational levels of participants

The results in Figure 5.5 show that one hundred and six (n=106) respondents had college diplomas while seventy-nine (n=79) respondents had bachelor's degrees. Thirty-five (35) had Matric certificates while twenty-three (n=23) had postgraduate qualifications.

5.3.6 Forms of business ventures

The results on the distribution of forms of business are depicted in Figure 5.6.

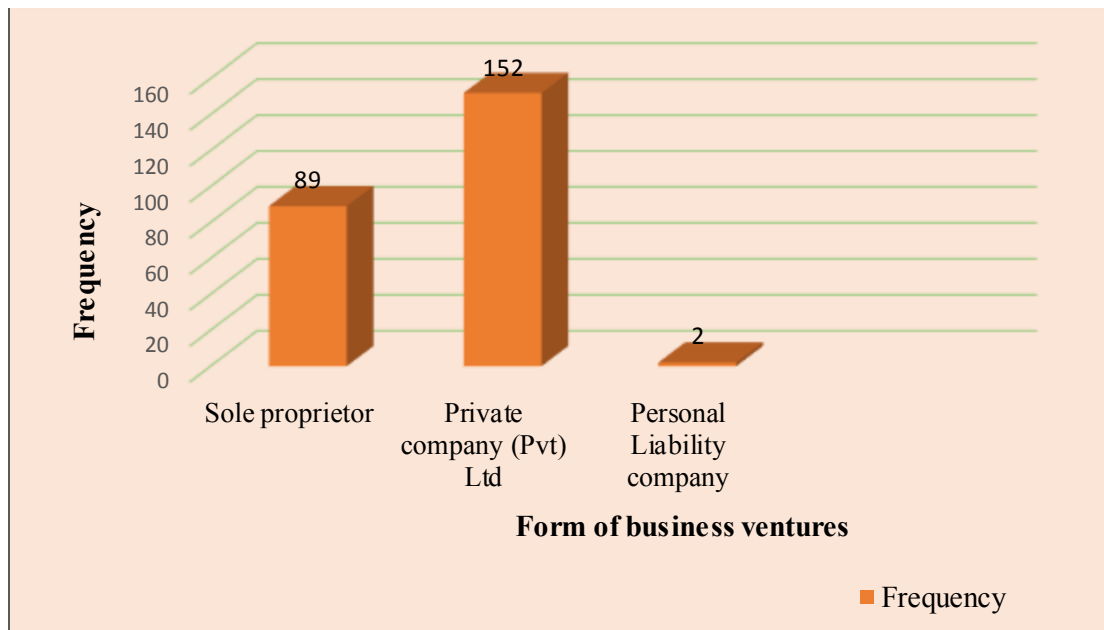


Figure 5.6: Forms of business ventures

The results in Figure 5.6 show that the majority (n=152) of the SMEs in the study were registered as Private companies. They constituted 62.2% of the study participants. Eighty-nine (n=89) (36.6%) SMEs were registered as Sole Proprietor. Two SMEs were registered as Personal Liability Companies.

5.3.7 Type of industry sectors

The results of sectors which participated in the study are shown in Figure 5.7.

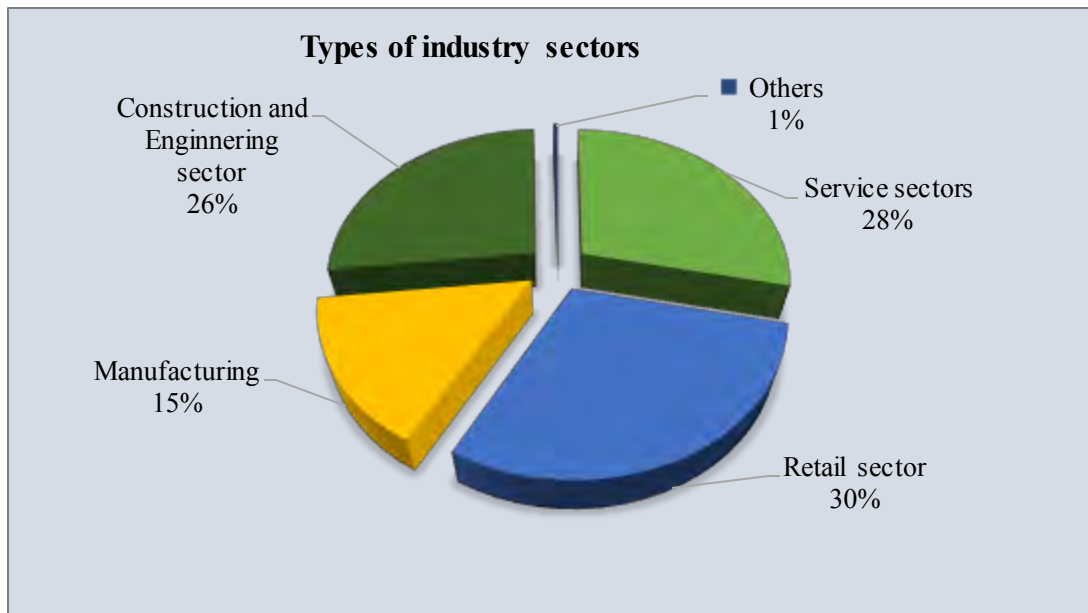


Figure 5.7: Type of industry sectors

The results in Figure 5.7 show that seventy-two ($n=72$) participants were drawn from the retail sector while 26% of the respondents were from the construction and engineering sector. There were also sixty-nine ($n=69$) responses from the services sector while the study received thirty-seven ($n=37$) responses from the construction sector. One participant was drawn from another sector which was not on the list. The results show a fair representation of the economic sectors in the country.

5.3.8 Years of operating business venture

Figure 5.8 shows the period the SMEs have been operating. The majority ($n=125$) of responses were received from SMEs that had been in business for less than five years.

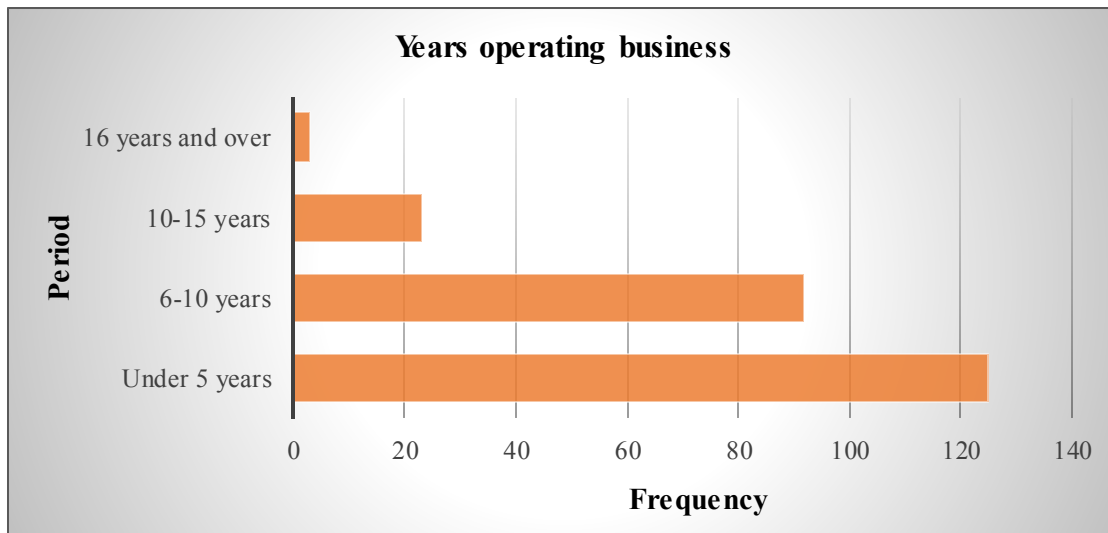


Figure 5.8: Years of operating business venture

The results in Figure 5.8 indicate that the majority ($n=217$) of responses were received from participants whose companies have less than ten years of existence. Ninety-two ($n=92$) responses were received from participants whose businesses have been operating between 6-10 years. Ten percent (10%) of the responses were received from participants whose companies have been operating between 10-15 years. Three responses were received from participants whose companies have been operating for more than 16 years.

5.4 Section B: Qualitative results

This section discusses the qualitative insights derived from in-depth interviews of the study. Thematic analysis was done to get insights from qualitative data. Various variables emerged. Emergent themes are discussed according to the research objectives.

5.4.1 Research Objective 1: Perceptions of SMEs on CSR

The purpose of Research Objective 1 is to explore perceptions of small and medium enterprises on corporate social responsibility. Various themes were identified and tabulated into Table 5.2.

Table 5.2: Summary of emerging themes on Small and Medium Enterprises perceptions on Corporate Social Responsibility

Themes	Response Frequency
Voluntary activities for communities	17
Increase profit margins	14
Developing employee relations	13
CSR is for large businesses	12
Very important business practice	12
Increase production	12
Improves reputation	11
Not widely practiced by SMEs	10
Wellbeing of the natural environment	10
Aligning business with communities	7
Difficult business practice for SMEs	5

The results show that entrepreneurs have varying perceptions regarding CSR. As depicted on the Table 5.2, eleven (n=11) themes emerged from eighteen (n=18) respondents. The results also show seventeen (n=17) entrepreneurs associate CSR with voluntary community activities. For example, Respondent 8 indicated that CSR is:

“Doing something voluntarily towards uplifting lives of surrounding communities”

The results also show that fourteen (n=14) entrepreneurs associate CSR with increased production whilst twelve indicated that it helps increase profit margins. Twelve (n=12) entrepreneurs believe CSR is very important business practice while eleven (n=11) highlighted that it improves the image of the company. For example, Respondent 10 indicated that:

“I see CSR as good business strategic tool that can help business perform better”.

Eleven (n=11) respondents indicated that CSR improves business reputation while thirteen (n=13) indicated that CSR develops good employee relations. Ten entrepreneurs believe CSR

is about conserving the natural environment and it is not widely used by SMEs due to various reasons. Five entrepreneurs viewed CSR as a difficult business practice for SMEs. For example, Respondents 9 and 11 pointed out that:

“Yes I do experience challenges in implementing business social responsibility activities”.

“Oh. It is very difficult for small and medium enterprises to engage in BSR initiatives. I think CSR is done by large businesses because they have money to engage in such activities”.

5.4.2 Research Objective 2: The drivers of CSR practices in SMEs

The key focus of Research Objective 2 was to analyse the drivers of CSR practices in SMEs. Various themes emerged and are presented in Table 5.3.

Table 5.3: Description of emerging themes for the drivers of CSR practices in SMEs

Themes	Frequency of Responses
CSR has benefits to the company.	17
CSR increases business performance.	15
Builds relationships and helping surrounding communities.	14
CSR increase customer base.	12
CSR improves company reputation.	12
CSR increases business growth.	9
CSR activities motivate workers.	9
CSR improves workers loyalty.	7
Driven by family values.	6

Table 5.3 illustrates ten (10) themes and frequency of responses which emerged from the findings. Seventeen (n=17) respondents suggested that they are driven by the benefits they get from engaging in CSR activities. CSR motivates them to participate and invest in CSR initiatives. Respondent 4 revealed that:

“Our business is motivated by the need to make a difference to people in need. I also believe in ploughing back to communities as it also makes good business sense... I

believe our customers and workers come from communities so it is important to position my business very well to these communities around the business”.

Fifteen (n=15) respondents admitted that they are driven by the fact that CSR activities increase customer base and increase business performance to their companies respectively. Respondent 8 and 11 stated that:

“These activities will help the company get more customers and business from surrounding communities”.

“My company’s reputation improves and we manage to get more customers. This eventually improves our profits and growth of the company”.

Furthermore, fourteen (n=14) respondents suggested that they engage in CSR activities because it helps them build relationships with surrounding communities. Twelve (n=12) suggested that they invest in CSR programs because it increases their customer base and improves the company’s image. Nine (n=9) respondents pointed out that their companies are driven by the need to help communities. Seven (n=7) respondents suggested that they are driven by the idea that CSR is associated with employee retention while six (n=6) respondents are driven by family values passed on from one generation to the other in their family business. Respondents 9 and 16 indicated that:

“I am motivated by doing the best for people. At times I use BSR initiatives as a marketing tool to advertise my business.

“I am motivated by the fact that there are benefits that business can get when it engage in BSR initiatives. I also believe that business should go an extra mile by investing in activities aimed at improving communities around it”.

The results showed a number of themes that drive entrepreneurs to engage in CSR activities. These themes also indicated that entrepreneurs are driven by unique benefits they associate themselves with CSR practices.

5.4.3. Research Objective 3: Implementation of CSR practices

The main focus of Objective 3 was to determine how SMEs are implementing CSR initiatives. The various themes that emerged from the data are shown in Table 5.4.

Table 5.4: Summary of emerging themes for Implementation of Corporate Social Responsibility practices

Themes	Frequency of Responses
CSR decisions made by the owner	18
Entrepreneurs consult stakeholders	17
Include workers in CSR decisions	11
Consulting stakeholders is achieving positive results	8

Four themes emerged from the implementation of CSR by entrepreneurs who participated in in-depth interviews. All (n=18) respondents indicated that they make all CSR decisions in their respective companies whereas seventeen (n=17) respondents indicated that they consult stakeholders when engaging in CSR activities. . For example, Respondents 8 and 17 indicated that:

“Yes, do consult stakeholders. I consult these stakeholders because I believe it will give me a clear picture of what they want me to assist them with”... “It also allows my company to effectively focus its attention to those needs thereby cut on costs which was going to be wasted”.

“I consult the communities before I think of any BSR initiative that I want to assist them with”. “I also consult the workers on how best I can assist them to improve their skills through on the job training initiatives and their families”.

The results also show that eleven (n=11) respondents alluded to the fact that they consult mainly workers because they believe this helps them keep the workers motivated to participate and perform better in their daily business activities. For example, Respondent 2 and 9 point out that:

“I consult stakeholders to better understand their needs so that I can address them effectively”.

“The fact that I consult these stakeholders helps me understand areas that they need help. By consulting these stakeholders, it also helps me to channel my resources direct to their needs”

The results also indicated that eight (n=8) themes emerged when entrepreneurs were asked if consulting stakeholders helps them achieve results. Some of the themes include *“improve their work skills”* and *“job training initiatives and help their families”*. The results reflected that entrepreneurs use different ways to implement CSR activities. The results also showed that entrepreneurs had different reasons and expectations for consulting stakeholders.

5.4.4 Research Objective 4: To investigate the challenges experienced by SMEs in implementing CSR

The main focus of Research Objective 4 was to investigate the challenges experienced by SMEs in implementing CSR activities. Various themes were identified and are presented in Table 5.5.

Table 5.5: Summary on Corporate Social Responsibility Challenges

Themes	Frequency of Responses
Faces CSR related challenges	18
Encounter financial challenges	18
Difficulties in accessing loans from financial institutions	17
SMEs have shortage of manpower	13
Lack of commitment from financial institutions	12
Lack of bank loans and government funding	11
Experience business management related challenges	11
SMEs have shortages of skills	10
SMEs have inadequate collateral	9
SMEs have inadequate time for CSR activities	8

As depicted on Table 5.5, ten (10) themes emerged from respondents. All respondents highlighted that they face finance-related challenges when implementing CSR initiatives. For example, Respondents 1 and 7 indicated that:

“Well, my challenges are financially driven. I struggle to make sound CSR decisions because the company is very small and does not make much profit”.

“As a small business, my employees lack great skills that can be used to fully implement BSR initiatives”.

Seventeen (n=17) respondents experience various challenges in accessing loans. For example, Respondents 4 and 13 highlighted that:

“The major challenges I face when implementing BSR initiatives are lack of finance, shortage of skills and manpower. We are a small business; I don’t have enough money to invest in many BSR initiatives. Coupled with financial shortages, human capital is also a great challenge because I do not have enough skilled workers to engage in BSR initiatives”.

“Oh. It is very difficult for small and medium enterprises to engage in BSR initiatives. I think CSR is done by large businesses because they have money to engage in such activities”.

These views were echoed by Respondents 8, 12 and 17 who emphasised that these challenges are also compounded by lack of skills and few employees. The empirical findings showed that thirteen entrepreneurs face challenges related to shortage of managerial competence, skills shortages and lack of manpower. For example, Respondent 17 indicated that:

“Lack of skills also hampers my company to understand how to effectively implement BSR initiatives”.

Eleven (n=11) respondents pointed out that lack of bank loans and government assistance contributes to the challenges they face when implementing CSR initiatives. On that issue, Respondents 7 and 10 stated that:

“They ask for collaterals when I apply for loan... Such condition makes it difficult for me to get financial assistance”.

“As small businesses we do not receive financial assistance from government, banks and other lending institutions because of lack of collateral”.

Eight themes emerged where entrepreneurs indicated that their CSR engagements are hampered by external forces. For example, the words “government” and “banks and other financial institutions” emerged as the major themes. For example, Respondent 1 explained that:

“Yes, there are various external forces that hinder our business from implementing BSR initiatives. Some of these factors include lack of government funding, rental charges, municipality rates, lack of skills and access to bank loan”.

Eight respondents (n=8) highlighted that they find it difficult to strike a balance between the daily business activities and CSR activities. Respondent 17 and 18 lamented that:

“... As a small business, we seem to face a difficult challenge of striking a balance between our daily business activities and BSR initiatives”. Time is also a contributing factor to our BSR activities”.

“... My company does not employ many people so it is difficult to maintain a balance between BSR activities and the core activities of the company especially in busy times.”

The themes highlighted that SMEs faces various challenges to implement CSR activities.

5.4.5 Intensity of CSR challenges

The intensity of CSR challenges was ranked. Table 5.6 shows the ranking and frequencies of the intensity of CSR challenges faced by respondents.

Table 5.6: Intensity of CSR challenges

Intensity of challenges	Frequency (n)
Ranked 9	8
Ranked 8	8
Ranked 7	2

All participants highly ranked the challenges between 7 and 9 on the intensity scale. Two (n=2) participants ranked their challenges 7 on the scale while eight (n=8) of the respondents ranked the intensity of the challenges to 8 on the scale. Eight (n=8) participants ranked 9 the intensity of the challenges they face. The ranking of the intensity of challenges faced reflects badly on the success rate of CSR initiatives pursued by participants in their respective business ventures.

5.4.6 Research Objective 5

Examination of strategies used by SMEs to overcome some of the challenges encountered in implementing CSR activities and their effectiveness.

The main focus of Research Objective 5 was to examine strategies used by SMEs to overcome some of the challenges encountered in implementing CSR activities and the effectiveness of these strategies. Various themes emerged and they are tabulated in Table 5.7.

Table 5.7: Summary of emerging themes for strategies used to implement CSR

Themes	Response Frequency
Forming partnerships with other SMEs	16
Consulting with local municipality and Government departments	9
Adopting costs cutting measures	8
Increasing training and skills development initiatives	7

Table 5.7 shows four themes that emerged from strategies used by respondents to implement CSR initiatives. Sixteen (n=16) respondents believed that forming partnerships with others businesses and other organisations such as NGOs and government will assist them in pooling

limited resources together and be able to meet a common goal. Respondents 1, 8 and 15 pointed out that:

“I try by all means to partner with other small businesses in Pietermaritzburg so that we can speak with one voice on issues we are facing”.

“My company is joining hands with Non-Governmental Organisations (NGOs) in implementing BSR initiatives”.

“I try by all means to forge partnership with other small and medium businesses so that we can pull our resources together and implement successful BSR initiatives”.

The results showed that forging partnerships in implementing CSR activities is a “dominant trend” in implementing successful initiatives. The themes “consulting” and “government departments” also emerged as key words used by respondents to answer questions on strategies used to implement CSR activities. Nine (n=9) respondents indicated that joining hands with local municipality, government departments and communities goes a long way in achieving a successful CSR program. For example, Respondent 13 stated that:

“Yes! I work with other SMEs, NGOs, local Municipality and Government Departments as to overcome some of the challenges I face when implementing CSR initiatives.”

Eight (n=8) respondents believed adopting a cost cutting structure will assist them have resources that can be invested into CSR programs. For example, Respondents 5 and 7 illustrated that:

“I am trying by all means to reduce operating costs so that I can realise better profits...This s will help me invest some of the profit to BSR initiatives.”

“I try to cut operations costs so that I can use some of the money to engage in BSR initiatives”.

Furthermore, “training” and “skills development” emerged as critical themes regarding strategies used by respondents to deal with CSR related challenges. Seven (n=7) respondents

associated training and developing workers as ways of empowering them perform better in CSR initiatives in the organisation. This sentiment was echoed by Respondent 2 who stated that:

“The company is investing more in job training and skills development activities. This is done so that skills of workers are improved and understand better CSR policy of the company”.

Respondents spoke at length about the ways they can implement CSR programmes. While all respondents acknowledge that CSR is critical for their business, lack of resources to implement successful CSR initiatives remains their major concern.

5.5 Section C: Quantitative results

The section gives a summary statistics results of the questionnaire survey. The results are presented according to the five research objectives.

5.5.1 Research Objective 1: Perceptions of SMEs on CSR

Results on perceptions of SMEs on BSR will be discussed at two levels, namely, descriptive summary and inferential analysis. The descriptive part makes use of the results presented in Table 5.8.

Table 5.8 Summary of BSR perceptions

BSR perceptions (PERC)		Frequency Distribution						Descriptive statistics		Latent Factor: Principal Component
		Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree	% Somewhat Agree and Strongly Agree	Mean	Std. Dev	Coefficient
PC1: My company understands business social responsibility as meeting consumers, employees, and community needs.	Freq	0	0	84	66	75				
	%	0.0%	0.0%	37.3%	29.3%	33.3%	62.7%	3.96	0.84	0.919
PC2: My company's business social responsibility is to comply strictly with labour and environmental laws.	Freq	0	0	74	72	79				
	%	0.0%	0.0%	32.9%	32.0%	35.1%	67.1%	4.02	0.83	0.905
PC3: Business social responsibility is acting over and above what owners, the law, and society expect- simply to enhance society such as voluntary donations etc.	Freq	2	0	27	88	108				
	%	0.9%	0.0%	12.0%	39.1%	48.0%	87.1%	4.33	0.76	0.824
PC4: BSR is rather the responsibility of big companies than small businesses.	Freq	67	45	54	24	35				
	%	29.8%	20.0%	24.0%	10.7%	15.6%	26.2%	2.62	1.41	0.252
PC5: BSR activities are the same as charity and voluntary initiatives.	Freq	3	1	7	76	137				
	%	1.3%	0.4%	3.1%	33.9%	61.2%	95.1%	4.53	0.71	0.527
Cronbach's Alpha % of total variation accounted for by latent factor										0.665 53.68%

5.5.1.1 Descriptive statistics of perceptions

Results in Table 5.8 show that the understanding of business social responsibility as meeting consumers, employees, and community needs by companies still needs to improve, as only 62.7% somewhat agreed or strongly agreed to statement PC1 (My Company understands business social responsibility as meeting consumers, employees, and community needs). 37.3% of the respondents were neutral on statement PC1 which indicates the level of ignorance on

what BSR is. The mean for PC1 is 3.96 which is above the neutral score of 3.00 and close to a score of 4.00 (4.00=somewhat agree).

As far as strict compliance with labour and environmental laws is concerned 67.1% somewhat agreed or strongly agreed to statement PC2 (My Company's business social responsibility is to comply strictly with labour and environmental laws). This left 32.9% who were neutral on the matter meaning that they are not sure or aware of the need to comply with labour and environmental laws as a way to undertaking BSR. The mean for PC2 is 4.02 which is slightly above the score of 4.00 (4.00=somewhat agree).

There is a better understanding of business social responsibility as acting over and above what owners, the law, and society expect in order to enhance society by engaging in activities such as giving voluntary donations. This is indicated by the 87.1% who somewhat agreed or strongly agreed to this statement.

About 26.2% of the respondents believe that BSR is the responsibility of big companies with 24.0% being neutral or unsure (PC4: BSR is rather the responsibility of big companies than small businesses). This leaves only 49.8% who somewhat disagree or strongly disagree with this statement. These 49.8% are the people who realize that BSR is also the responsibility of SME's.

5.5.1.2 Inferential analysis of perceptions

In order to calculate the overall perception of SME's on BSR a latent factor was calculated using Principal Components (PC). The main principal component was taken as the overall index of BSR perceptions. The measure of overall BSR perceptions is thus calculated as:

$$PERC = 0.919 \times PC1 + 0.905 \times PC2 + 0.824 \times PC3 + 0.252 \times PC4 + 0.527 \times PC5$$

PERC accounts for 53.68% of the total variation in the 5 items that it is derived from. This level of information retention is not possible if an ordinary average of the five questions used as a measure of overall BSR perceptions. Since the coefficients of the PCs add up to 3.427 the overall index for BSR perceptions (PERC) was not adjusted so that it will be in the range of 1 to 5 which was the original range of the Likert scales used in the questionnaire.

In this section, five variables (number of workers, company workforce, form of business, type of industry and numbers of years working in the organisation) were used to assess their effects on BSR perceptions on participants. Appropriate statistical methods were used to make the assessments. The overall measure of BSR perceptions, as measured by PERC is analyzed in this section.

Tests for normality of BSR perceptions

In order to decide on which statistical methods to use tests of normality for BSR perceptions (PERC) are carried out first. Both the Kolmogorov-Smirnov's and Shapiro-Wilk's tests for normality shows that PERC significantly departs from normality (both p -values are greater than 0.05), hence cannot be assumed to be normally distributed. This means that we cannot use ordinary ANOVA to test for the effects of company demographics on perceptions. Non-parametric methods are thus used to tests for the effects of the company profile on PERC (BSR perceptions).

Table 5.9: Tests for normality of PERC

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	p-value	Statistic	df	p-value
BSR Perceptions (PERC)	0.139	224	0.000	0.915	224	0.000

a. Lilliefors Significance Correction

Kruskal-Wallis Tests Effects of number of workers on PERC

The Kruskal Wallis tests results presented in Table 5.10 depicts that the number of workers has no significant effects on BSR perceptions on the respondents (Chi-square=4.081, df=3, p -value=0.253).

Table 5.10: Tests for the significance of number of workers on BSR Perceptions

BSR Perceptions		N	Mean Rank	Kruskal-Wallis Test	
Number of workers	1-10	49	124.87	Chi-Square Value	4.081
	11-20	163	107.35	df	3
	21-30	11	129.55	p-value	0.253
	31-40	1	158.00	Comment	No significant Differences
	Total	224			

Effects of form of business on PERC

The Kruskal Wallis tests results presented in Table 5.11 show that the form of business has no significant effect on the BSR perceptions of respondents (Chi-square=5.281, df=3, p-value=0.153). Therefore the form of business has no bearing on the perceptions of respondents on BSR activities.

Table 5.11: Tests for the significance of form of business on BSR Perceptions

BSR Perceptions		N	Mean Rank	Kruskal Wallis Test	
Form of business	Sole proprietor	76	103.79	Chi-Square Value	5.281
	Private company (Pvt) Ltd	146	117.43	df	3
	Personal Liability company	1	9.00	p-value	0.153
	Public company (Ltd)	1	158.00	Comment	No significant Differences
	Total	224			

Effects of type of Industry PERC

The Kruskal Wallis tests results presented in Table 5.12 indicates that the type of industry has no significant effect on the BSR perceptions of respondents (Chi-square=9.071, df=4, p-value=0.059). Therefore the type of industry has no bearing on the perceptions of respondents on BSR activities.

Table 5.12: Tests for the significance of type of industry on BSR Perceptions

BSR Perceptions		N	Mean Rank	Kruskal Wallis Test	
Type of industry	Service sector	58	129.23	Chi-Square Value	9.071
	Retail sector	70	112.46	df	4
	Manufacturing	36	114.18	p-value	0.059
	Construction & engineering	59	94.30	Comment	No significant Differences
	Other	1	158.00		
	Total	224			

Effects of number of years working in organisation on PERC

The Kruskal Wallis tests results on the effects of number of years in the organisation are presented in Table 5.13.

Table 5.13: Tests for the significance of number of years working in organisation on BSR Perceptions

BSR Perceptions		N	Mean Rank	Kruskal Wallis Test	
Number of years working in organisation	Under 5 years	124	105.52	Chi-Square Value	8.166
	6-10 years	83	116.54	df	3
	10-15 years	14	155.04	p-value	0.043
	16 years and over	3	90.50	Comment	Significant Differences
	Total	224			

The tests reflected that those who have been with the organisation for longer (16 years and above) had the lowest mean rank (mean rank=90.50) while those with the organisation between 10 to 15 years had a mean rank of 155.04. The results indicate that those who have been with the organisation for between 6 to 10 years and 10 to 15 years had the highest mean ranks hence are more positive on BSR perceptions. The results showed that the number of years of working in an organisation have significant effects on the BSR perceptions of respondents (Chi-square=8.166, df=3, p-value=0.043).

5.6 Research Objective 2: The drivers of CSR in SMEs

Table 5.14 shows frequencies and computation of the principle component on CSR drivers.

Table 5.14: BSR drivers – Frequencies and Computation of principle component

BSR drivers (DRIVER)		Frequency Distribution				Descriptive Statistics		Latent Factor (Principal Component)
		Neutral	Somewhat Agree	Strongly Agree	% Agree and Strongly Agree	Mean	Std. Dev	Coefficient
DR1: It is the culture of my company to invest in BSR initiatives.	Freq	167	36	22	25.8%	3.36	0.65	0.104
	%	74.2%	16.0%	9.8%				
DR2: Implementing social responsible activities generates a competitive advantage for the company.	Freq	4	62	159	98.2%	4.69	0.50	0.737
	%	1.8%	27.6%	70.7%				
DR3: My organization receives financial benefits from BSR programs.	Freq	4	62	159	98.2%	4.65	0.49	0.785
	%	1.8%	27.6%	70.7%				
DR4: Through BSR initiatives communities buy more of our products/services.	Freq	1	76	148	99.6%	4.58	0.51	0.746
	%	0.4%	33.8%	65.8%				
DR5: BSR activities help attract customers.	Freq	2	91	132	99.1%	4.78	0.48	0.813
	%	0.9%	40.4%	58.7%				
DR6: BSR activities improve business image (brand reputation).	Freq	0	38	187	100.0%	4.83	0.38	0.865
	%	0.0%	16.9%	83.1%				
DR7: BSR initiatives contribute to employee satisfaction and motivation.	Freq	2	40	183	99.1%	4.80	0.42	0.819
	%	0.9%	17.8%	81.3%				
	Cronbach's Alpha							0.799
	% of total variation accounted for by latent factor							54.37%

5.6.1.1 Descriptive statistics on BSR drivers

The results showed that there were 74.2% who were neutral on the statement DR1 which indicates that they are not sure whether it is the culture of the organisation that drives them to engage in CSR activities. This is also indicated by the mean for DR1 (3.36%) which is slightly above the neutral score of 3.00 and far away from a score of 4.00 (4.00=somewhat agree). Statistical results on the understanding of company culture to engage in BSR was only

16% somewhat agree to the statement DR1 (It is the culture of my company to invest in BSR initiatives).

With regards to BSR implementation as a competitive advantage and financial benefit to the company, 98.2% either agree or strongly agree that their organisations are driven by these elements to practice BSR. This result was reflected by the mean 4.96 which is above neutral of 3.00. The results also show that there is a higher association between attracting customers and contribution to employee satisfaction and motivation. This was reflected by 99.1% agree and strongly agree to the statements that their BSR approach is driven by the need to attract customers and contribute to employee satisfaction and motivation. As far as BSR improving the business image (reputation) is concerned 100% either agree or strongly agree to statement DR6 (BSR activities improve business image (brand reputation)).

5.6.1.2 Inferential analysis on BSR drivers

The latent factor on the overall BSR drivers on SMEs was calculated using Principal Components. The main principal component was taken as the overall index of BSR driver. The measure of overall BSR drivers is thus calculated as:

$$DR = 0.104 \times DR1 + 0.737 \times DR2 + 0.785 \times DR3 + 0.746 \times DR4 + 0.813 \times DR5 \\ + 0.865 \times DR6 + 0.819 \times DR7$$

Drivers account for 54.37% of the total variation in the 6 items that it is derived from. This level of information retention is not possible if an ordinary average of the six questions used as a measure of overall BSR drivers. Since the coefficients of the PC's add up to 4.869 the overall index for BSR drivers (Driver) was adjusted so that it will be in the range of 1 to 5 which was the original range of the Likert scales used in the questionnaire. However, the test for normality was further carried out to understand which statistical method to use.

Tests for normality of BSR drivers

In order to decide on which statistical methods to use tests for normality for Driver are carried out first. Both the Kolmogorov-Smirnov's and Shapiro-Wilk's tests for normality shows that Drivers significantly departs from normality (both p -values are greater than 0.05) hence cannot be assumed to be normally distributed. This means that we cannot use ordinary

ANOVA to test for the effects of company demographics on BSR Drivers. Non-parametric methods are thus used to tests for the effects of the company profile on Driver (BSR drivers).

Table 5.15: Tests for normality of DRIVER

Tests for Normality						
BSR Drivers (Driver)	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	p-value	Statistic	df	p-value
	0.264	225	0.000	0.758	225	0.000

a. Lilliefors Significance Correction

Effects of number of workers on Drivers

The Kruskal Wallis tests accept the significant level of 5%. The Kruskal Wallis tests presented in Table 5.16 reflect that the number of workers has no significant effects on the BSR drivers (Chi-square=6.037, df=3, p-value=0.110). This means that BSR drivers are not substantially influenced by the number of workers in the organisation.

Table 5.16: Tests for the significance of number of workers on BSR drivers

BSR Drivers		N	Mean Rank	Kruskal Wallis Test	
Number of workers	1-10	50	94.20	Chi-Square Value	6.037
	11-20	163	118.48	df	3
	21-30	11	120.23	p-value	0.110
	31-40	1	81.00	Comment	No Significant Differences
	Total	225			

Effects of form of business on BSR drivers

The results on effects of the form of business on BSR drivers are presented in Table 5.17.

Table 5.17: Tests for the significance of form of business on BSR drivers

BSR Drivers		N	Mean Rank	Kruskal Wallis Test	
Form of business	Sole proprietor	77	90.36	Chi-Square Value	17.068
	Private company (Pvt) Ltd	146	124.53	df	3
	Personal Liability company	1	204.50	p-value	0.001
	Public company (Ltd)	1	81.00	Comment	Significant Differences
	Total	225			

The Kruskal Wallis tests results presented in Table 5.17 show that the form of business has significant effects on the BSR drivers of respondents (Chi-square=17.068, df=3, p-value=0.001). SMEs registered and operating as Personal Liability Company have the highest mean rank (mean rank 204.50) This means their BSR initiatives are driven by the form of business. The results also indicate that SMEs registered as Public company (Ltd) have the lowest mean rank (mean rank=81.00) which means their form of business has less significant on BSR practices.

Effects of the type of industry on BSR drivers

The results on the significance of the type of industry on BSR drivers are presented in Table 5.18.

Table 5.18: Tests for the significance of type of industry on BSR drivers

BSR Drivers		N	Mean Rank	Kruskal Wallis Test	
Type of Industry	Service sector	59	147.09	Chi-Square Value	26.621
	Retail sector	70	98.99	Df	4
	Manufacturing	36	114.72	p-value	0.001
	Construction & engineering	59	95.02	Comment	Significant Differences
	Other	1	81.00		
	Total	225			

The Kruskal Wallis tests results presented in Table 5.18 showed that the type of industry has significant differences on the BSR drivers to respondents (Chi-square=26.621, df=4, p-value

< 0.001). Therefore the type of industry has a significant bearing on BSR activities. SMEs in the service sector have the highest mean rank (mean rank =114.72) which indicate that they are more positive that their BSR investments are driven by their type of industry. Results also show that SMEs respondents in the manufacturing sector believe that their BSR are influenced by their type of industry sector. This is reflected by a higher mean rank (mean rank=114.72).

Effects of the period spent working in the organisation on BSR drivers

The results of the effects of the period spent working in the organisations on BSR drivers are presented in Table 5.19.

Table 5.19: Tests for significance of the period spent working in the organisation on BSR drivers

BSR Drivers		N	Mean Rank	Kruskal Wallis Test	
How long have you been working in this organisation	Under 5 years	124	109.16	Chi-Square Value	5.416
	6-10 years	83	111.64	df	3
	10-15 years	15	147.93	p-value	0.144
	16 years and over	3	134.50	No	
	Total	225		Comment	Significant Differences

The Kruskal Wallis tests results presented in Table 5.19 show that all factors used to analyse BSR drivers had high mean rank (above 100). The overall results show that the period spent working in the organisation has no significant effect on BSR drivers to respondents (Chi-square=5.416, df=3, p -value=0.144).

5.7 Research Objective 3: The implementation of CSR practices

Table 5.20 shows frequencies and computation of principle component on CSR implementation.

Table 5.20: Summary of BSR implementation

BSR Implementation (IMPLEM)		Frequency Distribution						Descriptive statistics		Latent Factor (Principal Component)
		Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree	% Agree & Strongly Agree	Mean	Std. Dev.	Coefficient
IM1: My organisation incorporates BSR initiatives in its operations.	Freq	0	0	128	58	39				
	%	0.0%	0.0%	56.9%	25.8%	17.3%	43.1%	3.60	0.77	0.420
IM2: My organizations engages in environmental awareness projects.	Freq	0	0	5	87	132				
	%	0.0%	0.0%	2.2%	38.8%	58.9%	97.8%	4.57	0.54	0.815
IM3: My organisation provides goods/ services that meet its customer needs.	Freq	0	0	9	95	121				
	%	0.0%	0.0%	4.0%	42.2%	53.8%	96.0%	4.50	0.58	0.872
IM4: My company provides training its employees.	Freq	0	1	45	60	119				
	%	0.0%	0.4%	20.0%	26.7%	52.9%	79.6%	4.32	0.80	0.876
IM5: My company implement BSR initiatives as required by law.	Freq	0	0	29	91	105				
	%	0.0%	0.0%	12.9%	40.4%	46.7%	87.1%	4.34	0.70	0.808
IM6: My organization educates all employees about its BSR policy.	Freq	0	1	114	61	49				
	%	0.0%	0.4%	50.7%	27.1%	21.8%	48.9%	3.88	2.87	0.032
IM7: I participate in BSR programs in my organization.	Freq	0	0	6	42	177				
	%	0.0%	0.0%	2.7%	18.7%	78.7%	97.3%	4.76	0.49	0.693
IM8: My organization consults communities when implementing BSR programs.	Freq	0	1	29	72	123				
	%	0.0%	0.4%	12.9%	32.0%	54.7%	86.7%	4.41	0.73	0.759
IM9: My organization contributes towards building hospitals, clinics and schools to communities.	Freq	3	12	183	13	14				
	%	1.3%	5.3%	81.3%	5.8%	6.2%	12.0%	3.10	0.64	0.294
IM10: My organization gives bursaries and scholarships to students in the community.	Freq	84	41	86	5	9				
	%	37.5%	18.3%	38.4%	2.2%	4.0%	6.3%	2.17	1.09	-0.038
		Cronbach's Alpha % of total variation accounted for by latent factor								0.517 41.65%

5.7.1.1 Descriptive statistics on BSR implementation

Table 5.20 shows that perceptions on the need to incorporate BSR initiatives in business operations need to improve as only 43.1% somewhat agree or strongly agree to statement IM1 (My organisation incorporates BSR initiatives in its operations). The results also show that 56.9% of the respondents were neutral on the same statement IM1 on the level of doubts on incorporation of BSR in business operations. The mean for IM1 is 3.60 which is above neutral score of 3.00 and close to the score of 4.00 (4.00=somewhat agree).

Concerning SMEs engaging in environmental awareness activities and providing goods/ services that meet customer needs, 2.2% and 4.0% of the respondents were neutral while the majority (96% and 97%) agree and strongly agree that their organisations engage in environmental activities and produce goods and services that meet customer expectations respectively.

The results show that there is high involvement of workers in BSR activities. This is indicated by 97.3% who agree and strongly agree to statement IM7 (I participate in BSR programs in my organization). This left 2.7% who were neutral on the matter indicating that they were not sure about their participation in their company's BSR activities. The results show that the majority (86.7%) of the respondents consult communities when implementing BSR programs.

About 6.3% of the respondents indicated that their organisation gives bursaries and scholarships to students in the communities while 38% were neutral. This leaves 37.5% and 18.3% strongly disagree and somewhat disagree to statement IM10 (My organization gives bursaries and scholarships to students in the community). Thus, the intensity of challenges SMEs face affect their investment in BSR activities such as giving bursaries and scholarships to students from surrounding communities. The results also indicated that 81.3% of the respondents were neutral on the statement IM9 (My organization contributes towards building hospitals, clinics and schools to communities). This means they were not sure if their organisations contributed towards building of hospitals, clinics, and schools in surrounding communities.

5.7.1.2 Inferential analysis on BSR implementation

To calculate the overall implementation of BSR by SME, a latent factor was calculated using Principal Components. The main principal component was taken as the overall index of implementation of BSR. The measure of overall implementation of BSR is thus calculated as:

$$\begin{aligned} \text{IMPLEM} = & 0.420 \times \text{IM1} + 0.815 \times \text{IM2} + 0.872 \times \text{IM3} + 0.876 \times \text{IM4} + 0.808 \times \text{IM5} \\ & + 0.032 \times \text{IM6} + 0.693 \times \text{IM7} + 0.759 \times \text{IM8} + 0.294 \times \text{IM9} + -0.038 \\ & \times \text{IM10} \end{aligned}$$

IMPLEM accounts for 41.65% of the total variation in the 8 items that it is derived from. This level of information retention is not possible if an ordinary average of the eight questions used as a measure of overall implementation of BSR. Since the coefficients of the PC's add up to 5.531 the overall index for implementation of BSR (IM) was adjusted so that it will be in the range of 1 to 5 which was the original range of the Likert scales used in the questionnaire.

In this section the effects of company demographics, that is, company workforce, form of business, type of industry and number of years working in the organization, on implementation of BSR assessed using appropriate statistical methods. The overall measure on implementation of BSR, as measured by IM is analyzed in this section.

Tests for normality of (implementation of BSR)

In order to decide on which statistical methods to use tests of normality for IM are carried out first. Both the Kolmogorov-Smirnov's and Shapiro-Wilk's tests for normality shows that IM significantly departs from normality (both p -values are greater than 0.05) hence cannot be assumed to be normally distributed. This means that we cannot use ordinary ANOVA to test for the effects of company demographics on implementation of BSR. Non-parametric methods are thus used to tests for the effects of the company profile on IM (BSR implementation).

Table 5.21: Tests for normality of BSR implementation (IMPLEM)

Tests for Normality						
BSR Implementation (IMPLEM)	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
	0.193	224	0.000	0.916	224	0.000

a. Lilliefors Significance Correction

Effects of number of workers on IMPLEM

The Kruskal Wallis tests accept the significant level of 5%. The Kruskal Wallis tests results presented in Table 5.22 reflected that the number of workers has no significant effect on BSR implementation (Chi-square=4.479, df=3, p-value=0.214). This means that BSR implementation is not substantially influenced by the number of workers in the organisation.

Table 5.22: Tests for significance of number of workers on BSR implementation

BSR Implementation		N	Mean Rank	Kruskal Wallis Test	
Number of workers	1-10	50	96.69	Chi-Square Value	4.479
	11-20	162	116.21	df	3
	21-30	11	131.18	p-value	0.214
	31-40	1	97.00	No	
	Total	224		Comment	Significant Differences

Effects of form of business on BSR implementation

The Kruskal Wallis tests results presented in Table 5.23 show that the form of business has a significant effect on BSR implementation (Chi-square=13.645, df=3, p-value=0.003). Therefore the form of business has a bearing on implementation of BSR activities. Those who are in private companies had the highest mean rank (mean rank=124.29) which means that they are more positive about how the form of business influences implementation of BSR in the organisation. The results also show that a high number (n=77) of respondents in companies operating as sole proprietor are positive that implementation of BSR activities are influenced by the form of business.

Table 5.23: Tests for the significance of form of business on BSR implementation

BSR Implementation		N	Mean Rank	Kruskal Wallis Test	
Form of business	Sole proprietor	77	90.66	Chi-Square Value	13.645
	Private company (Pvt) Ltd	145	124.29	df	3
	Personal Liability company	1	100.50	p-value	0.003
	Public company (Ltd)	1	97.00	Comment	Significant Differences
	Total	224			

Effects of type of industry on BSR implementation

The Kruskal Wallis tests results presented in Table 5.24 show that the type of industry has significant differences on BSR implementation by respondents (Chi-square=18.951, df=4, p -value=0.001). Therefore the type of industry has a significant bearing on the implementation of BSR by respondents. Respondents in the service sector have the highest mean rank (mean rank =140.69), which indicates that they are more positive that implementation of BSR activities is driven by the type of industry of the business. Results also show that respondents in the manufacturing sector believe that BSR implementation initiatives are driven by the type of industry sector. This is reflected by a higher mean rank (mean rank=121.01).

Table 5.24 Tests for the significance of type of industry on BSR implementation

BSR Implementation		N	Mean Rank	Kruskal Wallis Test	
Type of industry	Service sector	59	140.69	Chi-Square Value	18.951
	Retail sector	70	97.40	df	4
	Manufacturing	36	121.01	p-value	0.001
	Construction & engineering	58	97.03	Comment	Significant Differences
	Other	1	97.00		
	Total	224			

Effects of period spent working on BSR implementation

The Kruskal Wallis tests results presented in Table 5.25 show that the period spent working in the organisation has no significant effect on the implementation of BSR by respondents

(Chi-square=7.480, df=3, p -value=0.058). Therefore the period spent working in the organisation has no bearing on implementation of BSR to respondents.

Table 5.25: Tests for the significance of period spent working on BSR implementation

BSR Implementation		N	Mean Rank	Kruskal Wallis Test	
How long have you been working in this organisation	Under 5 years	124	106.71	Chi-Square Value	7.480
	6-10 years	82	114.71	df	3
	10-15 years	15	153.30	p-value	0.058
	16 years and over	3	87.50	Comment	No Significant Differences
	Total	224			

5.8 Research Objective 4: CSR challenges

Table 5.26 shows frequencies and Computation of principle component on BSR challenges. The results are presented at two levels, namely, descriptive summary and inferential analysis.

Table 5.26: Summary of BSR challenges

BSR Challenges (CHALLENGE)		Frequency Distribution						Descriptive statistics		Latent Factor (Principal Component)
		Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree	% Agree and Strongly Agree	Mean	Std. Dev	Coefficient
CH1: My organization has difficulties in implementing BSR programs.	Freq	0	0	9	45	171	96.0%	4.72	0.53	0.761
	%	0.0%	0.0%	4.0%	20.0%	76.0%				
CH2: My organization experiences financial problems in carrying out BSR programs.	Freq	0	0	1	42	182	100.0%	4.80	0.41	0.814
	%	0.0%	0.0%	0.4%	18.8%	81.3%				
CH3: My organization has no enough time to engage in BSR initiatives.	Freq	1	1	20	74	129	90.2%	4.46	0.71	0.723
	%	0.4%	0.4%	8.9%	32.9%	57.3%				
CH4: My colleagues do not understand fully the importance of BSR.	Freq	0	1	42	62	120	80.9%	4.34	0.79	0.710
	%	0.0%	0.4%	18.7%	27.6%	53.3%				
CH5: My company has no enough employees.	Freq	1	1	10	44	169	94.7%	4.68	0.62	0.803
	%	0.4%	0.4%	4.4%	19.6%	75.1%				
			Cronbach's Alpha % of total variation accounted for by latent factor							0.798 58.24%

5.8.1.1 Descriptive statistics of BSR challenges

Results in Table 5.26 show that all respondents alluded to the fact that their organizations face various challenges in implementing BSR. This was reflected by 96.0% who agree and strongly agree to the statement CH1 (My organization has difficulties in implementing BSR

programs). 40.0% of the respondents were neutral to statement CH1 which indicates the low level of understanding of the challenges their organizations face in implementing BSR initiatives. All respondents (100%) agree and strongly agree to statement CH2 (My organization experiences financial problems in carrying out BSR programs). This indicates that lack of finance hampers BSR activities in SMEs.

With regards to the availability of time to engage in BSR activities, 90.2% agree and strongly agree to statement C3 (My organization has no enough time to engage in BSR initiatives). This was reflected by 53.3% of the respondents who strongly agree with this statement. The mean for C3 is 4.46% which is above the score of 4.00 and close to a score of 5.00 (5.00=strongly agree).

About 80.9% of the respondents agree and strongly agree that their colleagues do not fully understand the importance of BSR with 8.9% being neutral or unsure (CH4: My colleagues do not understand fully the importance of BSR.). This only leaves 0.8% who strongly disagree or somewhat agree with the statement. There were 9% respondents who believe that their organisation have enough time to invest in BSR activities.

5.8.1.2 Inferential analysis of BSR challenges

In order to calculate the overall BSR related challenges to SMEs, a latent factor was calculated using Principal Components. The main principal component was taken as the overall index of BSR challenges. The measure of overall BSR challenges is thus calculated as:

$$\text{CHALLENGE} = 0.761 \times \text{CH1} + 0.814 \times \text{CH2} + 0.723 \times \text{CH3} + 0.710 \times \text{CH4} + 0.803 \times \text{CH5}$$

CHALLENGE accounts for 58.24% of the total variation in the 5 items that it is derived from. This level of information retention is not possible if an ordinary average of the five questions used as a measure of overall BSR challenges. Since the coefficients of the CHs add up to 3.811 the overall index for BSR challenges (CHALLENGE) will be adjusted so that it was not to the range of 1 to 5 which was the original range of the Likert scales used in the questionnaire. The BSR challenges (CHALLENGE) results are shown on Table 5.27.

Table 5.27: Tests for normality of BSR challenges (CHALLENGE)

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
BSR Challenges (CHALLENGE)	0.249	225	0.000	0.807	225	0.000

a. Lilliefors Significance Correction

Effects of number of workers on BSR challenges

The Kruskal Wallis tests results presented in Table 5.28 indicated that the number of workers has no significant effect on the BSR challenges on respondents (Chi-square=4.294, df=3, p-value=0.231).

Table 5.28: Tests for the significance of number of workers on BSR challenges

BSR Challenges		N	Mean Rank	Kruskal Wallis Test	
Number of workers	1-10	50	99.91	Chi-Square Value	4.294
	11-20	163	116.49	Df	3
	21-30	11	126.50	p-value	0.231
	31-40	1	50.00	No	
	Total	225		Comment	Significant Differences

Effects of form of business on BSR challenges

The Kruskal Wallis tests results presented in Table 5.29 show that the form of business has no significant effect on BSR challenges on respondents (Chi-square=6.371, df=3, p-value=0.095). Therefore the form of business has no bearing on the respondents on BSR challenges.

Table 5.29: Tests for the significance of form of business on BSR challenges

BSR Challenges		N	Mean Rank	Kruskal Wallis Test	
Form of Business	Sole proprietor	77	100.05	Chi-Square Value	6.371
	Private company (Pvt) Ltd	146	120.21	df	3
	Personal Liability company	1	120.50	p-value	0.095
	Public company (Ltd)	1	50.00	Comment	No Significant Differences
	Total	225			

Effects of type of industry on BSR challenges

The Kruskal Wallis tests results presented in Table 5.30 show that the type of industry has a significant effect on BSR challenges by respondents (Chi-square=16.693, df=4, p -value=0.002). Those who are in the manufacturing sector have the highest mean rank (mean rank=132.36). This shows that the number of challenges associated with the sector have a ripple effect on BSR initiatives.

Table 5.30: Tests for the significance of type of industry on BSR challenges

BSR Challenges		N	Mean Rank	Kruskal Wallis Test	
Type of industry	Service sector	59	130.19	Chi-Square Value	16.693
	Retail sector	70	107.59	df	4
	Manufacturing	36	132.36	p-value	0.002
	Construction & engineering	59	91.48	Comment	Significant Differences
	Other	1	50.00		
	Total	225			

Effects of the period spent working in the organisation BSR challenges

The Kruskal Wallis tests results presented in Table 5.31 show that the period spent working in the organisation has no significant effect on BSR challenges on respondents (Chi-square=1.501 df=3, p -value=0.682). Therefore the period spent working in the organisation has no bearing on BSR challenges to respondents.

Table 5.31: Tests for significance of period spent working in the organisation BSR challenges

BSR Challenges		N	Mean Rank	Kruskal Wallis Test	
How long have you been working in this organisation	Under 5 years	124	111.71	Chi-Square Value	1.501
	6-10 years	83	111.21	df	3
	10-15 years	15	130.30	p-value	0.682
	16 years and over	3	129.50	Comment	No Significant Differences
	Total	225			

5.9 Research Objective 5: Strategies used to implement CSR

Table 5.32 shows frequencies and Computation of principle component on strategies used to implement CSR. The results are also presented at two levels, namely, descriptive summary and inferential analysis.

Table 5.32: Summary of BSR strategies

BSR Strategies		Frequency Distribution						Descriptive statistics		Latent Factor-Principal Component
		Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree	% Agree & Strongly Agree	Mean	Std. Dev	Coefficient
ST1: My organisation partners with other companies in BSR initiatives.	Freq	0	0	34	48	143	84.9%	4.48	0.74	0.808
	%	0.0%	0.0%	15.1%	21.3%	63.6%				
ST2: My organisation donates to community sports events.	Freq	0	1	54	72	98	75.9%	4.19	0.81	0.389
	%	0.0%	0.4%	24.1%	32.1%	43.8%				
ST3: My organisation gives education bursaries to students in the communities.	Freq	86	40	95	2	2	1.8%	2.08	0.96	-0.242
	%	38.2%	17.8%	42.2%	0.9%	0.9%				
ST4: My organisation participates in gvt environmental forums.	Freq	0	0	10	87	128	95.6%	4.52	0.58	0.812
	%	0.0%	0.0%	4.4%	38.7%	56.9%				
ST5: My organisation engages in recycling activities.	Freq	0	0	5	30	190	97.8%	4.82	0.44	0.876
	%	0.0%	0.0%	2.2%	13.3%	84.4%				
ST6: My organisation contributes in building clinic, schools in the community.	Freq	4	12	197	9	3	5.3%	2.98	0.47	0.042
	%	1.8%	5.3%	87.6%	4.0%	1.3%				
ST7: My organisation participates in health awareness programmes e.g. HIV/AIDS.	Freq	0	0	3	46	176	99.1%	4.77	0.45	0.860
	%	0.0%	0.0%	1.3%	20.5%	78.6%				
			Cronbach's Alpha							0.588
			% of total variation accounted for by latent factor							43.29%

5.9.1.1 Descriptive statistics BSR strategies

Statistical results in Table 5.32 reflects that 84.9% agree and strongly agree to statement ST1 (My organisation partners with other companies in BSR initiatives). There were 15.1% who remain neutral on the statement ST1 which indicate that they are not sure if their organisations partners with others in BSR initiatives. This is also indicated by the mean for ST1 (4.48) which is above the neutral score of 4.00 and far away from score of 5.00 (5.00=strongly agree).

Regarding using donations to community sports events, 75.9% agree and strongly agree with statement ST1 (My organisation donates to community sports events). This leaves 2.4.1% who are neutral on the same matter meaning that they are not sure or aware if their organisations use donations to community sports events as BSR strategy. The results on ST2 also show that 32.1% and 43.8% somewhat agree and strongly agree statement ST2 that their organisations donate to community sports events as a BSR strategy. The mean for ST2 is 4.19 which is slightly above the score of 4.00 (4.00=somewhat agree).

Statistical results further show that 1.8% and 5.3% agree and strongly agree that their organisations give bursaries and contribute in building clinics, schools in communities respectively. These results leave 42.2% and 38.7% neutral on the same statements (ST2 and ST6), meaning they are not sure or aware if their organisations give bursaries and assist to community programs as a BSR strategy. About 99.1% agree and strongly agree to statement ST7 (My organisation participates in health awareness programmes e.g. HIV/AIDS).

The results also reflect that 95.6% and 97.8% agree and strongly agree with statements ST4 and ST5 respectively. These results indicate that respondents believe that their organizations invest in environmental conservation programs as BSR strategy.

5.9.1.2 Inferential analysis of BSR strategies

In order to calculate the overall BSR strategies, a latent factor was calculated using Principal Components. The main principal component was taken as the overall index of BSR strategies. The measure of overall BSR strategies is thus calculated as:

$$\text{STRAT} = 0.808 \times \text{ST1} + 0.389 \times \text{ST2} + (-0.242) \times \text{ST3} + 0.812 \times \text{ST4} + 0.876 \times \text{ST5} \\ + 0.042 \times \text{ST6} + 0.860 \times \text{ST7}$$

STRAT accounts for 43.29% of the total variation in the 7 items that it is derived from. This level of information retention is not possible if an ordinary average of the five questions used as a measure of overall BSR strategies. Since the coefficients of the PCs add up to 3.545 the overall index for BSR strategies (STRAT) was adjusted so that it will be in the range of 1 to 5 which was the original range of the Likert scales used in the questionnaire.

Tests for normality of BSR strategies

In order to decide on which statistical methods to use tests of normality for STRAT are carried out first. Both the Kolmogorov-Smirnov's and Shapiro-Wilk's tests for normality show that STRAT significantly departs from normality (both *p*-values are greater than 0.05) hence cannot be assumed to be normally distributed. This means that we cannot use ordinary ANOVA to test for the effects of company demographics on BSR strategies. Non-parametric methods are thus used to determine the effects of the company profile on STRAT (BSR strategies).

Table 5.33 Tests for normality of STRAT

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
BSR Strategies (STRAT)	0.180	225	0.000	0.828	225	0.000

a. Lilliefors Significance Correction

Effects of number of workers on BSR strategies

The Kruskal Wallis tests results presented in Table 5.34 show that the number of workers has a significant effect on the BSR strategies on respondents (Chi-square=12.638, df=3, *p*-value=0.005). The organisations with 31-40 workers have the highest mean rank (mean rank=197.00) which means their responses tend to be more positive than those with workers ranging from 1-10 (mean rank=86.84). This means organisations with fewer workers have lower score on BSR strategies. The results reflect that organisation with number of workers ranging from 11-20 and 21-30 have higher mean ranks hence it is more positive that the number of workers in their organisations have significant effect on BSR strategies.

Table 5.34: Test for significance of number of workers on BSR strategies

BSR Strategies		N	Mean Rank	Kruskal Wallis Test	
Number of workers	1-10	50	86.84	Chi-Square Value	12.638
	11-20	163	118.97	df	3
	21-30	11	135.82	p-value	0.005
	31-40	1	197.00	Comment	Significant Differences
	Total	225			

Effects of form of business on BSR strategies

The Kruskal Wallis tests results presented in Table 5.35 show that the form of business has a significant effect on the BSR strategies of respondents (Chi-square=11.598, df=3, p-value=0.009). Therefore the form of business has a bearing on the BSR strategies on respondents. Those who are private and public companies have higher mean ranks (mean ranks 122.56 and 197.00) respectively. This means they are more positive and aware of BSR strategies in their respective organisations.

Table 5.35: Tests for the significance of form of business on BSR strategies

BSR Strategies		N	Mean Rank	Kruskal Wallis Test	
Form of Business	Sole proprietor	77	94.06	Chi-Square Value	11.598
	Private company (Pvt) Ltd	146	122.56	df	3
	Personal Liability company	1	92.00	p-value	0.009
	Public company (Ltd)	1	197.00	Comment	Significant Differences
	Total	225			

Effects of type of industry on BSR strategies

The Kruskal Wallis tests results presented in Table 5.36 show that the type of industry has significant differences on BSR strategies on respondents (Chi-square=21.223, df=4, p-value <0.001). Therefore the type of industry has a significant bearing on BSR strategies. Respondents in the service and manufacturing sectors have higher mean ranks (mean rank =137.88 and 129.98) which indicate that they are more positive that BSR strategies are driven

by type of industry of the organisation. Results also show that SMEs respondents in the retail and construction and engineering sectors believe that BSR strategies are influenced by type of industry. This is reflected by a higher combined number (n= 129) of respondents

Table 5.36: Tests for significance of type of industry on BSR strategies

BSR Strategies		N	Mean Rank	Kruskal Wallis Test	
Type of industry	Service sector	59	137.88	Chi-Square Value	21.223
	Retail sector	70	97.98	df	4
	Manufacturing	36	129.18	p-value	0.000
	Construction & engineering	59	94.64	Comment	Significant Differences
	Other	1	197.00		
	Total	225			

Effects of period spent working in the organisation on BSR strategies

The Kruskal Wallis tests results presented in Table 5.37 show that the period spent working in the organisation has no significant effect on BSR strategies to respondents (Chi-square=3.186, df=3, p-value=0.364). Therefore the period spent working in the organisation has no bearing on BSR strategies to respondents.

Table 5.37: Tests for significance of period working in the organization on BSR strategies

BSR Strategies		N	Mean Rank	Kruskal Wallis Test	
How long have you been working in this organisation	Under 5 years	124	112.92	Chi-Square Value	3.186
	6-10 years	83	107.81	df	3
	10-15 years	15	139.30	p-value	0.364
	16 years and over	3	128.33	Comment	No Significant Differences
	Total	225			

5.10 Conclusion

This chapter presented and interpreted the empirical findings of the study. Thematic analysis results and Statistical Package for Social Science (SPSS) results were presented and interpreted in accordance with objectives of the study. The following chapter discusses the research findings.

CHAPTER 6

DISCUSSION OF RESEARCH FINDINGS

The previous chapter presented and interpreted the empirical results of the study. This chapter provides the discussion of research findings in line with reviewed literature and the research objectives.

6.1 Introduction

The main focus of this study was to get deeper understanding of corporate social responsibility in small and medium enterprises. The study produced a better understanding on perceptions of small medium enterprise and what drives them to engage in CSR.

6.2 Research Objective 1

To explore small and medium enterprises perceptions on corporate social responsibility

The main purpose of research objective one was to understand the perceptions of SMEs on CSR. Firstly, the two data sets results showed interconnectedness between data collection designs used as they reflected similar themes. The study revealed that SMEs have varied perceptions regarding CSR as a business concept. All entrepreneurs associate CSR with the benefits they receive from it. This is consistent with global research studies where SMEs engage in CSR because of the advantages they get from such investments (Polášek, 2010:165; Turyakira *et al.*, 2012:110; Inyang, 2013:127). The results also showed that entrepreneurs perceive CSR as an essential business strategic tool that can help their businesses perform better. Most employees (87.1%) understand CSR as acting above what owners, the law and government expect in improving society's needs. These results support the large body of literature which states that CSR is acting above what is expected of law and investing voluntarily in activities aimed at improving societies and conserving the natural environment (Carroll and Shabana 2010:97).

The empirical results highlighted that entrepreneurs' CSR perceptions are affected various challenges such by limited resources, lack of knowledge, high costs and no immediate benefits to their businesses. These results are in support of previous studies which point out that CSR practices are hampered by various challenges SMEs encounter in their businesses (Ramasobana and Fatoki, 2014:285; Seeletse and Ladzani, 2012:11461; Flores-Araoz,

2011:01; Ndhlovu, 2011:81). The empirical evidence showed a positive attitude entrepreneurs have towards CSR practices. These findings are in agreement with literature which point out CSR practices in SMEs originate from the owner of business and are influence by personal feelings, values, family and religion (Ramasobana and Fatoki, 2014:285; Abor and Quartey, 2010:224; and Mahembe, 2011:07). The empirical results point to varied perceptions on how SMEs position their CSR activities in their respective businesses. This was reflected by large number of respondents who pointed out that their investment in CSR is voluntary. The way SMEs treat CSR is consistent with large body of literature which state that the voluntary nature of CSR defines investment in it (Polášek, 2010:191; Flores-Araoz, 2011:01; Littlewood and Holt, 2013:03).

6.3 Research Objective 2

To understand the drivers of corporate social responsibility practices in small and medium enterprises

The empirical results show that like large businesses, SMEs mainly invest in CSR activities because of the benefits they expect from such investments. These findings are in support of large body of literature which state that CSR activities in SME is mainly driven short and long-term benefits associated with it (Inyang, 2013:127; Zeka, 2013:146; Polášek, 2010:165). Entrepreneurs believed that they invest in CSR initiatives because they want to uplift communities, increase customer base, and enhance company reputation, increase profit margins and growth. This is in agreement with literature which highlight that firms can use CSR initiative differentiate strategy to gain a competitive advantage (Ljubojevic, Ljubojevic and Maksimovic, 2012:566; Fatoki and Chilya, 2012:19).

The summary of descriptive statistics on BSR drivers results showed each of the variable (CSR's competitive advantage, increase sales, attract customers, employee satisfaction and motivation) is a critical factor that influences SMEs to invest in CSR activities. The results also indicated that these factors have enormous influence on entrepreneurs' perceptions on CSR practices. This was reflected by the majority of entrepreneurs who highlighted that these variables assist them in making CSR investment decisions. These results are supported by descriptive statistics where the mean of all variables is above '3' and standard deviation below '1' indicating the responses are gathered around the mean (Wegner, 2012:210). This means participants share similar thoughts on the questions (variables) used to investigate the research constructs. This also shows that many participants were positive about the responses

they gave on the variables. This was further supported by the majority of participants who agree and strongly agree (responses above 98%) with the variables. The empirical study also reflected that the findings are in agreement with large body of literature (Inyang, 2013:127; MacGregor and Fontrodona, 2011:90; Smith 2003:231; Turyakira, 2012:70) which confirmed that CSR increases competitive advantage, sales, improve brand image, attract customers, employee satisfaction and motivation. These variables were described as key drivers of entrepreneurs' decision to engage and invest in CSR practices.

6.4 Research Objective 3

To determine how small and medium enterprises are implementing corporate social responsibility initiatives.

Empirical results indicated that entrepreneurs use various activities as ways of implementing CSR activities. These results are supported by descriptive statistics in section 5.7 on Table 5.20. Most respondents agree and strongly agree (response rate above 79%) with questions (variables) used to investigate implementation of CSR. The mean was above 4 meaning that most of the responses were positive with the variables that were being measured. However, they were few respondents who were neutral about variables. This indicated that they were not sure about the questions (variables). The results showed that SMEs invest in community, environmental, customer activities as ways to implement CSR activities. The results is consistent with large body of literature which suggest that CSR strategies in SMEs include various activities towards uplifting surrounding communities and workers, and conserving the natural environment (Inyang, 2013:127; Yazdanifard and Mercy, 2011:640; Maimunah, 2009:02).

Furthermore, entrepreneurs also highlighted that they consult stakeholders when implementing CSR decisions. This was evidenced by 94% of in-depth interview respondents who had a common theme in their responses "*Yes, I do consult stakeholders*" and "*I consult communities and workers*". The results also indicated that entrepreneurs consult stakeholders because they want to make informed decisions and reduce costs. This was reflected by eight respondents who had similar themes in their responses "*to better understand their needs*", "*channel my resources direct to their needs*" and "*improve skills of workers*". These results are in agreement with a large body of literature which state that consulting stakeholders helps

in achieving successful CSR programs (Maon, Lindgreen and Swaen, 2009:76; Skinner and Mersham, 2008:243).

6.5 Research Objective 4

To explore the challenges faced by small and medium enterprises in implementing corporate social responsibility practices and to understand why they face these challenges

The main purpose of this objective was two-fold. Firstly the researcher wanted to understand CSR-related challenges faced by entrepreneurs. Secondly the researcher wanted to get deeper insights on how they are coping with these challenges. Descriptive and inferential statistics (frequencies and distribution) of empirical study showed that all respondents shared similar views that they face challenges when implementing CSR initiatives. Table 5.20 revealed that most respondents agree and strongly agree (response rate above 80%) with questions (variables) used to answer the objectives. This was also revealed by the mean and standard deviation which were above 4 and 0.5 respectively. This shows that respondents hold similar views with regards to the questions and variables used for this objective.

The findings revealed that as small businesses, CSR challenges are mainly caused by lack of financial resources. This was also reflected by entrepreneurs who had similar themes in their responses *“my challenges are financially driven”* and *“shortage of skills and manpower”*. This is in agreement with earlier studies which point out that CSR activities are hugely affected by lack of finance, lack of managerial skills, lack of access to information, failure to manage time and lack of human resources (GEM Report, 2013:12; Vo, 2011:92; Davies and Crane, 2010:128). These research findings also showed that SMEs perceived themselves as being ‘small’ and associate CSR with large businesses (Gurau, 2013:05; Seeletse and Ladzani, 2012:11459). This view is also compounded by the approach used by entrepreneurs who are regarded as “unspecialised” hence they tend to do several jobs at a time (Gurau, 2013:05; Seeletse and Ladzani, 2012:11459; Davies and Crane, 2010:128).

The empirical evidence indicated that entrepreneurs face challenges when implementing CSR activities because of other external factors. This was highlighted by entrepreneurs who had similar themes in their responses to the questions and variables used for this objective. *“Lack*

of government funding, rental charges, municipality rates, lack of skills and access to bank loan” These findings highlighted that SMEs face difficult challenges in accessing funds from banks and other financial institutions. Some respondents indicated that their CSR initiatives are hampered by lack of government support.

6.6 Research Objective 5

To examine strategies used by small and medium enterprises to overcome some of the challenges encountered in implementing corporate social responsibility activities and how effective are these strategies.

The focus of this objective was to explore strategies used by entrepreneurs to overcome challenges encountered in implementing CSR activities and ascertain the effectiveness of these strategies. Descriptive and inferential statistic results revealed that the majority of respondents had similar views on the strategies used to implement CSR initiatives. The mean was above 4 and the standard deviation was above 0.5 in most questions and variables used to investigate CSR strategies. This indicated that the responses given were positive to the variable being measured. The results showed that entrepreneurs use various strategies to implement CSR activities. These results are consistent with literature which suggest that SMEs can use various approaches aimed at communities, environment and workers to implement CSR activities (Inyang, 2013:127; Maimunah, 2009:2).

The empirical results indicated that partnering with other businesses will assist in overcoming some of the challenges. These findings were also supported by entrepreneurs who had similar themes in their responses “*partner with other small businesses*”, “*consulting*” and “*government departments*” and “*reduce operating costs*”. This was in support of a large body of literature which state that forming partnerships assists SMEs to implement successful CSR programs (McDonald, 2014:334; Turyakira *et al.*, 2012:207; Von Weltzien Høivik and Shankar, 2011:185).

This empirical findings also show that forming partnerships and working with government will go a long way in achieving full CSR benefits for SMEs. This is consistent with large body of literature which state that establishing partnerships in implementing CSR initiatives helps to realise positive results (Von Weltzien Høivik and Shankar, 2011:185; Santos,

2011:491; McDonald, 2014:333; Sehic and Sabanovic, 2008:604). The findings also showed that entrepreneurs consult with stakeholders to get in-depth understanding and make informed CSR investment decisions. These findings are in consistent with literature which indicate point out that consulting stakeholders assist firms in designing programmes that effectively meet intended objectives.

6.7 Conclusion

This chapter outlined an analytical discussion of research findings in line with the objectives of the study. The discussion made critical reference to reviewed literature. The ensuing chapter will conclude the study by outlining the summary of the study, pointing and highlighting on research contributions and recommendations for further research.

CHAPTER 7

CONCLUSIONS AND RECOMMENDATIONS FOR FURTHER RESEARCH

The previous chapter discussed research findings of the study. This chapter presents the summary and highlights on research contributions and recommendations for further research.

7.1 Introduction

The purpose of the research was to get a deeper understanding on the nexus between CSR and SMEs in Pietermaritzburg in South Africa. The study explored the perceptions, the drivers of CSR activities in SMEs, the challenges of implementing CSR initiatives and the strategies employed by SMEs to overcome some of the challenges they encounter. Additionally, the study created an in-depth knowledge on the challenges and strategies used by small and medium entrepreneurs in implementing CSR activities. The key aim of this chapter is to compile a summary of the study and provide a comprehensive discussion on the contribution of the study to the realm of management. The chapter gives recommendations as a campus for future studies in the field of corporate social responsibility in small and medium enterprises. Furthermore, the chapter outlined some limitations of the study so as to enlighten readers on the glitches encountered in the study.

This section provides summary of the study.

7.2 Conclusion of the study

Chapter 1

Chapter 1 presented the main purpose and motivation of the study. The main objective of this study was identified as a need to get in-depth understanding on the nexus between CSR and SMEs in Pietermaritzburg in South Africa. Five research constructs (CSR perceptions, CSR drivers, CSR implementation, CSR challenges and CSR strategies) were identified and used to answer research questions presented in Chapter 1, Section 1.3.1. The chapter also presented the rationale of the study. The study was motivated by fact that CSR is widely associated with large businesses and is under researched in SMEs in Pietermaritzburg in South Africa. Finally the chapter presented the structure of the dissertation.

Chapter 2

This chapter presented a review of literature on CSR. The chapter discussed various CSR concepts relevant for the study. Stakeholder, economic and social capital theories were selected and reviewed in line with research objectives. Stakeholder theory was used to assist the researcher in identifying and understanding stakeholder's perceptions on CSR. Economic theory also was selected to understand business views that guides and influence CSR investments while social capital theory was chosen and reviewed to get a deeper understanding of society's expectations from businesses.

Chapter 3

Chapter 3 outlined the nature and significance of SMEs globally and in South Africa. The chapter identified SMEs as key drivers of economic growth in the global economy. However, the chapter acknowledged that there is no universal definition for SMEs and that the definition varies from country to country. It highlighted the challenges experienced by SMEs in implementing CSR programs. The chapter also outlined CSR strategies for SMEs and discussed various CSR related benefits for SMEs.

Chapter 4

This chapter outlined the research methods used by the researcher to address objectives of the study. Since the research was exploratory in nature, a triangulation approach was adopted to collect data. A comprehensive literature review was done where insights were drawn from theoretical frameworks and business concepts from a wide range of secondary sources such as peer reviewed journal articles and non-peer reviewed publications on the topic. A mixed method approach was used to collect primary data and to understand the interplay between CSR concepts in SMEs. An exploratory sequential design was used as a mixed methods approach to collect primary data. Primary data was collected in two phases. In-depth interviews were conducted first and results were used to design questions used in the second phase. Phase two consisted of a questionnaire survey with sampled SME entrepreneurs, managers/supervisors and employees of sampled SMEs. A convenience sampling technique was used as a non-probability method to select participants for the study. Thematic analysis was used to analyse qualitative data (in-depth interview data). Statistical Package for Social Science (SPSS) was used to analyse quantitative data. The chapter also outlined how validity, reliability and a pre-test were used to check the effectiveness of the research instruments used in the study.

Chapter 5

This chapter presented and interpreted the empirical findings of the study. Various themes were identified from in-depth interviews while SPSS (descriptive and inferential statistics) results were presented and analyzed in line with the objectives of the study.

Chapter 6

Chapter 6 discussed the research findings in line with research objectives of the study.

Objective one

The findings showed that entrepreneurs have positive attitude towards CSR practices. The findings also revealed varied perceptions of SMEs are influenced by the nature and functions of the business. Additionally entrepreneurs acknowledged various benefits they get from engaging in CSR activities. These benefits influence their understanding and association with CSR in their business activities.

Objective two

The findings revealed that there are various drivers that influenced SMEs to engage in CSR activities. The identified key CSR drivers in SMEs were the shared perceptions that CSR increases competitive advantage, helps in increasing sales, improves brand image, and attract customers, improves employee satisfaction and motivation.

Objective three

The results show that SMEs uses various activities as ways of implementing CSR. Some of the identified activities include donating food parcels to children and elderly homes, participating in community HIV/AIDS awareness programmes, help in building and donating to communities clinics, schools and less privilege pupils and donating food parcels to children and elderly homes. The findings also showed that SMEs consult stakeholders when implementing CSR initiatives.

Objective four

The research findings also showed that SMEs faces various challenges when implementing CSR activities. These challenges include lack of finance, lack of government funding, access to bank loan, lack of managerial skills, lack of information and time and inadequate workers.

Objective five

The results showed that SMEs form partnerships as a strategy of dealing with challenges they face when implementing CSR initiatives. The findings revealed that this approach helps SMEs the advantage of pulling their limited resources, learn from each other and having the ability to achieve successful CSR programmes.

Chapter 7

This chapter gave a summary of the study. It also outlined research contributions and discussed recommendations for further research. This is discussed in the subsequent sections below.

7.3 Research Contributions

The research findings made various managerial contributions to the field of management. The contributions are discussed in the following sections.

7.3.1 Managerial contributions

Critical literature review done on corporate social responsibility has shown huge benefits to large business. Previous studies have indicated that CSR is equally important to SMEs who plays a critical role in economic growth of their respective countries. The results showed that like large businesses, SMEs are driven by intrinsic and external benefits associated with CSR engagements. The study revealed that stakeholders are essential players when designing and implementing CSR programs. This is evident in the study where workers and communities played a critical role in successful implementation of CSR initiatives. The study reflected that there is a strong relationship between stakeholders and SMEs. The researcher agrees with the sentiments of stakeholder theorists who associate it with CSR. CSR has been widely recognised as the glue that binds business with workers and communities together.

The results also speak to economic theorists' emphasis on profit maximisation. The study showed that profit agenda for SMEs can be achieved as CSR programs improve labour relations, business reputation, and customer loyalty and enhance productivity. Furthermore, the study relates to social capital theorists who point out that businesses thrive on norms and values embedded in societies. The study shared similar views with previous research which recommends that SME owners can embrace societal engagements as critical strategies to

leverage against their lower negotiating power, financial capacity and benefit from the social networks that exist within societies. Although the study acknowledges the divergent views of stakeholders on CSR, the researcher identified that CSR benefits overwhelm the generic challenges faced by SMEs. Therefore, the contributions made by the study will assist entrepreneurs/managers acknowledge and embrace CSR as it is not only limited to large firms.

7.4 Research Limitations

The study has the following limitations:

- The main limitation of this research is that the entire sample was taken from a single geographical location (Pietermaritzburg). The study results may not be valid to other SMEs in other parts of the country as sampled SMEs registered Department of Economic and Tourism may not be a representative of all SMEs. Therefore, the results may not be generalised across South Africa.
- The study drew its participants from SMEs registered with the Department of Economic and Tourism, so the results cannot be generalised across the entire population. The participants in the in-depth interviews were 18 against a sample of 20, while 225 responses were received for the questionnaire survey against the 240 sampled questionnaires. The effect of this limitation is that the results may not be generalised to all SMEs.
- The other limitation of this study is that it used a non-probability sampling technique (convenience sampling) to select participants. So the results of this study do not reflect the responses of the entire population. However, the researcher recommends that the insights drawn from the study be used by SMEs in Pietermaritzburg and in the entire country. Despite the above limitations, the findings from this research lay a foundation for future research.
- If the questionnaire is to be used in future then there is need to relook and improve items under BSR perceptions, BSR implementation, and BSR strategies. These constructs had lower Cronbach Alpha values.

7.5 Recommendations

Based on the findings of this study, the researcher recommends the following:

- More studies need to be conducted to further understand corporate social responsibility concepts in small and medium enterprises in future. More studies need to be done on assisting SMEs in identifying its stakeholders (workers, community, environment, and customers) on how they can build partnerships through CSR initiatives. The studies must focus on how SMEs can use their limited resources in meeting stakeholders' expectations by adopting CSR concepts.
- More studies need to be carried out where efforts are channelled towards changing SMEs perceptions on CSR. These studies must focus on the introduction of regulatory frameworks that can be adopted by governments as policies (tax incentives) that encourage SMEs to engage in CSR programs. This approach will redefine the voluntary nature of CSR and mitigate some of the daily challenges SMEs experiences in pursuit for sustainable business practices. Government agencies should motivate SMEs about the essence of CSR and assist them with business training which may result in implementing sound business management principles such as CSR.
- Future studies should focus on applying exploratory sequential mixed methods approach on a bigger sample size. This approach will assist researchers to test in-depth qualitative results to larger sample size through use of various qualitative methods such as focus groups discussions. This will provide a broader in-depth understanding of SMEs perceptions on CSR engagements. Future studies can also be carried out on selected sectors to get deeper insights on CSR experiences and challenges SME owners face in those respective sectors.
- Entrepreneurs/managers of SMEs should design a strategic plan that will incorporate the specific commitments and expected behaviours in relation to their employees and other stakeholders. This will serve as a guideline on how they will address, customer, employee, community and environmental responsibilities.
- The entrepreneurs/managers of SMEs should also establish specific, measurable and attainable goals. Since SMEs investments in CSR activities are influenced by the

owner, it is therefore paramount important to create a vision, mission and statement of values for the company. However this should include CSR in its central elements. Large businesses should act as mentors to SMEs and educate them about the importance of embracing CSR in their business functions.

7.6 Conclusion

This chapter presented the summary of the study, outlined research contributions and highlighted on recommendations for further research

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APPENDIX A: INFORMED CONSENT FORM

UNIVERSITY OF KWAZULU-NATAL School of Management, IT and Governance

Dear Respondent,

M Com Research Project

Researcher: Victor Hlatywayo 0834900454

Supervisor: Mrs E Derera 033-260 5781

Research Office: Mariette Snyman 031-260 8350

I, Victor Hlatywayo am a Masters of Commerce (Management) student in the School of Management, Information Technology and Governance at the University of KwaZulu-Natal. You are invited to participate in a research project entitled Corporate Social Responsibility in Small and Medium Enterprises in Pietermaritzburg.

The aim of this study is to get a deeper understanding of corporate social responsibility in small and medium enterprises in Pietermaritzburg.

Through your participation I hope to understand corporate social responsibility in small and medium enterprises in Pietermaritzburg. The results of this survey are intended to contribute to development of small and medium enterprises in Pietermaritzburg.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this research project. Confidentiality and anonymity of records identifying you as a participant will be maintained by the School of Management, Information Technology and Governance, UKZN.

If you have any questions or concerns about participating in this study, please contact me or my supervisor at the numbers listed above.

It should take you about 10 minutes to complete the questionnaire. I hope you will take the time to complete it.

Sincerely

Investigator's signature _____ Date : _____

This page is to be retained by participant

UNIVERSITY OF KWAZULU-NATAL
School of Management, IT and Governance

M Com Research Project

Researcher: Victor Hlatywayo 0834900454

Supervisor: Mrs E Derera 033-260 5781

Research Office: Mariette Snyman 031-260 8350

CONSENT

I _____ (full names of participant) hereby confirm that I understand the contents of this document and the nature of the research project, and I consent to participating in the research project. I understand that I am at liberty to withdraw from the project at any time, should I so desire.

Signature of Participant

Date

This page is to be retained by researcher

APPENDIX B: IN-DEPTH INTERVIEW GUIDE

SECTION A: Background information

1. What is your age category?

1.Under 30 years	
2.30-49 Years	
3.50 years and over	

1. What is your gender?

2. What is your highest educational qualification?

3. What are the factors that motivated you to establish your business?

SECTION B: Business profile

4. How long have you been operating your business?

5. In which sector does your business fall under?

6. What type of business ownership is your company registered as?

SECTION C: Perceptions on Business Social Responsibility

7. What do you understand by business social responsibility?

8. What are your perceptions towards business social responsibility in small and medium enterprises?

9. Could you please explain why it is necessary to engage in business social responsibility activities?

10. How does participation in business social responsibility activities benefit you on a personal level?

SECTION D: Drivers of Business Social Responsibility

11. Is your organization participating in any business social responsibility activities?

12. If YES, can you mention the activities that your organization is involved? If NO, why is your organisation not participating in any business social responsibility activities?

13. Could you please explain what motivates your company to engage in business social responsibility initiatives?

14. In your opinion, what are the benefits that accrue to your businesses when you participate in business social responsibility activities?

15. In your opinion, are these benefits linked to business performance? If so, please explain why?

SECTION E: Implementation of Business Social Responsibility

16. Could you please explain how decisions of business social responsibility are taken in your company?

17. Do you consult with stakeholders on business social responsibility decisions?

18. If so, identify stakeholders that you consult on business social responsibility decisions.

19. Could you please explain why you consult these stakeholders?

20. To what extent do these stakeholders influence your business social responsibility decisions? Please explain why?

21. Do you think the way you are implementing business social responsibility initiatives in your company is achieving the intended results? (Please explain your answer).

SECTION F: Business Social Responsibility challenges

22. Are you experiencing any challenges in implementing business social responsibility activities in your organization?

23. Could you please explain in detail these challenges that you are facing when implementing business social responsibility initiatives?

24. Could you please rank on a scale of 1-10 the intensity of these challenges in the implementation of business social responsibility activities in your organization?

25. In your opinion, what could be the external forces influencing some of the challenges you encounter when implementing business social responsibility initiatives?

SECTION G: Strategies used to overcome Business Social Responsibility challenges

26. Please explain how you are overcoming some of the challenges mentioned above?

27. How effective are these strategies that you are using in your business?

28. Could you please recommend other strategies that could be used by other entrepreneurs?

THANKS YOU!!

APPENDIX C: QUESTIONNAIRE

Thank you for agreeing to participate in this study. The questions in this questionnaire pertain to Business Social Responsibility (BSR) in Small and Medium Enterprise (SMEs). The questionnaire should take you more than 10 minutes to complete. Please answer the questions to the best of your knowledge. Mark your answer by placing an **X** in the appropriate box and write in the space provided.

SECTION A: PERSONAL DETAILS

1. What is your position in the company? (Please tick applicable)

Position	Tick applicable
1. Owner	
2. Manager	
3. Supervisor	
4. Employee	

2. What is your age (Please tick applicable?)

1 Below 20	2 20-29	3 30-39	4 40-49	5 50-59	6 Above 60

3. What is your gender?

1. Male	
2. Female	

4. What is your race?

1. African	2. White	3. Indian	4. Coloured

5. What is your highest level of qualification? (Please tick applicable)

Level of education	Tick applicable
1. No formal education	
2. Primary school certificate	
3. High school certificate (Matric)	
4. Diploma	
5. Bachelor's degree	
6. Postgraduate degree	

SECTION B: BUSINESS DETAILS

7. How many workers are in your company?

1 (1-10)	2 (11-20)	3 (21-30)	4 (31-40)	5 Above 50

8. What form of business is your company?

1 Sole proprietor	2 Private Company (Pty) Ltd	3 Personal Liability Company	4 Public Company (Ltd)

10. Which industry best describes your company?

Type of industry	Tick applicable
1. Service sector	
2. Retail sector	
3. Manufacturing	
4. Construction & engineering	
5. Other (specify)	

11. How long have you been working in this organization? (Tick applicable)

1 Under 5 years	2 6-10 years	3 10-15 years	5 16 years and over

SECTION C: BUSINESS SOCIAL RESPONSIBILITY

12. Please choose your answer to the statements below by placing an **X** on the following scale.

Research Objectives and Questions		Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
		1	2	3	4	5
	BSR perceptions					
1	My company understands business social responsibility as meeting consumers, employees, and community needs.	1	2	3	4	5
2	My company's business social responsibility is to comply strictly with labour and environmental laws.	1	2	3	4	5
3	Business social responsibility is acting over and above what owners, the law, and society expect- simply to enhance society such as voluntary donations etc.	1	2	3	4	5
4	BSR is rather the responsibility of big companies than small businesses.	1	2	3	4	5
5	BSR activities are the same as charity and voluntary initiatives.	1	2	3	4	5
	BSR drivers					
1	It is the culture of my company to invest in BSR initiatives.	1	2	3	4	5
2	Implementing social responsible activities generates a competitive advantage for the company.	1	2	3	4	5
3	My organization receives financial benefits from BSR programs.	1	2	3	4	5
4	Through BSR initiatives communities buy more of our products/services.	1	2	3	4	5
5	BSR activities help attract customers.	1	2	3	4	5
6	BSR activities improve business image (brand reputation).	1	2	3	4	5
7	BSR initiatives contribute to employee satisfaction and motivation.	1	2	3	4	5

	BSR implementation					
1	My organisation incorporates BSR initiatives in its operations.	1	2	3	4	5
2	My organizations engages in environmental awareness projects.	1	2	3	4	5
3	My organisation provides goods/ services that meet its customer needs.	1	2	3	4	5
4	My company provides training its employees.	1	2	3	4	5
5	My company implement BSR initiatives as required by law.	1	2	3	4	5
6	My organization educates all employees about its BSR policy.	1	2	3	4	5
7	I participate in BSR programs in my organization.	1	2	3	4	5
8	My organization consults communities when implementing BSR programs.	1	2	3	4	5
9	My organization contributes towards building hospitals, clinics and schools to communities.	1	2	3	4	5
10	My organization gives bursaries and scholarships to students in the community.	1	2	3	4	5
	BSR Challenges					
1	My organization has difficulties in implementing BSR programs.	1	2	3	4	5
2	My organization experiences financial problems in carrying out BSR programs.	1	2	3	4	5
3	My organization has no enough time to engage in BSR initiatives.	1	2	3	4	5
4	My colleagues do not understand fully the importance of BSR.	1	2	3	4	5
5	My company has no enough employees.	1	2	3	4	5
	BSR strategies					
1	My organisation partners with other companies in BSR initiatives.	1	2	3	4	5
2	My organisation donates to community sports events.	1	2	3	4	5
3	My organisation gives education bursaries to students in the communities.	1	2	3	4	5
4	My organisation participates in government environmental forums.	1	2	3	4	5
5	My organisation engages in recycling activities.	1	2	3	4	5
6	My organisation contributes in building clinic, schools in the community.	1	2	3	4	5
7	My organisation participates in health awareness programmes e.g. HIV/AIDS.	1	2	3	4	5

APPENDIX D: ETHICAL CLEARANCE CERTIFICATES



05 December 2014

Mr Victor Hlatywayo 208502749
School of Management, Information Technology & Governance
Pietermaritzburg Campus

Protocol reference number: HSS/1510/014M
Project title: Corporate Social Responsibility in Small and Medium Enterprises in Pietermaritzburg

Dear Mr Hlatywayo

Expedited Approval – Phase 1

In response to your application dated 14 November 2014, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted full approval.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number. Research data should be securely stored in the discipline/department for a period of 5 years.

Please note: Ethical clearance for subsequent phases of the study must be applied for prospectively.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours Faithfully

Dr Shenuka Singh (Chair)

/pk

cc Supervisor: Mrs E Dierera
cc Academic Leader Research: Professor B McArthur
cc School Administrator: Ms Debbie Cunynghame

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

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Westville



28 May 2015

Mr Victor Hlatywayo (208502749)
School of Management, IT & Governance
Pietermaritzburg Campus

Dear Mr Hlatywayo,

Protocol reference number: HSS/1510/014M
Project title: Corporate Social Responsibility in Small and Medium Enterprises in Pietermaritzburg

Full Approval – Expedited Application (Phase 2)

In response to your application dated 14 April 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

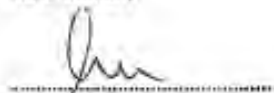
Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

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I take this opportunity of wishing you everything of the best with your study.

Yours faithfully



Dr Shenuka Singh (Chair)

/ms

cc Supervisor: Mrs E. Denera
cc Academic Leader Research: Professor B. McArthur
cc School Administrator: Ms Debbie Cunyngname

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