VALIDATING THE SOCIAL RESPONSIBILITY OF SMMEs IN THE AFRICAN CONTEXT: A COMPARATIVE ANALYSIS OF SMMEs IN GHANA AND SOUTH AFRICA

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DECLARATION

I, Prosper Kweku Hoeyi, student number [redacted], do hereby declare that this research report submitted to the Central University of Technology, Free State, for the degree of Doctor of Business Administration, is my own independent work and has not previously been submitted by me at another university or faculty. I further cede the copyright of the thesis in favour of the Central University of Technology, Free State.

SIGNATURE OF STUDENT DATE

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ABSTRACT

Authors who support the notion that the responsibility of businesses goes beyond profit-making to include social and environmental objectives have largely found a positive relationship between business social responsibility (BSR) and firm performance. However, most of these studies have either focused on large firms or have been conducted outside of Africa. This made it necessary for this study to examine the relationship between BSR and small, medium, and micro enterprise (SMME) performance in Africa – particularly so when SMMEs have been found to be significant contributors to the economic development of nations.

The study was conducted within the framework of stakeholder theory where BSR was defined as actions taken by SMMEs to address issues concerning *employees, customers, community,* and the *environment* with the view to ultimately affect firm performance positively. To test the hypothesis, a sample of 262 South African SMME owners or managers and another sample of 253 Ghanaian SMME owners or managers were surveyed. Descriptive and inferential statistical analyses were performed on the data collected. The empirical findings showed that BSR issues are significantly positively correlated with some performance variables (i.e. *expected benefits* and *realised benefits)* but not significantly correlated with other performance variables (i.e. *sales growth* and *profit levels)* in the Ghana sample. However, in the South Africa sample, all BSR issues are significantly positively correlated with all four measures of performance considered in this study. A further analysis of the relationship between BSR variables and firm performance variables was undertaken using regression analysis to test the degree to which BSR variables predict the firm performance variables. The results showed that *custome*r and *environment issues* are significant predictors of *realised benefits* in the Ghana sample while *employee*, *customer* and *community issues* significantly predict *realised benefits* in the South African sample.

Although the results of the study were mixed, in the sense that not all BSR variables had significant positive relationships with firm performance variables, they do give an indication of how BSR can contribute to SMME performance in the African context. Based on the findings, it is recommended that a formal policy and legislation aimed at bringing about uniformity and clarity in the BSR processes are instituted to regulate SMME BSR in both countries. This is expected to improve compliance and thus increase the benefits of BSR to SMMEs and the economies that they contribute to.

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 OVERVIEW

This chapter serves as introduction to the study. It provides the background to the problem as well as the problem itself. The significance and aim of the study follow the problem statement after which the research questions and hypotheses are discussed. These are followed by the theoretical framework. The methodology, ethical considerations, and limitations of the study come in the sections after the theoretical framework. An outline of chapters contained in this report, conclude the chapter.

1.2 PROBLEM BACKGROUND

What should be the role of business in society? Finding an answer to this question has been the subject of much debate for decades (Kochan, 2014:414; Macey, 2014:331). Some scholars have championed the view that businesses' only responsibility to society is to make profit (e.g., Friedman, 1962; Jensen, 2002; Sundaraman & Inkpen, 2004; Karnani, 2011) and, in so doing, create employment, pay taxes, and by implication, increase social welfare. Opponents of this view (e.g., Heal, 2005; Husted & Salazar 2006; Kotchen & Moon 2011; Lundgren, 2011) counter that if businesses are left alone to pursue their self-interest, they largely succeed in making profits for themselves; however, they do not necessarily serve society's interest owing to the negative effects (perhaps unintended) of their operations on the larger society (e.g., pollution), which they do not factor into their costs. For such scholars, the fact that businesses fail to take account of these social costs (when they should) is an indicator that the responsibility of business goes beyond profit making and should include social variables.

In support of the argument for business social responsibility (better known as "corporate social responsibility") but conceding that businesses need to make profit, scholars have come up with two major theories for analysing social responsibility activities. The first

theory is the one developed by Carroll (1979; 1991), which views social responsibility as comprising economic (jobs, wages, and services), legal (legal compliance and playing by the rules of the game), ethical (being moral and doing what is just, right, and fair), and discretionary responsibility (optional philanthropic contributions). Useful and timely, this theory represented a significant advance in business social responsibility research by specifying the different types or dimensions of social responsibility; however, Carroll's (1979; 1991) three-dimensional model was complex and difficult to test (Jamali 2008:215). The second theory - the stakeholder theory, evolved over time, but is widely attributed to Freeman (1984). This theory supports the view that businesses should not be driven by the expectations of their owners (i.e., shareholders) only but should consider all who affect and are affected by their activities (i.e., stakeholders) (Freeman, 1984:49).

There is both a moral and an economic rationale underlying the stakeholder theory. The morale rationale divorces itself from profit motive and admonishes businesses to integrate the concerns of all stakeholders because the support and survival of a business depends on meeting the interests of its stakeholders in totality, rather than merely maximizing shareholder wealth (Philips et al. 2003:481; Cots, 2011:328). This rationale leads to the *normative stakeholder theory*. On the other hand, the economic rationale indicates that firms should attend to stakeholders as a means to achieve other organisational goals, such as profit or shareholder wealth maximisation (Harrison & Wicks, 2013). This rationale is the basis of *instrumental stakeholder theory*. Therefore, the economic element embedded in Carroll's (1979; 1991) theory and the instrumental stakeholder theory make it possible to examine the relationship between a firm's social responsibility and performance (financial and non-financial). However, Jamali (2008:215) indicates that the stakeholder theory provides a more practical approach for empirically testing firms' social responsibility than Carroll's (1979; 1991) conceptualisation does.

Authors who have examined the relationship between social responsibility and firm performance have done so mainly within the context of large firms (e.g., Ali et al. 2010;

Barnea & Rubin, 2010; Menz 2010; Belu & Manescu, 2011; Dhaliwal et al. 2011; Ghoul et al. 2011; Michelon et al. 2013; Beiting et al. 2014). Nonetheless, most of these studies disregard the non-financial part of performance, presumably assuming that any non-financial benefits will ultimately reflect in financial measures. The few authors who have considered non-financial element of firm performance (e.g., Luo & Bhattacharya, 2006; Akanbi & Ofoegbu, 2012; Flammer, 2013; Servaes & Tamayo, 2013) have mainly treated it as a mediating variable rather than a dependent variable, thus assigning a greater priority to the economic element relative to other elements of social responsibility.

Research interest is emerging in the relationship between social responsibility and firm performance in the small, medium, and micro enterprise (SMME) context; however, the majority of these studies (e.g., Sweeney, 2009; Roxas & Chadee, 2012; Torugsa et al. 2012; Kamyabi et al. 2013) were conducted outside of Africa. Only a handful of studies have examined this relationship within the African context (e.g., Dzansi, 2004; Seeletse & Ladzani, 2012; Agbim et al. 2013; Turyakira et al. 2014) albeit with some notable gaps. For instance, Dzansi (2004) tested the relationship using a South African sample but left out the environment component under the assumption it was minimally affected by SMME operations. However, given that the prevalence of SMMEs can make their collective impact disproportionately greater than that of large firms combined (Nejati, 2012:7), disregarding the environmental component could have a substantial influence on research results. In addition, each of these studies focused on a specific country, but a cross-country analysis of the phenomenon on the continent has not been conducted thus far. The present study aims to address this gap in the existing literature.

1.3 PROBLEM STATEMENT

This study seeks to address the problem of information scarcity on SMME BSR awareness and its relationship with firm performance in the African context. Given the enormous contribution that SMMEs make to the economies of African countries (Abor & Quartey, 2010:219; Page & Soderbom, 2012:2; Agyapong & Obro-Adibo, 2013:117),

inadequate information on the extent to which BSR has permeated the BSR mindset and the attendant effects on firm performance is problematic in a number of ways. First, BSR as a concept is continuously gaining acceptance on the world stage (Russo & Perrini, 2009:208; Nejati, 2012:6) such that the lack of information on it in the African context makes it difficult for one to tell how African SMMEs are conforming to its requirements.

Second, SMMEs are finding themselves more and more in the supply chains of multinational companies (MNCs) that are increasingly requiring them to abide by BSR standards (Grimm et al. 2012; Klerkx et al. 2012:88). The inadequate information on the relationship between BSR and firm performance makes it difficult for SMMEs to fully understand the implications of such supply chain relationships for their performance. It is therefore necessary to increase information on how BSR affects firm performance so that SMMEs can plan such supply chain relationships better.

Third, the scarcity of information is a hindrance to the aim of the African Union (AU) to improve the overall welfare of its people through co-operation and integration of the socio-economic objectives of its member countries and trade with the rest of the world (Moshi, 2013:50). This is because the absence of information on BSR as a socio-economic activity limits the extent to which the AU can plan for its members to maximise the benefits of their SMMEs trading with the rest of the world. The study used two samples drawn from South Africa and Ghana in addressing the problem.

1.4 SIGNIFICANCE OF THE STUDY

The significance of the study is derived from the implications that the problem statement in the preceding section has for policy, practice, and how this study helps address those gaps. First, as business social responsibility continues to gain ascendancy at the global level (Russo & Perrini, 2009:208; Nejati, 2012:6) the lack of information on how it affects firm performance in the African context means that researchers, policy makers, and

business associations might not be able to tell the extent to which African SMMEs are conforming to standards that are fast becoming the norm in an increasingly globalised world. Therefore, this study seeks to shed some light on SMME BSR in South Africa and Ghana.

Second, the global supply chain relationships that SMMEs are increasingly finding themselves in, require that they understand what BSR requirements such relationships might impose on them, and the implications thereof for their performance. Failure to understand the relationship between these variables leaves SMMEs potentially unable to improve the planning of such supply chain relationships. It is hoped that by testing the relationship between BSR and firm performance, the findings of this research will prove useful to SMMEs in such relationships.

Third, studies, such as this one, that provide information on socio-economic activities on the continent might also prove useful to the AU's planning objectives, considering that it regards trade with the rest of the world as a major instrument for improving the overall welfare of its people (Moshi, 2013:50).

1.5 AIM AND OBJECTIVES

The aim of the study is to validate the BSR of SMMEs in the African context using samples from Ghana and South Africa.

To achive this aim, the main objective was to assess the BSR awareness and performance of SMMEs on the one hand and the relationship that these variables have with firm performance in the African context using a modified version of Dzansi's (2004) measuring instrument. In this regard, this study adopted a cross-country approach by employing samples from South Africa and Ghana to get a sense of how the phenemenon might apply to SMMEs on the continent as a whole.

To achieve this aim the following subsidiary objectives were set:

1. To validate the effectiveness of a modified version of Dzansi's (2004) instrument in measuring the relationship between SMME BSR and firm performance in different settings of the African continent.
2. To assess the levels of BSR awareness of SMMEs in South Africa and Ghana and determine if there are differences.
3. To understand the primary reasons for SMMEs engaging in BSR in South Africa and Ghana and whether there are differences according to country.
4. To determine the areas of focus of SMME BSR in the two countries and whether there are differences in focus according to country.
5. To establish what the obstacles to SMME BSR in the two countries are and whether there are differences according to country.
6. To determine if there is a positive relationship between SMME BSR and firm performance in the two countries.
7. To evaluate the possibility that BSR can predict firm performance using regression analysis.

1.6 RESEARCH QUESTIONS AND HYPOTHESES

According to Creswell (2014:143), quantitative researchers often use research questions and hypotheses, and sometimes objectives, to shape and focus the purpose of the study. Research questions enquire about a phenomenon or situation for which the truth is not yet established. Hypotheses, on the other hand, are predictions, suspicions, or assumptions about a phenomenon or situation for which the truth is not yet established (Welman et al. 2005:26; Kumar, 2014:100). For this study, research questions are first stated and then converted into hypotheses for statistical testing.

1.6.1 Research Questions

This current study is seeking answers to the following questions:

1. Are there significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa?
2. What are the primary reasons for SMMEs engaging in BSR?
3. Are there significant differences in the primary reasons for SMMEs engaging in BSR according to country?
4. What are the BSR focuses of SMMEs in the two countries?
5. Are there significant differences between the BSR focuses of SMMEs in the two countries?
6. What are the major obstacles that limit SMMEs BSR performance?
7. Are there significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country?
8. Is there a positive link between BSR performance and firm performance?
9. Can SMME performance be predicted accurately by BSR performance using regression analysis?

1.6.2 Hypotheses

According to Creswell (2014:139), research questions tend to lend themselves to descriptive and inductive enquiry, while hypotheses are more appropriate for deductive and explanatory research. As this study is deductive, its research questions have been converted into hypotheses as follows:

Table 1.1: Hypotheses for the Study

Null Hypotheses	Alternate Hypotheses
H0₁: There are no significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa.	***Ha₁:*** There are significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa.
H0₂: There are no significant differences in the primary reasons for SMMEs engaging in BSR according to country.	***Ha₂:*** There are significant differences in the primary reasons for SMMEs engaging in BSR according to country.
H0₃: There are no significant differences in the BSR focuses of SMMEs in the two countries.	***Ha₃:*** There are significant differences in the BSR focuses of SMMEs in the two countries.
H0₄: There are no significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country.	***Ha₄:*** There are significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country.
H0₅: There is no positive link between BSR performance and firm performance.	***Ha₅:*** There is a positive link between BSR performance and firm performance.
H0₆: SMME performance cannot be predicted accurately by BSR performance.	***Ha₆:*** SMME performance can be predicted accurately by BSR performance.

1.7 THEORETICAL FRAMEWORK

This study was conducted within the framework of stakeholder theory. Stakeholder theory has evolved over time with Simon (1955), Stanford Research Institute (1963), Mariss (1963), Trivers (1971; 1985), and Donaldson and Preston (1995) articulating it in different ways. Nonetheless, Freeman (1984) is widely credited for pulling all the varying interpretations together into the coherent form the theory has assumed (Bolanle et al. 2012:11). In *Strategic Management: A Stakeholder Approach*, Freeman (1984:46) defined stakeholders as “groups and individuals who can affect or are affected by, the achievement of an organisation’s mission”. He proposed the theory for the strategic management of corporate organisations, but subsequently, the theory has been employed by researchers in a variety of disciplines, such as health, law, and public policy (Harrison & Wicks, 2013:97).

This theory identifies shareholders as one of the multiple stakeholder groups that managers must consider in their decision-making process (Ruf et al. 2001:143); doing so positions the business organisation as an optimiser of multiple goals (economic, social, and environmental) rather than a maximiser of a single utility function (economic). Thus, in contrast to the neo-classical perspective that corporate expenditures on social causes are a violation of management's responsibility to shareholders to the extent that the expenditures do not lead to higher shareholder wealth (Friedman, 1970; Baumol, 1991), the stakeholder theory contends that management's responsibility extends beyond shareholders to include causes that benefit society overall. Therefore, businesses must play an active social role in the society in which they operate (Bolanle et al. 2012:11).

The evolution of stakeholder theory has led to its categorisation into three sub-divisions: descriptive, normative, and instrumental. Even though these categories overlap and are difficult to delineate, descriptive stakeholder theory can be viewed as the category that explains the actual behaviour of managers, firms, and stakeholders, while the normative stakeholder perspective addresses the moral duties of the firm's management towards its stakeholders. The instrumental stakeholder perspective articulates what the firm stands to gain (financially and non-financially) if it manages its relationships with various stakeholder groups (Kusyk & Lazano, 2007:503; Cots, 2011:335; Bolanle et al. 2012:12).

This perspective indicates that if businesses manage their stakeholder relationships strategically, they stand the chance of improving financial performance through reduced costs or increased revenues. The reduced costs come about when, for example, firms avoid higher costs associated with formalised contractual mechanisms (e.g., government regulation, union contracts) because they have satisfied stakeholder demands or accurately signalled their willingness to co-operate, whereas increased revenues result from gaining competitive advantage from investing strategically in stakeholder interests (Ruf et al. 2001:144).

Because the stakeholder theory is generally known to provide a vehicle for connecting ethics and strategy (Harrison & Wicks, 2013:96), it provides a useful framework for analysing the social responsibility of firms (Bolanle et al. 2012:11). In this light, the current study uses the instrumental version of the stakeholder theory, which in this context, holds that SMMEs' engagement in socially responsible activities (concerns of stakeholders) is expected to explain financial performance through reduced costs, increased revenues, or both, and non-financial performance through the goodwill of its stakeholders.

1.8 METHODOLOGY

The study was conducted with an objectivist worldview. Therefore, the methods and techniques used to unveil the truth were positivist in nature. As a result, the relationships between business social responsibility and firm performance variables were examined to test the hypotheses. Thus, a quantitative approach was employed to test the stakeholder theory using survey data collected from South Africa and Ghana.

Under the stakeholder theory, firms committed to addressing the social, environmental, and economic concerns of their stakeholders are deemed socially responsible (Russo & Perrini, 2009:208), and for SMMEs in particular, being socially responsible means addressing the issues facing employees, customers, the community, and the environment (Munasinghe & Malkumari, 2012:169). Therefore, the independent variables for this study are a firm's social responsibility actions in respect to employee, customer, community, and environmental concerns, while the dependent variable is firm performance. Firm performance here is measured both in financial terms (overall financial performance, sales, and decreasing costs) and by non-financial indicators (customer loyalty, employee attendance, company image, and worker productivity).

Chapter 4 presents the full details of the methodology.

1.9 ETHICAL CONSIDERATIONS

At present, ethical issues command increased attention (Creswell, 2014) because of the growing understanding that lack of ethics in research can cause bodily and/or reputational injury to participants; such research also can affect society negatively if the findings are not credible (Bryman & Bell, 2011:128). Ethical considerations factor into three key stages of the research process: (1) when participants are recruited, (2) during the intervention and/or the measurement procedure to which the participants are subjected, and (3) in the release of the results obtained (Kumar 2014:286). Therefore, steps were taken to maintain the highest ethical standards possible at all three stages of the current study.

The general purpose of the research was disclosed as part of the participant recruitment process during initial contact with prospective candidates. Such potential participants were also made aware that their participation in the research was voluntary, and therefore, they had the right to not participate if they chose. They were also assured of their anonymity and informed that no business-specific or owner-specific information would be disclosed; rather, all data collected would be treated with the utmost confidentiality and reported in generalised form. This process was followed in the hope of extracting honest responses and authentic information during the measurement stage.

The measurement stage involved gathering and analysing data from participants. Data collection implemented a well-designed measuring instrument facilitated for ease of understanding for the participants. In addition, enumerators were trained in interviewing participants appropriately so that they could provide clarification in response to questions and explanations for concepts participants might not understand. In accordance with assurances given to participants, the researcher and enumerators respected the privacy of participants and avoided intrusion. Participants were also informed regarding how the data would be used, enabling their trust and co-operation. All participants were treated equally.

This research report contains the results of the study and has been compiled with ethical considerations in mind. The literature review was conducted with due diligence and all works consulted have been acknowledged in-text and on the references list. Honest reporting has ensured that no falsification of authorship, evidence, data, findings, and conclusions has been incorporated. Both positive results and contrary findings were reported, and the researcher utilised multiple perspectives to avoid bias in the data presentation.

1.10 LIMITATIONS OF THE STUDY

According to Kumar (2014:273) “limitations” are structural problems in relation to methodological aspects of a study; they are different from “problems,” which are logistical difficulties in undertaking the research. Therefore, it is important to communicate any limitations that could affect the validity of the conclusions and generalisations of a study. The following limitations affect this study:

1. SMMEs refers to small, medium, and micro enterprises. Because of this all-inclusive reference, any of the three specific types might be under-represented in the sample even though the study took steps to be inclusive.
2. The self-regulatory nature of BSR and the fact that a survey was used means that the findings of this study rely heavily on the responses of owners or managers. Even though efforts were made to assure credibility of the measuring instrument, the possibility of owners or managers not responding truthfully could not be fully eliminated.
3. In addition, owners or managers may not be all-knowing even though they were the focus of the survey. Therefore, even if they intended to respond truthfully, there is still the challenge of cognitive limitations.

1.11 CHAPTER OUTLINE

This research report has been organised into six chapters. Chapter 1 presents the general introduction and study overview. It includes the problem statement, purpose statement,

study significance, research questions, hypotheses, and theoretical framework. Chapter 2 contains a literature review on small, medium, and micro enterprises and entrepreneurship, while Chapter 3 focuses on small business social responsibility and firm performance. In Chapter 4, the methodology employed in the research is presented. Then, the results of the study are presented and discussed in Chapter 5. Chapter 6 presents the conclusions and recommendations for policy and practice as well as suggestions for future research.

CHAPTER 2: SMMEs AND ENTREPRENEURSHIP

2.1 INTRODUCTION

The previous chapter introduced the study. It covered the problem background, problem statement, and statement of the aim as well as the significance of the study, the hypotheses, and the theoretical framework.

Because this study seeks to understand small business social responsibility, it is important to first comprehend small businesses. Therefore, this chapter examines the related concepts of small, medium, and micro enterprises (SMMEs) and entrepreneurship – more so when small business social responsibility largely depends on the nature of the SMME that, in turn, is influenced by the personal characteristics of the owner or manager (Jenkins, 2009:22).

The review begins by examining the concepts of SMMEs and entrepreneurship, followed by an intensive analysis of the personality traits that appear to set entrepreneurs apart from non-entrepreneurs as well as those that separate high-achieving entrepreneurs from low-achieving entrepreneurs. The subsequent review of SMMEs in the African context identifies working definitions of SMMEs in South Africa and Ghana, the countries in which the empirical study was conducted. Lastly, it sets the tone for deriving firm performance indicators, which forms part of the conceptual framework articulated in Chapter 3.

2.2 SMMEs IN THE GLOBAL CONTEXT

The important contribution of non-large firms to the global economy is unanimously proclaimed in the literature (see, e.g., Ogunsiji & Ladanu, 2010:192; Soderbom & Page, 2010:1; Nkwe, 2012; Kazimoto, 2014:307; Mukorera & Mahadea 2014:43). However, it has been difficult to view non-large firms as a monolithic group even though the inability to classify them as large firms is a commonality that binds them together. Their diversity is reflected in the differences in nomenclature and definitions that have been applied to

them by researchers, government agencies, and multilateral institutions, among others. This section explores the existing nomenclature and definitions to clarify why “SMME” is the acronym of choice for this study and to explore the difficulty in arriving at a common definition of SMMEs across countries.

2.2.1 SMME Nomenclature

References to non-large firms by researchers have been diverse. They have variously been referred to as “small firms” (Marx & Kacperczyx, 2013), “small businesses” (Asiedu et al. 2012), “SMEs” (Memba et al. 2012), “MSMEs” (Garg & Walia, 2012), and “SMMEs” (Arko-Achemfuor, 2012). While the references “small firms” and “small businesses” succeed in conveying the idea that the enterprises under consideration are not large in nature, they do not communicate clearly that non-large firms are heterogeneous. The term “SMEs”—which stands for “small and medium enterprises”—succeeds in making this distinction by categorising non-large firms into two groups (small and medium), but this classification also appears to ignore micro enterprises as an important group within the non-large business sector. The terms “MSMEs” (micro, small, and medium enterprises) and “SMMEs” (small, medium, and micro enterprises) seem to correct this anomaly. “MSMEs” is the term associated with the World Bank and its member countries (see Kushnir, Mirmulstein & Ramalho, 2010), while “SMMEs” is the preferred acronym in South Africa (Government Gazette, 2003). Although “MSMEs” appears to be more logical in terms of size graduation, “SMMEs” aligns better with the original term “SMEs” and appears to make for easy pronunciation. Because the base of this study is in South Africa, “SMMEs” will be the acronym used throughout this study to depict non-large firms. In order to proceed, however, it is important to define SMMEs based on the criteria used to categorise them into small, medium, or micro enterprises.

2.2.2 Definition of SMMEs

There is no unanimous definition of SMME in the global context (Grimm & Paffhausen 2014:6) because different countries, regional bodies, and multilateral organisations have

given various definitions (Gibson & van der Vaart 2008). In defining these entities, headcount (number of employees) appears to emerge as the most convenient criterion, although turnover and total assets value are also offered in some cases. For example, while the European Commission's (EC) (2005) definition makes room for all three criteria, the United Nations Industrial Organisation's (UNIDO) definition settles mainly on headcount (Abor & Quartey, 2010:220). These two sets of definitions, and others, testify to the efforts being made to arrive at a common definition at regional and global levels. Table 2.1 presents a snapshot of some working definitions used by some multilateral institutions in parts of the world.

Table 2.1: Selected Definitions of SMMEs by Multilateral Organisations

Firm Size	**European Commission**			**UNIDO**		**African Development Bank**	**UNDP: South Asia**	
				Industrialised Countries	*Developing Countries*			
	Headcount	Annual Turnover	Annual Assets	Headcount	Headcount	Headcount	Headcount	Annual Turnover
Medium	< 250	≤ €50m	≤ 43m	< 500	< 100	≤ 50 (upper limit for all SMMEs)	≤ 300	≤ $15m
Small	< 50	≤ €10m	≤ 10m	< 100	< 20		≤ 50	≤ $3m
Micro	< 10	≤ €2m	≤ €2m	None	< 5		≤ 10	≤ $0.10m

Source: Adapted from EC (2005); Gibson and Vaart (2008); Abor and Quartey (2010); UNDP (n.d.)

The above classifications of SMMEs show three things. First, there are differences in classification in terms of stage of economic development of the countries or regional bodies involved. In other words, the criteria tend to be higher for countries or regions with higher economic development compared to those with lower economic development. For example, the African Development Bank's upper limit of SMMEs by headcount is the lowest on the table, while UNIDO's thresholds for developing countries are lower in terms of all three firm sizes compared with their industrialised counterparts. This implies that it is possible to have different cut-off points for the two countries involved in the current study (South Africa and Ghana) according to the stage of economic development. Second, the headcount criterion tends to be applied in all instances compared to turnover and asset base. This may be because data on headcount is more easily available than

the other two criteria (Grimm & Paffhausen, 2014:6). Third, SMMEs may have certain common characteristics that warrant a classification that clearly distinguishes them from large firms. The following section explores the unique characteristics that distinguish SMMEs.

2.3 CHARACTERISTICS OF SMMEs

Two overriding features appear to drive the characteristics of SMMEs: the fact that they tend to be cash or resource-limited (Parker et al. 2009:279) and their tendency to be influenced heavily by the owner-manager. Being cash or resource-limited means that SMMEs are only able to employ a few staff members and, therefore, tend to require multi-tasking and substantial owner involvement in the daily management of the business (Russo & Perrini, 2009:209). In addition, social relationships and networks in which the owner-manager is entwined cannot be separated from the business (Fatoki, 2012a:24). As a result, they tend to be based on highly personalised and informal relationships (Abor & Quartey, 2010:219). SMMEs are also unable to expand quickly to other geographical locations and, therefore, tend to remain limited in their geographic operations (Ogunsiji & Ladanu, 2010:193). If they are intent on growing, they must depend on internal, rather than external, sources for financing because of the high levels of informality and personalisation inherent to their structure (Andani & Al-hassan, 2013:753).

While these characteristics clearly set SMMEs apart from large firms—and sometimes identify them as underdogs—they can also give SMMEs an edge over large firms depending on the entrepreneurial aspirations of the owner-manager. SMMEs are able to "adjust to environmental changes faster than bigger organisations due to their nimbleness, missing hierarchies, and quick decision-making" (Rosenbusch et al. 2011:442). As a result, they tend to be more successful at developing entrepreneurs and new ventures than large firms are (Elfenbein et al. 2010:2).

This makes it necessary to examine SMMEs vis-à-vis entrepreneurship to determine the similarities and differences between the two and what makes one firm more entrepreneurial than the other as well as why SMMEs tend to be useful for nurturing entrepreneurship.

2.4 SMMEs AND ENTREPRENEURSHIP

Baucus and Cochran (2009:57) draw attention to the fact that SMME and entrepreneurship may not always be synonymous. Their view is that while researchers in Europe tend to use the acronym “SME” interchangeably with the word “entrepreneurship,” as if they mean the same thing, North American researchers tend to draw a clear line between the two concepts. In North America, the distinguishing factor between the two is the entrepreneurial aspirations of the owner. If the owner aspires to achieve high growth, then he/she is an entrepreneur, but if the owner merely seeks to generate sufficient income to support his/her personal goals and lifestyle, then he/she is only a small business (SMME) owner. This contrasts entrepreneurship research in Europe where the dividing line is not so clear.

In line with this reasoning, Hessels, Van Gelderen, and Thurik (2008:324) assert that entrepreneurial aspirations determine the extent to which entrepreneurship influences the wider economy in terms of job growth, increased exports, and eventually, economic growth. Therefore, whether an owner-manager’s actions will affect macro-economic variables of a nation will depend largely on the motive that drew him/her into entrepreneurship. Those entrepreneurs that have an income or wealth motive have been found to have job-creation and export-oriented aspirations (growth aspirations) that tend to affect macro-economic indicators more, while necessity-motivated entrepreneurs (lifestyle/small business owners) tend to contribute less in this regard (Hessels et al. 2008:327).

Given that aspirations emanate from the persona of the owner-manager, relying on them to draw the line between entrepreneurial firms and SMMEs makes the personality of owner-managers an important factor in the way businesses affect the wider economy. In this regard, it is necessary to explore the personality traits that drive entrepreneurship at the individual level and may be the source of the varying aspirations that owner-managers have. This is because entrepreneurs have different, distinct personality characteristics (Caliendo & Kritikos, 2011:1). According to Baum, Frese, and Baron (2012:1), "personal characteristics (individual differences) are the most important factors for business success—even more important than the business idea or industry setting."

2.4.1 Personality Traits

The personality traits that distinguish entrepreneurs from the rest of the population and that differentiate between high-achieving entrepreneurs and low-achieving entrepreneurs can be grouped into three categories: cognitive abilities, fear-conquering attributes, and self-reliance characteristics. These three broad characteristics enable entrepreneurs to create or discover opportunities, to identify real opportunities less obvious to the general population, to locate geographical locations endowed with social and economic resources conducive for a particular venture, and to choose the organisational arrangement that best serves as a vehicle to exploit an opportunity. They achieve these objectives in spite of the ambiguity of their operational environment (Dobrev & Barnett, 2005; Minniti, 2005; McAdams & Pals, 2006; Alvarez & Barney, 2007; Caliendo & Kritikos, 2011; Baum et al. 2012; Shane, 2012; Venkataraman et al. 2012).

2.4.1.1 Cognitive Attributes

Baron (2008:328) defines cognition as "the processes through which information is entered into memory, processed, and retrieved for later use", while Mitchell and Busenitz (2007:5) adopt Neisser's (1967) perspective that views cognition as "all processes by which sensory input is transformed, reduced, elaborated, stored, recovered, and used". When the cognitive processes allow individuals to operate on and use information in new

ways, such that new services and products are the result, then creativity has arisen from cognition (Baron, 2007:169). Therefore, entrepreneurial cognitions are distinctive thinking and behaviours that guide entrepreneurial action (Holcomb et al. 2009:169). Mitchell and Busenitz (2007:2) define entrepreneurial cognitions as “the knowledge structures that people use to make assessments, judgments, or decisions involving opportunity evaluation and venture creation and growth”.

According to Baron and Ward (2004:555), entrepreneurial cognition can manifest in different forms at various stages of the entrepreneurial process, such as the initial decision to become an entrepreneur, the recognition of opportunities, and so forth. In particular, in the ontological position where the existence of opportunities is exogenous (Kirznerian), the focus has been on the cognitive process by which individuals decide to launch a new venture (Audretsch & Keilbach, n.d.:6).

Entrepreneurial alertness to opportunities—i.e., the capacity to recognise opportunities when they emerge—relies heavily on one’s cognitive abilities and plays a critical role in opportunity recognition (Baron, 2007:170). In the view of Baron and Ward (2004:556), entrepreneurial alertness is a schema or cognitive framework that entrepreneurs, and especially successful entrepreneurs, may possess. In their words, “persons who possess such a schema show a tendency to search for and notice change and market disequilibria, to respond to information that does not match their current schemas, and to adjust existing schemas on the basis of such non-matching information”. In this regard, Dutta and Crossan (2005:430) suggest that entrepreneurial alertness is coterminous with the Kirznerian ontological position where information asymmetries in the marketplace make entrepreneurial alertness a potent tool for success for arbitraging entrepreneurs. Therefore, where entrepreneurial opportunity is viewed as a given (exogenous), entrepreneurial alertness becomes an idiosyncratic resource.

Pattern recognition and *arrangement cognitions* are two other cognitive processes believed to be related closely to entrepreneurial opportunity recognition. *Pattern recognition* is the individual's ability to notice meaningful patterns in complex events, trends, or changes that at first might appear unrelated, whereas *arrangement cognitions* are the thoughts and mental processes regarding the resources, relationships, and assets needed to engage in entrepreneurial activity (Baron & Ward, 2004:555; Baron, 2007:171). *Pattern recognition* depends heavily on the cognitive frameworks individuals have formed over the years based on their experiences. These experience-derived cognitive frameworks serve as useful guides or templates that help these persons see the interconnections between seemingly unrelated events and trends. In other words, while *pattern recognition* helps entrepreneurs determine which gaps in the environment constitute an opportunity, *arrangement cognitions* enable them to figure out how they will mobilise resources and support to exploit the opportunity.

Nonetheless, cognition is relevant not only at the opportunity recognition stage but also at other stages of entrepreneurial activity (Baron & Ward, 2004:555). Therefore, other cognitive abilities, such as *willingness cognitions*, *ability cognitions*, *affect*, and the *use of heuristics*, become relevant when the fear-conquering and self-reliance attributes of the entrepreneur are discussed. These last two sets of attributes are required beyond the opportunity recognition stage.

2.4.1.2 Fear-Conquering Attributes

Fear-conquering attributes are the personal characteristics that enable the entrepreneur to step into the uncertain domain of entrepreneurship with the conviction that opportunities are both waiting to be created or discovered and that these opportunities are worth exploiting. Therefore, these personal attributes enable the entrepreneur to overcome the inhibitions that plague most members of society that will never venture to tread the tortuous and uncertain path of entrepreneurship. In Goss's (2005) words, "to overcome these inhibitions, an individual needs [an] unusually strong will and great

'personal weight'". Two sub sets of fear-conquering attributes are discussed: cognition and the propensity to step out of the financial security comfort zone.

2.4.1.2.1 Cognition

Cognition seems to be the major driver of fear-conquering attributes. As such, *willingness cognitions*, *affect*, and the *use of heuristics* are specifically useful to the entrepreneur if he/she is to overcome his/her inhibitions. *Willingness cognitions* are the thoughts and mental frameworks that necessitate the launching of a new venture while *affec*t is how the mood changes either induced by an occurrence (event-induced or state affect) or the person's natural temperament (dispositional or trait affect) influence the person's perception of the external environment (Baron & Ward, 2004:555; Baron, 2007:173; 2008:328).

Affect influences cognition in at least three specific ways (Baron, 2008:330). First, positive affect seems to stimulate general alertness to external environment, such that those experiencing positive affect tend to be more conscious of the external environment than individuals experiencing negative affect are. Second, individuals experiencing positive affect tend to be more creative than are those experiencing negative or neutral affect, which suggests that affect influences creativity-related cognition. The third way that affect influences cognition reflects in the tendency to engage in heuristic processing or short cuts in decision-making. Heuristic processing is the application of previously acquired "rules of thumb" and previously gathered information to decision-making regarding current problems. Holcomb et al. (2009:167) refer to these rules of thumb as "simplifying strategies, commonly termed heuristics, which are decision rules that reduce complex judgmental tasks to relatively simple cognitive operations". Persons experiencing positive affect are more likely to engage in heuristic processing and, thus, be quicker with decision-making than are those experiencing negative affect (Baron, 2007:175; 2008:330).

As heuristics processing does not always lead to the desired results, its continuous use by entrepreneurs—particularly when market-related information is scarce—shows how determined entrepreneurs are to overcome inhibitions. This makes heuristic processing a distinguishing factor between entrepreneurs and the general population and between high-achieving and low-achieving entrepreneurs (Mitchell & Buschenitz, 2007:7; Holcomb et al. 2009:167).

2.4.1.2.2 Propensity to step out of the financial security comfort zone

Apart from cognition, how a person perceives financial security also determines the extent to which he/she is able venture into the uncertain world of entrepreneurship. For instance, van Gelderen et al. (2008:307) have established that the importance people attach to financial security is a variable that explains entrepreneurial intentions. Therefore, how an individual perceives financial security will inter alia determine if that person should opt for entrepreneurship or paid employment. If the individual's risk tolerance is low, then he/she will value staying in a paid job that guarantees regular income more so than venturing into an uncertain business that promises higher returns in a volatile business environment. Therefore, *risk taking* and *tolerance for ambiguity* might be important elements to determine one's propensity to step out of a financial security comfort zone.

Risk taking is the tendency for individuals to make their entrepreneurial choices based on how they perceive risk-returns associated with the options available to them (Vecchio, 2003:307). The least risk-averse are those who will choose entrepreneurship and run the largest firms, while the reverse is true of the most risk-averse. In this way, entrepreneurs provide income security for those who do not have the courage to venture into the uncertain domain of entrepreneurship, and entrepreneurs are rewarded with the residual profits of their enterprises as a result (Shane et al. 2003:264; Parker, 2005:9; Caliendo et al. 2006:10).

Tolerance for ambiguity is an important trait for entrepreneurs because the challenges and potential for success associated with business start-ups are, of course, unpredictable (Shane et al. 2003:265). Budner (1982) defined tolerance for ambiguity as "the propensity to view situations without clear outcomes as attractive rather than threatening". Running an entrepreneurial venture requires the use of innovations and the concurrent handling of multiple tasks that are sufficient to throw ambiguity into the business environment. All humans naturally have cognitive and skills limitations, and the added uncertainty of entrepreneurial decision-making in the business environment leads to accentuated ambiguity. Therefore, those who become entrepreneurs have the ability to readily evolve a coping strategy to survive in such an ambiguous working environment (Minniti, 2005:2).

2.4.1.3 Self-reliance Attributes

Self-reliance attributes give entrepreneurs the internal strength to venture into the uncharted waters of new entrepreneurial opportunities whose prospects remain a figment of their imagination until they become a reality. These attributes enable entrepreneurs to see themselves as responsible for the success or failure of the business idea and to see that their qualities and skills are more likely to achieve success than failure. Some of these self-reliance attributes may be (1) need for achievement, (2) locus of control, and (3) self-efficacy/ability cognitions (Shane et al. 2003; Vecchio 2003; Markman 2005; Davidsson, 2006; Linan, 2008).

Need for achievement is the high achievement motivation that individuals bring to bear on some aspects of venture performance (Vecchio, 2003:308). According to Shane et al. (2003:263), individuals more endowed with this attribute are more likely to occupy themselves with "activities or tasks that have a high degree of individual responsibility for outcomes, require individual skill and effort, have a moderate degree of risk, and include clear feedback on performance" than are those who are less endowed with it. Entrepreneurs have a greater degree of these task attributes than people who seek other careers do (Shane et al. 2003:263; Vecchio, 2003:308). This attribute appears to emanate

from *willingness cognitions,* which are the thoughts and the mental frameworks that necessitate the launching of a new venture. According to Stenholm, Acs, and Wuebker (2013:179), “an individual’s willingness and capability to take action is a crucial component of entrepreneurship”.

Locus of control is the extent to which individuals believe their actions or personal characteristics affect outcomes. Individuals who believe that the outcome of an event is out of their control—i.e., the outcome of the event is determined by factors beyond their control—have an external locus of control; individuals with an internal locus of control, however, believe their personal actions directly affect the outcome of an event (Shane et al. 2003:266).

Locus of control appears to be a background attribute for the self-reliance attributes in that it is not easily observable but serves as the anchor for *need of achievement* and *self-efficacy*. For instance, Shane et al. (2003:266) state that individuals who are driven by the need for achievement “prefer situations in which they feel that they have direct control over outcomes or in which they feel that they can directly see how their effort affects outcomes of a given event”. However, Vecchio (2003:309) points out that although a very compelling concept, locus of control remains a latent variable of which the evidential base remains largely theoretical.

Self-efficacy is “the belief in one’s ability to muster and implement the necessary personal resources, skills, and competencies to attain a certain level of achievement on a given task” (Shane et al. 2003:267). It involves an individual’s belief that he/she can effectively organise and execute certain actions while accepting whatever the outcome will be (Markman et al. 2005:5). Specifically, entrepreneurial self-efficacy refers to the individual’s belief that he/she is capable of performing the roles and tasks of an entrepreneur (Lindsay et al. 2006:80), which seems to arise from his/her *ability cognitions*.

Ability cognitions are the thoughts and mental frameworks related to the skills, knowledge, and capacities needed to create a new venture (Baron & Ward, 2004:555).

Individuals with high self-efficacy are not easily deterred by perceived obstacles because they tend to focus more on the anticipated positive outcomes. Therefore, those who believe they have what it takes to be successful entrepreneurs will engage in activities associated with firm start-ups (Davidsson, 2006:7; Linan, 2008:258). Indeed, Markman et al. (2005:1) provide empirical evidence that entrepreneurs score significantly higher on self-efficacy than non-entrepreneurs do.

The foregoing personality traits are the tools that enable successful entrepreneurs to be ingenuous in quelling the ambiguity inherent in the external environment. Ambiguity in the entrepreneurship environment can be conceptualised conveniently as follows: Firstly, entrepreneurial opportunities can be either discovered or created, and the entrepreneur has to rely on personal ingenuity to discover or create the opportunity (Shane & Venkataraman, 2000; Dutta & Crossan, 2005; Carree & Thurik, 2010). It, therefore, follows that the method or approach used is situational (depending on whether one discovers or creates the opportunity). Thus, it is reasonable to suggest that a successful entrepreneur easily adapts to each pathway (identifying or discovering) to entrepreneurial opportunity.

Secondly, the fact that real opportunities are less obvious to the larger population (Baron, 2007; Caliendo & Kritikos, 2011; Ihugba et al. 2014) introduces ambiguity. This type of ambiguity is problematic because the entrepreneur has to mobilise support and resources from people who might not recognise the opportunity, leading to a risk of lack of support. To overcome this challenge, the entrepreneur has to be able to convince people to support and provide resources for the project.

A third ambiguity in the entrepreneurship environment relates to venture location or the geographical environment for entrepreneurship (Malecki, 2009). Because some locations are more endowed with certain economic and social resources than others are—thus making them more conducive to new businesses (Malecki, 2009)—an entrepreneur has to know the extent to which a particular geographical area is conducive to a new venture to determine if the opportunity is worth exploiting.

Lastly, although there are many possible organisational arrangements for exploiting an opportunity, the entrepreneur must determine the one best for the specific opportunity. The entrepreneur must also decide on whether to establish a new organisation or if an existing organisation can be adapted for the opportunity. The entrepreneur's skill in determining the most appropriate organisational arrangement at a time helps remove some of the ambiguity and gives the venture a better chance at success.

From the discussion on personality traits, it is clear that whether a person will opt for entrepreneurship depends largely on the person's fear-conquering attributes. It also identifies that cognitive attributes determine how quickly and appropriately a person reacts to ambiguities, how opportunities are recognised, and how apparent opportunities are . Therefore, the part of entrepreneurial ingenuity left unexplained is where to locate the venture and which organisational arrangement is best for a specific opportunity.

2.4.2 Choosing the Right Geographical Location

Entrepreneurs who have the ability to read the signals from the external environment should be able to locate their businesses in the right geographical areas. Much as economic reasons often influence the tendency of firms to co-locate in certain regions, social factors might also feature in an individual's occupational choice function concerning whether to select entrepreneurship as an occupation and where to locate businesses (Parker, 2005; Minniti, 2005).

Drawing from agglomeration theory, Thornton and Flynn (2003) explain that because of the social construction of localised political and cultural assets, such as learning effects and mutual trust among others, areas with a high density of entrepreneurship will attract more entrepreneurs. This is because entrepreneurs are influenced not only by economies of scale to place their businesses in geographical areas with high firm concentration, but also by the social cues of the high density of entrepreneurship in these areas; these factors tend to signal individuals in those areas to view entrepreneurship as a viable source of income and draw them into it (Linan, 2008; Caliendo & Kritikos, 2011:5). Audtretsch and Erdem (n.d.) refer to this as "demonstration externality", which they define as "learning by third-party individuals that entrepreneurship is a viable alternative to the status quo".

Secondly, when individuals in areas with a high concentration of entrepreneurship decide to become entrepreneurs, they tend to locate their firms in those same areas in order to benefit from (social) network externalities. Thus, entrepreneurship is influenced by the amount of (social) network externalities that exist in a particular area that, unlike economies of scale, is non-pecuniary in nature (Parker, 2005; Minniti, 2005; Bosma et al. 2011). Where there is a high concentration of entrepreneurs, there is also a high density of information that helps deal with the ambiguity embedded in the entrepreneurship environment (Minniti, 2005; Geana et al. 2013). Therefore, successful entrepreneurs are those who read the signals in the external environment to locate their businesses in areas that lend themselves to easy opportunity recognition and exploitation of similar requirements for technology and availability of input and certain types of skilled labour (Devereux et al. 2007; Parker, 2005; Ejaz et al. 2013; Glaeser et al. 2013).

2.4.3 Choosing the Right Organisational Form

In terms of which vehicle to use to exploit an opportunity, Audretsch and Keilbach (n.d.) affirm the importance of organisational factors. Dobrev and Barnett (2005) have also

stressed the need for researchers to look at the specific role that organisational factors play in predicting entrepreneurship. The characteristics of an organisation and the roles of individuals therein interact to predict entrepreneurial success. According to Dobrev and Barnett (2005), the extent to which an individual can pursue a creative idea and bring it to fruition depends on whether the organisational environment is fluid, informal, and flexible enough to allow innovative ideas to thrive.

SMMEs generally provide optimal arrangements (Wagner, 2004; Elfenbein et al. 2010; Astebro & Thompson, 2011) even though large firms can also mimic smallness to serve that purpose (Gupta & Srivastava, 2013). An entrepreneur seeking to exploit a given opportunity must seek to achieve an appropriate mix of fluidity and rigidity, and informality and formality in the organisational arrangement. Different opportunities will align with different organisational arrangements, and knowing which set to employ in a given situation is a manifestation of ingenuity.

If entrepreneurial aspirations serve as the dividing line between entrepreneurial firms and non-entrepreneurial firms (Andersen, 2012:98), and these aspirations are themselves informed by the persona of the owner-manager, then personal characteristics play a crucial role in the extent to which entrepreneurship influences economic development. However, the above discussion has also shown the important role that geographical and organisational (external) factors play. It appears that entrepreneurial aspirations informed by personality traits work together with the fluidity in SMMEs, which is often mimicked by large firms in their corporate entrepreneurship ventures, to enhance economic development through growth and innovation. In this regard, it would seem that SMMEs—to the extent that they epitomise the fluidity and informality inherent in smallness (Rosenbusch et al. 2011:444)—tend to be a good nurturing ground for entrepreneurship (an important factor in economic development).

2.5 SMMEs AND ECONOMIC DEVELOPMENT

A two-way relationship exists between SMMEs and economic development. First, SMMEs affect economic development, and second, the stage of economic development of a country also influences entrepreneurial activity. The ensuing two sub-sections discuss this two-way relationship.

2.5.1 Contribution of SMMEs to Economic Development

The literature is replete with evidence of the useful contributions that entrepreneurs make to an economy (Andersen, 2012:98), even if self-interest rather than common interest is their driving force. For instance, the job creation role of small firm entrepreneurs is well documented (see, e.g., Heimonen, 2012:123; Page & Soderbom, 2012:1; Ndegwani, 2013:2). They have also been noted for stimulating competition and economic growth through the innovations that they generate and for providing a route out of poverty and discrimination (Hessels et al. 2008:324; Mukorera & Mahadea, 2014:43). As a result, SMMEs have been recognised as engines of growth and development worldwide (van Stel et al. 2005; Punyasaratsus, 2009) even though income or wealth-motivated (growth aspirations) firms are found to have greater impact on macro-economic variables than do their necessity-motivated counterparts (lifestyle SMMEs) (Leon & Gorgievski, 2007:60; Hechavarria & Reynolds, 2009:418; Poschke, 2010).

For example, SMMEs have been found to account for 99.6% of the Austrian economy (Avram & Kuhne, 2008:463) and constitute 99% and 99.7% of businesses in the UK and Australia, respectively (Parker et al. 2009:2). In the European Union (EU), 99% of all enterprises are SMMEs (EC, 2005:5) employing 67.1 % of the non-financial business economy workforce and generating 57.6% of the non-financial business economy's value added (Schmiemann, 2008:1). On the global front, SMMEs make up 90% of businesses worldwide and account for 50-60% of employment (Jamali et al. 2008:355). Indeed, they account for nearly 80% of employment in the formal sector in low-income countries (Page & Soderbom, 2012:1). In addition to this, SMMEs have been found to promote equitable

income distribution and high social stability in countries where they are prevalent (Morsing & Perrini, 2009:2).

2.5.2 The Influence of Economic Development on Entrepreneurship

While the discussion so far shows the extent to which SMMEs can affect economic development depending on how entrepreneurial they are, it has also emerged that a country's current stage of economic development also influences its people's entrepreneurial tendencies. Amoros and Bosma (2013) categorise countries into three stages of economic development: *factor-driven* economies (Stage 1), *efficiency-driven* economies (Stage 2), and *innovation-driven* economies (Stage 3). A key finding from their study notes, *"Individuals in factor-driven economies tend to report more positive attitudes on entrepreneurial measures such as perceived opportunities to start a business and perceived skills to start a business, in comparison to those in efficiency-driven and innovation-driven economies"* (Amoros & Bosma, 2013:12). However, they acknowledge that factor-driven economies also have the highest proportion of early-stage entrepreneurs with necessity-driven motives. This further indicates the importance of entrepreneurship as a route out of poverty in developing countries, a substantial number of which can be found in Africa.

2.5.2.1 Stages of Economic Development

Three stages of economic development have been identified in recent times (Syrquin, 1988:244; Wennekers et al. 2005:294). Chenery and Syrquin (1975) identify these three stages of economic development as *primary production, industralisation,* and the *developed economy*, whereas Porter, Sachs, and Arthur (2002) classify them as *factor-driven*, *investment-driven*, and *innovation-driven* stages. Similarly, Sachs (2004:2) identifies the same three stages as *commercial, industrial,* and *knowledge-based*. However, Sachs (2004:3) also identifies a *pre-commercial* stage of economic development in which the agricultural sector is not sufficiently integrated with the urban economy, and for that reason, there are no economies of scale because of the minimal

exchange between the rural and urban areas. On that basis, he believes most African countries are *pre-commercial* rather than *commercial*.

Essentially, the descriptions offered by these authors for the three stages of economic development are similar because they all indicate the need for a developing economy to employ increasingly sophisticated ways of producing and competing to evolve from a resource-based to a knowledge-based economy. Nonetheless, in naming, Porter et al.'s (2002) classification comes closest to what Amoros and Bosma (2013) used to analyse global entrepreneurial activity in relation to countries' economic development. For this reason, the ensuing discussion employs their classification.

2.5.2.1.1 Factor-driven stage of economic development

The factor-driven stage is the lowest level of economic development and is synonymous with what has been described as *primary production* (Chenery & Syrquin, 1975) or *commercial* (Sachs, 2004:2) stage of economic development. At this stage, production is based on the mobilisation of primary factors of production—namely, land, primary commodities, and unskilled labour. International competitiveness is primarily based on low factor costs and/or the presence of minerals and other commodities (Wennekers et al. 2005:294). Sachs (2004:3) suggests that this stage is one characterised by a basic division of labour between urban and rural activities, where the urban sector produces manufactured goods and services and the rural sector produces food and other agricultural products. Where the rural and urban sectors are not sufficiently integrated, the economy finds itself at a *pre-commercial*, rather than a *commercial*, stage of economic development (Sachs, 2004:3).

2.5.2.1.2 Investment-driven stage of economic development

The second stage of economic development by Porter et al.'s (2002) classification is the *investment-driven* stage, also referred to as the *efficiency-driven* (Amoros & Bosma, 2013), *industralisation* (Chenery & Syrquin, 1975), or *industrial* (Sachs, 2004:3) stage of economic development. At this stage, economic growth becomes more capital intensive

and, thus, investment-driven with labour and capital markets working more properly and making it easier to attract foreign direct investment. In addition, the workforce is educated to be able to adopt technologies developed elsewhere. Competitiveness is based primarily on high rates of production efficiency in manufacturing (Wennekers et al. 2005:294). Sachs (2004:5) emphasises that the key to successful *industralisation* is international trade because if industralisation is based only on the local market, it can develop to a limited scale, but it will remain small and inefficient. This stage is often associated with middle-income status (Wennekers et al. 2005:294).

2.5.2.1.3 Innovation-driven stage of economic development

The third stage of economic development is that of a technology generating (Wennekers et al. 2005:294), *developed* (Chenery & Syrquin, 1975), or *knowledge-based* (Sachs, 2004:3) economy. Countries that have reached this stage innovate at the global technological frontier in at least some sectors (Porter et al. 2002:17). This stage also implies a high-income status. At this stage, a country must be able to generate and commercialise new knowledge through intensive co-operation among universities, private businesses, and government (Wennekers et al. 2005:295). According to Sachs (2004:3), this stage is driven by innovation that, in turn, is driven by a high input of science and technology. Once a critical mass of knowledge, technologies, skills, and purchasing power has been established, innovation can achieve increasing returns to scale, and this fuels a self-perpetuating process of continuing innovation and long-term economic growth (Wenneker et al. 2005:295).

2.5.2.2 Reasons for the U-Shaped Relationship between Economic Development and Entrepreneurship

Apart from Amoros and Bosma (2013), several authors (e.g., Kuznets, 1971; Schultz, 1990; Yamada, 1996; Iyigun & Owen, 1998) have similarly reported a negative empirical relationship between the level of economic development and the rate of business ownership (self-employment) in the labour force using cross-sectional data spanning a wide range of economic development. Similarly, Wennekers and Folkeringa (2002) found

a negative relationship between self-employment and progress in economic development for at least the first three quarters of the twentieth century using time series data for the most highly developed economies. However, Wennekers et al. (2005) not only confirm this negative relationship, but also find that the relationship between economic development and self-employment (entrepreneurship) is U-shaped. This means that the negative relationship does not continue in perpetuity; instead, it reaches a minimum and rises again at the advanced stage of economic development. Other authors (e.g., Blau, 1987; Acs et al. 1994; Carree et al. 2002) have also found that a U-shaped relationship exists.

This U-shaped relationship can be explained in three ways. First, as economic development increases, the agricultural sector shrinks and, thus, cedes its productive resources to a more efficient and rewarding manufacturing sector. This brings about economies of scale as self-employment in agriculture gives way to self-employment in manufacturing. Thus, the relatively fewer employers in the manufacturing sector are able to absorb more of the labour (including previous agricultural employers) than the agricultural sector did (Wennekers et al. 2005:295). The net effect of this is declining self-employment as economic development increases.

Second, as economic development intensifies and real wages increase, the differences in entrepreneurial ability in the population cause marginal entrepreneurs to abandon self-employment and seek employment from more talented entrepreneurs. As real wages increase, the opportunity cost of self-employment increases relative to the return from self-employment, inducing marginal entrepreneurs to become employees (Lucas, 1978).

Third, as economic development rises, people become more risk averse towards self-employment because a rising economic development provides a ‘safe haven’ for employment and predictable earnings in the manufacturing sector. Therefore, fewer individuals are willing to take the risk associated with entrepreneurship as the relatively ‘safe’ professional earnings rise (Iyigun & Owen, 1998).

The implication that this has for conducting a cross-country study involving SMMEs in the African context is that differences in economic development could bring about differences in entrepreneurial tendencies, with lower-income countries exhibiting more entrepreneurial tendencies than their middle-income counterparts do. Therefore, in this current study, SMME owners or managers in Ghana (*factor-driven* economy) can be expected to exhibit a more positive attitude to entrepreneurship than do their South African (*efficiency-driven*) counterparts (Amoros & Bosma, 2013). In turn, this can influence the way they approach their BSR activities in terms of whether they undertake BSR strategically to boost profits, keep pace with the competition, or do so for altruistic reasons.

2.6 SMMEs IN THE AFRICAN CONTEXT

Despite the challenges that SMMEs in Africa face (Fatoki & Garwe, 2010; Ndegwa, 2013; Kazimoto, 2014; Ihugba et al. 2014), they still contribute significantly to the continent's economies in terms of employment creation (Page & Soderbom, 2012), stimulation of economic activity (Gichuki et al. 2014:1), development of local technology (Adisa et al. 2014:1), nurturing of indigeneous entrepreneurs (Smit & Watkins), and overall contribution to gross domestic product (GDP) (Abor & Quartey, 2010:219). However, the ensuing discussion of the contribution of SMMEs in the African context focuses on employment creation, stimulation of economic activity, and overall contribution to GDP with the understanding that technological and entrepreurial skills development are inputs to these outcomes. This is followed by the definition of SMMEs in the African context that culminates in working definitions for South Africa and Ghana.

2.6.1 Contribution to Employment

Overall, SMMEs in Africa employ 50% of the labour force (Page & Soderbom, 2012:2). In Nigeria, for instance, they account for 70% of national industrial employment (Ogunsiji &

Ladanu, 2010:192) while in Kenya, they contribute 75% of total employment (Omolo et al. 2012). There is a similar trend in Botswana where SMMEs contribute up to 75% of private sector employment (Nkwe, 2012:33).

In South Africa, SMMEs employ more than 50% of the population (Tshabalala & Rankhumise, 2011:108) with their counterparts in Ghana providing 85% of manufacturing jobs in that country (Iddris, 2012:48).

2.6.2 Stimulation of Economic Activity

Even though their individual contributions may appear insignficant because of their small sizes, their preponderance in the economy (see Gichuki et al. 2014:1) makes it possible for SMMEs to contribute significantly to economic activity in most African countries. For instance, in Kenya, SMMEs comprise 96% of business activity (Omolo et al. 2012) whereas in Nigeria, they constitute 99% of all businesses (Ogunsiji & Ladanu, 2010:192). In South Africa, more than 80% of all businesses are SMMEs that constitute 40% of all economic activity (Tshabalala & Rankhumise, 2011:108). Whereas in Ghana, about 91% of formal business entities are SMMEs that contribute enormously to economic activity (Iddris, 2012:48).

2.6.3 Contribution to GDP

Overall, SMMEs account for more than 50% of GDP in Africa (Abor & Quartey, 2010:219). In Ghana, for instance, SMMEs contribute about 70% of the country's GDP (Iddris, 2012:48) whereas in Kenya and Botswana, they contribute 20% of GDP (Nkwe, 2012:33; Omolo et al. 2012). In South Africa, SMMEs are responsible for 27%-34% of GDP (Fatoki, 2012b:179). However, SMME contribution to GDP is below 10% in Nigeria (Gbandi & Amissah, 2014:327). This seems to highlight the fact that SMMEs' impact on GDP is dependent on the size of the economy under consideration. Where the economy is smaller, their impact on GDP tends to be bigger. For instance, Ghana is a much smaller

economy compared to Nigeria, so the impact of SMMEs on its GDP is much higher (70%) than on Nigeria's (below 10%).

2.6.4 SMME Definition in Africa

There are varying definitions of what constitutes a micro, small, or medium enterprise in the African context. While headcount seems to be the criterion used by most researchers to determine firm size, the cut-off points for each size class has differed depending on the purpose of the researcher and which country and/or sector he/she is focusing on in the research. For example, in their study on SMMEs, aid, and employment in Africa, Page and Soderbom (2012:2) classify medium enterprises as those employing 20-99 employees, 5-19 employees as small enterprises, and micro enterprises as those employing 1-4 employees. For his part, Nkwe (2012), who conducted a study into the role of SMMEs in Botswana, had to fall on the country's official definition using the headcount criterion as follows: micro (fewer than six workers), small (fewer than 25 workers), and medium (fewer than 100 workers). Ndegwa (2013) also had to use the official headcount criterion of Kenya—1-9 for micro, 10-49 for small, and 50-99 for medium enterprises—to conduct a study on factors affecting the growth of water bottling SMMEs in that country. Fatoki (2012a) conducted his study on the impact of ethics on the availability of trade credit to new SMEs (rather than SMMEs) in South Africa and referred to small firms as those with 1-49 employees and medium enterprises as those with 51-200 employees.

These differences in classifying the various types of organisations show how challenging it is for any research that intends to do a cross-country analysis of SMME performance on the African continent. It also shows that, in response to the challenge, it is possible for the researcher to harmonise the definition offered by the law, where available, with the practicalities of the research to arrive at a compromise definition.

For instance, Fatoki (2012a) based his classification on the definition offered by the amended National Business Amendment Act (Government Gazette, 2003) of South Africa

but grouped micro, very small, and small categories together as small. He also set the upper limit for this group at 49 employees instead of the 50 prescribed by law. For medium enterprises, he set the upper limit at 200 employees, while the law prescribed 100 for some sectors and 200 for others. This current study, therefore, takes a cue from the way these previous studies have dealt with the lack of a common definition for the African continent, and it evolves a working definition to enable the comparison of SMME BSR performance in South Africa and Ghana.

2.7 SMMEs IN SOUTH AFRICA

In South Africa, SMMEs are largely seen as a significant component of the solution to the country's development issues, and yet lack of finance, as well as economic, markets, managerial, and infrastructural obstacles, continues to thwart their efforts (Fatoki & Garwe, 2010:729). As a result, South Africa's SMME failure rate of 75% is one of the highest in the world (Fatoki, 2012a:22). Because SMMEs are known to serve as a route out of poverty and discrimination (Parker, 2005:37; Hessels et al. 2008:324) and a source of social harmony through the equitable distribution of income (Morsing & Perrini, 2009:2), their high failure rate in South Africa limits their ability to contribute to reducing the social and economic disparities associated with the country's apartheid past. Therefore, the government has established a number of measures to support the growth of SMMEs: the National Business Act (1996, amended 2003); Ntsika Enterprises Promotion Agency, which is a non-financial support agency; Khula Finance Enterprises Limited, which is a wholesale financial mobilisation and credit guarantee institution; and the Small Enterprises Development Agency (SEDA), which is an institution focusing on the support and promotion of enterprises to reach a greater variety of enterprises, particularly those in rural areas (Tshabalala & Rankhumise, 2011:109).

The National Business Act was first promulgated in 1996 and amended in 2003. It provides the framework to define SMMEs so that they can be identified as a distinct business group and to recognise the different size categories comprising this group. The

Act defines SMMEs along qualitative and quantitative lines. In qualitative terms, the amended Act defines an SMME as “a separate and distinct entity including co-operative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards” (Government Gazette of the Republic of South Africa, 2003). This definition is backed by a schedule of size standards that classifies SMMEs into their respective sizes using three criteria: number of full-time employees, annual turnover, and gross asset value according to its sectors and sub-sectors. These criteria form the quantitative part of the definition. Table 2.2 presents a summary of the schedule of the size standards showing the range within which the upper limits of the various sectors and sub-sectors lie per criterion. The detailed schedule of size standards can be found in Appendix C.

Table 2.2: Size Standards for the Definition of SMMEs in South Africa

Size of Class	Full-Time Employees		Annual Turnover		Gross Assets Value	
	Lower Maximum	*Upper Maximum*	*Lower Maximum*	*Upper Maximum*	*Lower Maximum*	*Upper Maximum*
Micro	1 - 5	1 - 5	R0.10m	R0.20m	R0.10m	R0.10m
Very Small	6 - 10	6 - 20	R0.50m	R6m	R0.50m	R2m
Small	21 - 50	21 - 50	R1m	R32m	R1m	R6m
Medium	51 - 100	51 - 200	R3m	R64m	R5m	R23m

Source: Adapted from the Government Gazette of the Republic of South Africa (2003)

Table 2.2 shows that while the Act (2003) defines a medium enterprise as a business employing 51-100 employees in some sectors (agriculture, for example), employing 51-200 employees constitutes a medium enterprise in other sectors (construction, for example). This shows how difficult it is to arrive at a universal definition for SMMEs.

Given that SMMEs tend to be private firms rather than public-listed organisations (Afrifa, 2013:31), their financial records are not easily visible (Grimm & Paffhausen, 2014:6). In addition, the World Bank’s MSME Country Indicators (2010) show that 78% of the 132

member countries use headcount as a key measure; thus, this study will rely mainly on headcount to determine firm size. Therefore, based on prior determinations, the working definition for an SMME in South Africa is a business employing no more than 200 full-time employees.

2.8 SMMEs IN GHANA

Just as South African SMMEs are plagued by obstacles to their growth, Ghanaian SMMEs also have to contend with constraints—such as lack of access to appropriate technology, limited access to international markets, weak institutional capacity, and lack of finance, among others—that limit their development (Abor & Quartey, 2010:219). As a result, the Government of Ghana over the years has put in place a number of measures to help SMMEs address their challenges: the National Board of Small Scale Industries (NBSSI), which is to provide business development services to small and micro enterprises; the Ghana Enterprise Development Commission (GEDC), which is to provide technical and financial support to SMMEs to penetrate areas previously dominated by foreigners; Ghana Appropriate Technology Industrial Service (GRATIS), which aims at transferring appropriate technology to small scale and informal industries; and the Microfinance and Small Loans Centre (MASLOC), which provides micro and small loans, business advisory services, training, and capacity building to SMMEs (Owusu-Bempah et al. 2013:38).

Unlike South Africa, however, no legislation exists to aid the definition of an SMME in the Ghanaian context (Abor & Quartey, 2010:225). As a result, various state agencies and researchers who have had to work on SMMEs have had to develop their own definitions based mainly on headcount. For example, while the National Board for Small Scale Industries (NBSSI) and the Ghana Statistical Service (GSS) classify small firms as those employing fewer than 10 workers and medium enterprises as those with 10 or more employees (Kayanula & Quartey, 2000), Steel and Webster (1991) and Osei et al. (1993) defined small businesses as those employing fewer than 30 workers. A more recent

definition of SMMEs is the one offered by the Regional Project on Enterprise Development Ghana manufacturing paper (Teal, 2002), which seems to have been adopted by (Yamoah et al. 2014:32). In this paper, micro firms were those employing fewer than five employees, small enterprises were for 5-29 employees, and medium enterprises were 30-99 employees.

This last definition appears to be the one that comes closest to the South African definition of SMMEs, although its cut-off points are lower in some instances. Its variance from the South African definition is not as wide as the previous definitions offered. Also, in terms of the upper limit of an SMME (fewer than 100 employees) it is not different from the UNIDO definition of an SMME in developing countries (see Table 2.1). Moreover, SMMEs need not have the same definition in different countries for a cross-country comparison (see Simpson et al. 2012:268). For the purpose of this study, therefore, an SMME in Ghana is defined as a business employing fewer than 100 full-time workers.

2.9 PERFORMANCE MEASUREMENT IN SMMEs

So far, the discussion has shown that SMMEs at the individual level are small compared to large firms; however, their nimbleness and prevalence in the economy enable them to contribute significantly to economic development worldwide compared to their large counterparts. Nonetheless, the enormous contribution that SMMEs make at the macro level depends largely on what happens within them (see Simpson et al. 2012). This section explores the performance indicators within SMMEs that eventually culminate in their contribution to the economy. An understanding of the indicators makes it possible to later relate them to the measures of BSR to articulate a conceptual framework for the study (in Chapter 3).

2.9.1 Defining Performance

Performance is a firm's ability to achieve certain results based on given comparable criteria compared with the results of other firms, which can be expressed in positive values

(Kocmanova et al. 2012:655). This shows that performance is always judged in relation to a standard. First, it can be judged against the firm's own targets (criteria) or against the performance of peers (results of other firms). Second, it can be judged against a combination of the firm's own targets and the results of peers. In addition to this, the ending part of the definition suggests that performance connotes improvement (positive values) even though negative performance can be found. Businesses are established to maximise the wealth of the owners (Vijayakumar, 2011:22; Afrifa, 2013:108), and the expectation is for them to continually register positive results rather than negative.

A broader definition of performance views it as "output results and their outcomes obtained from processes, products, and services that permit evaluation and comparison relative to goals, standards, past results and other organisations. Performance can be expressed in non-financial and financial terms" (Phihlela et al. 2012:2). This definition suggests that the factors determining performance are system-wide and that the elements of performance are both financial and non-financial in nature, which according to Bezdrob and Car (2012:80), leads to the balanced methods of performance measurement or the performance management system (PMS) approach to performance measurement (Simpson et al. 2012:275). The second definition corroborates the first definition's position that performance is always judged by a standard; furthermore, performance is based not only on past results but also on expected results (goals).

While these two definitions are in no way exhaustive, they do serve as useful examples of the tendency for researchers to adopt a narrow or broad view with respect to performance measurement (Bezdrob & Car, 2012:81). The view they adopt at a time depends on what they consider the most important elements of performance.

2.9.2 Approaches to Performance Measurement

Two approaches to performance measurement depend on the purpose and definition applied by the researcher (Simpson et al. 2012:275). The first approach leads to a

performance management system (PMS) and emanates from the understanding that performance is multi-dimensional, affects all stakeholders, and has both short- and long-term perspectives to it (Kocmanova et al. 2012:656). As a result, it uses both financial and non-financial measures to assess performance. The Balanced Score Card method (Kaplan & Norton 1992, 1996), the Dynamic Performance Management System (Laitinien, 1996), the System of Organisational Performance Measurement (Chennel et al. 2000), and Measuring Performance of SMMEs (Chong, 2008) are examples of this approach to performance measurement. In the Balanced Score Card Method, for instance, the object of measurement is divided into four groups of factors: financial, customer, internal process, and learning and growth (Phihlela et al. 2012:3; Sinisammal et al. 2012:30). The aim of this division is to ensure that performance measurement is focused equally on all factors that affect the firm's success. In fact, different multi-dimensional systems may emphasise different types of elements and indicators, but all of them include both financial and non-financial measures (Bezdrob & Car, 2012:81).

The second approach to performance management is characterised by the use of statistics to isolate factors that supposedly contribute to organisational success and is often referred to as success factor research. Despite its narrow scope in relation to the first approach, the second approach tends to be used by most researchers with financial performance and business growth being the main measures of performance (Simpson et al. 2012:276). This could be because this performance measurement originally focused on financial measures only (Bezdrob & Car, 2012:80) and some organisations, especially SMMEs, find multi-dimensional approaches challenging to implement (Hanif & Manarvi, 2009; Budiarto, 2014:16). Indeed, Marjanovic, Sarkocevic, Misic, and Stojcetovic (2014:700) add that, "Most [SMMEs] access to performance measurement can be regarded as one-dimensional, since the focus is exclusively on the financial and operational sphere of business eventually".

2.9.3 Indicators of Performance in SMMEs

Indicators of performance are the specific measurable criteria that enable judgment to be made on the extent to which a dimension or an element of performance has been achieved. Table 2.3 identifies some indicators of SMME performance that have been suggested by some researchers.

Table 2.3: Financial and Non-Financial Indicators from Selected Works

Indicator	Dimension	Source
Profits; sales; employment; owners' wealth maximisation	Financial	Chimucheka (2013:789)
Sales growth; employment growth; market value growth	Financial	Barreira (2004:27)
Revenue; profit; growth rate; market share; liquidity; solvency; customer satisfaction; product quality; flexibility; innovation	Financial & Non-Financial	Marjanovic et al. (2014:702)
Quality; cycle time; productivity; customer satisfaction	Non-financial	Budiarto (2014:16)
Time; quality; flexibility; finance; customer satisfaction; human resources	Financial & Non-Financial	Phihlela et al. 2012:4
Image/reputation; operating costs; employee commitment; customer satisfaction; profits; improved products	Financial & Non-Financial	Gadenne, Kennedy & McKeiver (2008:46)

Table 2.3 shows that profits and sales/revenue tend to emerge as key financial indicators in the sources cited, while customer satisfaction, quality/product quality/improved product, and employee commitment/productivity/human resources appear to be cited often as indicators of non-financial performance. The terms and phrases "quality", "product quality", and "improved product" might not always mean the same thing, but they are closely related, depending on the level from which they are being viewed. "Quality" may be system-wide, whereas "product quality" and "improved product" are specific to products. The same applies to "employee commitment", "productivity", and "human

resources". While "human resources" may be viewed as system-wide, "employee commitment" and "productivity" appear to be more specific to the individual than to the whole organisation. Regardless of the nomenclature and what exactly these two sets of indicators intended to measure, they do show that quality and employee effort matter in the non-financial aspect of performance measurement.

The financial and non-financial indicators suggested by Gadenne, Kennedy, and McKeiver (2008:46) were suggested with BSR in mind. In other words, a firm's good environmental practices should lead to increased employee commitment, reduced operating costs, improved image/reputation, and increasing profits. Some of these indicators also overlap with those suggested by other researchers in Table 2.3. As this current study concerns BSR in SMMEs, Gadenne et al.'s (2008:46) indicators form the basis of selecting financial and non-financial indicators that match the various dimensions or elements of BSR (discussed in Chapter 3). The selected financial and non-financial indicators and the BSR dimension that supposedly influences them are shown in Table 2.4.

Table 2.4: Relevant Financial and Non-Financial Indicators for Current Study

Indicator	Financial/Non-Financial	Influencing BSR Dimension
Enhanced image	Non-Financial	Community
Increased sales	Financial	Customers
Greater worker productivity	Non-Financial	Employees
Low operating costs	Financial	Community/environment
Customer loyalty	Non-Financial	Customers
Increased employee attendance (proxy for employee commitment)	Non-Financial	Employees
Overall financial performance	Financial	All dimensions

From the perspective of the PMS approach to performance measurement, performance can be measured based not only on realised results but also from the perspective of

expected results (Phihlela et al. 2012:2). As a result, this study looks at these indicators as the expected and realised benefits that BSR is supposed to confer on SMMEs. This is articulated in the conceptual framework in Chapter 3.

2.10 CONCLUSION

The discussions in this chapter have shown that SMMEs—although categorised into one group—are heterogeneous in nature. However, what brings them together are their non-largeness, tendency to be resource-limited and heavily influenced by the persona of the owner-manager, and their nimbleness in decision-making. These key characteristics may appear to put SMMEs at a disadvantage compared to their large counterparts, but they are also the source of competitive advantage because of the informality and fluidity that these features tend to bring. As a result, SMMEs tend to be a good nurturing ground for entrepreneurs.

Nonetheless, the extent to which a firm will be entrepreneurial depends on the aspirations of the owner-manager, which are informed by the personal characteristics of that individual. Successful entrepreneurs are those whose personality traits enable them to deal effectively with ambiguity in the external environment to successfully exploit opportunities in ways that effect more economic development. This suggests that these entrepreneurs may also have the ability to handle the ambiguities surrounding BSR issues without necessarily sacrificing their profits. These issues are explored in the next chapter.

CHAPTER 3: BUSINESS SOCIAL RESPONSIBILITY IN SMMEs

3.1 INTRODUCTION

The previous chapter illustrated the personality traits entrepreneurs possess to identify and exploit opportunities despite the ambiguities in the external environment. The flexible organisational structure of SMMEs was found to enhance entrepreneurial activity in a way that makes SMMEs contribute substantially to economic development. This chapter explores the possibility that entrepreneurs can use their ingenuity to tap the opportunities that BSR presents in the SMME context.

3.2 BSR TERMINOLOGY

Much work has been done in the past few decades to explain both the concept of business social responsibility (Carroll & Shabana, 2010:87; Jelovac, 2012:22; Asif et al. 2013:8) and its place in business strategy and operations (Servaes & Tamayo, 2013:1045). However, a common ground in terms of nomenclature and definition of the concept remains elusive (Evans & Sawyer, 2010:434; Servaes & Tamayo, 2013:1046). This section explores the existing terminology and explains why BSR is the preferred acronym for this study.

3.2.1 Corporate Social Responsibility (CSR)

BSR is better known as corporate social responsibility (see, e.g., Fox, 2005; Luo & Bhattacharya, 2006; Besley & Ghatak, 2007; Evans & Sawyer, 2010; Lundgren, 2011; Servaes & Tamayo, 2013). This perhaps is because the harmful effects of large corporate firms on the environment and society drew public attention much earlier than did that of SMMEs (Prahalad & Hammond, 2002; Eweje, 2006; Russo & Perrini, 2009:208; Jelovac, 2012:22). Thus, the call for large or corporate firms to adopt a responsible approach to business led to the term “corporate social responsibility” (CSR), which has subsequently

been applied by some researchers to businesses regardless of size (Jenkins, 2004; Fuller & Tian, 2006; Williamson et al. 2006).

Some authors (e.g., Bowen, 1953; Caroll, 1979; 1991) have used the term “corporate social responsibilities”, which is the plural form of the original term. It appears this version of the term arises because these authors view each component of CSR as a social responsibility, and they come together to form the collective “corporate social responsibilities”. For instance, Bowen’s (1953) work was titled “Social Responsibilities of the Businessman” and Carroll’s 1979 and 1991 works, identified a hierarchy of four social responsibilities namely discretionary, ethical, legal, and economic.

Based on the age of these works, it appears that researchers viewed the various aspects of CSR as social responsibilities in their own right, whereas more recently, these aspects are viewed as various dimensions of one concept. Therefore, the singular form of CSR is more commonly used now. However, as small businesses are not small corporate firms (Singhal; 2013:78), it is erroneous to apply the term CSR to them as if they function in the same way that large corporate firms do.

3.2.2 Business Social Responsibility (BSR)

Some researchers (Seeletse & Ladzani; 2012:11459; Besser; 2012:130) have suggested “business social responsibility” (BSR) as an alternative term to CSR because the word “corporate” in CSR is more applicable to large firms (Evans & Sawyer; 2010:436). In their view, “BSR” accommodates firms of all sizes, and by doing so, it addresses the nuances inherent to differences in firm size. For the same reason, Avram and Kuhne (2008:465) also use the term “responsible business behaviour” (RBB), instead of CSR, in their work to develop a social responsibility framework for Austrian SMMEs. In their words, “Responsible business behaviour (RBB) describes a holistic, stakeholder-oriented approach for companies of all sizes and sectors, encouraging them to focus on ethical

and responsible issues linked to their core business" (Avram & Kuhne; 2008:465). Thus, BSR and RBB are suggested alternative acronyms that deal with the size bias that CSR brings to the social responsibility discourse. This study adopts "BSR" as its acronym of choice because compared to "RBB" it is easily traceable to the better known term "CSR".

3.3 THEORETICAL PERSPECTIVES ON BSR

The theoretical perspectives on BSR emanate from two opposing views about a business's objective: to maximise a single objective function or to optimise multiple objective functions (Hemingway & Maclagan, 2004; Barnett & Salomon, 2006:1102; Menz, 2010:118; Asif et al. 2013:8). Those who share the earlier view (e.g., Friedman, 1970; Lantos, 2002; Coelho et al. 2003; Crouch, 2006; Kitzmueller, 2008; Karnani, 2010) and the counter-arguments they have attracted have given rise to the economic perspective. In the same vein, those who share the latter view (e.g., Trivers, 1971, 1985; Guth et al. 1982; Fehr & Gachter, 2000, 2002; White, 2004; Kolodinsky et al. 2009), and the opposing arguments thereof, have given rise to the ethical perspective.

The ethical perspective is grounded in theories associated with the field of philosophy such as utilitarianism, communitarianism and altruism. Generally, these theories seek the overall welfare of the society based on shared moral values, concern for others, and doing what is right no matter what the consequences are. On the other hand, the focus of the economic perspective is on promoting the self-interest of an economic agent (i.e. maximising the wealth of the owner). Therefore, insofar as the ethical perspective does not seem to emphasise economic considerations, these two perspectives are mutually exclusive and do not overlap conceptually. However, the concept of corporate citizenship, which acknowledges social, economic, and political jurisdictions (Jelovac, 2012:24), brings them together (Windsor, 2006). This middle ground opens the door for a third perspective—the stakeholder perspective—which has similar connotations, but is far more useful for analysing SMMEs BSR (Jamali et al. 2009:359) than corporate citizenship, a term more relevant for large corporate firms. Thus, the stakeholder

perspective is a hybrid derived from the ethical and economic perspectives. These three perspectives are discussed in the sub-sections that follow.

3.3.1 Economic Perspective

At the heart of the economic perspective is the opposition by some neo-liberal economists to the concept of BSR (Besley & Ghatak, 2007:2; Lundgren, 2011:70). Overall, these opponents believe that firms' engagement in BSR is a deviation from the cardinal objective of pursuing the self-interest of the business owner, which is the driving force behind the free market (Menz, 2010:118). For instance, Friedman (1970) states, "the social responsibility of business is to increase its profits", while Karnani (2010) notes that "in cases where private profits and public interests are aligned, the idea of corporate social responsibility is irrelevant: companies that simply do everything they can to boost profits will end up increasing social welfare. In circumstances in which profits and social welfare are in direct opposition, an appeal to corporate social responsibility will almost always be ineffective because executives are unlikely to act voluntarily in the public interest and against shareholder interests". Indeed, Friedman (1970) refers to BSR as "pure and unadulterated socialism".

This opposition has elicited counter-arguments that have shaped the conceptualisation of BSR under the economic perspective (Carroll & Shabana, 2010:91). Four such counter-arguments are (1) the need to undertake BSR to curb negative effects of business on society (market failure); (2) adopting BSR for strategic or economic reasons; (3) the fact that businesses naturally tend to optimise multiple objectives (satisficing) rather than maximise a single utility function (shareholder value); and (4) the fact that the demands of the market tend to force SMMEs into BSR. These are explored further below.

3.3.1.1 Combating the Effects of Market Failure

Market failure arises when the activities of economic agents affect others who have not chosen to participate in those economic activities (Santos, 2009:17). For instance, the production activities of a firm could be polluting the source of drinking water of a community downstream, which is a social cost, or negative externality not factored into the cost structure of the firm (Lundgren, 2011:69). This leads to a situation where the profits that the firm derives not fully reflecting the entire cost of production because the community unwittingly bears the social cost or negative externality, while the firm absorbs only the private cost (accounting costs) directly associated with production. These types of situations dampen the arguments of the neo-liberal economists (Friedman, 1970; Lantos, 2002; Coelho et al. 2003; Crouch, 2006; Kitzmueller, 2008; Karnani, 2010) that view BSR as interference in the efficiency of the free market. On the contrary, the unintended negative effects of business prove that some moderation is needed in the market; the pursuit of self-interest by economic agents does not always lead to beneficial outcomes for society (Heal, 2005). Based on this, BSR is a means by which businesses can take a wider societal view of their activities in order to minimise their unintended negative effects on society (Kotchen & Moon, 2012).

While this argument for BSR appears to apply more to large firms because of its environmental leanings, it can be related in equal measure to SMMEs because the collective toll that the activities of SMMEs have on the environment could be substantial (Young, 2010:2; Yacob & Moorthy, 2012:104) and could outweigh the combined impact of large companies. As Morsing and Perrini (2009:2) aptly state, “the ‘smallness’ of the individual SME is not proportional to the collective ‘grandness’ of SMEs”. Moreover, SMMEs possess several organisational characteristics that could support the integration of BSR-related practices into core business functions (Baumann-Pauly et al. 2011:1).

3.3.1.2 Strategic Business Case

Another argument made for BSR under the economic perspective is for businesses to view BSR as an opportunity rather than a threat (Carroll & Shabana, 2010; Belu & Manescu, 2011; Calabrese et al. 2013). BSR becomes a threat only when it is a prescription handed down to businesses and not part of the firm's own strategy. In such a situation, BSR becomes a burden for a business because, if it is not internally developed, it can detract from the business's profitability. However, where a business views BSR as an opportunity and embeds it into its strategy, the benefits in the long-term can be enormous for it and society (Asif et al. 2013; Calabrese et al. 2013:50). Indeed, Jenkins (2009:24) refers to the strategic business case of BSR as "corporate social opportunities" (CSOs) that are waiting to be exploited by discerning businesses.

Hence, the strategic business case uses the same economic platform to counter the arguments of those who view BSR as a hindrance to the profit motive (Besley & Ghatak, 2007; Lundgren, 2011), and it shows that profit reasons are precisely the reason why businesses ought to take BSR seriously. For SMMEs that tend to be more locally focused and closer to their stakeholders (Fuller & Tian, 2006; Besser, 2012:130), the strategic business case might prove more useful (Avram & Kuhne, 2008:472). According to Jenkins (2009:21), numerous BSR opportunities present themselves to SMMEs, such as developing innovative products and services and exploiting niche markets.

3.3.1.3 Satisficing Behaviour of the Firm

The argument on the satisficing behaviour of the firm emanates from the large firm arena but also can be applied to SMME BSR in the sense that it portrays BSR as a notion that comes naturally to firms when they attempt to accommodate the interests of the various stakeholder groups in the organisation. This argument was first put forth by Simon (1955), who felt that no matter how well intentioned managers are, profit maximisation will not always be the outcome of the decisions they make because of the limited cognitive ability

that plagues all human beings. On the contrary, managers will tend to achieve satisfactory levels of the competing objectives of the various stakeholder groups (Menz, 2010: 119).

Mariss (1963) goes further, adding another dimension by challenging the assumption that the business manager will always pursue profit maximisation when, in fact, he or she is not the receiver of profits (i.e., owner of the business). Profit maximisation is based on the assumption that perfect competition exists in the market, which is not always—if ever—the case. Therefore, under conditions of less than perfect competition, it would not be worthwhile for the manager to pursue profit maximisation as the sole objective of the firm when profit does not belong to him or her. Thus, in addition to meeting the interests of the other stakeholder groups, the manager will also seek to meet his or her own interests when ownership is separate from management.

These two lines of thought form the foundation of the satisficing behaviour of the firm that positions the firm as an entity naturally predisposed to optimising multi-stakeholder goals rather than focusing entirely on maximizing owner's wealth (Menz, 2010: 119). This contradicts the position taken by the opponents of BSR that firms have no role to play in BSR. The tendency to sacrifice profits to meet the interests of the various stakeholder groups puts the firm on a BSR path even though firms may not have a BSR mind-set when they satisfice. Although Simon (1955) and Mariss (1963) focused their discussions on large firms, the principles are also relevant to SMMEs because SMMEs tend to be closer to their stakeholders (Jenkins, 2006; Turyakira et al. 2014:157) and could be addressing their concerns without having BSR in mind (Fox, 2005:6).

3.3.1.4 Market Exigencies

The last argument on the economic front is the view that BSR has come to stay and will only continue to gain ascendancy. From this position, it is argued that firms who do not quickly come to terms with this reality will eventually have to conform to the exigencies of

the market when they become part of global supply chains (Young, 2010:2; Klerkx et al. 2012:90). Indeed, this tends to be the situation for businesses in developing countries when they have to either form part of the supply chains of multinational companies (Jamali et al. 2009:355; Veenvliet et al. 2012:2) or export their goods to developed countries where high standards are continuously being set for BSR (UNIDO, 2002:4). Given that the overwhelming majority of businesses in developing countries are SMMEs (Ogunsiji & Kayode, 2010:192) that need to access markets in an increasingly globalised world, BSR could become an obstacle to their economic objectives if they do not integrate it into their activities. This makes another case for BSR.

3.3.2 Ethical Perspective

The ethical perspective of BSR is based on the notion that profit should not be the only motivating factor behind a business; after all, a business is situated in society and the welfare of society should equally concern it (Kolodinsky et al. 2009:167; Otubanjo, 2013:79). Therefore, a business should accept social responsibilities as an ethical obligation because it is the appropriate course of action (Garriga & Mele, 2004:53; Baldo, 2012:3).This perspective is largely based on two strands of arguments: altruism and voluntariness.

3.3.2.1 Altruistic Argument

The altruistic argument seeks to make businesses integrate BSR into their operations, not for profit purposes, but because it is the morally apt thing to do (Branco & Rodrigues, 2006:112; Menck & de Oliveira Filho, 2014:7). This argument condemns the excessive pursuit of self-interest and aims at directing businesses towards seeking the common interest of society. It is based on the Aristotelian stream of reasoning that when members of society focus on being good, there is general happiness for the entire society (Jost & Jost, 2009:253). Therefore, this argument aims to make businesses view themselves as members of society whose good BSR practices will contribute to the overall happiness of society.

The intrinsic satisfaction that a business derives from BSR, rather than any pecuniary benefits, is the focus of the altruistic argument (Klerkx et al. 2012:90). In this regard, the value system of the people at the centre of the business plays an important role in the extent to which the altruistic argument will hold (Branco & Rodrigues, 2006:112; Evans & Sawyer, 2010:436). Because the personality of the owner-manager tends to heavily influence the direction of SMMEs (Besser, 2012:130), they seem to be a good ground for virtuous owner-managers to pursue BSR based on altruistic reasons. Indeed, Jenkins (2009:25) found that SMME owner-managers in the UK were reluctant to 'boast' about their BSR activities "as they were undertaken for moral, not business reasons".

3.3.2.2 Voluntariness Argument

The voluntariness argument is related to the altruistic argument in the sense that, in both cases, firms are supposed to view BSR as a good thing to pursue. However, compared to the altruistic argument, the voluntariness argument is explicit in stressing that BSR should be based on the business's own volition rather than a compulsion from an external authority. According to Hyman (2013:1), "a certain thing is done voluntarily if, and only if, it is not done out of ignorance or compulsion". When businesses undertake BSR voluntarily, they reduce the need for an external authority to regulate the situation (Dhaliwal, Li, Tsang & Yang, 2011:62), thereby minimising any interference in the free working of the market; but the opposite could result if firms are not sensitive to BSR issues (Carroll & Shabana, 2010:89). The main point of departure between voluntariness and altruism is that voluntariness does not necessarily preclude the strategic business case of BSR, while altruism does (Klerkx et al. 2012:90).

3.3.3 Stakeholder Perspective

The stakeholder perspective popularised by Freeman (1984) is particularly useful for analysing SMME BSR (Jamali et al. 2009:359) because it goes beyond the traditional stakeholder group of employees, shareholders, customers, and suppliers to integrate

community and environmental concerns into the affairs of the business (Asif et al. 2013:8). Stakeholders affect and are affected by business organisations and, therefore, can be seen as imposing different responsibilities on them (Papasolomou et al. 2005). As a result, using stakeholder theory to analyse SMME BSR makes it possible to determine the extent to which these different responsibilities are being met. Essentially, this perspective turns attention to considerations beyond direct profit maximisation by suggesting that the needs of owners cannot be met without satisfying, to some extent, the needs of other stakeholders (Jamali, 2008:217).

However, the stakeholder perspective differs from the satisficing behaviour of the firm articulated under the economic perspective because it takes into account stakeholder groups beyond those traditionally known. Further, it explicitly aims at making businesses BSR-responsive, whereas the satisficing behaviour of the firm is only implicit in this respect. In addition, this perspective of BSR tends to provide an important point of departure for SMME BSR compared with BSR in large firms; SMMEs tend to forge peculiar relationships with specific stakeholders that tend to set their BSR practices on a path different from that of large firms (Jenkins, 2006; Evans & Sawyer, 2010:447; Jelovac, 2012:28). For example, because they tend to be more embedded in their stakeholder communities, the nature of doing business in SMMEs is largely personal. Consequently, they tend to act responsibly because their legitimacy with immediate stakeholders and the community is at stake in a far more direct and personal way than it is with major corporations (Besser, 2012:131).

Generally, the stakeholder perspective tends to be influenced by both the economic and ethical perspectives discussed earlier and, thus, splits along the lines of *instrumental* and *normative* stakeholder theory. *Instrumental stakeholder theory* is based on the strategic business case and assumes that the firm is an instrument of wealth creation, with BSR being a strategic business tool to promote economic objectives (Garriga & Mele, 2004:53). Along this line, Michelon, Boesso, and Kumar (2013:81) have found that when

a firm pursues BSR initiatives linked to stakeholder preferences and allocates resources to these initiatives strategically, firm performance improves in terms of market-based and accounting-based measures.

Normative stakeholder theory, on the other hand, delineates moral obligations toward stakeholders (Brickson, 2007), focusing on ethical requirements that cement the relationship between business and society (Garriga & Mele, 2004:60; Baldo, 2012:2). As SMMEs tend to be more responsive to issues affecting their immediate stakeholders and communities (Jenkins, 2006; Besser, 2012:131) and tend to undertake BSR for altruistic reasons (Jenkins, 2009:25), it appears that *normative stakeholder theory* applies more to them. The value of this approach to BSR lies in the fact that it gives SMMEs a sense of pride and could save costs, improve the image of the business, and build long-term value (Evans & Sawyer, 2010:446). Therefore, the normative approach to stakeholder management in the SMME context appears ultimately to bring the same benefits as instrumental stakeholder management. However, the benefits are both financial and non-financial in nature. For this reason, this study is conducted from the instrumental stakeholder perspective.

3.4 BSR TYPOLOGY

The literature reveals three types of BSR: voluntary, involuntary, and silent. These three types of BSR are discussed in the ensuing three sub-sections.

3.4.1 Voluntary BSR

Voluntary BSR is when a firm, aware of its social, environmental, and economic responsibilities, makes a conscious effort to integrate these into its operations and strategy (Fox, 2005:4; Reinhardt et al. 2008:14; Dhaliwal et al. 2011:60). From this perspective, the main feature of voluntary BSR appears to be that the firm sets its own standards of BSR conduct based on stakeholder concerns and attempts to regulate its

own behaviour. Voluntary BSR, therefore, seems to be about self-regulation rather than external regulation. In addition, this type of BSR tends to be associated more with large firms whose impact on the environment and society can be more visible (Dzansi, 2009:453).

3.4.2 Involuntary BSR

Involuntary BSR seems to occur when economic imperatives or exigencies of the market force a firm to engage in BSR. Here, firms have to adopt BSR practices to retain business with local or international clients (UNIDO, 2002:3; Fox, 2005:4; Young, 2010:2). Involuntary BSR tends to be associated with SMMEs who (1) have vertical (supply chain) relationships with large transnational corporations; (2) independently service international markets; and (3) service domestic markets or national value chains. In these scenarios, the business environment, rather than the overall social environment, imposes BSR on the firm (UNIDO, 2004:4).

3.4.3 Silent BSR

Silent BSR occurs especially among SMMEs when the moral conviction of its owner-manager causes the firm to exhibit a socially responsible behaviour in interaction with stakeholders without actually realising that it is undertaking BSR (Fox, 2005:6; UNIDO & Institute of Social and Ethical Responsibility, 2006:23; Dzansi & Pretorius, 2009:457). In such a situation, the owner-manager might not have been introduced to the concept of BSR as it exists in theory, but is just naturally buoyed by the moral conviction that ‘right is right’ and ‘wrong is wrong’ (UNIDO, 2008:6; Center for Corporate Social Responsibility Development, 2010:4). This type of BSR is usually associated with SMMEs in developing countries (UNIDO, 2008:4).

3.5 DEFINING BSR

The definitions of BSR are many and varied, which makes theory and methodology development a challenge (Waldman et al. 2006:824; Chughtai & Azeem, 2013). Dahlsrud (2006) identified as many as 37 definitions of BSR for the period from 1980 to 2003. Although this number of definitions is not exhaustive because of the method used in counting, it helps bring to the fore the varying dimensions that the definitions tend to have. According to Dahlsrud (2006:4), five dimensions emerge from the definitions: (1) environmental, (2) social, (3) economic, (4) stakeholder, and (5) voluntariness. However, the stakeholder, social, and economic dimensions scored the highest (above 85%) with the environmental dimension scoring the least (59%) when the five dimensions were ranked based on the number of times they were referred to in the literature (Dahlsrud, 2006:5). Waldman et al. (2006:833) similarly found that BSR has a multi-dimensional construct, but they conceptualised it to be composed of three broad dimensions: shareholders/owners, stakeholders, and community/state welfare. Examples of definitions emphasising the various dimensions can be found in Table 3.1.

Table 3.1: Some Definitions of BSR

Definition	Source
"obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our **society**"	Bowen (1953:6)
"an organisation's ethical duty, beyond its legal requirements and fiduciary obligation to **shareholders**, to sensitively consider and effectively manage its impact on its internal and external relationships and **environments**".	Kolodinsky et al. (2009:169)
"CSR is the commitment of a business to contribute to sustainable **economic** development, working with **employees**, their families, the local **community** and **society** at large to improve their quality of life"	World Business Council for Sustainable Development (2004)
"Sacrificing profits in the **social** interest".	Elhague (2005)
"Actions taken by firms with respect to their **employees**, **communities**, and the **environment** that go beyond what is legally required of a firm".	Barnea & Rubin (2010:71)
"A firm's commitment to operating in an **economically** sustainable manner while at the same time recognising the interests of its other **stakeholders** (**customers, employees**, business partners, local **communities, society** at large) over and above what the law prescribes"	Dzansi & Pretorius (2009:452)

Despite the variety in definitions, the foregoing shows that BSR is a multi-dimensional construct, which must be considered in deriving an operational definition for an empirical study. Considering the dimensions identified by Dahlsrud (2006) and Waldman et al. (2006), which essentially constitute stakeholder management to achieve social and

economic objectives, this study adopts a stakeholder approach to operationally define BSR. The definition is based on those offered by the World Business Council for Sustainable Development (2004) and Barnea and Rubin (2010:71) in Table 3.1. These two definitions together identify the key stakeholders for analysing SMME BSR (Munasinghe & Malkumari, 2012:169).

Based on these two definitions, the working definition of BSR for this study is: “Actions taken by firms with respect to their customers, employees, communities, and the environment that go beyond what is legally required and aimed at contributing to sustainable economic development”. As result, this study considers customer, employee, community, and environment issues as the primary dimensions of SMME BSR.

3.5.1 Customers

Firms act under an expectation that the attributes of the product or service they provide will meet the tastes and preferences of consumers so that demand is created for the product or service (Heinonen et al. 2010:532). Hence, as the basis of demand, customers expect quality, reliable, and fairly priced products whose terms and conditions are transparently stated. They also tend to be concerned by the methods that a business uses to make the product available to the market (Berndtros & Martensson, 2014). Where the customers’ expectations are met consistently in terms of product attributes and business processes, they become loyal towards the firm and its products (Khan, 2012:107).

According to Singhal (2013:79), customer loyalty plays a greater role in business success as markets become increasingly competitive. On the contrary, if a business uses unethical production, pricing, and distribution methods to deploy its products in the marketplace, customers eventually register their protest by switching to another firm (Menck & de Oliveira Filho, 2014:6).

3.5.2 Employees

"Employees are concerned about, contribute and react to the business's social consciousness and that the acts of social responsibility or irresponsibility on the part of an organisation can trickle down to affect employees' subsequent attitudes and behaviours" (Evans & Sawyer, 2010:435). Indeed, a firm's BSR initiatives increase the extent to which employees identify with the firm, which, in turn, influences employees' productivity and commitment to the firm (Kim et al. 2010; Singhal, 2013:77).

From their firm, employees expect to derive satisfaction from the promotion of their intellectual and physical well-being; the nature of leadership provided; the relationship between the organisation and other stakeholders; the characteristics of the work and the diversity of the workforce; and the wage and reward system in place (Longo et al. 2005; Papasolomou et al. 2005; Evans & Sawyer, 2010). In terms of physical and intellectual well-being, for instance, employees expect the organisation to ensure their health and safety much as it provides them with training and development opportunities while flexibility in content and hours are work characteristics they might expect from a socially responsible business (Berndtros & Martensson, 2014:9).

3.5.3 Community

According to Mcmillan and Chavis (1986:8), the term "community" has two uses that are not mutually exclusive. The first is the territorial or geographical notion of community, while the second use concerns the relational aspect (quality of human relationship) without reference to location. These characteristics of community make it possible for informal enforcement mechanisms to be employed to sanction dishonest behaviour (Kandori, 1992:63). Therefore, dishonest behaviour on the part of a business is liable to sanctions from the rest of the community even if it is by informal means, such as negative word of mouth.

The community is interested in the affairs of the business from a demand and supply perspective. From the demand side, the community is the first source of customers for the firm's products; from the supply side, it is the immediate source of labour. Generally, it is the expectation of the community that a firm acts as a "good citizen" in the local community by conducting business in ways that promote its well-being and remain respectful of its social norms. Supporting community clubs and organisations in cash, and in kind, allowing staff to volunteer in community work, and employing community members are some social responsibility activities that communities expect from businesses (Papasolomou et al. 2005; Berndtros & Martensson, 2014:6).

3.5.4 Environment

The environment is a collective resource of the general society. From it, individuals, communities, and businesses can extract natural resources for their economic activities (Beamon, 1999; Homer-Dixon, 1999; Srivastava 2007). The commonality of the environment to all stakeholders emphasises the point that businesses are part of a more widespread network, rather than being independent or stand-alone systems (Baldo, 2012:2). However, the uncontrolled pursuit of profit maximisation poses a threat to this situation as the harmful effects of business affect the environment (Hoffman, 2000; Rosen, 2001). Therefore, a socially responsible business adopts sustainable environmental practices in addition to addressing the other concerns of stakeholders (Yacob & Moorthy, 2012; Trump et al. 2013).

Environmental practices are activities aimed at, and undertaken by firms to reduce the impact of their operations, products, and services on the environment (Hoogendoorn et al. 2014:5). SMMEs, in particular, tend to be driven by financial motives (e.g., cost reduction); compliance (e.g., avoiding penalties from regulatory measures); and personal

motives (e.g., the values of the individual owner-manager) to implement environmental management activities (Yacob & Moorthy, 2012:105).

In line with the foregoing discussion, Longo et al. (2005), Papasolomou et al. (2005), and Evans and Sawyer (2010) have suggested indicators for measuring BSR under the four dimensions. This indicators are listed in Table 3.2.

Table 3.2: BSR Dimensions and Suggested Indicators

Dimension	Longo et al. 2005	Papasolomou et al. 2005	Evans & Sawyer 2010
Customers	Product quality; customer safety; consumer protection; transparency of product information	Consumer rights respected; quality products/services; truthful, honest & useful information; safe & appropriate products/services; avoid false & misleading advertising; disclose risks associated with products/services; avoid sales promotions that are deceptive/manipulative; avoid manipulating the availability of a product for exploitation purposes; avoid engagement in price fixing	Product pricing; product quality; positive personal relationships with customers; advice on products & after-sales follow-up; listening to feedback from customers
Employees	Health & safety at work; skills development; wellbeing & satisfaction; quality of work; social equity	Family friendly work environment; responsible human resource management; equitable reward & wage system; open & flexible communication; employee development; freedom of speech & right to voice concerns; child care support/paternity/maternity leave over & above law; employment diversity; dignified & fair treatment	Health, safety and general well-being; training & development opportunities; fairness in organisational decisions & actions; positive social relationships between organisation and community; diversity; approachable owner-manager; trust; strict but fair management style; flexibility in work content; flexibility in work hours; participation in decision-making; incentives & bonuses
Community	Creation of added value to community	Reciprocal relationships between firm & community; investment in community; community development activities; encourage employee participation in community projects	Act as “good citizen” in the local community; supporting community clubs & organisations in cash & in kind; allowing staff to volunteer in community work; employing community members
Environment	Environmental safety & protection	Commitment to sustainable development; commitment to the environment	Respectful of natural resources & the environment; assessing firm’s impact on the environment; recycling; energy efficiency; composting waste; waste disposal; keeping surroundings clean & tidy.

Several authors (Dzansi, 2004:187; Sweeney, 2009:170; Seeletse & Ladzani, 2012; Singhal, 2013; Otubanjo, 2013:83; Kamyabi et al. 2013:112) have similarly suggested dimensions and indicators for SMME BSR analysis that largely reflect those suggested in Table 3.2. In the next section, some works that have empirically measured SMME BSR

using some of these dimensions and indicators are discussed to prepare the ground for the conceptual framework of this current study.

3.6 MEASURING BSR IN SMMEs

The measurement of BSR remains a difficult task because researchers have yet to reach consensus regarding the validity of the various measures (Jackson & Apostolakou, 2009:373). Nevertheless, Dzansi (2004), Sweeney (2009), Kamyabi et al. (2013); Agbim et al. (2013), and Turyakira et al. (2014), in their respective works, have been able to empirically test the relationship between BSR and firm performance in the SMME context. Table 3.3 provides a summary of the variables involved in these works.

The table illustrates the growing trend for researchers to use the stakeholder approach to assess the relationship between BSR and firm performance in SMMEs. Financial performance appears to be the main measure of firm performance. However, Dzansi's (2004:205) construct measuring firm performance included a non-financial variable (improvement in employee attendance). On the other hand, Sweeney (2009:252) explicitly acknowledged the mediating role of some non-financial variables, but the other three works took an implicit view of such variables insofar as they ultimately reflect in financial measures. The mediating variables Sweeney (2009:252) considered were access to capital; ability to attract, motivate, and retain employees; attraction and loyalty of customers; social reputation; and business reputation. Whether through mediating variables or direct, Sweeney found a positive, but weak, relationship between BSR and financial performance. Dzansi (2004:205), for his part, found a mild relationship between employee practices and realised benefits with virtually no relationship between customer and community practices and realised benefits.

Table 3.3: Some Empirical Studies of BSR and Firm Performance in SMMEs

Dzansi (2004)	Sweeney (2009)	Turyakira et al. (2014)	Kamyabi et al. (2013)	Agbim et al. (2013)
		INDEPENDENT VARIABLE(S)		
Employee Issues	Employees	Workforce-oriented activities	Staff	Employee care
Customer Issues	Customers	Market-oriented activities	Customers	Customer care
Community Issues	Community	Society-oriented activities	Community	Community care
None	Environment	Environmentally oriented activities	Environment	Environmental Protection
		DEPENDENT VARIABLE(S)		
Financial and non-financial performance *(defined as sales growth, overall financial performance, and improved employee attendance). P.205*	Financial performance (with five mediating variables)	Increased competitiveness *(defined as a business's ability to sustain its long-term performance better than its competitors do in the market as indicated by profitability, market share, sales, and growth rate).* Page 162	Financial performance *(measured by profitability, sales growth, return on assets, and cash flow)* page 112	Entrepreneurial success *(measured using the extent to which customers, employees, and communities were satisfied with SMMEs' BSR activities).* page 59
		KEY FINDINGS		
Mild relationship between employee practices and realised benefits; Virtually no relationship between customer and community practices and realised benefits (p. 205)	A mild positive relationship between BSR and financial performance mediating for five variables (p. 254) A weak positive relation with no mediating variables (p. 242)	All BSR activities except environmentally oriented activities have a positive influence on increased competitiveness. Environmental activities have no significant relationship.	There is a significant relationship between all BSR activities and firm performance.	Customer care and employee care are significantly related to all measures of entrepreneurial success whereas environmental protection and community are not related to any measure of entrepreneurial success.

3.7 CONCEPTUAL FRAMEWORK

Based on the literature, the conceptual framework or analytical model for this current study is presented in Figure 3.1.

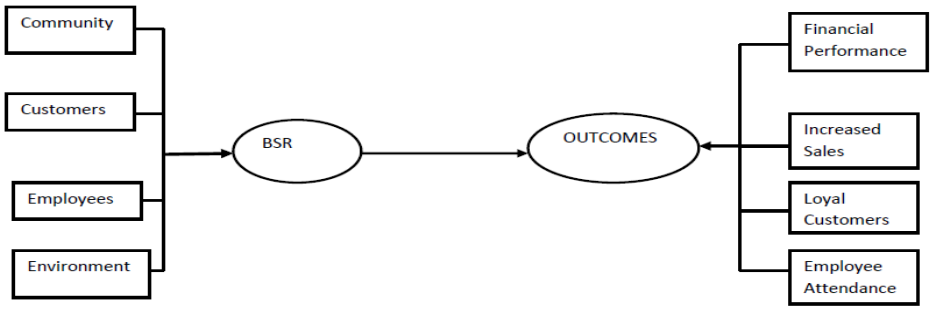

Figure 3.1: Analytical Model

In line with instrumental stakeholder theory, the model expects an SMME's community, customer, employee, and environmental BSR activities to lead to financial and non-financial outcomes (overall financial performance, increased sales, loyal customers, and increased employee attendance).

3.8 CONCLUSION

In conclusion, the emerging trend in the literature is for researchers to use the stakeholder theory to test the relationship between BSR activities and firm performance in the SMME context. BSR activities examined are those surrounding employees, customers, community, and environment. In general, there tends to be a significant positive relationship between some of the BSR variables and firm performance, which is not always strong. Even though this seems to confirm that a business opportunity exists in BSR for SMMEs (see, e.g., Jenkins, 2009), it appears that the opportunities either have not been fully accessed or have been inadequately measured.

After understanding the variables involved in Chapter 2 and Chapter 3, the next chapter describes a methodology for measuring the relationship that exists between BSR and firm performance using a Ghanaian and a South African sample.

CHAPTER 4: METHODOLOGY

4.1 INTRODUCTION

Chapter 1 gave an indication of the methodology employed. According to Welman et al. (2005:2), research methodology considers and explains the logic behind research methods and techniques. In line with this reasoning, this chapter explains the logic behind the methods and techniques used to conduct this research after the last two chapters provided the theoretical and conceptual perspectives that culminated in a conceptual framework at the end of Chapter 3. Broadly, it covers the philosophical positions (ontology and epistemology) adopted by the research, the research design, the procedures used to acquire knowledge, and the type of data collected and analysed.

4.2 RESEARCH PHILOSOPHY

Whether in the natural sciences or social sciences, research philosophy is important for three reasons: it helps the researcher understand (1) which designs are available to him or her, (2) which of the available designs are appropriate for his or her work, and (3) identify and even create, designs that may be outside of his or her past experience. Therefore, if a researcher fails to ponder over the philosophical issues prior to undertaking the research, the quality thereof stands to suffer (Easterby-Smith et al. 2007:27).

Research philosophy in social science relates to the nature of knowledge and the development of that knowledge in the social world. Hence, it embodies assumptions about how one observes or views the social world. This, in a nutshell, means that research philosophy involves thinking about ontology and epistemology which play a paramount role in the design and methods that the researcher will employ (Bahari, 2010:18).

4.2.1 Ontology

Ontology is the image of social reality upon which a theory is based (Grix, 2002:177). Also referred to as worldview in the domain of research, ontology is the researcher's philosophical perspective on the nature of reality or truth that he or she brings to bear on the research (Creswell, 2014:5). If the researcher shares the view that social entities are objective entities that have reality or truth external to social actors, then *objectivism* is the ontological consideration, or worldview, of the researcher. On the other hand, if the researcher considers reality or the truth to be social constructions built from the perceptions and actions of social actors, then *constructivism* is his or her ontology (Bryman & Bell, 2011:20). According to Grix (2002:177), ontology is the determinant of which epistemological and methodological positions will be adopted.

This study is conducted from an objectivist perspective where the truth or what constitutes knowledge is seen as external to individual owner-managers of SMMEs. Therefore, commonalities in the truths or information elicited from owner-managers using a structured approach were considered more trustworthy than their individual meanings and perceptions.

4.2.2 Epistemology

Epistemology is how justifiable knowledge can be generated based on the ontological perspective adopted (Taylor et al. 2012). Thus, it is the vehicle to the nature of reality embedded in the ontology. According to Bracken (2010), the social sciences historically inherited their epistemological orientation of *positivism* from the scientific research methods associated with the physical sciences. Positivism is grounded in the ontology of objectivism (Bracken, 2010). It is referred to as *positivism* when the epistemological position advocates the strict application of the methods of the natural sciences to the study of social reality (Bryman & Bell, 2011:15; Kumar, 2014:30). When the epistemological position considers that social reality cannot be strictly subjected to the

methods of the natural sciences because of the human element, it is known as *post-positivism* (Reed, 2010:26-27). Indeed, post-positivism itself evolved from *anti-positivism* which is the earlier counter philosophy used to challenge the notion that social explanations can be derived using methods and procedures of the natural sciences.

Anti-positivism affirms the subjectivity of society and sees social actors as having different perspectives that are shaped by their concepts, ideas, language and how they perceive the social world – such that these perspectives cannot be expressed quantitatively. It also refutes the positivist assertion that social behaviour can be governed by causal law. Hence, it focuses on an interpretative understanding of social phenomena rather than a numerical derivation of social explanations thereof (Buddharaksa, 2010; Dogan, 2013). However, the subsequent realisation that some of the principles of positivism do apply in the social realm, led to the metamorphosis of anti-positivism into post-positivism. Post-positivists believe that a reality exists outside of social actors, like positivists do, though they hold that it can only be known imperfectly or probabilistically. Therefore, they apply the positivist methods while taking the anti-positivist concerns into consideration (Creswell, 2014:7).

Given that this study sought to investigate a social phemenon (BSR) on a large scale, it adopted *post-positivism* as its epistemology. This is because where large scale patterns are a desired outcome in investigating a social phemenon, a quantitative approach ought to be adopted (Bryman et al. 2014:51). In social sciences, quantitative research emanates from *post-positivism* (Creswell, 2014:18). Further, Taylor et al. (2012) add that *post-positivism* has a hypothetico-deductive logic comprising three logics: propositional, deductive, and analytical. These logics were useful in this study when propositions/research questions were reduced to hypotheses based on the stakeholder theory. Data was then collected and analysed to test the hypotheses in order to reach conclusions on the extent to which the stakeholder theory applies to the two samples of

SMMEs from South Africa and Ghana. Therefore, this study has a post-positivist orientation.

4.3 RESEARCH DESIGN

The preceding section described the philosophical orientation of this research. In that section, it was shown that the type of truth being elicited requires the adoption of an objectivist stance for this study. As such, a quantitative approach was employed to collect and analyse data. This implies that only two research designs were available for data collection and analysis in this study, namely: experimental and non-experimental (survey) designs (Creswell, 2014:12). Experimental research seeks to determine if a specific treatment or intervention influences an outcome, which is clearly not what this study is about. Instead, this study is about eliciting commonalities in the truth concerning BSR from the mass of SMME owners and managers in South Africa and Ghana. Therefore survey design was found to be more appropriate. Hence the study took the form of a cross-sectional survey with data collected at one point in time.

Survey research is a systematic data collection methodology in which samples are drawn, respondents are interviewed, and data analysed (Lee et al. 2011:87) so that inferences can be made about some characteristic, attitude, or behaviour of a population (Creswell, 2014:15). A survey design was the preferred procedure for data collection in this study because it enables the researcher to identify the attributes of a large population from a small group of individuals at a considerably low cost with a rapid turnaround time (Fowler, 2009). The survey instrument consists of asking questions of a representative cross-section of the population. The survey can be mailed to respondents, conducted over the phone or electronically, or a face-to-face meeting with the respondent (Sweeney, 2009:118).

In this study, data were collected by means of a questionnaire, which was largely administered (face-to-face) by trained enumerators. The aim was to ensure that the majority of the participants responded to the questionnaires in much the same way that they could seek clarification on items they did not understand from the enumerators, thereby minimising questionnaire errors.

4.3.1 Strengths and Weaknesses of Face-to-Face Survey

Compared to self-administered survey methods such as computer-assisted and postal surveys, the first advantage of a face-to-face survey is the opportunity for respondents to seek clarification from enumerators if they are having difficulty answering a question . In addition, the likelihood of missing data is reduced because of the supervision and prompting by enumerators (Richardson & Lawton, 2011:9). Furthermore, response bias is minimised because of the greater likelihood that the right person answered the questionnaire in a face-to-face survey. In a survey of CEOs and senior managers, Lerner and Fryxell (1994) found that the greatest response bias is the possibility that someone other than the CEO may respond to the survey. Unlike the recipient of a postal questionnaire, there is control over the sequence in which the participant of a face-to-face interview answers the questions, as he cannot examine all the questions prior to answering them (Proctor, 2003).

Lastly, the face-to-face method brings about a higher response rate compared to other survey methods (Richardson & Lawton, 2011:9). Owing to the lower response rates associated with SMME research in general (Spence & Lozano, 2000) and the fact that most SMMEs in developing countries make minimal use of information and communication technology (Vrgovic et al. 2012:293), face-to-face survey method may be necessary for increasing response rates in a survey conducted among SMMEs in a developing country.

Nonetheless, disadvantages are inherent to this method of data collection as well. While the presence of an interviewer helps improve response rate, it can also introduce interviewer bias (Bryman & Bell, 2011:225; Krumpal, 2013:2034). Assurance of anonymity to respondents is reduced, which can increase participants' reluctance to reveal personal habits and feelings (Mirzazadeh et al. 2012). Moreover, the presence of an interviewer introduces greater cost in conducting surveys (Proctor, 2003).

Despite its weaknesses, face-to-face interviewing was found to be the most appropriate survey method for this study because response rates tend to be low when other means are used to survey SMMEs (Spence & Lozano, 2000)—particularly so in a developing country context. Closed-ended questions, rather than open-ended questions, were used to minimise interviewer bias in terms of the way questions were asked and recorded (Bryman & Bell, 2011:202). Reduction in anonymity was compensated for by the accuracy in responses that the prompting and supervision of an interviewer generates. According to Lelkes, Krosnick, Marx, Judd, and Park (2012:1291), even though complete anonymity is presumed to minimise social desirability pressures, it can remove any sense of accountability for one's answers, thus reducing participant motivation to provide accurate answers.

4.4 POPULATION AND SAMPLING

The population of this research is all SMMEs in the Free State and Northern Cape Provinces of South Africa and the Greater Accra Region of Ghana. South Africa has nine provinces and Ghana, ten regions. Ideally, a nationwide study should have been conducted, but this would have meant drawing samples of SMMEs across the various regions or provinces of each country. Time and financial constraints prohibited such an exhaustive process; therefore, the study focused on drawing samples from specific regions or provinces in the two countries.

According to Welman et al. (2005:70), determining sample size involves compromise between the accuracy of findings and the amount of time and resources invested in collecting, checking, and analysing the data. This compromise is governed by the types of analysis the researcher seeks to undertake, the confidence that he or she needs to have in the data, the margin of error he or she can tolerate, and the size of the population from which the sample is being drawn.

There are about ten sampling techniques, which can be categorised into probability sampling and non-probability sampling techniques. Non-probability sampling techniques are employed when there is no intention to generalise the findings of the research from the sample to the population. On the other hand, the use of a probability sampling technique indicates the intention to generalise from the sample to the population. Since this study seeks to achieve some generalisations – albeit in the long term – probability sampling was found to be a better alternative than non-probability sampling. Examples of probability sampling techniques are: simple random, stratified random, systematic and cluster sampling.

Cluster sampling is appropriate for situations where it is difficult, if not impossible, to obtain lists of all members of the population (Welman et al. 2005:65; Kumar, 2014:240; Creswell, 2014:158) such as the situation that this research found itself in. It was difficult to ascertain the exact numbers of SMMEs in either country because the Small Enterprises Development Agency (SEDA) of South Africa and the National Board of Small Scale Industries (NBSSI) of Ghana indicate that there are many more SMMEs outside their databases.

With cluster sampling, the first stage of the sampling procedure is not the units of the population to be sampled but groupings (clusters) of those units after which selected members of the groupings or clusters will constitute the sample (Bryman & Bell,

2011:182). The selected members of the clusters can be a random sample or a stratified random sample. In this study, the Mangaung Metropolitan Municipality (Free State Province) and Sol Plaatjies Municipality (Northern Cape Province) were the clusters drawn from the municipalities in the Free State and Northern Cape provinces in South Africa; the Accra Metropolis and Ashaiman Municipality were the corresponding clusters from the Greater Accra Region in Ghana. From these clusters, sampling frames were drawn and potential respondents were randomly selected. This sampling method made it possible to target 400 SMMEs in the Mangaung-Sol Plaatjies area of South Africa and 350 SMMEs in the Accra-Ashaiman area of Ghana. For this type of study, a sample size of 300 is deemed ideal, with any sample size above 200 being good enough to keep the margin of error within reasonable limits (Sweeney, 2009:189).

4.5 INSTRUMENTATION

Dzansi (2004) had previously developed an instrument for measuring BSR in SMMEs in the African context, which was subsequently validated by Dzansi and Pretorius (2009). Given that the instrument in both studies was found to be valid, reliable, and relevant to this study, it was adopted with some modifications. Dzansi granted permission for the instrument to be modified for this study. Upon consultation with him, environmental activities were included as one of the dimensions of BSR. In addition, reasons for undertaking BSR, obstacles to SMMEs' BSR performance, and importance of BSR issues (dimensions) to SMMEs were added to the questionnaire. These modifications reflect the nature of research questions this study is seeking to answer. The resulting modified instrument was a Likert-type questionnaire divided into 11 sections. (See Appendix A for modified questionnaire).

4.5.1 Sections in the Questionnaire

The 11 sections of the questionnaire are employee issues, customer issues, environmental issues, community issues, awareness, reasons, obstacles, expected

benefits, realised benefits, demographic data, and financial matters. Each section is described in more detail below.

Section 1, Employee Issues: This section contained six items, Questions 1 to 6 (Q1 to Q6), and respondents were asked to indicate the extent to which their businesses engage in certain key BSR activities in relation to their employees on a five-point Likert-type scale ranging from “Not at all” (1) to “To a great extent” (5).

Section 2, Customer Issues: The seven items in this section (Q7 to Q13) sought to measure the extent to which SMMEs undertook customer-related BSR activities. Again, respondents were asked to answer on a five-point Likert-type scale ranging from “Not at all” (1) to “To a great extent” (5).

Section 3, Environmental Issues: Nine items in this section (Q14 to Q15, Q16.1 to Q16.7) sought responses concerning the extent to which respondents thought their firms carried out environmental activities on a five-point Likert-type scale ranging from “Not at all” (1) to “To a great extent” (5).

Section 4, Community Issues: On the five-point scale ranging from “Not at all” (1) to “To a great extent” (5), the nine items in this section (Q17.1 to Q17.6, Q18 to Q20) asked respondents to indicate the extent to which their firms engage in community activities.

Section 5, Awareness: The awareness levels of SMMEs with respect to BSR matters were tested with three items (Q21 to Q23) in this section. Respondents were asked to indicate their agreement or disagreement on a five-point scale ranging from “Strongly disagree” (1) to “Strongly agree” (5) in response to three statements.

Section 6, Reasons: In this section, four reasons for undertaking BSR activities extracted from the literature were presented to respondents for ranking as “most important” (1) to “least important” (4). The reasons listed were responding to social causes because it is the morally right thing to do (Q24.1), responding to social causes simply because “everybody is doing it” (24.2), contributing to social causes because it will boost profits (24.3), and responding to social causes simply to meet legal requirements (24.4).

Section 7, Obstacles: Five items (Q25 to Q29)—lack of technology, lack of expertise, financial constraints, little understanding of how pursuing social causes will benefit the company, and lack of time—were presented to respondents as possible obstacles to SMME BSR in this section. On the five-point scale ranging from “Not at all” (1) to “To a great extent” (5), they were to indicate the extent to which these items hindered their BSR efforts.

Section 8, Expected Benefits: Using the five-point Likert-type scale ranging from “Strongly disagree” (1) to “Strongly agree” (5), the five items in this section (Q30 to Q34) asked respondents to indicate the degree to which they agreed or disagreed that a firm that engages in socially responsible activities is more likely to derive: enhanced company image, increased sales, greater worker productivity, low operating costs and penalties, and increased customer loyalty.

Section 9, Realised Benefits: This section elicited information on the actual benefits that SMMEs have derived over the last three to five years. The five-point scale ranging from “Not at all” (1) to “To a great extent” (5) was again applied to determine the extent to which SMMEs experienced improvements in the following indicators: employee attendance (Q35), sales (Q36), overall financial performance (Q37), and customer loyalty (Q38).

Section 10, Demographic Data: This section contained seven items (Q39 to Q45, Q48) that elicited responses on the demographic data of respondents and their businesses.

Section 11, Financial Matters: In this section, three items were employed to seek information on the financial matters of SMMEs. These items (Q46 and Q47) sought to determine SMMEs' financial performance over the past three to five years in terms of average per year sales growth and average per year profit growth. The third question (Q49) sought to determine the percentage of pre-tax profit that SMMEs spend annually on social causes.

4.5.2 Pre-testing the Questionnaire

After constructing the research instrument, a researcher must test it before using it for the actual data collection (Kumar, 2014:191). Pre-testing often identifies problems in wording, questionnaire format, and other areas that have a profound impact on the validity of the findings (Davis, 2005:219). According to de Vaus (2002:114), even those questions that were extracted from previous questionnaires should be tested to ensure that they are relevant to the context of the current study. At the very least, one should have friends or colleagues read over a questionnaire before it is administered (Hussey & Hussey, 1997). However, it is best to pre-test the questionnaire under actual field conditions on a group of people similar to the study population (Kumar, 2014:191).

Once the questionnaire was developed in consonance with related literature, it was peer-reviewed by academic colleagues and promoters who have previously undergone the process of survey planning, execution, and analysis. This process ensured that only relevant items were included in the questionnaire. The comments and suggestions received were used to improve the instrument for an actual field test on selected respondents in South Africa and Ghana before the execution of the actual survey.

A pre-testing of the questionnaire was undertaken in Ghana in December 2011 and in South Africa in March 2012. Questionnaires were distributed to 30 SMMEs in the Ga East Municipality in the Greater Accra Region of Ghana and a similar number in the Botshabelo industrial area in the Free State Province in South Africa. The following findings and strategies emerged from the pre-testing in both countries.

- Three items (Q16.6, Q24.1, and Q26) were found confusing by respondents in their original forms and were therefore revised prior to the administration of the final questionnaire. For instance, item 16.6 (Q16.6) that read “Land reclamation/regeneration after an extractive activity” was revised to “Land reclamation after an extractive activity”. In terms of item 24.1 (Q24.1) the phrase “right thing to do” was revised to read “morally right thing to do”, while the statement “Lack of expertise or training” in item 26 (Q26) was revised to “Lack of expertise”. These revisions addressed the concerns raised by respondents on those questions.
- Response rates were far lower in cases where questionnaires were left for self-completion than if administered by an enumerator. Therefore, the decision was made to employ the services of trained enumerators to administer the questionnaires.
- In instances where respondents had to rank their preferences for items (e.g., Q24.1 to Q24.4), they sometimes confused the ranking scale with the five-point Likert-type scale and thus could not indicate their preferences logically. To overcome this challenge, a special note on how to rank preferences versus answering on the five-point scale was included in the letter accompanying the questionnaire. This special note included an example of how to rank preferences. In addition, this note was highlighted during the training of the enumerators to minimise errors in this regard.
- To the question, “What type of business are you engaged in?” (Q39 under Demographic Data) “Construction,” which fell under the “Other” category, received

far more counts than the “Education” option. As a result, “Construction” replaced “Education” on the final questionnaire.

4.6 ASSURANCE OF CREDIBILITY

For the findings of a study to be credible, it must be both valid and reliable (Davis, 2005:184). Validity is the degree to which the research findings accurately represent what is really happening in the situation, while reliability relates to the consistency of the findings. An effect or test is valid if it measures what the researcher thinks or claims it does (Welman et al. 2005:142; Creswell, 2014:160; Kumar, 2014:216). However, the credibility of findings can be undermined by errors in the research process. In the framework of total survey error, sampling and non-sampling errors are two classes of error that can bias survey findings (Krumpal, 2013:2028) and compromise the reliability and validity of a study (Biemer, 2010a:818; Podsakoff et al. 2012:542).

Sampling error arises solely because of drawing a probability sample rather than surveying the entire population. Non-sampling error, on the other hand, is associated with data collection and processing procedures (Banda, 2003:3). Non-sampling error comprises specification error, coverage error, non-response error, measurement error, and processing error (Banda, 2003:5; Lee et al. 2011:88). In the total survey error framework, it is important to identify the major sources of error so that efforts can be made to reduce them to the extent possible (Biemer, 2010a:818).

4.6.1 Reducing Sampling Error

Despite the best efforts of the researcher, it is impossible to select a sample that perfectly represents the population (Welman et al. 2005:74). The best way to minimise sampling error is to employ larger random samples (Senecal & Fink, 2014:146) while controlling for other sources of survey error (Lee et al. 2011:90). This current study employed a sample

size of above 200 that, according to Sweeney (2009:137), is a relatively large size for the type of study.

4.6.2 Reducing Specification Error

A specification error occurs when the concept implied by the survey question differs from the concept that the survey intends to measure (Banda, 2003:5). This leads to the wrong parameter being estimated, which could lead to invalid inferences (Biemer, 2010a:822). Specification error has a bearing on item validity (Biemer, 2010b:31). Therefore, by virtue of Davis's (2005:185) definition that content validity is the degree to which scale items represent the domain of the concept under the study, minimising specification error implies increasing content validity. To ensure content validity, Davis (2005:185) suggests the following procedures:

- Conduct an exhaustive search of the literature for all possible items to be included in the scale;
- Solicit expert opinion on the inclusion of items;
- Pre-test the scale on a set of respondents similar to the population to be studied; and
- Modify as necessary.

The ensuing sub-sections and, particularly, the section on content validity below (Section 4.7.8) elaborate how these measures were applied to achieve content validity.

4.6.3 Minimising Coverage Error

Coverage error, otherwise known as sampling bias (Krumpal, 2013:2029), occurs when a sampling frame is not comprehensive, is inaccurate, or suffers from some kind of similar deficiency wherein the sample drawn does not fully represent the total population, even if a random sampling method is employed (Bryman & Bell, 2011:177). This results in selection bias, leading to generalisability issues (Lee et al. 2011:88). The most effective

way to reduce coverage error is to improve the frame by excluding erroneous units and duplicates and updating the frame through field work to identify units missing from the frame (Banda, 2003:7). These measures were applied in this study. Sampling frames obtained from business associations were updated through field work after which multi-stage random sampling was applied to select units for interview.

4.6.4 Minimising Non-Response Error

Non-response error occurs when there are systematic differences in responses between the entire sample and the actual respondent subset of the sample (Krumpal, 2013:2029). Enhancing response rates is generally considered a good strategy to minimise this type of error (Fowler, 2009). This study employed the service of trained enumerators to increase response rate.

4.6.5 Reducing Measurement Error

The sources of measurement error are many, including interviewer, respondent, questionnaire, and question wording. In face-to-face and telephone surveys, an interviewer can inadvertently influence respondents to answer in a certain direction, generating interviewer variance in which average responses to a particular variable differ across interviewers (Tourangeau et al. 2000). Emotional stability and a tendency towards introversion on the part of the interviewer seem to minimise this error (Jackle et al. 2013:3). The standardization of both the asking of questions and the recording of answers is a further cure to this problem (Bryman & Bell, 2011:202). The training given to enumerators and the use of standardised questionnaires are deemed to have largely minimised interviewer error in this study.

Typical examples of measurement error attributable to respondents might include inaccurate answers to retrospective questions because of recall or retrieval problems, difficulty interpreting question meaning, or difficulty mapping responses onto the available

answer options (Golden, 1992; Tourangeau et al. 2000). Likewise, social desirability demands may systematically bias responses to some survey questions (Fisher 1993; Johnson & Van de Vijver, 2003). Poorly designed questionnaires that are ambiguous or overly complicated also make it difficult for respondents to comprehend and answer adequately (Holdbrook et al. 2006).

According to Podsakoff et al. (2012:551), increasing accuracy in respondents' answers can be done by keeping questions simple, specific, and concise; defining ambiguous or unfamiliar terms; and labelling every point on the response scale. The questionnaire for this study addressed these concerns. In addition, piloting and pre-testing the questionnaire and using questions from existing questionnaires helps minimise error associated with respondents (Bryman & Bell, 2011:262-3). In this study, a significant number of the questions came from Dzansi's (2004) instrument. In addition, the modified instrument for this study was pre-tested to check its accuracy in eliciting responses.

4.6.6 Minimising Processing Error

Processing error tends to arise in post-data collection procedures, such as data editing, weighting construction, and estimation procedures (Groves et al. 2004). Detailed discussion of how the data was edited and the statistical procedures adopted to analyse it can be found in the data analysis section (Section 4.10) of this chapter.

4.6.7 Social Desirability Bias

Social desirability bias arises when survey questions asking about sensitive matters cause respondents to under-report socially undesirable activities and over-report socially desirable ones (Krumpal, 2013:2025). According to Sweeney (2009:121), social desirability bias (SDB) poses a significant threat to the validity of BSR research. For instance, it can lead to spurious relationships between variables in regression analysis (Lee et al. 2011:89).

Two sub-dimensions of social desirability are often distinguished (Randall & Fernandes, 1991). One sub-dimension refers to social desirability as the natural tendency for some people to give socially desirable answers to maintain a positive self-image. A strong approval motive and an invariant desire to generate a positive image can reduce the respondent's willingness to disclose self-stigmatizing information (Krumpal, 2013:2028). Stocke and Hunkler (2007) refer to this as 'self-deception'. The second sub-dimension refers to social desirability as an item characteristic, considering various activities or attitudes to be more or less socially undesirable and thus relating perceived desirability of behaviour to particular items. Thus, effects of social desirability are strongly influenced by characteristics of a specific item (Groves, 1989). In this context, respondents may give socially desirable answers to gain social approval (Naher & Krumpal, 2012:1603). Paulhus (1984) refers to this as 'impression management'.

According to Naher and Krumpal (2012:1603), maintaining privacy during an interview is particularly important in determining the way the two sub-dimensions will play out. If the respondent's answers can be accessed by a third party, then response bias will take the form of *impression management*. If response bias persists in more anonymous survey modes, such as self-administered interviews, then socially desirable answers more likely arise from *self deception*.

Because *self-deception* is considered a relatively invariant personality trait, it may not be a contaminant of survey results per se, whereas *impression management* is the factor responsible for reducing data quality (Zebre & Paulhus, 1987). Randall and Fernandes (1991) found that self-reported ethical conduct was more closely related to reporting of desirable behaviours (impression management) than associated with an unconscious tendency (self-deception). Biemer (2010a:824) suggests that assurances of confidentiality may reduce this type of error. To minimise this error, the current study

maintained privacy during interviews and assured respondents of the confidentiality of their responses.

The effort made to minimise errors in the various aspects of the survey reflected in the credibility of the research in terms of content validity, construct validity, criterion-related validity, and reliability. These are discussed in the ensuing sections.

4.6.8 Content Validity

In this study, content validity was ensured through a detailed literature review (e.g., Dzansi, 2004; Longo et al. 2005; Papasolomou et al. 2005; Sweeney, 2009; Evans & Sawyer 2010; Seeletse & Ladzani, 2012; Agbim et al. 2013; Kamyabi et al. 2013; Otubanjo, 2013; Singhal, 2013; Turyakira et al. 2014) that culminated in an operational definition for BSR that sufficiently measured all the appropriate dimensions and indicators of the concept of BSR as recommended by Dzansi (2004), Sweeney (2009), Kamyabi et al. (2013), Agbim et al. (2013), and Turyakira et al. (2014). Based on the frameworks used by these prior studies to measure BSR in SMMEs, this study considered key stakeholders to be owners or managers, customers, employees, the local community, and the environment in the two samples drawn from South Africa and Ghana. With the expert guidance of the research promoter, who is a seasoned BSR researcher, a final measurement instrument that was pre-tested and deemed to generally contain the right items was developed.

4.6.9 Construct Validity

Related to content validity is the notion of construct validity, which is also threatened mainly by specification and measurement errors. Construct validity is the degree to which an instrument measures the intended construct rather than irrelevant constructs or measurement errors (Welman et al. 2005:142). By this definition, most of the steps in ensuring content validity as well as minimising measurement errors (discussed above)

also apply to construct validity. For example, a thorough review of the literature led to a working definition of BSR: *"Actions taken by firms with respect to their customers, employees, communities, and the environment that go beyond what is legally required and aimed at contributing to sustainable economic development"*. This definition guided the selection of questionnaire items that satisfy the various stakeholder expectations (constructs) in consonance with stakeholder theory, and thus, the questionnaire was divided into sections to cover the interests of the various stakeholders.

Further, Kumar (2014:142) asserts that construct validity can be statistically determined by ascertaining the contribution of each construct to the total variance observed in a phenomenon. Therefore, using principal component analysis (PCA), this study measured construct validity by establishing the extent to which the various dimensions of BSR (employees, customers, community, and environment) explain the variations in their component questionnaire items. The same is done for firm performance (expected benefits and realised benefits) and its component parts (see Chapter 5).

4.6.10 Criterion-related Validity

Criterion-related validity refers to the degree to which diagnostic and selection measurements correctly predict the relevant criterion (Welman et al. 2005:144; Creswell, 2014:160). If the criterion is present at the time of the test or measurement, such that the results of the measurement are found to correlate with the criterion, then the instrument is said to have *concurrent validity*. If the criterion will be available at a future date and the results of the measurement are later found to correlate with the criterion, then the instrument is said to have *predictive validity* (Kumar, 2014:215).

By relying mainly on Dzansi's (2004) measuring instrument, this study is indirectly seeking to validate its effectiveness in measuring the relationship between SMME BSR and firm performance in different settings of the African continent, notwithstanding some

modifications to it. In this regard, this study determines the predictive validity of Dzansi's instrument by comparing the results of this study to that study's results. Concurrent validity is measured when the validity test results of the two countries (South Africa and Ghana) are compared to determine the extent to which they are similar.

4.6.11 Reliability

A reliable instrument should produce the same or similar results under the same or similar conditions, irrespective of when the instrument is administered, which particular version of it is used, or who is applying it (Welman et al. 2005:145; Field, 2012:673; Kumar, 2014:215).

The methods for determining the reliability of an instrument can be categorised broadly into external and internal procedures. External consistency methods compare findings from two independent data collection processes as a means of verifying the reliability of the instrument, while internal consistency implies the degree to which the items or questions in the questionnaire measure the phenomenon, irrespective of their number.

Cronbach's alpha is a measure of the internal consistency of a measurement or test. It shows the degree to which all the items in a measurement or test measure the same attribute (Welman et al. 2005:147; Bryman & Bell, 2011:158). The more appropriate content an instrument covers, the higher its internal consistency will be (Diener et al. 2012:4; Kumar, 2014:218). However, in this study, Cronbach's alpha was used to measure both internal and external consistency because two samples were involved. Internal consistency was measured by the individual Cronbach's alpha generated for each sample, and external consistency was assessed by comparing the two Cronbach's alphas.

4.7 VARIABLES IN THE STUDY

According to Creswell (2014:161), although readers learn about the variables in purpose statements and research questions or hypotheses sections in the introduction chapter, it is useful in the methods section to relate the variables to the research questions or hypotheses and the items on the instrument. This enables the reader to determine how the data collection connects to the variables and research questions or hypotheses. In line with this reasoning, the relationships between the variables, hypotheses, and questionnaire items in this study are presented in Table 4.1.

Table 4.1: Variables, Hypotheses, and Questionnaire Items

Variable Name	Hypothesis	Questionnaire Item
SMMEs' BSR awareness	***H0$_1$:*** There are no significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa.	See Questions 21, 22, and 23 under Awareness section of questionnaire.
Primary reasons for BSR	***H0$_2$:*** There are no significant differences in the primary reasons for SMMEs engaging in BSR according to country.	See Questions 24.1 to 24.4 under Reasons section.
BSR focus	***H0$_3$:*** There are no significant differences in the BSR focuses of SMMEs in the two countries.	See Questions 1 to 6 (employee issues), Questions 7 to 13 (customer issues), Questions 14 to 16.7 (environmental issues), Questions 17.1 to 20 (community issues).
Obstacles to SMMEs' BSR	***H0$_4$***: There are no significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country.	See Questions 25 to 29 under Obstacles: lack of technology, lack of expertise, financial constraints, low understanding of BSR benefits, and lack of time.
Relationship between BSR and firm performance	***H0$_5$:*** There is no positive link between BSR performance and firm performance.	See Questions 1 to 20 versus 30 to 38
BSR factors predicting firm performance	***H0$_6$:*** SMME performance cannot be accurately predicted by factors associated with BSR performance.	See Questions 1 to 20 versus 30 to 38

Table 4.1 shows that, for example, in terms of BSR focus, the variable seeks to measure the extent to which SMMEs in the two countries focus on the various BSR issues (employees, customers, community, and environment) and whether significant

differences in focus occur according to country. In addition, the relationship between BSR and firm performance is examined from two levels: first to determine if a significant positive correlation exists between each of the BSR factors (employee issues, customer issues, community issues, and environment issues) and firm performance (expected benefits and realised benefits); and second, to determine if firm performance can be predicted by the BSR factors.

4.8 DATA COLLECTION

After revising the draft questionnaire based on the pre-testing findings, the final questionnaire was administered in South Africa from April 2013 to May 2013 and in Ghana from June 2013 to July 2013. Based on the sampling method employed (see Section 4.5: Population and Sampling), data collection in South Africa concentrated on Mangaung Metropolitan Municipality in the Free State and Sol Plaatjies Municipality in the Northern Cape Province; for Ghana, it focused on the Accra Metropolis and Ashaiman Municipality in the Greater Accra Region.

4.9 DATA ANALYSIS

Data analysis occurred in two stages—data preparation and statistical procedures and treatment—discussed in the two sub-sections that follow.

4.9.1 Data Preparation

After data collection, questionnaires were checked for errors and omissions to eliminate those that were unusable, and then they were captured in Microsoft Excel for further editing. They were then exported into the Statistical Program for Social Sciences (SPSS) for analysis.

4.9.2 Statistical Procedures and Treatment

According to Creswell (2014:163), where answers are being sought for inferential research questions or corresponding hypotheses are being tested, data analysis should

be conducted at two levels: descriptive and inferential. Descriptive analysis will produce descriptive statistics, whereas inferential analysis also gives rise to inferential statistics. Both categories of data, as summarised in Table 4.2, were produced in this study.

4.9.3 Descriptive Statistics

Descriptive statistics are concerned with the description and/or the summary of the data obtained for a group of individual units of analysis (Welman et al. 2005:231). By consolidating a mass of numerical details, descriptive statistics turn data into information and, thus, make it possible for the researcher to describe important aspects of large data sets (CFAI, 2012a:343). According to Salkind (2015:6), descriptive statistics are the first tools used to explore the data to get some indication of what the data set "looks like". Descriptive statistics include frequency counts and percentages, measures of central tendency, and measures of variability (Quyang, 2010:1).

The descriptive statistics produced to summarise and describe the data sets in this study are frequency counts, frequency percentages, means, and standard deviations. Frequency counts and percentages were computed from demographic data to describe the personal characteristics of respondents (owners or managers) and the characteristics of the business they were representing. Frequency counts and percentages were also computed to describe businesses' financial performance and trend on spending on social causes over the preceding three to five years. Summary statistics were also computed for the main variables involved in the hypotheses testing. Frequency counts, means, and standard deviations were the descriptive statistics employed in this summary statistics (see Table 4.2).

4.9.4 Inferential Statistics

Inferential statistics make it possible to extrapolate findings from a smaller group (often called a "sample") to a larger group (often called a "population") (Salkind, 2015:7). The

analytic techniques used to generate the inferential statistics in this study are principal component analysis (PCA), analysis of variance (ANOVA), Student's *t*-test, correlation analysis, and regression analysis. These techniques and their associated statistics are discussed below.

Table 4.2: Variables, Hypotheses, and Statistical Treatment

Variable Name	Hypothesis	Statistical Treatment
Demographics (Personal and Business Characteristics)	None	*Descriptive Statistics:* Frequency counts, and frequency percentages
Financial performance and spending on social causes)	None	*Descriptive Statistics:* Frequency counts, and frequency percentages
SMMEs' BSR awareness	***H0₁:*** There are no significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa.	*Descriptive Statistics:* Counts, means, and standard deviations
		Inferential Statistics: Principal component analysis (factor coefficients or loadings), analysis of variance (*F* statistic), and *p*-value
Primary reasons for BSR	***H0₂:*** There are no significant differences in primary reasons for SMMEs engaging in BSR according to country.	*Descriptive Statistics:* Counts, means, and standard deviations
		Inferential Statistics: Principal component analysis (factor coefficients or loadings), analysis of variance (*F* statistic), and *p*-value
BSR focus	***H0₃:*** There are no significant differences in the BSR focuses of SMMEs in the two countries.	*Descriptive Statistics:* Counts, means, and standard deviations
		Inferential Statistics: Principal component analysis (factor coefficients or loadings), Student's *t*-test statistic, and *p*-value
Obstacles to SMMEs' BSR	***H0₄***: There are no significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country.	*Descriptive Statistics:* Counts, means, and standard deviations
		Inferential Statistics: Principal component analysis (factor coefficients or loadings), analysis of variance (*F* statistic), and *p*-value
Relationship between BSR and firm performance	***H0₅:*** There is no positive link between BSR performance and firm performance.	*Descriptive Statistics:* Counts, means, and standard deviations
		Inferential Statistics: Principal component analysis (factor coefficients or loadings), correlation analysis (Pearson's *r*), and *p*-value
BSR factors predicting firm performance	***H0₆:*** SMME performance cannot be accurately predicted by factors associated with BSR performance.	*Inferential Statistics:* Regression analysis (β coefficients), standard error, *t*-statistic, and *p*-value

4.9.4.1 Principal Component Analysis

PCA is one of two approaches for locating underlying dimensions of a data set. The other approach is factor analysis. Whereas factor analysis derives a mathematical model from which factors are estimated, PCA is concerned only with establishing which linear components exist within the data and how a particular variable (item) might contribute to that component (Krishnan, 2011:9). According to Field (2012:638), PCA is a psychometrically sound procedure and is less complex than factor analysis is. He further states that, where 30 or more variables (items) are involved in the analysis, the solutions from PCA are unlikely to differ from factor analysis. Because this current study has over 30 items embodied in the questionnaire, PCA was employed.

In this study, PCA was used to measure the extent to which questionnaire items relate to the sub-headings (factors or dimensions) under which they were grouped and, thus, establish construct validity. It was also used to consolidate the questionnaire items into factors or broader variables that were fewer in number, easier to digest, and easier to employ for inferential analysis. Statistics generated in this regard are factor coefficients, or loadings, and factor percentages of total variation. A factor coefficient or loading is a measure of the correlation between a factor and a variable (item) (Field, 2012:631), while a factor percentage of total variation is the percentage of total variance in the factor contributed by the variables or items that fall under it (Krishnan, 2011:12).

4.9.4.2 Student's T-test

Student's *t*-test is used to test the difference between two conditions (Salkind, 2015:170). It can be used to test whether a correlation coefficient is different from zero; it can also be used to test whether a regression coefficient (β) is different from zero. In addition to these, it can also be used to test whether two group means are different (Field, 2012:324). In this study, the *t*-test was applied in these three different ways. In testing the hypothesis on the differences in BSR focus of SMMEs in South Africa and Ghana ($H0_3$), the *t*-test

was applied. It was also used to test the hypotheses on the link (correlation) between BSR and firm performance ($H0_5$) and on whether BSR factors can predict firm performance using regression analysis ($H0_6$).

In testing a hypothesis, the *t*-test uses a statistic (*t*-statistic) that follows a *t*-distribution, which like the standard normal distribution, has a mean of zero (CFAI, 2012a:600) but a standard deviation that varies with the degrees of freedom (Davis & Pecar, 2013:248). Like most test statistics, the *t-statistic* is the ratio of variance explained by the model and variance not explained by the model (i.e., variance explained by the model ÷ variance not explained by the model). The rationale behind this ratio is that if a model is good, then it should be able to explain more variance than it cannot explain and, thus, confirm a hypothesis as good explanation for the data observed (Field, 2012:52). On the other hand, the *t-distribution* is a probability distribution defined by a single parameter known as degrees of freedom (df). Each value of degrees of freedom (df) defines one distribution in this family of distributions (CFAI, 2012a:600).

Another statistic of interest in a *t*-test is the *p-value*, which is the smallest level of significance at which the null hypothesis can be rejected (CFAI, 2012a:599). The basis of this is that, even if a model has been able to explain more variance than it cannot explain, such an observation in the data may be purely due to chance. The *p-value* is the probability that such an "erroneous" observation is made (Field, 2012:52; Davis & Pecar, 2013:251). If it is smaller than the significance level at which the test is conducted (e.g. 5% or 0.05), then the probability that the observed effect is due to chance is even smaller than the threshold set by the significance level, which thus strengthens the case for the null hypothesis of "no effect" to be rejected (Davis & Pecar, 2013:251). The smaller the *p*-value, the stronger the evidence against the null hypothesis and in favour of the alternative hypothesis (CFAI, 2012a:628).

4.9.4.3 Analysis of Variance (ANOVA)

The *t*-test can be used to test the difference between two conditions, but ANOVA makes it possible to test the differences between three or more conditions. This is achieved through testing the null hypothesis that all group or condition means are equal. The statistic produced by an ANOVA is the *F-statistic* or *F-ratio*, which is similar to the *t*-statistic in that it compares the amount of systematic variance in the data to the amount of unsystematic variance (Field, 2012:349). Just as explained under Student's *t*-test above, *degrees of freedom* (df) and *p-value* also form part of an ANOVA (Field, 2012:353).

In this study, ANOVA was used to test three hypotheses: (1) whether there are significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa ($H0_1$); (2) whether there are significant differences in primary reasons for SMMEs engaging in BSR according to country ($H0_2$); and (3) whether there are significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country ($H0_4$).

4.9.4.4 Correlation Analysis

Correlation describes the strength of linear relationship between two variables (Francis & Mousley, 2014:201). The strength of the relationship is usually expressed by a correlation coefficient (*r*), which can be any number between and including +1 and -1 (Render et al. 2012:141). This is expressed in notation form as $+1 \leq r \leq -1$. A correlation coefficient less than zero indicates a negative linear relationship between the two variables, whereas a correlation coefficient greater than zero indicates a positive relationship. A correlation coefficient of zero indicates no linear relationship between the two variables (CFAI, 2012b:267).

Although the size of a correlation coefficient lends itself to easy interpretation, it is appropriate to gain confidence in its statistical significance by assessing whether the apparent relationship is not due to chance. If it is established that the relationship is not due to chance, then the information can be used to make predictions about the relationship between the variables (CFAI, 2012b:281; Field, 2012:171). Student's *t*-test provides a useful framework for testing the significance of the correlation coefficient (CFAI, 2012b:282; Field, 2012:172). For this reason, it was used to test the hypotheses on the link (correlation) between BSR and firm performance ($H0_5$) in this study.

4.9.4.5 Regression Analysis

According to CFAI (2012b:285), if the relationship between two variables is linear, it can be summarised using linear regression. Regression is a technique to describe a relationship between variables in mathematical terms (Francis & Mousley, 2014:183). Regression analysis serves two purposes: to understand the relationship between variables and to predict the value of one variable based on the value of the other (Render et al. 2012:136). In addition, regression can be used to quantify the strength of the relationship between two variables (CFAI, 2012b:285). In estimating the relationship between predictor or independent variables and an outcome or dependent variable, linear regression yields regression coefficients (β_i) that indicate the strength of the relationship between each predictor variable and the outcome variable. Another coefficient yielded is the intercept (β_0), which is the point at which the regression line crosses the vertical axis (Field, 2012:199).

To assess the statistical significance in the relationship between a predictor variable and the outcome variable, Student's *t*-test can be employed to determine if the relevant coefficient estimated is not statistically different from zero. If the test finds the coefficient to be statistically different from zero (i.e. $\beta_i \neq 0$), then a relationship exists between the two variables, and thus, the null hypothesis of no relationship (i.e. $\beta_i = 0$) is rejected. On

the other hand, if the test finds the coefficient to not be statistically different from zero (i.e. $\beta_i = 0$), then no relationship exists between the two variables (CFAI, 2012b: 295; Field, 2012:204). As a consequence, the *t*-test was applied to assess if BSR factors (employee, customer, community, and environment issues) do indeed predict or explain firm performance as captured in Hypothesis 6 ($H0_6$) of this study.

4.10 GENERALISABILITY OF RESULTS

According to Field (2012:636), PCA is one of the factor analytic techniques that assume that the sample used is the population, and so, results cannot be extrapolated beyond that sample. This means that because only samples were drawn from the Accra-Ashaiman area of Ghana and the Mangaung-Sol Plaatjies area of South Africa, instead of the entire populations being used for the study, interpretations of results can only be restricted to the two samples in question. Therefore, even though inferential analysis was conducted, the intention is to lay the foundation for any future studies that will use a similar approach so that when the results of this current study are confirmed, generalisation to the entire population(s) can be attained. This is in addition to Field's (2012:637) alternative explanation that generalisation of the results can also be achieved if analysis using different samples reveals the same factor structure.

Therefore, when the terms "Ghana" or "Ghana sample" and "South Africa" or "South Africa sample" (or any such derivatives) are used in this study, the intention is only to differentiate between the countries of origin of the Accra-Ashaiman and Mangaung-Sol Plaatjies samples but not to impute any sense of generalisation to the populations concerned.

4.11 CONCLUSION

This chapter has justified the logic behind the methods and techniques used to conduct this study. It has shown that, with an objectivist worldview, the methods and techniques

used to unveil the truth were of the post-positivist orientation. As a result, examining the relationship between and among variables was central to answering questions and testing hypotheses through a survey. This made it possible to use a quantitative approach to test the stakeholder theory using data collected from South Africa and Ghana. The results of this statistical analysis and discussions are presented in the next chapter (Chapter 5).

CHAPTER 5: RESULTS AND DISCUSSIONS

5.1 INTRODUCTION

The previous chapter described the methodological approach that was adopted to conduct the research. It showed that the type of truth being elicited requires the adoption of an objectivist stance for this study. As such, a quantitative approach was employed to collect and analyse data. The results of the data analysis are presented in this chapter. First, response rate of the study is presented after which the reliability and validity results of the measuring instrument are then discussed, followed by descriptive statistics. Next are the findings based on inferential statistics, arranged in the same order as the hypotheses being tested. A summary and conclusion ends the chapter.

5.2 RESPONSE RATE

Of the total number of SMMEs targeted for the survey in both countries (400 in South Africa and 350 in Ghana), only 262 SMMEs responded to the questionnaires in South Africa and 253 responded in Ghana. Nonetheless, only 220 questionnaires from South Africa and 226 from Ghana were correctly completed and, thus, used for the analysis. This gave a final response rate of 61.45% for South Africa and 69.97% for Ghana.

Despite its importance in proving the quality of survey research, there is no scientifically proven minimally acceptable response rate (Bryman & Bell, 2011:23; Johnson & Wislar, 2012:1805). Although response rates below 50% are generally deemed unacceptable (Bryman & Bell, 2011:234), studies reported in reputable academic journals have reported response rates as low as 18% (Bryman & Bell, 2011:236). Indeed, Johnson and Wislar (2012:1805) have further stressed that where representativeness is not compromised, a low response rate may not be an issue. In this light, the response rates for this study can be considered reasonably high. The high response rates in both countries can be

attributed to the fact that enumerators were trained to administer and follow up on the questionnaires in both countries. This also explains the low error levels.

5.3 RELIABILITY AND VALIDITY OF THE MEASURING INSTRUMENT

Reliability is the extent to which a measuring instrument produces same or similar results under same or similar conditions on two or more trials, while validity is the degree to which the measuring instrument produces results that reflect the phenomenon that is being measured (Diener et al. 2012). The reliability and validity of the measuring instrument are discussed in the sub-sections that follow.

5.3.1 Internal Consistency

The Cronbach's alpha coefficient was used to evaluate the overall reliability of the research instrument. The results for Ghana, for South Africa, and combined data are presented in Table 5.1.

Table 5.1: Measures of Internal Consistency of Instrument

	Ghana	South Africa	Combined
Sample Size	226	220	446
Number of Questionnaire items	55	55	55
Cronbach's Alpha Coefficient	0.867	0.911	0.940

A Cronbach's alpha coefficient of around 0.70 is deemed acceptable for the internal consistency of a measuring instrument (Lai et al. 2010:462; Field, 2012:675; Khan et al. 2012:3; De Smedt et al. 2013:2295). Table 5.1 shows that, overall, the Cronbach's alpha coefficient when the instrument was applied to the Ghana sample was 0.867, while for South Africa, it was 0.911. Exceeding the acceptable level, these results show that the instrument had very high levels of reliability as measured by the Cronbach's alpha

coefficient; thus, the results coming from this study are reliable. Measures of reliability were also obtained for each section of the questionnaire. In general, all sections had acceptable values for the Cronbach's alpha coefficient (close to or above 0.70).

5.3.2 External Consistency

External consistency procedures compare findings from two independent processes of data collection in order to verify the reliability of the measure. Usually, *test-retest* and *parallel forms* are the methods used to measure external consistency. In the *test-retest* method, the same instrument is administered to the same subjects on two or more occasions to determine the consistency of results, while *parallel forms* method is applied when two instruments intended to measure the same phenomenon are administered to the same population or two similar populations to establish their consistency (Singh et al. 2011:3; Kumar, 2014:217).

In this study, a comparison of the Cronbach's alpha coefficients of Ghana and South Africa provides proof of the external consistency of the measurement in the sense that they are both above 0.7 (the acceptable value) and close to each other (Ghana = 0.867 versus South Africa = 0.911).

5.3.3 Construct Validity for BSR Issues

The research instrument (questionnaire) had distinct item groupings, which measured four constructs of BSR, viz., Employee, Customer, Environmental, and Community issues in line with some prior studies (Dzansi, 2004:83; Agle & Mitchell, 2008; Sweeney, 2009:169; Dzansi & Pretorius, 2009:454). For example, questions Q1 to Q6 comprised constructs on *employee issues*. Establishing whether the empirical data for the two countries produced the same instrument item groupings under the various constructs of BSR is valuable (Krishnan, 2011:6). The question, however, is to what extent the face validity matches construct validity. For example, would the data—after carrying out

principal components analysis—produce the same research instrument items under each construct of BSR (Diener et al. 2012:5; Field, 2012:638; De Smedt et al. 2013:2295)? In other words, would factor analysis group Q1 to Q6 together to make up the *employee issues* construct, for instance? This section seeks to answer this question in order to validate the BSR constructs used for this study.

Table 5.2 and Table 5.3 show the extent to which principal components analysis matched the same item groupings under the various constructs of BSR for Ghana and South Africa, respectively.

Table 5.2: BSR Constructs Validity for Ghana

Ghana	Factors						
	Factor 1 (Community)	Factor 2 (Environmental)	Factor 3 (Customer)	Factor 4 (Employee 1)	Factor 5	Factor 6 (Employee 2)	Factor 7
Q1	0.000	0.000	0.000	0.605	0.000	0.000	0.000
Q2	0.000	0.000	0.447	0.273	0.000	0.420	0.000
Q3	0.000	0.000	0.000	0.000	0.000	0.748	0.000
Q4	0.470	0.000	0.000	0.393	0.000	0.461	0.000
Q5	0.448	0.000	0.000	0.458	0.000	0.422	0.000
Q6	0.000	0.000	0.000	0.000	0.000	0.000	0.600
Q7	0.000	0.000	0.714	0.000	0.000	0.000	0.000
Q8	0.000	0.000	0.547	0.559	0.000	0.000	0.000
Q9	0.000	0.000	0.676	0.270	0.000	0.000	0.000
Q10	0.000	0.000	0.328	0.631	0.000	0.000	0.000
Q11	-0.279	0.000	0.000	0.000	0.701	0.000	0.000
Q12	0.000	0.000	0.703	0.000	0.000	0.000	0.000
Q13	0.000	0.337	0.699	0.000	0.000	0.000	0.000
Q14	0.000	0.434	0.299	0.408	0.000	0.000	0.000
Q15	0.000	0.466	0.232	0.000	-0.611	0.000	0.000
Q16.1	0.000	0.626	0.000	0.437	0.000	0.000	0.000
Q16.2	0.000	0.753	0.000	0.000	0.000	0.000	0.000
Q16.3	0.000	0.713	0.000	0.000	0.000	0.000	0.000
Q16.4	0.000	0.667	0.000	0.000	0.311	0.000	0.346
Q16.5	0.000	0.769	0.000	0.000	0.000	0.000	0.000
Q16.6	0.000	0.000	0.000	0.000	0.505	0.328	0.000
Q17.1	0.661	0.374	0.000	0.000	0.000	0.000	0.000
Q17.2	0.865	0.000	0.000	0.000	0.000	0.000	0.000
Q17.3	0.869	0.000	0.000	0.000	0.000	0.000	0.000
Q17.4	0.855	0.000	0.000	0.000	0.000	0.000	0.000
Q17.5	0.752	0.000	0.000	0.000	0.000	0.000	0.000
Q17.6	0.701	0.000	0.000	0.000	0.000	0.000	0.000
Q18	0.320	0.000	0.000	0.000	0.000	0.000	0.567
Q19	0.000	0.000	0.000	0.000	0.753	0.000	0.000
Q20	0.304	0.000	0.000	0.000	0.000	0.000	0.716
Factor percentage of total variation	**21.35%**	**14.71%**	**7.46%**	**5.97%**	**5.62%**	**4.18%**	**3.78%**
	Total of First 4 Factors= 49.48%						

Table 5.3: BSR Constructs Validity for South Africa

South Africa	Factors						
	Factor 1 (Community)	Factor 2 (Customer)	Factor 3 (Environmental)	Factor 4	Factor 5	Factor 6	Factor 7
Q1	0.000	0.661	0.000	0.000	0.000	0.000	0.000
Q2	0.000	0.302	0.276	0.000	0.000	0.491	0.277
Q3	0.000	0.000	0.000	0.000	0.701	0.000	0.000
Q4	0.000	0.000	0.000	0.417	0.548	0.000	-0.251
Q5	0.000	0.000	0.000	0.000	0.000	0.666	-0.283
Q6	0.000	0.000	0.000	0.000	0.574	0.263	0.000
Q7	0.000	0.572	0.000	0.000	0.000	0.374	0.000
Q8	0.000	0.798	0.000	0.000	0.000	0.000	0.000
Q9	0.033	0.790	0.000	0.000	0.000	0.000	0.000
Q10	0.000	0.313	0.258	0.000	0.473	0.000	0.000
Q11	0.000	0.000	0.000	0.000	0.000	0.000	0.820
Q12	0.000	0.436	0.000	0.456	0.319	0.000	0.000
Q13	0.000	0.497	0.000	0.000	0.325	0.000	0.000
Q14	0.000	0.597	0.266	0.326	0.000	0.000	0.000
Q15	0.000	0.266	0.000	0.739	0.000	0.000	0.000
Q16.1	0.000	0.000	0.752	0.000	0.000	0.000	0.000
Q16.2	0.000	0.000	0.410	0.681	0.000	0.000	0.000
Q16.3	0.000	0.000	0.809	0.000	0.000	0.000	0.000
Q16.4	0.000	0.264	0.801	0.000	0.000	0.000	0.000
Q16.5	0.000	0.277	0.614	0.465	0.000	0.000	0.000
Q16.6	0.000	0.000	0.581	0.000	0.417	0.000	0.000
Q17.1	0.639	0.000	0.000	0.390	0.318	0.000	0.000
Q17.2	0.834	0.000	0.000	0.000	0.000	0.000	0.000
Q17.3	0.845	0.000	0.000	0.000	0.000	0.000	0.000
Q17.4	0.713	0.259	0.306	0.000	0.000	0.000	0.000
Q17.5	0.714	0.000	0.000	0.315	0.000	0.000	0.000
Q17.6	0.810	0.000	0.000	0.000	0.000	0.000	0.000
Q18	0.000	0.398	0.000	0.000	0.000	0.602	0.000
Q19	0.342	0.000	0.000	0.000	0.000	0.638	0.000
Q20	0.415	0.000	0.000	0.528	0.000	0.422	0.000
Factor percentage of total variation	**27.45%**	**11.12%**	**8.93%**	**5.64%**	**4.22%**	**4.12%**	**3.60%**
	Total of First 4 Factors= 53.14%						

Note: loadings less than 0.250 were set to 0.000

According to Field (2012:638), “Principal component analysis is concerned only with establishing which linear components exist within the data and how a particular variable might contribute to that component”. Factor loadings show the correlation between items and constructs (Field, 2012:631; De Smedt et al. 2013:2296), while factor percentage of total variation shows the extent to which a construct accounts for the total variance in the items that make up the phenomenon (Krishnan, 2011:12). A factor loading of 0.4 and above is considered an acceptable match between an item and a construct (Field,

2012:644; De Smedt et al. 2013:2297). With respect to factor percentage variation, the construct with the highest percentage variation is considered the most important, or Factor 1, and the construct with the smallest percentage variation is the least important (Krishnan, 2011:9).

The results in Table 5.2 show that PCA picked out the construct for *community issues* almost exactly, i.e., questionnaire items Q17.1 to Q20 with the exception of item Q19 (*Workers are allowed to use company time for community issues*). With this small exception, the *community issues* construct is confirmed as valid by the Ghana data. The South Africa data, as presented in Table 5.3 had an almost similar pattern, confirming the validity of its *community issues* construct.

Environmental issues (Q14 to 16.7) are Factor 2 for Ghana and Factor 3 for South Africa. Results in Table 5.2 show that PCA confirmed all items, with the exception of Q16.6 and Q16.7, as valid for the Ghana sample. A similar result is achieved for the South Africa sample (Table 5.3), except that the items not confirmed were Q14, Q15, and Q16.7. In addition, item Q17.4, which falls under community issues in the questionnaire, overlaps into the *environmental issues* factor in the South Africa sample.

In terms of *customer issues* (Q7 to Q13), Factor 3 for the Ghana sample and Factor 2 for the South Africa sample tend to measure that construct. In the Ghana sample, all the seven items loaded on the factor with only one overlapping, but five out of the seven items loaded with two overlappings (Q1 and Q14) in the South Africa sample.

Factors 4 and 6 for the Ghana sample tend to measure *employee issues*, while Factors 5 and 6, to some extent, measure the same issues in the South Africa sample. The fact that *employee issues* split into two factors in both countries coupled with the several overlappings on three out of the four factors measuring the construct in both countries

may be an indication that the items measure two related constructs in practice. *Employee issues* also seems to be the least important construct for both countries in terms of BSR matters.

Overall, PCA confirms 27 out of 30 items under the four BSR constructs as valid in the Ghana sample with five overlappings; in the South Africa sample, 24 out of 30 items are confirmed, but with 13 overlappings. According to Welman et al. (2005:143), “none of these individual measures or indicators completely succeeds in representing the construct because they also reflect other, irrelevant constructs”. Therefore, it is not surprising that the various items did not perfectly match their respective constructs as conceived under face validity. However, PCA has largely demonstrated the construct validity of the instrument.

Table 5.4: Key to Question Codes for Tables 5.2 and 5.3

Q1: The company tolerates all religions, races, and orientations of its employees.
Q2: The company provides its workers with regular training.
Q3: The company provides paid maternity leave.
Q4: The company provides paid family sickness and bereavement leave to its employees.
Q5: Employees are free to decide how much overtime they want to do.
Q6: My company prohibits child labour.
Q7: My company responds promptly to customer complaints.
Q8: When my company does not have the product/service, we always suggest alternative sources of obtaining it to the customer.
Q9: The company never engages in dishonest advertising.
Q10: The company always makes fair and prompt refunds when such a situation arises.
Q11: The company should be concerned with vulnerable groups, such as children, even if they are not a priority customer.
Q12: The company sells only products that are clearly labelled.
Q13: The company makes terms and conditions surrounding its service known to customers.
Q14: The company is committed to continuous improvement in its environmental practices.
Q16.1: Waste reduction exceeds the minimum legally required standards.
Q16.2: Recycling exceeds the minimum legally required standards.
Q16.3: Energy conservation exceeds the minimum legally required standards.
Q16.4: Reduction of water consumption exceeds the minimum legally required standards.
Q16.5: Reduction of air pollution exceeds the minimum legally required standards.
Q16.6: Land reclamation after an extractive activity, e.g., sand winning, mining, quarrying, etc., exceeds the minimum legally required standards.
Q17.1: My company provides financial support in the form of bursaries to the needy in the community.
Q17.2: My company provides financial support to community sporting clubs.
Q17.3: My company provides financial support to community social organisations.
Q17.4: My company provides financial support to community religious organisations.
Q17.5: My company provides financial support for disaster relief.
Q17.6: My company provides financial support for aids campaigns.
Q18: My company gives first preference to local employment.
Q19: Workers are allowed to use company time for community issues.
Q20: My company actively contributes towards combating crime in the area.

5.3.4 Construct Validity for Benefits

For the Ghana sample, PCA results (Table 5.5) show a third factor emerging as the most important factor (Factor 1). This factor embodies one item (Q38) from the *realised benefits* construct and three items (Q32 to Q34) from the *expected benefits* construct. However, for the realised benefits construct (Q35 to Q38), which is ranked as Factor 2, all the items were confirmed as valid. For the *expected benefits* construct (Q30 to Q34) PCA confirms three out of the five items (Q30 to Q32) as valid.

Table 5.5: Benefits Constructs Validity for Ghana

Ghana: Benefits	Factors		
	Factor 1:??	Factor 2: Realised Benefits	Factor 3: Expected Benefits
q30. Enhanced company image is a benefit that a socially responsible company is more likely to derive	0.000	0.000	0.869
q31. Increased sales is a benefit that a socially responsible company is more likely to derive	0.293	0.000	0.839
q32. Greater worker productivity is a benefit that a socially responsible company is more likely to derive	0.589	0.000	0.443
q33. Low operating costs due to lower legal costs and penalties is a benefit that a socially responsible company is more likely to derive	0.761	0.000	0.000
q34. Increased level of customer loyalty is a benefit that a socially responsible company is more likely to derive	0.762	0.274	0.000
q35. Employee attendance has improved in my company over the last three years	0.000	0.783	0.000
q36. Sales has been growing in my company over the last three years	0.275	0.759	0.376
q37. Overall financial performance has been improving in my company over the last three years	0.000	0.684	0.000
q38. Number of loyal customers has been increasing in my company over the last three years	0.645	0.535	0.000
Factor percentage of Total variation	**40.99%**	**13.62%**	**12.78%**
	Total of First 3 Factors= 67.39%		

Note: loadings less than 0.250 were set to 0.000

Table 5.6: Benefits Constructs Validity for South Africa

South Africa: Benefits	Factors and % of total variation	
	Factor 1: Realised Benefits	Factor 2: Expected Benefits
q30. Enhanced company image is a benefit that a socially responsible company is more likely to derive	0.000	0.828
q31. Increased sales is a benefit that a socially responsible company is more likely to derive	0.267	0.812
q32. Greater worker productivity is a benefit that a socially responsible company is more likely to derive	0.362	0.689
q33. Low operating costs due to lower legal costs and penalties is a benefit that a socially responsible company is more likely to derive	0.000	0.691
q34. Increased level of customer loyalty is a benefit that a socially responsible company is more likely to derive	0.262	0.843
q35. Employee attendance has improved in my company over the last three years	0.784	0.000
q36. Sales has been growing in my company over the last three years	0.926	0.000
q37. Overall financial performance has been improving in my company over the last three years	0.860	0.283
q38. Number of loyal customers has been increasing in my company over the last three years	0.852	0.000
Factor percentage of Total variation	**52.17%**	**19.01%**
	Total of First 2 Factors= 71.18%	

Note: loadings less than 0.250 were set to 0.000

For the South African data, PCA results (Table 5.6) for benefits constructs (expected benefits and realised benefits) matched the ones in the instrument exactly. With a factor percentage of total variation of 52.17%, *realised benefit*s are a more important factor for SMME BSR performance in the South Africa sample than *expected benefits* (factor percentage of total variation of 19.01%). Therefore, items Q30 to Q38 are valid from the perspective of the South Africa sample.

Overall, factor analysis confirms as valid all nine items under the benefits constructs (expected and realised) in the South Africa sample; seven out of nine items are validated in the Ghana sample. However, a third factor, which is a mixture of items from the two benefits constructs, emerges as the most important factor in the Ghana sample.

5.3.5 Criterion-related Validity

As explained in Sub-section 4.7.10 of Chapter 4, criterion-related validity comprises *concurrent validity* and *predictive validity* (Welman et al. 2005:144; Creswell, 2014:160; Kumar, 2014:215). In this study, *concurrent validity* is measured by comparing the results of the two countries with each other while *predictive validity* is determined by comparing the results of this study to those of Dzansi (2004).

In terms of *concurrent validity*, the analysis of construct validity for both countries above shows that the instrument has been able to measure the BSR constructs (customers, community, environment, employees) and the benefits constructs (expected benefits, realised benefits) for both samples to a large extent. *Employee issues* emerge as the least important BSR construct in both countries. Secondly, results in the factor coefficient tables in the ensuing sections (e.g., Table 5.12) show that factor loadings (coefficients) are equal to or greater than 0.4 for most of the items in relation to their constructs. For instance, factor loadings for the Ghana sample in Table 5.12 range from 0.772 to 0.894 compared to 0.885 to 0.938 for South Africa.

To determine the *predictive validity* of the instrument, it is important to recall the primary objective of Dzansi's (2004) study: "To determine the extent to which the notion of BSR has permeated the SMME owner/manager mindset". In that study, Dzansi was able to establish the BSR awareness and performance levels of SMME owner-managers using the measuring instrument. In fact, his findings showed that SMME owner-managers in the Greater Taung Local Municipality in South Africa were significantly aware of—and to

some extent, undertook—BSR activities. The results in the next section of this study (Tables 5.10 to 5.12) accord with Dzansi's finding, even though the level of awareness for Ghana seems to be significantly higher than for South Africa. Thus, the measuring instrument can be depended on to measure SMME BSR awareness across time and space with some modification. This is reinforced by the high Cronbach's alphas for the *awareness* construct for Ghana (0.726) and South Africa (0.894) in Table 5.12.

5.4 DESCRIPTIVE STATISTICS

The descriptive statistics of this study are in two parts: demographics and the businesses' annual financial performance and spending trends on social causes. Demographics are summarised in Table 5.7 (Personal Characteristics) and Table 5.8 (Business Characteristics); financial performance and spending on social causes is reflected in Table 5.9.

5.4.1 Demographics

The total sample comprised of 446 respondents, of which 226 were from Ghana and 220 were from South Africa. Table 5.7 shows that the leadership of SMMEs in South Africa is dominated by males (76.36%), while in Ghana there is an equal share between males and females (50% each). SMMEs in South Africa are either owned or managed by older people than in Ghana. Therefore, the SMME sector appears to be more dominated by younger people in Ghana than in South Africa. This is supported by the statistics on level of education in the same table and age of business in Table 5.8. These figures show that 73.01% of Ghanaian SMME owner-managers have below tertiary level education compared to 55.45% in South Africa; 79.2% of SMMEs in Ghana have not existed for more than 10 years compared to 55.45% in South Africa. Table 5.7 and Table 5.8, therefore, seem to show that younger people in Ghana are venturing more into the SMME sector than in South Africa, even if they have not yet attained their tertiary level education.

According to Amoros and Bosma (2013:12), individuals in *factor-driven* economies tend to have a more positive attitude towards entrepreneurship than those in *efficiency-driven* and *innovation-driven* economies (see Section 2.5 of Chapter 2). With South Africa classified as *efficiency-driven* and Ghana as *factor-driven* (Amoros & Bosma, 2013:10), the higher rate of early-stage entrepreneurship associated with Ghana is unsurprising.

Table 5.7: Personal Characteristics

Gender	Ghana		South Africa		Combined	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
Male	113	50.00%	168	76.36%	281	63.00%
Female	113	50.00%	52	23.64%	165	37.00%
Total	226		220		446	
Age Group						
19-30	118	52.21%	18	8.18%	136	30.49%
31-45	91	40.27%	115	52.27%	206	46.19%
46 years upwards	17	7.52%	87	39.55%	104	23.32%
Total	226		220		446	
Educational level						
No formal education	3	1.33%	0	0	3	0.67%
Primary	1	0.44%	9	4.09%	10	2.24%
Middle/JSS (Grade 7-9)	60	26.55%	20	9.09%	80	17.94%
Secondary/SSS (Grade 10-12)	101	44.69%	93	42.27%	194	43.50%
Tertiary	57	25.22%	80	36.36%	137	30.72%
Post-graduate	4	1.77%	18	8.18%	22	4.93%
Total	226		220			

Table 5.8: Business Characteristics

Type of Business	Ghana		South Africa		Combined	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
Commercial farming	5	2.21%	3	1.36%	8	1.79%
Health/Medical	14	6.19%	4	1.82%	18	4.04%
Hospitality: Restaurant/hotels	16	7.08%	18	8.18%	34	7.62%
Mining	0	0%	3	1.36%	3	0.67%
Retail	111	49.12%	55	25.00%	166	37.22%
Transport	6	2.65%	21	9.55%	27	6.05%
Construction	21	9.29%	82	37.27%	103	23.09%
Other	53	23.45%	34	15.45%	87	19.51%
Total	226		220		446	
Age of Business						
5 years or less	93	41.15%	49	22.27%	142	31.84%
6-10 years	86	38.05%	73	33.18%	159	35.65%
11-20 years	40	17.70%	67	30.45%	107	23.99%
21 years or more	7	3.10%	31	14.09%	38	8.52%
Total	226		220		446	
Number of employees besides owner						
1-5 Employees	162	72.00%	149	69.63%	311	70.84%
6-10 Employees	51	22.67%	34	15.89%	85	19.36%
11-20 Employees	10	4.44%	13	6.07%	23	5.24%
21 or more Employees	2	0.89%	18	8.41%	20	4.56%
Total	225		214		439	

According to the results in Table 5.8, the greatest proportion of the Ghanaian SMMEs are in the retail sector (49.12%), while the highest percentage of the SMMEs in South Africa are in the construction sector (37.27%) followed by the retail sector (25%). While the Ghana sample had no respondents in the mining sector, the South Africa sample had 1.36% participation in that sector. The significant but varying proportions of SMMEs in the retail sector in both countries aligns with Abor and Quartey's (2010:222) positions that SMMEs in developing countries tend to engage in retailing, trading, or manufacturing and that SMME activity that takes place in the retail sector varies considerably between countries. However, the higher involvement of South African SMMEs in the construction sector might be the direct result of the Black Economic Empowerment (BEE) policy of the government.

The BEE policy seeks to correct the social and economic distortions created by apartheid by economically empowering previously disadvantaged groups, especially the black

population (Tangri & Southall, 2008; Magi, 2010). Because government expenditure is a major instrument for correcting distortions in an economy (Awe, 2013:95), the possibility of previously disadvantaged groups winning government contracts as a result of BEE might have stimulated SMME interest in the construction sector.

Low or no representation in the mining sectors of both countries might be because the samples were drawn from areas that have no mining activity. For instance, the Accra-Ashaiman area of the Greater Accra Region where the Ghana data was collected has no mining resources. Similarly, there is no mining activity in the Mangaung part of the South Africa study area. It is only in the Sol Plaatjies part of the South Africa study area that mining activity takes place, which may explain the 1.36% the South African sample registered.

In both countries, the majority of SMMEs (79.2% in Ghana and 55.45% in South Africa) are not more than 10 years old. However, South Africa has a higher percentage (44.54%) of SMMEs over 10 years old than Ghana does (20.80%). In terms of employment generation, 72% of the SMMEs in Ghana employ fewer than six workers (apart from the owner), against 69.63% in South Africa. Meanwhile, in discussing the size definition of SMMEs in Chapter 2 (see Sections 2.7 and 2.8), it was established that a micro firm is a business that employs fewer than six employees. Therefore, this finding indicates that more than two-thirds of the SMMEs sampled in both countries are micro enterprises that may not consider employee issues as a top priority on their BSR agenda. This is attributable to the facts that (a) value-added per worker tends to be at least three times lower in firms with fewer than six employees than in firms with 100 or more employees (medium enterprises), and as a result, (b) workers in such micro enterprises tend to earn at least 80% less than their counterparts in medium enterprises (Page & Soderbom, 2012:10). Therefore, the smaller the firm, the less value the organisation will place on its employees, all things being equal. This appears to explain why PCA revealed employee

issues as the least important factor in the two samples, as depicted in Table 5.2 and Table 5.3.

5.4.2 Financial Performance and Spending on Social Causes

Table 5.9 indicates that SMMEs in Ghana generally had higher sales growth over the past three to five years with close to 93% having an average growth rate of at least 11%. In South Africa, on the other hand, the average growth rate over the same period is much lower with more than 64% having an average growth rate below 10%. This may be explained by the fact that around the same period (2009 to 2013) Ghana's economy accelerated from 4% growth in 2009 to 7.6% growth in 2013 after reaching a peak of 15% in 2011 (Ghana Statistical Service, 2013). The South African economy, however, grew between only 1.8% and 3.1% per annum over the same period (Statistics South Africa, 2013). According to CFAI (2012c:586), national growth plays a key role in the financial performance of businesses.

In terms of profits, 91.16% of SMMEs in Ghana experienced an average annual growth of at least 11% in the last three to five years compared with 32.27% in South Africa. In South Africa, the majority of SMMEs (67.73%) grew by less than 11%. Again, this may be attributed to the higher GDP growth Ghana experienced over that period.

With respect to spending on social causes, the majority of SMMEs in both countries spend less than 5% of their pre-tax profits on social causes with the number being higher in South Africa (80%) than in Ghana (55.76%). The lower spending percentage in South Africa could be translating into a higher amount in absolute terms because it is a higher income country than Ghana is (Amoros & Bosma, 2013:10) which implies that its SMMEs are earning more in absolute terms than their Ghanaian counterparts are. Therefore, a smaller percentage of spending on social causes could be translating into a higher amount in absolute terms.

Table 5.9: Financial Performance and Spending on Social Causes

	Ghana		South Africa		Combined	
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**
Annual sales growth over the last three to five years						
Decreasing (1-20%)	1	0.44%	16	7.27%	17	3.81%
No change (0%)	1	0.44%	73	33.18%	74	16.59%
Increasing (1-10%)	14	6.19%	52	23.64%	66	14.80%
Increasing (11-20%)	55	24.34%	29	13.18%	84	18.83%
Increasing (21-30%)	75	33.19%	15	6.82%	90	20.18%
Increasing (31-40%)	52	23.01%	17	7.73%	69	15.47%
Increasing (41-50%)	22	9.73%	14	6.36%	36	8.07%
Increasing (Over 50%)	6	2.65%	4	1.82%	10	2.24%
Total	226		220		446	
Annual profit growth over the last three to five years						
Decreasing (1-20%)	1	0.44%	18	8.18%	19	4.26%
No change (0%)	1	0.44%	77	35.00%	78	17.49 %
Increasing (1-10%)	18	7.96%	54	24.55%	72	16.14 %
Increasing (11-20%)	46	20.35%	26	11.82%	72	16.14 %
Increasing (21-30%)	81	35.84%	12	5.45%	93	20.85 %
Increasing (31-40%)	50	22.12%	14	6.36%	64	14.35 %
Increasing (41-50%)	24	10.62%	7	3.18%	31	6.95%
Increasing (Over 50%)	5	2.21%	12	5.45%	17	3.81%
Total	226		220		446	
Percentage of pre-tax profit spent on social causes						
1 – 2%	63	27.88%	150	68.18%	213	47.76 %
3 – 4%	63	27.88%	26	11.82%	89	19.96 %
5 – 6%	55	24.34%	20	9.09%	75	16.82 %
7% or more	45	19.91%	24	10.91%	69	15.47 %
Total	**226**		**220**		**446**	

5.5 Country Comparison of BSR Awareness levels

The summary statistics in Table 5.10 show that Ghana has higher levels of BSR awareness than South Africa does (Question 21: mean of 4.80 vs. 3.32; Question 22: mean of 4.38 vs. 3.58; Question 23: mean of 4.62 vs. 3.55). The results are also

significantly different, as shown by the one-way ANOVA results in Table 5.11 (*p-value*s=0.000).

Table 5.10: Summary Statistics for Awareness

Factor 5: Awareness	Ghana			South Africa			Combined		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	N	Mean	Std. Dev.
q21. The concept of business social responsibility—that is, the idea that businesses need to look beyond profit motive and also contribute towards community causes, such as disaster relief, sponsorships, etc.—as well as taking extra care of its employees, customers and the environment is well known to me.	226	4.80	0.49	220	3.32	1.52	446	4.07	1.346
q22. Businesses, irrespective of size, have a responsibility to contribute to the above named social causes.	226	4.38	0.90	220	3.58	1.14	446	3.98	1.098
q23. Businesses, irrespective of size, stand to benefit from contributing towards the above social causes	226	4.62	0.63	220	3.55	1.09	446	4.09	1.033

Table 5.11: ANOVA Tests for Awareness versus Country

Awareness Variable	Means			Statistical tests		
	Ghana	South Africa	Combined	F	df	*P-value*
q21. The concept of business social responsibility—that is, the idea that businesses need to look beyond profit motive and also contribute towards community causes, such as disaster relief, sponsorships, etc.—as well as taking extra care of its employees, customers, and the environment is well known to me.	4.80	3.32	3.98	192.34	1 & 444	0.000
q22. Businesses, irrespective of size, have a responsibility to contribute to the above named social causes.	4.38	3.58	3.98	66.93	1 & 444	0.000
q23. Businesses, irrespective of size, stand to benefit from contributing towards the above social causes	4.62	3.55	4.09	161.36	1 & 444	0.000

Overall Awareness (Awareness Factor)	4.60	3.49	4.05	170.59	1 & 444	0.000

Results in Table 5.12 are for the calculation of the overall indices to represent awareness for Ghana, South Africa, and both countries combined. The indices were developed using PCA, which allows the imputation of weights according to the importance of sub-components or indicators and thus maximises the usage of information contained in the three variables that measure awareness (Krishnan, 2011:9). Three indices were developed to represent awareness in the two countries and for the combined data from the two countries. The three items that address awareness of BSR have more or less similar weights or coefficients (ranging from 0.772 to 0.941), which means that all three awareness items are virtually of equal importance to SMMEs in the two countries.

Table 5.12: Factor Coefficients for Awareness

Factor 5: Awareness	**Location**		
	Ghana	**South Africa**	**Combined**
q21. The concept of business social responsibility—that is, the idea that businesses need to look beyond profit motive and also contribute towards community causes, such as disaster relief, sponsorships, etc.—as well as taking extra care of its employees, customers, and the environment is well known to me.	0.807	0.885	0.896
q22. Businesses, irrespective of size, have a responsibility to contribute to the above named social causes.	0.772	0.942	0.903
q23. Businesses, irrespective of size, stand to benefit from contributing towards the above social causes	0.894	0.938	0.941
Cronbach's alpha	0.726	0.894	0.891
percentage of total variation	68.16%	84.99%	83.42%

The findings in this section indicate that owners or managers in both countries generally understand the concept of BSR and what responsibilities it imposes on their firms, even if the intensity of understanding appears to be higher among Ghanaian owners or managers. This confirms existing findings (Dzansi, 2004; Okyere, 2012; Agbim et al. 2013) that the concept of BSR has permeated the mind-set of African SMME owners or managers. It also reinforces the growing understanding on the global stage (Longo et al.

2005; Jenkins, 2006; Avram & Kuhne, 2008; Sweeney, 2009; Evans & Sawyer, 2010; Baumann-Pauly et al. 2011; Besser, 2012; Jelovac, 2012; Kamyabi et al. 2013; Singhal, 2013; Turyakira et al. 2014) that BSR is not the preserve of large firms only.

5.6 PRIMARY REASONS FOR SMMEs ENGAGING IN BSR

The results in Table 5.13 show the mean ranks of the reasons for engaging in BSR activities. The item with mean rank closer to one is the one ranked as the most important. In both countries, Item Q24.1 (My company responds to social causes because it is the morally right thing to do) had the lowest mean rank (i.e., closest to one and, hence, most important). It can be concluded that SMMEs engage in BSR because they believe it is the morally right thing to do. This aligns with some research findings (Evans & Sawyer, 2010:439; Tamajon & Font, 2013) that altruism is the driving force behind SMME BSR.

Item Q24.4 (“My company responds to social causes simply to meet legal requirements”) was considered the least important in both countries with Ghana having a mean rank of 3.67, which is very close to four (least important). The possibilities of BSR boosting profits was ranked second important in both countries, which means that the prospect of boosting profits (the business case) is a strong pull towards BSR participation by SMMEs in both countries. However, because undertaking BSR because it is the morally right thing to do is ranked as the first reason in both cases, the normative case (ethical consideration) of BSR, therefore, overrides the business case (economic consideration) of BSR as far as the SMMEs in the two samples are concerned.

Table 5.13: Summary of Reasons for Engaging in BSR

Reasons	Ghana			South Africa			Combined		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	N	Mean	Std. Dev
q24.1 My company responds to social causes because it is the morally right thing to do.	226	1.47	0.700	220	1.56	0.902	446	1.52	0.806
q24.2 My company responds to social causes simply because "everybody is doing it".	226	3.04	0.678	220	3.07	0.846	446	3.06	0.765
q24.3 My company contributes towards social causes because it will boost profits.	226	1.82	0.622	220	2.31	0.915	446	2.07	0.817
q24.4 My company responds to social causes simply to meet legal requirements	226	3.67	0.698	220	3.07	1.031	446	3.38	0.927

According to Branco and Rodrigues (2006:112), the normative case suggests that a firm should behave in a socially responsible manner because it is morally correct to do so, while the business case concerns how companies can further their economic success by paying attention to BSR. This finding strengthens Besser's (2012:131) point that the normative case is of more concern to SMMEs than the business case compared to large firms because SMME owners are socially and economically embedded in the community where they conduct business more so than big businesses are. Lepoutre and Heene (2006:259) explain that the feeling of social, cultural, psychological, or physical closeness of SMMEs to their stakeholders is a major factor that intensifies their ethical behaviour.

Table 5.14: Country Comparisons of Reasons for Engaging in BSR

Reasons	Means			Statistical tests		
	Ghana	South Africa	Combined	F	Df1 & df2	*p-value*
q24.1 My company responds to social causes because it is the morally right thing to do.	1.47	1.56	1.52	1.54	1 & 444	0.22
q24.2 My company responds to social causes simply because "everybody is doing it".	3.04	3.07	3.06	0.15	1 & 444	0.69
q24.3 My company contributes towards social causes because it will boost profits.	1.82	2.31	2.07	44.08	1 & 444	0.00
q24.4 My company responds to social causes simply to meet legal requirements.	3.67	3.07	3.38	51.98	1 & 444	0.00

ANOVA tests were used to investigate if there were significant differences in the ranking of the reasons for BSR participation in the two countries. Table 5.14 illustrates that responding to social causes because it is the morally right thing to do (Q24.1) is the top reason for engaging in BSR in the two countries. Their rankings were not significantly different (F=1.54, df1=1, df2=444, *p-value*=0.22). Statistically, this means that even though the mean rank of Ghana was 1.47 and 1.56 for South Africa, the slight difference in mean scores does not negate that responding to social causes because it is the morally right thing to do is the foremost reason for SMME BSR in both countries. The two countries' rankings were significantly different on contributing towards social causes because it will boost profits (Q24.3) (F=44.08, df1=1, df2=444, *p-value*=0.000) and responding to social causes simply to meet legal requirements (Q24.4) (F=51.98, df1=1, df2=444, *p-value*=0.000). This means that the Ghanaian owners or managers tended to be more extreme in ranking the reasons than their South African counterparts were, as reflected in the mean ranks.

5.7 BSR FOCUS OF SMMEs

SMMEs engage in BSR activities by focusing on various issues that benefit society (Michelon et al. 2012; Mulnasinghe & Malkhumari, 2012; Turyakira et al. 2014). The

summaries for the various issues and some indices (factors) developed to represent the issues are presented in Table 5.15 to Table 5.22.

BSR issues discussed in this study are *employee issues*, *customer issues*, *environmental issues*, and *community issues*. Summaries of these issues, including factors (indices) representing each issue, are developed in this section. Results in Tables 5.15, 5.17, 5.19, and 5.21 indicate that, in general, Ghana scored higher in terms of supporting all BSR issues. For example, in terms of religious tolerance (Table 5.15), Ghana had a higher mean (4.57) than South Africa (4.25). On the flexibility of how much overtime employees can take, South Africa was more rigid on letting workers decide (mean=2.29), while Ghana was more flexible (mean=3.53).

The tables also show results of independent *t-test*s to determine if the differences in mean scores for both countries are statistically significant, which establishes whether both countries differ significantly in the way their SMMEs involve themselves in the issues (items) constituting each BSR factor. The *p-value*s of 0.000 in almost all cases show that there were significant differences in the extent to which the two countries support the issues (i.e. *p-value*s < 0.01). In only three cases (*customers:* Q11, p = 0.2666; *environment:* Q16.6, p = 0.091; *community:* Q19, p = 0.483) were the differences not significant (i.e., *p-value* > 0.01).

For an overall comparison of issues by factor (focus) and by country, indices based on the combined factor loadings are calculated so that the two countries operate equally. The independent samples *t-test* is then used to determine the differences in focuses. Results are shown in Tables 5.16, 5.18, 5.20, and 5.22.

Table 5.15: Summary Statistics for Employee Issues

Factor 1: Employee Issues	Ghana			South Africa			*T-test*		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	t	df	*p-value*
q1. The company tolerates all religions, races, and orientations of its employees.	226	4.57	0.79	220	4.25	0.79	4.36	444	0.000
q2. The company provides its workers with regular training.	226	4.45	0.58	220	3.56	1.06	11.01	444	0.000
q3. The company provides paid maternity leave.	226	4.15	0.93	220	2.98	1.29	11.09	444	0.000
q4. The company provides paid family sickness and bereavement leave to its employees.	226	4.03	1.17	220	3.35	1.16	6.14	444	0.000
q5. Employees are free to decide how much overtime they want to do.	226	3.53	1.53	220	2.29	1.2	9.52	444	0.000
q6. My company prohibits child labour.	226	4.70	0.66	220	3.69	1.52	9.19	444	0.000

Table 5.16: Factor Coefficients for Employee Issues

Factor 1: Employee Issues		Location		
		Ghana	South Africa	Combined
q1. The company tolerates all religions, races, and orientations of its employees.		0.601	0.478	0.534
q2. The company provides its workers with regular training.		0.500	0.51	0.645
q3. The company provides paid maternity leave.		0.572	0.77	0.765
q4. The company provides paid family sickness and bereavement leave to its employees.		0.716	0.739	0.713
q5. Employees are free to decide how much overtime they want to do.		0.691	0.489	0.672
q6. My company prohibits child labour.		0.283	0.611	0.629
Reliability				
Cronbach's alpha		0.587	0.651	0.738
Percentage of total variation		33.47%	37.34%	44.02%
***T-test* based on combined sample index (factor)**	Mean	4.218	3.307	
	Std. Dev.	0.584	0.737	
	t-statistic	14.480		
	df	444		
	p-value	0.000		

Table 5.17: Summary Statistics for Customer Issues

Factor 2: Customer Issues	Ghana			South Africa			*T-test*		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	t	df	*p-value*
q7. My company responds promptly to customer complaints.	226	4.67	0.48	220	4.19	0.907	7.04	444	0.000
q8. When my company does not have the product/service, we always suggest alternative sources of obtaining it to the customer.	226	4.54	0.56	220	3.84	1.067	8.70	444	0.000
q9. The company never engages in dishonest advertising.	226	4.56	0.62	220	4.03	1.1	6.25	444	0.000
q10. The company always makes fair and prompt refunds when such a situation arises.	226	4.63	0.52	220	3.8	1.039	10.63	444	0.000
q11. The company should be concerned with vulnerable groups, such as children, even if they are not a priority customer.	226	2.31	1.5	220	2.45	1.225	-1.11	444	0.266
q12. The company sells only products that are clearly labelled.	226	4.47	0.54	220	3.54	1.04	11.98	444	0.000
q13. The company makes terms and conditions surrounding its service known to customers.	226	4.47	0.53	220	4.12	0.83	5.39	444	0.000

Table 5.18: Factor Coefficients for Customer Issues

Factor 2: Customer Issues		Location		
		Ghana	South Africa	Combined
q7. My company responds promptly to customer complaints.		0.644	0.723	0.74
q8. When my company does not have the product/service, we always suggest alternative sources of obtaining it to the customer.		0.706	0.738	0.775
q9. The company never engages in dishonest advertising.		0.719	0.826	0.811
q10. The company always makes fair and prompt refunds when such a situation arises.		0.62	0.636	0.715
q11. The company should be concerned with vulnerable groups, such as children, even if they are not a priority customer.		0.23	0.027	0.047
q12. The company sells only products that are clearly labelled.		0.698	0.722	0.781
q13. The company makes terms and conditions surrounding its service known to customers.		0.745	0.667	0.702
Reliability				
Cronbach's alpha		0.604	0.735	0.742
Percentage of total variation		41.60%	44.58%	48.88%
***T-test* based on combined sample index (factor)**	Mean	4.534	3.902	
	Std. Dev.	0.376	0.718	
	t-statistic	11.677		
	df	444		
	p-value	0.000		

Table 5.19: Summary Statistics for Environmental Issues

Factor 3: Environmental Issues	Ghana			South Africa			*T-test*		
	N	Mean	Std. Dev	N	Mean	Std. Dev	t	df	*p-value*
q14. The company is committed to continuous improvement in its environmental practices.	226	4.57	0.5	220	3.85	0.96	10.04	444	0.000
q15. The company regularly conducts audits on its environmental practices.	226	4.18	0.87	220	3.13	1.21	10.50	444	0.000
q16.1 Waste reduction exceeds the minimum legally required standards.	226	4.53	0.64	220	3.81	1.05	8.81	444	0.000
q16.2. Recycling exceeds the minimum legally required standards.	226	4.01	1.02	220	3.46	1.07	5.56	444	0.000
q16.3 Energy conservation exceeds the minimum legally required standards.	226	4.47	0.57	220	3.93	0.9	7.70	444	0.000
q16.4 Reduction of water consumption exceeds the minimum legally required standards.	226	4.41	0.6	220	3.91	0.93	6.68	444	0.000
q16.5 Reduction of air pollutant exceeds the minimum legally required standards.	226	4.33	0.62	220	3.72	0.97	7.90	444	0.000
q16.6 Land reclamation after an extractive activity, e.g., sand winning, mining, quarrying, etc., exceeds the minimum legally required standards.	226	3.2	0.59	220	3.1	0.7	1.70	444	0.091

Table 5.20: Factor Coefficients for Environmental Issues

Factor 3: Environmental Issues		Location		
		Ghana	South Africa	Combined
q14. The company is committed to continuous improvement in its environmental practices.		0.622	0.641	0.71
q15. The company regularly conducts audits on its environmental practices.		0.423	0.579	0.635
q16.1 Waste reduction exceeds the minimum legally required standards.		0.758	0.724	0.775
q16.2. Recycling exceeds the minimum legally required standards		0.809	0.673	0.725
q16.3 Energy conservation exceeds the minimum legally required standards		0.789	0.799	0.818
q16.4 Reduction of water consumption exceeds the minimum legally required standards		0.746	0.793	0.798
q16.5 Reduction of air pollutant exceeds the minimum legally required standards		0.705	0.838	0.828
q16.6 Land reclamation after an extractive activity e.g. sand winning, mining, quarrying etc. exceeds the minimum legally required standards		0.19	0.463	0.358
Reliability				
Cronbach's alpha		0.781	0.841	0.856
Percentage of total variation		43.83%	48.82%	51.93%
***T-test* based on combined sample index (factor)**	Mean	4.289	3.666	
	Std. Dev.	0.457	0.701	
	t-statistic		11.141	
	df		444	
	p-value		0.000	

Table 5.21: Summary Statistics for Community Issues

Factor 4: Community Issues	Ghana			South Africa			*T-test*		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	t	df	*p-value*
q17.1 My company provides financial support (e.g. bursaries) to the needy in the community.	226	3.87	1.35	220	3.06	1.18	6.72	444	0.000
q17.2 My company provides financial support to community sporting clubs.	226	3.53	1.38	220	2.93	1.07	5.15	444	0.000
q17.3 My company provides financial support to community social organisations.	226	3.78	1.29	220	3.31	1.11	4.08	444	0.000
q17.4 My company provides financial support to community religious organisations.	226	3.79	1.29	220	3.36	1.05	3.84	444	0.000
q17.5 My company provides financial support for disaster relief.	226	4.02	1.29	220	2.87	1.14	10.01	444	0.000
q17.6 My company provides financial support for AIDS campaigns.	226	4.03	1.32	220	3.03	1.2	8.36	444	0.000
q18. My company gives first preference to local employment.	226	4.47	0.97	220	3.34	1.55	9.27	444	0.000
q19. Workers are allowed to use company time for community issues.	226	2.23	1.45	220	2.32	1.17	-0.70	444	0.483
q20. My company actively contributes towards combating crime in the area.	226	4.68	0.67	220	3.14	1.22	16.53	444	0.000

Table 5.22: Factor Coefficients for Community Issues

Factor 4: Community Issues		Location		
		Ghana	South Africa	Combined
q17.1 My company provides financial support (e.g., bursaries) to the needy in the community.		0.732	0.667	0.736
q17.2 My company provides financial support to community sporting clubs.		0.86	0.832	0.845
q17.3 My company provides financial support to community social organisations.		0.799	0.811	0.803
q17.4 My company provides financial support to community religious organisations.		0.813	0.669	0.753
q17.5 My company provides financial support for disaster relief.		0.812	0.788	0.834
q17.6 My company provides financial support for AIDS campaigns.		0.767	0.826	0.822
q18. My company gives first preference to local employment.		0.499	0.39	0.524
q19. Workers are allowed to use company time for community issues.		-0.127	0.569	0.147
q20. My company actively contributes towards combating crime in the area.		0.428	0.637	0.638
Reliability				
Cronbach's alpha		0.813	0.853	0.857
Percentage of total variation		47.45%	49.19%	50.47%
***T-test* based on combined sample index (factor)**	**Mean**	3.940	3.097	
	Std. Dev.	0.897	0.834	
	t-statistic	10.276		
	df	444		
	p-value	0.000		

The results of percentage variation in these tables show the extent to which each construct accounts for the total variation in the items that constitute the construct if only one factor is used to represent a construct. They also indicate the level of importance of each construct. In that regard, the focuses of SMMEs in both Ghana and South Africa are (in order of importance) *community issues*, *environment issues*, *customer issues*, and *employee issues*. However, the higher mean scores, *t-statistic*s, and *p-value*s on virtually all the items and factors for Ghana indicate that SMMEs there tend to focus more on these issues than do South Africa SMMEs. This contradicts the general notion and some research findings (e.g., Dzansi, 2004; Luo & Bhattacharya, 2006; Okyere, 2012; Kamyabi et al. 2013) that customer issues are the most important in SMME BSR. Rather, it seems to reinforce the argument that because SMMEs tend to be embedded in the communities where they conduct business more so than large firms are, community issues will rank high on their BSR agenda (Evans & Sawyer, 2010; Besser, 2012; Campin et al. 2012; Munasinghe & Malkumari, 2013). Sweeney (2009:259) similarly had found that Irish

SMME owners or managers often cited the community as the most important dimension, followed by the environment.

5.8 OBSTACLES THAT LIMIT SMME BSR PERFORMANCE

By comparing means in Table 5.23, it can be seen that lack of technology is a major obstacle when it comes to BSR engagement in Ghana (mean=4.34) and not much of an obstacle in South Africa (mean=2.45). A mean score of three would indicate that the concerned item is a moderate obstacle. A high score—that is a score much higher than three—indicates an obstacle of concern. In fact, by comparing the means of the two countries on the various obstacles, it can be seen that the obstacles tend to be of more concern to the Ghanaian SMMEs than to the South African SMMEs (i.e., all means for Ghana are much higher than three). However, lack of technology has the highest mean score in Ghana (mean score = 4.34) followed by financial constraints (mean score = 4.30), which makes them the two major obstacles to SMME BSR in the Ghana sample. For the South Africa sample, the obstacle of most concern to SMME BSR is financial constraint (mean score = 3.33) followed by lack of time (mean score = 3.16). This means that financial constraint is a major obstacle to SMME BSR in both samples, which confirms existing findings (Abor & Quartey, 2010:225; Fatoki & Garwe, 2010:729) that a major obstacle to SMME development in the two countries is access to finance. According to Sweeney (2009:168), financial constraint and lack of time are two major obstacles to SMME BSR often mentioned in the literature. This is confirmed by the mean scores for the combined data of the two countries in Table 5.23, which show financial constraints as having the highest mean score (3.82), followed by lack of time with a mean score of 3.63.

Table 5.23: Summary Statistics for Obstacles

Factor 6: Obstacles	Ghana			South Africa			Combined		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	N	Mean	Std. Dev.
q25. Lack of technology is an obstacle to my company's pursuit of social/environmental causes.	226	4.34	0.88	220	2.45	1.20	446	3.41	1.41
q26. Lack of expertise is an obstacle to my company's pursuit of social/environmental causes.	226	4.26	0.88	220	2.71	1.23	446	3.50	1.32
q27. Financial constraint is an obstacle to my company's pursuit of social/environmental causes.	226	4.30	0.60	220	3.33	1.26	446	3.82	1.10
q28. Little understanding of how pursuing social causes will benefit the company is an obstacle to my company's pursuit of social/environmental causes.	226	3.88	1.12	220	3.02	1.17	446	3.46	1.22
q29. Lack of time (there are more pressing needs to channel efforts into) is an obstacle to my company's pursuit of social/environmental causes.	226	4.09	1.13	220	3.16	1.31	446	3.63	1.31

While financial constraints and lack of time emerge as two major obstacles to SMME BSR in both countries, it is significant to revisit the point that lack of technology is considered the topmost obstacle in Ghana (mean score = 4.34) while it is the lowest obstacle in South Africa (mean score = 2.45). This result appears to confirm the notion that the two countries are indeed at different stages of economic development, with Ghana being a *factor-driven* country while South Africa is an *efficiency-driven* country (Amoros, 2013). As such, the availability of technology may be lower in Ghana than in South Africa, thus making it the obstacle of most concern to Ghanaian SMMEs.

Results in Table 5.24 confirm that Ghana has significantly higher levels of obstacles than does South Africa; the F tests for differences in means scores on obstacles by country showing *p-value*s of 0.000 (i.e. *p-value* < 0.01) in all cases.

Table 5.24: Statistical Tests for Differences in Mean Scores on Obstacles by Country

Obstacles	Means			Statistical tests		
	Ghana	South Africa	Combined	F	Df1 & df2	*p-value*
q25. Lack of technology is an obstacle to my company's pursuit of social/environmental causes.	4.34	2.45	3.41	360.230	1 & 444	0.000
q26. Lack of expertise is an obstacle to my company's pursuit of social/environmental causes.	4.26	2.71	3.50	234.903	1 & 444	0.000
q27. Financial constraint is an obstacle to my company's pursuit of social/environmental causes.	4.30	3.33	3.82	108.232	1 & 444	0.000
q28. Little understanding of how pursuing social causes will benefit the company is an obstacle to my company's pursuit of social/environmental causes.	3.88	3.02	3.46	63.060	1 & 444	0.000
q29. Lack of time (there are more pressing needs to channel efforts into) is an obstacle to my company's pursuit of social/environmental causes.	4.09	3.16	3.63	65.154	1 & 444	0.000

Table 5.25 reinforces the findings in Table 5.23 and Table 5.24 with high factor coefficients or loadings (far greater than the acceptable level of 0.4) and a Cronbach's alpha of more than 0.7. Coupled with the fact that the factor percentages of total variation are above 50% in both cases (Ghana = 54.82%; South Africa = 51.32%), the items forming the obstacles construct seem to be a significant determinant in the success of SMMEs in both countries. Therefore, addressing these issues could unlock the full potential of SMMEs to contribute to economic development (Ihugba et al. 2014) in both countries.

Table 5.25: Factor Coefficients for Obstacles

Factor 6: Obstacles	Location		
	Ghana	South Africa	Combined
q25. Lack of technology is an obstacle to my company's pursuit of social/environmental causes.	0.804	0.725	0.838
q26. Lack of expertise is an obstacle to my company's pursuit of social/environmental causes.	0.825	0.678	0.817
q27. Financial constraint is an obstacle to my company's pursuit of social/environmental causes.	0.676	0.747	0.775
q28. Little understanding of how pursuing social causes will benefit the company is an obstacle to my company's pursuit of social/environmental causes.	0.740	0.703	0.759
q29. Lack of time (there are more pressing needs to channel efforts into) is an obstacle to my company's pursuit of social/environmental causes.	0.641	0.727	0.752
Cronbach's alpha	0.778	0.762	0.846

percentage of total variation	54.82%	51.32%	62.20%

5.9 THE LINK BETWEEN BSR AND SMME PERFORMANCE

SMME performance is measured by *expected* and *realised* benefits, average sales growth, and average profit level over the past three to five years; BSR performance is measured by various BSR issues summarised in section 5.7 above. In this section, the factors created to represent each BSR issue are related to the SMME performance factors to establish the link between SMME performance and BSR performance. This is achieved through correlation and regression analyses that are presented after the summary statistics for performance measures. The results indicate which BSR issues are directly related to SMME performance.

In order to proceed, the performance measures need to be summarised and factors (or indices) derived. Results presented in Tables 5.26 to 5.29 are summaries of the variables to be discussed in this section and the indices developed to represent each BSR or SMME performance issue. Average sales growth and average profit level as measures of SMMEs performance are presented in Table 5.9.

5.9.1 Summary Statistics for Performance Measures

The summary statistics in Table 5.26 and Table 5.28 show Ghana SMME owners or managers agreeing more on the *expected* and *realised benefits* for engaging in BSR than those in South Africa. This is reflected in the higher mean scores for Ghana. Meanwhile, Table 5.9 shows that 68.58% of the Ghana sample claimed to have realised an annual increase of over 20% in sales in the past three to five years compared to 22.73% in South Africa. In terms of profit, 70.79% of the Ghana SMMEs experienced an annual growth of more than 20% over the same period compared to 20.44% for South Africa. The question that this section seeks to answer is, “What is the relationship between BSR performance

(employees, customers, community, and environment) and firm performance (expected benefits, realised benefits, sales growth, and profit growth)? Analysis and results of this are presented in the sub-section (5.8.2) that follows.

Table 5.26: Summary Statistics for Expected Benefits

Factor 7: Expected Benefits	Ghana			South Africa			Combined		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	N	Mean	Std. Dev.
q30. Enhanced company image is a benefit that a socially responsible company is more likely to derive.	226	4.55	0.50	220	4.05	0.97	446	4.30	0.81
q31. Increased sales is a benefit that a socially responsible company is more likely to derive.	226	4.39	0.56	220	3.53	1.09	446	3.97	0.97
q32. Greater worker productivity is a benefit that a socially responsible company is more likely to derive.	226	4.41	0.61	220	3.34	1.01	446	3.88	0.99
q33. Low operating costs due to lower legal costs and penalties is a benefit that a socially responsible company is more likely to derive.	226	3.62	1.38	220	3.00	1.07	446	3.32	1.28
q34. Increased level of customer loyalty is a benefit that a socially responsible company is more likely to derive.	226	4.57	0.52	220	3.70	1.04	446	4.14	0.92

Table 5.27: Factor Coefficients for Expected Benefits

Factor 7: Expected Benefits	Location		
	Ghana	South Africa	Combined
q30. Enhanced company image is a benefit that a socially responsible company is more likely to derive.	0.649	0.798	0.789
q31. Increased sales is a benefit that a socially responsible company is more likely to derive.	0.822	0.859	0.881
q32. Greater worker productivity is a benefit that a socially responsible company is more likely to derive.	0.756	0.778	0.829
q33. Low operating costs due to lower legal costs and penalties is a benefit that a socially responsible company is more likely to derive.	0.552	0.688	0.620
q34. Increased level of customer loyalty is a benefit that a socially responsible company is more likely to derive.	0.723	0.881	0.883
Cronbach's alpha	0.638	0.860	0.845
percentage of total variation	49.89%	64.59%	65.00%

Table 5.28: Summary Statistics for Realised Benefits

Factor 8: Realised Benefits	Ghana			South Africa			Combined		
	N	Mean	Std. Dev.	N	Mean	Std. Dev.	N	Mean	Std. Dev.
q35. Employee attendance has improved in my company over the last three years.	226	4.24	0.63	220	3.23	1.01	446	3.74	0.98
q36. Sales have been growing in my company over the last three years.	226	4.34	0.49	220	3.23	1.13	446	3.79	1.03

q37. Overall financial performance has been improving in my company over the last three years.	226	4.26	0.70	220	3.20	1.14	446	3.74	1.08
q38. Number of loyal customers has been increasing in my company over the last three years.	226	4.53	0.54	220	3.41	1.03	446	3.98	0.99

Table 5.29: Factor Coefficients for Realised Benefits

Factor 8: Realised Benefits	Location		
	Ghana	South Africa	Combined
q35. Employee attendance has improved in my company over the last three years	0.692	0.796	0.838
q36. Sales have been growing in my company over the last three years	0.888	0.933	0.944
q37. Overall financial performance has been improving in my company over the last three years	0.686	0.902	0.890
q38. Number of loyal customers has been increasing in my company over the last three years	0.739	0.893	0.903
Cronbach Alpha	0.723	0.905	0.916
percentage of Total Variation	57.10%	77.84%	80.03%

5.9.2 Regression Models for SMMEs Performance with BSR Issues as Predictors

Correlation analysis shows what types of relationships exist between variables and the strength of the relationships (Field, 2012:170; Render et al. 2012:141); regression analysis shows the extent to which variations in outcome (dependent) variables are determined by predictor (independent) variables (Field, 2012:198; Render et al. 2012:136). Results in Table 5.30 show that, with the exception of the correlation between *employee issues* and *realised benefits*, all other BSR issues are significantly correlated with *expected* and *realised benefits* (*p-value*<0.05) but not significantly correlated with *sales growth* and *profit levels* in Ghana. In South Africa, all BSR issues are significantly positively correlated with all four measures of performance (outcomes) considered in this study (all *p-value*s<0.01).

These results mean that, while sales and profit growth are higher in Ghana, they are not tied to BSR efforts, but the growth in South Africa is tied to BSR performance. This indicates that SMMEs in South Africa may be facing a more competitive business environment than those in Ghana, and they have to market themselves through such

programmes as BSR in order to grow. According to Chih et al. (2009:132), where competition is intense, BSR becomes an avenue for firms to enhance their competitive advantage.

Table 5.30: Correlations between BSR Issues and SMMEs Performance

			SMMEs Performance							
			Ghana				South Africa			
	Pearson Correlations		Expected Benefits - Ghana	Realised Benefits - Ghana	Sales Growth	Profit Level	Expected Benefits – South Africa	Realised Benefits – South Africa	Sales Growth	Profit Level
BSR Issues	Employee Issues	Correlation	0.293**	0.125	-0.041	-0.030	0.435**	0.493**	0.441**	0.430**
		p-value	0.000	0.061	0.537	0.649	0.000	0.000	0.000	0.000
	Customer Issues	Correlation	0.312**	0.366**	0.092	0.101	0.558**	0.488**	0.421**	0.435**
		p-value	0.000	0.000	0.168	0.131	0.000	0.000	0.000	0.000
	Environmental Issues	Correlation	0.327**	0.357**	0.126	0.123	0.342**	0.440**	0.247**	0.228**
		p-value	0.000	0.000	0.058	0.065	0.000	0.000	0.000	0.001
	Community Issues	Correlation	0.357**	0.153*	-0.015	-0.006	0.230**	0.503**	0.266**	0.239**
		p-value	0.000	0.022	0.819	0.923	0.001	0.000	0.000	0.000

*. Correlation is significant at the 0.05 level (2-tailed).
**. Correlation is significant at the 0.01 level (2-tailed).

Tables 5.31 to 5.34 present the regression results for BSR predictors of SMME performance. In this study, the outcome variables are *expected benefits*, *realised benefits*, *sales growth*, and *profit growth*, while the predictor variables are *customer*, *employee*, *community*, and *environment* issues.

When all the BSR issues are considered together in the same regression model, for the Ghana sample, *customer issues* (β=0.266, t=3.969, *p-value*=0.000) and *community issues* (β=0.090, t=4.292, *p-value*=0.000) are significant predictors of *expected benefits*. In the South African sample, *employee issues* (β=0.200, t=2.319, *p-value*=0.021) and *customer issues* are significant predictors of *expected benefits*. *Environmental* and *community issues,* which had significant correlations with *expected benefits* as shown in Table 5.30, are non-significant predictors for South Africa when all four BSR predictors are together in a regression model. This means environmental and community issues have no bearing on the expected benefits of the South African sample.

Table 5.31: Regression Analysis for Expected Benefits on BSR Issues

	Dependent Variable: Expected Benefits							
	Ghana				South Africa			
	Coefficient (β)	**Std. Error**	**T**	***p-value***	**Coefficient**	**Std. Error**	**t**	***p-value***
(Constant)	5.494	1.296	4.239	0.000	3.043	1.190	2.557	0.011
Employee Issues	0.073	0.051	1.413	0.159	**0.200**	**0.086**	**2.319**	**0.021**
Customer Issues	**0.266**	**0.067**	**3.969**	**0.000**	**0.465**	**0.083**	**5.627**	**0.000**
Environmental	0.073	0.047	1.538	0.125	0.042	0.062	0.680	0.497
Community Issues	**0.090**	**0.021**	**4.292**	**0.000**	0.000	0.042	0.009	0.993
Model Summary	**R**	**R-Square**	**F (df1,df2)**	***p-value***	**R**	**R-Square**	**F (df1,df2)**	***p-value***
	0.498	0.248	18.19 (4, 221)	0.000	0.575	0.331	26.54 (4,215)	0.000

Table 5.32: Regression Analysis for Realised Benefits on BSR Issues

	Dependent Variable: Realised Benefits							
	Ghana				South Africa			
	Coefficient (β)	**Std. Error**	**t**	***p-value***	**Coefficient**	**Std. Error**	**t**	***p-value***
(Constant)	5.755	1.056	5.453	0.000	-1.241	1.125	-1.103	0.271
Employee Issues	-0.017	0.042	-0.415	0.678	**0.307**	**0.082**	**3.762**	**0.000**
Customer Issues	**0.229**	**0.054**	**4.201**	**0.000**	**0.181**	**0.078**	**2.320**	**0.021**
Environmental	**0.116**	**0.039**	**3.011**	**0.003**	0.112	0.059	1.916	0.057
Community Issues	0.026	0.017	1.536	0.126	**0.199**	**0.040**	**5.014**	**0.000**
Model Summary	**R**	**R-Square**	**F (df1,df2)**	***p-value***	**R**	**R-Square**	**F (df1,df2)**	***p-value***
	0.44	0.194	13.28 (4, 221)	0.000	0.642	0.412	37.65 (4, 215)	0.000

Table 5.32 shows that *customer issues* and *environmental issues* are significant predictors of *realised benefits* in the Ghana sample. For the South Africa sample, *employee issues*, *customer issues*, and *community issues* are significant predictors of *realised benefits*.

Table 5.33: Regression Analysis for Sales Growth on BSR Issues

	Dependent Variable: Sales Growth							
	Ghana				**South Africa**			
	Coefficient (β)	**Std. Error**	**t**	***p-value***	**Coefficient**	**Std. Error**	**t**	***p-value***
(Constant)	3.663	1.060	3.454	0.001	-1.444	0.663	-2.177	0.031
Employee Issues	-0.042	0.042	-1.011	0.313	**0.177**	**0.048**	**3.680**	**0.000**
Customer Issues	0.036	0.055	0.663	0.508	**0.132**	**0.046**	**2.872**	**0.004**
Environmental	0.066	0.039	1.704	0.090	-0.010	0.035	-0.276	0.783
Community Issues	-0.005	0.017	-0.274	0.784	0.034	0.023	1.451	0.148
Model Summary	**R**	**R-Square**	**F (df1,df2)**	***p-value***	**R**	**R-Square**	**F (df1,df2)**	***p-value***
	0.158[a]	0.025	1.41 (4, 221)	0.233	0.492	0.242	17.17 (4, 215)	0.000

Table 5.34: Regression Analysis for Profit Level on BSR Issues

	Dependent Variable: Profit Level							
	Ghana				South Africa			
	Coefficient (β)	**Std. Error**	**t**	***p-value***	**Coefficient**	**Std. Error**	**t**	***p-value***
(Constant)	3.502	1.068	3.280	0.001	-1.630	0.696	-2.341	0.020
Employee Issues	-0.038	0.042	-0.904	0.367	**0.170**	**0.050**	**3.376**	**0.001**
Customer Issues	0.047	0.055	0.844	0.399	**0.168**	**0.048**	**3.479**	**0.001**
Environmental	0.059	0.039	1.521	0.130	-0.023	0.036	-0.645	0.520
Community Issues	-0.002	0.017	-0.144	0.886	0.027	0.025	1.101	0.272
Model Summary	**R**	**R-Square**	**F (df1,df2)**	***p-value***	**R**	**R-Square**	**F (df1,df2)**	***p-value***
	0.152	0.023	1.31 (4, 221)	0.268	0.49	0.240	17.01 (4, 215)	0.000

Table 5.33 and Table 5.34 confirm the lack of a significant positive correlation between financial variables (sales growth and profit growth) and the BSR factors in the Ghana sample, as depicted in Table 5.30. The results in the above tables show that the four factors of BSR are not significant predictors of *sales growth* and *profit growth* in the Ghana sample. In the South Africa sample, however, *employee issues* and *customer issues* are significant predictors of *sales growth* and *profit growth*.

The results in the Ghana sample appear to emphasise the importance of assessing firm performance using both financial and non-financial variables. The results (Tables 5.30 to 5.34) show that when firm performance is looked at in its entirety (i.e., financial and non-financial variables) a relationship is established between BSR and firm performance in the Ghana sample but no relationship is established with the financial variables alone. This may mean that even if BSR does not immediately affect the financial performance of a business, it can affect its non-financial variables, which may eventually reflect in the bottom line. This seems to support the notion among some researchers (Simpson et al. 2010; Phihlela et al. 2012; Bezdrob & Car, 2012; Sinisammal et al. 2012; Jamil & Mohamed, 2013; Budiarto, 2014; Marjanovic, 2014) that firm performance measures

should not be limited to financial variables and should include non-financial variables as well.

With respect to why some BSR variables in this section have had significant positive correlations with firm performance variables and yet failed to significantly predict them, Flammer (2013:2) explains that a positive correlation between BSR and firm performance may not mean that engagement in BSR has led to improved financial performance. Rather, the profitability of the business may have made it possible for it to engage in BSR. Therefore, it is possible to observe a positive correlation between BSR and financial performance and yet not find BSR predicting financial performance. For example, all four BSR variables in the South African sample had significant positive correlations with the four firm performance variables, yet not all of them predicted the firm performance variables. This suggests that either profitability is acting as a predictor variable to BSR (instead of the other way around) or the BSR issues likely correlate with unobservable firm characteristics that relate to firm performance.

Thus, results presented in this section have been mixed, which is in line with Peloza and Shang's (2011:117) assertion that findings on the relationship between BSR and firm performance, particularly financial performance, tend to be inconsistent. They cite a meta-analysis of 127 studies on the relationship between the two variables conducted by Margolis and Walsh (2003) and another one on 52 studies by Orlitzky, Schmidt, and Rynes (2003) to buttress their point. In addition to this, Belu and Manescu (2011) also cite another meta-analysis of 167 studies undertaken by Margolis, Elfenbein, and Walsh (2007) that also produced mixed results. For this reason, Belu and Manescu (2011) used a so-called novel Data Envelopment Analysis (DEA) technique in which a strategic CSR index was related to economic performance as measured by Return on Assets (ROA) and Tobin's Q; however, that approach also produced a neutral result.

These mixed results can be explained by Barnett and Salomon's (2006) finding that a curvilinear relationship exists between BSR and financial performance, suggesting that financial performance declines in the early stage of a firm's engagement in BSR but rebounds after some time. Therefore, in a survey, which has a mix of firms at different stages of BSR implementation, mixed results of this kind seem to be a matter of course.

5.10 SUMMARY AND CONCLUSION

This chapter reported and discussed the empirical findings of the study. The findings were mainly reported in the form of descriptive statistics and inferential statistics. The descriptive statistics were in two parts: demographic and financial.

The demographics showed that 76.36% of SMME owners or managers in the South Africa sample are male, while in the Ghana sample, there is an equal share between males and females (50% each) in SMME leadership. It was also shown that the SMME sector appears to be dominated by younger people in Ghana more so than in South Africa.

The retail sector appears to have the greatest proportion (49.12%) of SMMEs in Ghana, whereas the highest percentage of SMMEs in South Africa are in the construction sector (37.27%) followed by the retail sector (25%). The majority of SMMEs in both countries (79.2% in Ghana and 55.45% in South Africa) are not more than 10 years old. However, South Africa has a higher percentage (44.54%) of SMMEs that are over 10 years old than Ghana does (20.80%). In terms of employment generation, 72% of the SMMEs in Ghana employ fewer than six workers (apart from the owner), compared to 69.63% in South Africa.

On the question of SMME BSR awareness in both countries, it was found that SMMEs in both countries are reasonably aware of BSR matters. However, the results also show that Ghana SMMEs are significantly more aware than their South Africa counterparts are.

There are no significant differences in the primary reasons for undertaking BSR in both countries. The primary reason for engaging in BSR in both countries is that SMMEs consider it the morally right thing to do. The second reason is that they think it will boost their profits. The third reason is because “everybody is doing it,” and the last reason is simply to meet legal requirements. There are no significant differences in the ranking of the primary and third reasons in both countries, but there are significant differences in the ranking of the second and fourth.

The BSR focus of SMMEs in both Ghana and South Africa (in order of importance) are *community issues*, *environment issues*, *customer issues*, and *employee issues*. However, Ghana’s focus on all four sets of issues is significantly higher than that of South Africa. The major obstacle that limits SMME BSR performance in both countries is finance. Generally, Ghana has significantly higher levels of obstacles than South Africa does.

BSR issues are significantly correlated with *expected benefits* and *realised benefits* but not significantly correlated with SMME *sales growth* and *profit levels* in Ghana. In South Africa all BSR issues are significantly positively correlated with all four measures of performance considered in this study (all *p-value*s<0.01). These results mean that although sales and profit growth are higher in Ghana, they are not tied to BSR efforts, whereas the growth in sales and profits in South Africa is tied to BSR performance.

In conclusion, it is possible to conduct a cross-country analysis of SMME BSR in the African context. Secondly, findings in this chapter show that BSR has permeated the

mind-set of SMMEs in the samples selected from Ghana and South Africa, and it offers a possibility for SMMEs to enhance their performance. The next chapter presents conclusions and recommendations based on these findings and the literature review of this study.

CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter presented and discussed the results of the study. It showed that BSR has permeated the mind-sets of the SMMEs surveyed in Ghana and South Africa and established some positive relationships that exist between BSR variables and firm performance. Based on these findings, this chapter presents the conclusions in two parts. First, a recapitulation of the literature review is done to highlight the salient points of the review and the second part is devoted to the empirical findings. This is then followed by recommendations.

6.2 RECAPITULATION OF LITERATURE REVIEW

In quantitative research, revisiting the literature at the end of the study makes it possible for the researcher to use the literature deductively as a framework for the research questions or hypotheses (Creswell, 2014:30). In this light, this section presents the salient points that the literature review yielded to provide a framework for understanding the empirical findings from which the conclusion is drawn.

6.2.1 The Role of SMMEs in Entrepreneurship and BSR

The discussions in Chapter 2 showed that SMMEs—although categorised into one group—are heterogeneous in nature. However, what bind them together are their non-largeness, nimbleness in decision making, and their tendency to be resource-limited and heavily influenced by the owner-manager (Parker et al. 2009:279; Russo & Perrini, 2009:209; Rosenbusch et al. 2011:442). Although these characteristics may appear to put SMMEs at a disadvantage compared to large enterprises, they are also the source of their competitive advantage because of the informality and fluidity that these features tend to bring to bear on their structures (Abor & Quartey, 2010:219; Fatoki, 2012a:24). As a

result, SMMEs tend to be a good nurturing ground for entrepreneurs and new ventures (Elfenbein et al. 2010:2).

Nonetheless, the extent to which a firm will be entrepreneurial depends on the aspirations of the owner-manager (Hessels et al. 2008; Baucus & Cochran, 2009:57), which is informed by the personal characteristics of the owner-manager (Caliendo & Kritikos, 2011:1; Baum et al. 2012:1)). Successful entrepreneurs are those whose personality traits enable them to deal effectively with the ambiguity of the external environment to exploit opportunities successfully in ways that affect economic development. This suggests that these entrepreneurs might also be able to handle the ambiguities surrounding BSR issues without necessarily sacrificing their profits.

6.2.2 Stakeholder Theory and the Relationship between BSR and Firm Performance

Chapter 3 showed the emerging trend in the literature for researchers to use the stakeholder theory to test the relationship between BSR activities and firm performance in the SMMEs context (e.g., Longo et al. 2005; Sweeney 2009; Evans & Sawyer, 2010; Okyere, 2012; Kamyabi et al. 2013; Agbim et al. 2013; Munasinghe & Malkumari, 2013; Turyakira et al. 2014). The BSR activities examined tended to be those surrounding employees, customers, community, and the environment.

In general, a significant positive relationship tends to exist between some of the BSR variables and firm performance, but that relationship is not always strong (Margolis & Walsh, 2003; Margolis et al. 2007; Orlitzky et al. 2007). The tendency of SMMEs to undertake BSR for altruistic reasons (Jenkins, 2006; 2009:25; Evans & Sawyer, 2010:439; Besser, 2012:131; Tamajon & Font, 2013) seems to dampen the strength of the relationship between BSR and firm performance. On that basis, it appears that *normative stakeholder theory* applies more to SMMEs.

6.3 CONCLUSIONS BASED ON EMPIRICAL FINDINGS

The results of the empirical study were presented in Chapter 5, but this section re-states the results of the survey in terms of the hypotheses being tested and it draws conclusions based on the results.

6.3.1 Hypothesis 1: SMME BSR Awareness in Ghana and South Africa

$H0_1$: *There are no significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa.*

Ha_1: *There are significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa.*

On the question of SMME BSR awareness in both countries, it was found that the three items that address awareness of BSR have more or less similar weights or coefficients (ranging from 0.772 to 0.941), which means that all three awareness items are of equal importance to SMMEs in the two countries. In other words, SMMEs in both samples are reasonably aware of BSR matters. However, results in Tables 5.10 and 5.11 showed that the Ghanaian SMMEs are significantly more aware than their South African counterparts are. Therefore, the null hypothesis is rejected and the alternate hypothesis (***Ha_1:*** *There are significant differences in the levels of BSR awareness of SMMEs in Ghana and South Africa)* is accepted.

Conclusion: There are significant differences in the levels of SMME BSR awareness in the two countries with the intensity of awareness being higher in the Ghana sample (overall mean score = 4.60). However, the South African SMMEs are sufficiently aware with an overall mean score of 3.49, which is above average on a five-point scale.

6.3.2 Hypothesis 2: SMMEs' Primary Reasons for Engaging in BSR

$H0_2$: *There are no significant differences in primary reasons for SMMEs engaging in BSR according to country.*

Ha_2: *There are significant differences in primary reasons for SMMEs engaging in BSR according to country.*

Results from Table 5.13 showed that in both countries the primary reason for engaging in BSR is that SMMEs consider it the morally right thing to do. Table 5.14 confirmed no significant differences in the primary reasons for undertaking BSR in both countries. The second, third, and fourth reasons were also the same in both countries. Engaging in BSR because it will boost profits is the second reason; the third reason is that owners or managers of SMMEs think, "everybody is doing it". Undertaking BSR activities simply to meet legal requirements was ranked last. There are no significant differences in the ranking of the primary and third reasons for both countries, but there are significant differences in the ranking of the second and fourth reasons. Therefore, we fail to reject the null hypothesis (***$H0_2$:*** *There are no significant differences in primary reasons for SMMEs engaging in BSR according to country*).

Conclusion: The primary reason for engaging in BSR in both countries is that SMMEs consider it the morally right thing to do. There are no significant differences in the primary reasons for engaging in BSR in both countries

6.3.3 Hypothesis 3: BSR Focuses of SMMEs by Country

$H0_3$: *There are significant differences in the BSR focuses of SMMEs in the two countries.*

Ha_3: *There are no significant differences in the BSR focuses of SMMEs in the two countries.*

Tables 5.15, 5.17, 5.19, and 5.21 show Ghana scoring higher in focusing on the various BSR issues, while the results in Tables 5.16, 5.18, 5.20, and 5.22 show the BSR focus of

SMMEs in both Ghana and South Africa in order of importance (percentage of total variation): *community issues*, *environment issues*, *customer issues*, and *employee issues*. However, Ghana's focus on all four sets of issues is significantly higher than South Africa's is, as depicted by the *t*-statistic and *p*-values in these tables. Therefore, we reject the null hypothesis and accept the alternate hypothesis (***Ha$_3$:*** *There are significant differences in the BSR focuses of SMMEs in the two countries*).

Conclusion: The BSR focuses are virtually the same for both countries, with *community issues* being the most important and *employee issues* being the least important. However, Ghana's focus on all four sets of issues is significantly higher than South Africa's is.

6.3.4 Hypothesis 4: Obstacles that Limit SMME BSR

H0$_4$*: There are no significant differences in the kinds of obstacles that limit SMME BSR performance based on country.*

Ha$_4$: *There are significant differences in the kinds of obstacles that limit SMME BSR performance based on country.*

By comparing means in Table 5.23, it became clear that Ghana tends to face more challenges than South Africa does. The major obstacle that limits SMME BSR performance in Ghana is *lack of technology*, while *financial constraints* is the major obstacle in South Africa. The results of F tests in Table 5.24 confirm that Ghana has significantly higher levels of obstacles than South Africa does. Therefore, we reject the null hypothesis and accept the alternate hypothesis (***Ha$_4$****: There are significant differences in the kinds of obstacles that limit SMMEs BSR performance based on country*).

Conclusion: The major obstacle that limits SMME BSR performance in Ghana is lack of technology, while financial constraints is the major obstacle in South Africa. Generally, Ghana has significantly higher levels of obstacles than South Africa does.

6.3.5 Hypothesis 5: Link between Firm Performance and BSR

H0$_5$: *There is no positive link between firm performance and its level of BSR performance.*

Ha$_5$: *There is a positive link between firm performance and its level of BSR performance.*

Table 5.30 shows that BSR issues are significantly positively correlated with *expected benefits* and *realised benefits*, but not significantly correlated with SMME *sales growth* and *profit levels* in Ghana. However, for South Africa, all BSR issues are significantly positively correlated with all four measures of performance considered in this study (all p-values<0.01). These results mean that although sales and profit growth are higher for the Ghana sample, as depicted in Table 5.9, they are not tied to BSR efforts; the growth in sales and profits for the South Africa sample, however, is tied to BSR performance. This indicates that SMMEs in South Africa have to market themselves more through "innovative" programmes like BSR in order to grow. This is different from Ghana, where SMMEs have the prospect of making profit irrespective of the efforts they put into their BSR activities. This suggests that the Ghanaian market has much more growth potential for SMMEs than the market in South Africa does. It would seem that the relatively more mature nature of the South African economy (Amoros & Bosma 2013:10) requires SMMEs in that country to do much more to beat the competition and grow. Therefore, the alternate hypothesis (***Ha$_6$:*** *There is a positive link between firm performance and its level of BSR performance*) is partially accepted for the Ghana sample and fully accepted for the South Africa sample.

Conclusion: In South Africa, there is a significant positive link between all the firm performance indicators and BSR performance. In Ghana, there is a significant positive link between *expected benefits* and BSR performance and between *realised benefits* and BSR performance. However, no significant positive links exist between *sales growth* and BSR performance or between *profit growth* and BSR performance.

6.3.6 Hypothesis 6: Predictability of Firm Performance by BSR Factors

H0$_6$: *SMME performance cannot be accurately predicted by factors associated with BSR performance.*

Ha$_6$: *SMME performance can be accurately predicted by factors associated with BSR performance.*

Results of the regression analysis reported in Chapter 5 (see Tables 5.31 to 5.34) showed that, in Ghana, *customer* and *community issues* are significant predictors of *expected benefits*, while *customer* and *environment issues* are significant predictors of *realised benefits*. This means that Ghanaian SMMEs' support for *customer* and *community issues* determines the extent to which they expect to attain an enhanced image, increased sales, greater worker productivity, low operating costs, and improved customer loyalty, while their support for *customer issues* and *environment issues* determine the extent to which they actually achieve these benefits.

In South Africa, *employee issues* and *customer issues* significantly predict *expected benefits* while *employee issues*, *customer issues,* and *community issues* significantly predict *realised benefits*. In addition, e*mployee issues* and *customer issues* are significant predictors of both *sales growth* and *profit growth.* Therefore, their support for *employee issues* and *customer issues* influences the actual growth in sales and profits. Therefore, we cannot fully reject the null hypothesis and must partially accept the alternate hypothesis (***Ha$_6$:*** *SMME performance can be accurately predicted by factors associated with BSR performance*).

Conclusion: In Ghana, *customer issues* and *community issues* are significant predictors of *expected benefits*, while *customer issues* and *environment issues* are significant predictors of *realised benefits*. In South Africa, *employee issues* and *customer issues* significantly predict *expected benefits*; also in South Africa, *employee issues*, *customer*

issues, and *community issues* significantly predict *realised benefits*. *Employee issues* and *customer issues* are significant predictors of both *sales growth* and *profit growth*.

6.4 POLICY IMPLICATIONS AND RECOMMENDATIONS

This study identified a number of issues that have a bearing on policies for small businesses and economic development in Africa. First, it has been revealed that BSR's role in the economics of SMMEs cannot be discounted. In more mature economies, where competition in the business environment tends to be keener than it is in developing economies, SMMEs need to devise innovative ways to gain competitive advantage. Similarly, in an increasingly globalised world, SMMEs in less mature economies that form part of the global supply chains of firms in more mature economies have to conform to the standards that these supply chains impose on them to remain competitive. This, though, depends on the extent to which they are integrated into the global economy. Comparing the results of the Ghana sample (less mature economy) and the South Africa sample (more mature economy), this study has revealed that BSR has more potential to positively influence sales and profit growth in a more mature economy than it does in a less mature economy. The need for SMMEs in less mature economies to adopt BSR practices to conform to global supply chain requirements does not appear to apply to SMMEs in Ghana yet, perhaps because they are not sufficiently integrated into global supply chains. This may explain why BSR influences sales and profit growth in the South Africa sample but with no correlation in the Ghana sample.

Secondly, the role of SMMEs in the environment dimension of BSR may be more prominent than some researchers claim (e.g., Rowe & Hollingsworth, 1996; Lee, 2000; Dzansi, 2004; Dzansi & Pretorius, 2009). This study revealed that *environment issues* are second to *community issues* in both Ghana and South Africa based on the overall indices developed in Tables 5.16, 5.18, 5.20, and 5.22 in Chapter 5. Perhaps the searchlight on environmental practices should not be limited to large corporate firms only. Although the individual impacts of SMMEs on the environment may appear small, their collective impact can be high because of their preponderance in both developed and developing

economies (Gadenne et al. 2008:45). Therefore, the searchlight on SMME BSR should focus on the hardly visible practices that cumulatively affect the environment in a big way, e.g., the way in which they dispose of their waste, use energy and water, keep their surroundings clean, and whether they engage in recycling (Evans & Sawyer, 2010:444). According to Young (2010), these seemingly little practices enable SMMEs to reduce costs, build their reputations, increase their market shares, and increase their profits. He further adds that SMMEs are able to function in global markets as supply chain partners of multinational companies if these practices become part of their mind-set.

Lastly, the study revealed a lower entrepreneurial participation rate in South Africa than in Ghana. Theoretically and empirically, this makes sense given that entrepreneurial participation rates tend to be higher in factor-driven economies (e.g., Ghana) than in efficiency-driven economies (e.g., South Africa) (Carre et al. 2002; Wennekers et al. 2005; Amoros & Bosma, 2013). However, the wide income disparities in the South African economy requires that the lower participation rate not be swept under the carpet of efficiency-driven economy, given the important role that entrepreneurship plays in lifting people out of poverty. In light of the forgoing implications for policy makers, the following recommendations are made.

6.4.1 Public Policy for SMMEs BSR

Given that BSR can be a source of competitive advantage for SMMEs in an increasingly competitive business environment, it is recommended that a formal policy and legislation be instituted to regulate SMME BSR in both countries. This is in spite of the argument that BSR should be based on volition rather than compulsion (European Commission, 2002; Dhaliwal et al. 2011; Dzansi & Hoeyi, 2013). According to Williamson, Lynch-Wood, and Ramsay (2006), regulation leads to better BSR procedures and practices. Further, Tilley (1999) suggests that SMME owners or managers see legislation as valuable and fair in that it clearly states what is required of them and provides penalties for non-compliance. Thus, regulation raises awareness and provides clear guidelines for action.

To make any such regulation effective, the small business development agencies of both countries—(SEDA for South Africa) and (NBSSI for Ghana)—can help SMMEs to integrate BSR matters into their strategies right from the beginning. Thus, the agencies themselves need to develop BSR expertise in order to support the SMMEs in considering the costs and benefits of BSR as they are developing their business plans. Doing so will make SMMEs understand what benefits—social or economic—they stand to derive when they undertake BSR for either altruistic or economic reasons and when they can expect the benefits. According to Gadenne et al. (2008:47), the reason some SMME owners or managers shy away from BSR is that they do not fully understand the cost-benefit dynamics involved. Therefore, the involvement of the small business development agencies will go a long way to curb this problem.

While the small business development agencies are tasked with supporting SMMEs in integrating BSR into their business plans, the municipal authorities can have authority to enforce the legislation and ensure compliance. This will create a division of labour and efficiency in regulation with the small business developing agencies focusing on facilitation while municipalities concentrate on enforcement. The enforcement process can be linked to the business licensing procedures of the municipalities to make it easy for them to extract penalties from non-complying firms because, where non-compliance goes unpunished, room is given for complying SMMEs to also start breaking the law.

6.4.2 Environmental Management in SMMEs

The empirical findings of this study have revealed that *environment issues* is second in importance only to *community issues* in both South Africa and Ghana in terms of SMME BSR. This means that SMMEs may be playing a more important part in environmental matters than originally thought (e.g., Rowe & Hollingsworth, 1996; Lee, 2000; Dzansi, 2004; Dzansi & Pretorius, 2009). This means that any public policy on BSR will have to

consider the environmental practices of SMMEs also. On an individual level, the impact of SMME activities on the environment might appear negligible, but collectively, it could be substantially significant. Thus, environmental practices should be made an integral part of any public policy on SMME BSR.

6.4.3 Entrepreneurship and Poverty Reduction

This study revealed a higher entrepreneurial participation rate in Ghana than in South Africa. In other words, people in Ghana (especially the youth) tend to see entrepreneurship more as a route to self-realisation than people do in South Africa. Under normal circumstances this finding is not surprising because of the U-shaped relationship between economic development and entrepreneurial tendencies. However, the historical antecedents of South Africa require that this low participation rate be examined closely. The wide socio-economic disparities (Hakizimana & Geyer, 2014; Leubolt, 2014) show how far this efficiency-driven economy must go to achieve equity for its citizens. It is known that the apartheid policy of South Africa's past introduced wide socio-economic disparities among the majority black, coloured, and Indian population on the one hand and the minority white population on the other, with the former rooted at the bottom of the socio-economic ladder (see, e.g., Lundahl & Petersson, 2009; Noble & Wright, 2012). In this light, entrepreneurship, which is known to offer a route to economic emancipation and development, presents an opportunity for these disparities to be closed. Young people adopt a less enthusiastic stance towards entrepreneurship in an efficiency-driven economy because of the many "high" standards of business operation and competition compared to a factor-driven economy. Therefore, it is recommended that public policy in South Africa take a holistic view of how it can help young people to satisfy the standards and requirements surrounding business start-up, operation, and competition. Even though these standards and requirements (e.g., capital requirements) in themselves might be efficiency enhancers, they appear to act as barriers for people from previously disadvantaged segments of the South African population.

6.5 RECOMMENDATIONS FOR FURTHER RESEARCH

Despite its opposition, much work has been done to show the benefits that BSR can bring to a business and to the general society. This has contributed to the concept increasingly gaining acceptance in recent times. However, much work remains to be done to fully ground BSR in theory. Based on lessons from this study, the following suggestions are made for further research.

6.5.1 Non-Survey Measurement Methods

The survey method was used to analyse SMME BSR in this research. A major challenge associated with this method of measuring a phenomenon is social desirability bias where respondents answer questions to gain social acceptance rather than stating the facts. Particularly for BSR, which is hinged on self-regulation, social desirability bias can be more of a concern when the survey method is used to conduct the research. This study has done much to curb this problem through instrument design to ensure credibility. However, using non-survey methods might be a better way of measuring SMME BSR because such methods would not have to rely solely on what the owner or manager reports. Any future research should use non-survey methods to collect data on SMME BSR. Alternatively, a mixed-methods approach could be used where survey, case study, and examination of records are combined to test the consistency and validity of the findings.

6.5.2 Sampling Various Stakeholders

In measuring SMME BSR, this study focused on surveying the views of owners or managers. While owner or managers are known to be strategically placed to provide more information on the business, the very nature of BSR requires that information on other stakeholders also be provided. Owing to the self-regulatory nature of BSR, it is unclear to what extent owners or managers will be sincere in providing truthful answers about other stakeholders, especially if addressing the concerns of stakeholders through BSR will involve cost. Therefore, it is recommended that future research should elicit the views of

either owners/manager and employees or owners/managers and customers as far as SMME BSR is concerned. Alternatively, a customer satisfaction survey can be used to measure the extent to which customers are satisfied with the performance of selected firms on the various BSR dimensions.

6.5.3 Covering More African Countries

As a follow-up to Dzansi's (2004) work that examined SMME BSR in a rural setting in South Africa, this study went further by doing a cross-country comparison of SMME BSR in Ghana and South Africa. The intention was to increase understanding on SMME BSR in the African context. Noble as these efforts may seem, more research into SMME BSR in the African context needs to be conducted. To that end, the best items in terms of factor loadings from Dzansi's (2004) study and this study have been captured into a suggested questionnaire (Appendix B) for future research. Further research should be undertaken in other African countries to establish the extent to which these items correlate with their respective constructs in different settings. Higher factor loadings in different countries will improve the credibility of the measuring instrument, which will go a long way to bring about uniformity in measuring SMME BSR on the continent.

6.5.4 Curvilinear Relationship between BSR and Performance

In Chapter 5 of this study, the empirical findings did not show a significant positive relationship between all BSR dimensions and firm performance variables in all cases in both countries even though some positive relationships were established. Such mixed results are common in BSR studies and a curvilinear, rather than a linear, relationship between the two variables could be responsible for this. When firms at different stages of maturity are drawn together in the same sample—instead of different samples based on maturity—it would seem that they mask the curvilinear relationship and instead reflect this relationship in the form of mixed results. Therefore, cross-sectional research that draws three samples based on the stages of maturity of firms (i.e., early, transitional, and mature) should be conducted to see if such a curvilinear relationship exists and if BSR does indeed affect financial performance in the long term even if the relationship is

negative in the early stage. Alternatively, a longitudinal research can be undertaken to achieve the same purpose.

6.6 LIMITATIONS OF THE STUDY

The limitations of this study are explained in Chapter 1, but a recapitulation is necessary here.

1. SMMEs means small, medium, and micro enterprises. Because of this all-inclusive reference, any of the three specific types might be under-represented in the sample even though the study took steps to be inclusive.
2. The self-regulatory nature of BSR and the fact that a survey was used means that the findings of this study rely heavily on the responses of owners or managers. Even though efforts were made to assure credibility of the measuring instrument, the possibility of owners or managers not responding truthfully could not be fully eliminated.
3. In addition, owners or managers may not be all knowing even though they were the focus of the survey. Therefore, even if they intended to respond truthfully, there is still the challenge of cognitive limitations.

6.7 CONCLUSION

This study has demonstrated the types of relationships that exist between measures of BSR and firm performance among SMMEs in South Africa and Ghana. It confirms previous studies' findings that the relationships, though positive, are not always significant. The primary objective of this study was to determine the extent to which the notion of BSR has permeated the small business mind-set in Africa and its relationship with firm performance using a modified version of Dzansi's (2004) BSR measurement instrument. The findings show that it is possible to modify Dzansi's (2004) instrument to measure BSR in the African context without compromising its reliability and validity. Moreover, SMMEs in both countries are reasonably aware of BSR, and BSR significantly influences sales and profit growth in South Africa more so than in Ghana. A public policy

to support the self-regulation practices of BSR will help unlock the full potential of BSR for businesses and society, and to a greater degree in a more competitive environment like South Africa.

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Appendix A: Questionnaire Employed in Data Collection

SMALL BUSINESS SOCIAL RESPONSIBILITY QUESTIONNAIRE

Dear respondent,

I am **Prosper K Hoeyi,** and I am studying for the doctoral degree in Business Administration at the Central University of Technology, Bloemfontein, South Africa. I am now collecting data for my thesis titled, "**Validating small business social responsibility in South Africa and Ghana**".

This study is being supervised by **Professor Dennis Y Dzansi** of the School of Entrepreneurship and Business Development, Faculty of Management Sciences, Central University of Technology, Bloemfontein, South Africa.

I humbly request you to complete this questionnaire that should take no more than 30 minutes of your time**.** It is important that you complete the questionnaire as honestly as possible. I assure you that all information provided will be treated with the utmost confidentiality and anonymity and it will be used for research purposes only.

Thanking you,

Prosper K Hoeyi

LIKE ALL OTHER RESPONSES THIS INFORMATION WILL BE KEPT CONFIDENTIAL	
Company name	
Responsible person (Respondent name)	
Designation	
Telephone number	
Physical location	

RESPONDENT NUMBER							
EMPLOYEE ISSUES Indicate the extent to which your company engages in the following activities:							
1	The company tolerates all religions, races, and orientations of its employees.	Not at all 1	2	3	4	To a great extent 5	
2	The company provides its workers with regular training.	1	2	3	4	5	
3	The company provides paid maternity leave.	1	2	3	4	5	
4	The company provides paid family sickness and bereavement leave to its employees.	1	2	3	4	5	
5	Employees are free to decide how much overtime they want to do.	1	2	3	4	5	
6	My company prohibits child labour.	1	2	3	4	5	
CUSTOMER ISSUES							
7	My company responds promptly to customer complaints.	Not at all 1	2	3	4	To a great extent 5	
8	When my company does not have the product/service, we always suggest alternative sources of obtaining it to the customer.	1	2	3	4	5	
9	The company never engages in dishonest advertising.	1	2	3	4	5	
10	The company always makes fair and prompt refunds when such a situation arises.	1	2	3	4	5	
11	The company cannot be concerned with vulnerable groups, such as children, because they are not priority customers.	1	2	3	4	5	
12	The company only sells products to customers that are clearly labelled.	1	2	3	4	5	
13	The company makes terms and conditions surrounding its service known to customers.	1	2	3	4	5	
ENVIRONMENTAL ISSUES							
14	The company is committed to continuous improvement in its environmental practices.	Not at all 1	2	3	4	To a great extent 5	
15	The company regularly conducts audits on its environmental practices.	1	2	3	4	5	
To what extent do the following environmental practices of your business exceed the minimum legally required standards?							
16.1	Waste reduction	Not at all 1	2	3	4	To a great extent 5	
16.2	Recycling	1	2	3	4	5	

16.3	Energy conservation	1	2	3	4	5	
16.4	Reduction of water consumption	1	2	3	4	5	
16.5	Reduction of air pollutant	1	2	3	4	5	
16.6	Land reclamation after an extractive activity, e.g., sand winning, mining, quarrying etc.	1	2	3	4	5	
16.7	Other, please specify_____	1	2	3	4	5	
COMMUNITY ISSUES							
Indicate the extent to which your company provides financial support for the following community issues:							
17.1	Bursaries to the needy in the community	Not at all 1	2	3	4	To a great extent 5	
17.2	Community sporting clubs	1	2	3	4	5	
17.3	Community social organisations	1	2	3	4	5	
17.4	Community religious organisations	1	2	3	4	5	
17.5	Disaster relief	1	2	3	4	5	
17.6	Aids campaigns	1	2	3	4	5	
Indicate the extent to which your company is involved in the following:							
18	My company gives first preference to local employment	Not at all 1	2	3	4	To a great extent 5	
19	Workers are allowed to use company time for community issues	1	2	3	4	5	
20	My company actively contributes towards combating crime in the area	1	2	3	4	5	
AWARENESS							
Indicated the extent to which you disagree or agree with the following statements.							
21	The concept of business social responsibility—that is, the idea that businesses need to look beyond profit motive and also contribute towards community causes, such as disaster relief, sponsorships, etc.—as well as taking extra care of its employees, customers, and the environment is well known to me	Strongly Disagree 1	2	3	4	Strongly Agree 5	
22	Businesses, irrespective of size, have a responsibility to contribute to the above named social causes.	1	2	3	4	5	

23	Businesses, irrespective of size, stand to benefit from contributing towards the above social causes	1	2	3	4	5	
REASONS On a scale of 1 to 4, with 1 being 'most important' and 4 being 'least important', indicate how your company ranks the following social responsibility issues: *(Please assign a different rank to each issue, e.g., after you have ticked 1, "most important" for one question, you cannot tick 1 again for another question; after you tick 2, you cannot tick 2 again for another question, etc.)*							
24.1	My company responds to social causes because it is the morally right thing to do.	1 Most important		2	3	4 Least important	
24.2	My company responds to social causes simply because "everybody is doing it".	1 Most important		2	3	4 Least important	
24.3	My company contributes towards social causes because it will boost our profits.	1 Most important		2	3	4 Least important	
24.4	My company responds to social causes simply to meet legal requirements.	1 Most important		2	3	4 Least important	
OBSTACLES To what extent are the following obstacles to your company's pursuit of social /environmental causes?							
25	Lack of technology	Not at all 1	2	3	4	To a great extent 5	
26	Lack of expertise	1	2	3	4	5	
27	Financial constraints	1	2	3	4	5	
28	Little understanding of how pursuing social causes will benefit the company	1	2	3	4	5	
29	Lack of time (there are more pressing needs to channel efforts into)	1	2	3	4	5	
EXPECTED BENEFITS Indicate the degree to which you agree or disagree with the statement that a company that engages in socially responsible activities is more likely to derive the following benefits							
30	Enhanced company image	Strongly disagree 1	2	3	4	Strongly agree 5	
31	Increased sales	1	2	3	4	5	
32	Greater worker productivity	1	2	3	4	5	
33	Keeps operating costs down due to lower legal costs and penalties	1	2	3	4	5	
34	Increased level of customer loyalty	1	2	3	4	5	
REALISED BENEFITS Indicate the extent to which your company has experienced any of the following benefits from your social responsible activities over the last three to five years.							
35	Employee attendance has improved	Not at all 1	2	3	4	To a great extent 5	
36	Sales has been growing	1	2	3	4	5	
37	Overall financial performance has been improving	1	2	3	4	5	
38	Increasing number of loyal customers	1	2	3	4	5	
DEMOGRAPHIC DATA							

39	What type of business are you engaged in?							
	Commercial farming 1	Health/ Medical 2	Hospitality-restaurant hotels 3	Mining 4	Retail 5	Transport 6	Construction 7	Other (specify) 8
40	*Please indicate your gender*	*Male (1)*	*Female (2)*					
41	Please indicate your age in years							
42	Please state your highest educational level							
43	No formal education 1	Primary 2	Middle/Secondary (grade 7 - 9) 3	Matric (grade 10 – 12) 4	Post Matric/Tertiary 5	Post graduate 6		
44	Indicate the number of years your business has been in operation:							
45	Indicate your ethnicity/tribe (if non South African, your nationality):							
48	Besides the owner/manager how many people does your company employ on full-time basis?							

FINANCIAL MATTERS

46	Please think about your company's sales over the past three to five years and indicate the **average** per year sales growth over that period.							
	Decreasing (1-20%) 1	No change (0%) 2	Increasing (1-10%) 3	Increasing (11-20%) 4	Increasing (21-30%) 5	Increasing (31-40%) 6	Increasing (41-50%) 7	Increasing Over 50% 8
47	Please think about your company's gross profit level over the past three to five years and indicate the **average** per year profit level over that period.							
	Decreasing (1-20%) 1	No Change 0% 2	Increasing (1-10%) 3	Increasing (11-20%) 4	Increasing (21-30%) 5	Increasing (31-40%) 6	Increasing (41-50%) 7	Increasing (Over 50%) 8

49	Use the table below to estimate, in monetary terms, the percentage of pre-tax profit that your company spends annually on social causes.											
	Less than1% 1	(1%) 2	(2%) 3	(3%) 4	(4%) 5	(5%) 6	(6%) 7	(7%) 8	(8%) 9	(9%) 10	(10%) 11	Over 10% 12

IMPORTANCE OF ISSUES

Finally, on a scale of 1 to 4, with 1 being 'most important' and 4 being 'least important', indicate how your company ranks the following social responsibility issues: *(Please assign a different rank to each issue, e.g., after you have ticked 1 "most important" for one question, you cannot tick 1 again for another question; after you tick 2, you cannot tick 2 again for another question, etc.)*

50.1	Employees	1 Most important	2	3	4 Least important
50.2	Customers	1 Most important	2	3	4 Least important
50.3	Environment	1 Most important	2	3	4 Least important
50.4	Community	1 Most important	2	3	4 Least important

SMALL BUSINESS SOCIAL RESPONSIBILITY

QUESTIONNAIRE

Interviewer instructions
Phone the number on the list provided and ask to speak to the owner/manager and say the following:

Good day, sir/madam. My name is … (state your name). I represent Mr Prosper Hoeyi who is a doctoral student at the Central University of Technology in Bloemfontein, South Africa, and is currently collecting data for his thesis. May I please make an appointment for an interview with you?

Date of interview: _____

Time of interview: _____

Physical address: _____

INTRODUCTION AT THE START OF THE INTERVIEW

Good day, sir/madam. My name is … (state your name). I represent Mr Prosper Kweku Hoeyi who is a doctoral student at the Central University of Technology in Bloemfontein, South Africa, and is currently collecting data for his thesis. The topic for his thesis is "Validating small business social responsibility in South Africa and Ghana."

May I please use a few minutes of your time to ask you some questions? The interview should take about **30 minutes.** I wish to assure you that information from this interview will be treated with the utmost confidentiality and will be used for research purposes only.

Company name	
Responsible person (Respondent name)	
Designation	
Telephone number	
Physical location	

HOW TO ANSWER QUESTIONS 24 AND 50

Please take note that the sub-questions under Question 24 (i.e., 24.1, 24.2, 24.3, and 24.4) and those under Question 50 (i.e., 50.1, 50.2, 50.3, and 50.4) are different from the rest of the questions in the sense that they require a ranking of the issues itemised; respondents are to rank the issues in order of

importance. For instance, under Question 50, a respondent who ranks ‘Customers’ as the most important issue, followed by ‘Community’, then ‘Employees’, and then ‘Environment’ as the least important will tick the boxes as follows:

50.1	Employees	1 Most important	2	3√	4 Least important
50.2	Customers	1 Most important √	2	3	4 Least important
50.3	Environment	1 Most important	2	3	4 Least important√
50.4	Community	1 Most important	2 √	3	4 Least important

The aim is for respondents to distribute the values 1, 2, 3, and 4 to the four issues in order of priority. Therefore, assigning the same rank (value) to more than one issue should be avoided when answering questions 24 and 50.

APPENDIX B: Suggested Instrument for Future Research

RESPONDENT NUMBER							
EMPLOYEE ISSUES Indicate the degree to which your company engages in the following activities							
1	The company tolerates all religions, races, and orientations of its employees.	Not at all 1	2	3	4	To a great extent 5	
2	The company provides its workers with regular training.	1	2	3	4	5	
3	The company provides paid maternity leave.	1	2	3	4	5	
4	The company provides paid family sickness and bereavement leave to its employees.	1	2	3	4	5	
5	My company's wage rate compares favourably with the average wage rate in the sector.	1	2	3	4	5	
6	My company is committed to the health and safety of its employees.	1	2	3	4	5	
7	The company consults its employees on important matters.	1	2	3	4	5	
CUSTOMER ISSUES							
8	My company responds promptly to customer complaints.	Not at all 1	2	3	4	To a great extent 5	
9	When my company does not have the product/service, we always suggest alternative sources of obtaining it to the customer.	1	2	3	4	5	
10	The company never engages in dishonest advertising.	1	2	3	4	5	
11	The company always clearly explains to the customer the way the product works.	1	2	3	4	5	
12	The company is committed to fair trading practices.	1	2	3	4	5	
13	The company only sells to customers products that are clearly labelled.	1	2	3	4	5	
14	The company makes terms and conditions surrounding its service known to customers.	1	2	3	4	5	
ENVIRONMENTAL ISSUES							

15	The company is committed to continuous improvement in its environmental practices.	Not at all 1	2	3	4	To a great extent 5	
16	The company regularly conducts audits on its environmental practices.	1	2	3	4	5	
To what extent do the following environmental practices of your business exceed the minimum legally required standards?							
17.1	Waste reduction	Not at all 1	2	3	4	To a great extent 5	
17.2	Recycling	1	2	3	4	5	
17.3	Energy conservation	1	2	3	4	5	
17.4	Reduction of water consumption	1	2	3	4	5	
17.5	Reduction of air pollutant	1	2	3	4	5	
17.6	Proper disposal of waste	1	2	3	4	5	
COMMUNITY ISSUES							
Indicate the extent to which your company provides financial support for the following community issues							
18.1	Bursaries to the needy in the community	Not at all 1	2	3	4	To a great extent 5	
18.2	Community sporting clubs	1	2	3	4	5	
18.3	Community social organisations	1	2	3	4	5	
18.4	Community religious organisations	1	2	3	4	5	
18.5	Disaster relief	1	2	3	4	5	
18.6	Aids campaigns	1	2	3	4	5	
Indicate the extent to which your company is involved in the following.							
19	My company gives first preference to local employment.	Not at all 1	2	3	4	To a great extent 5	
20	Workers are allowed to use company time for community issues.	1	2	3	4	5	
21	My company actively contributes towards combating crime in the area.	1	2	3	4	5	
AWARENESS							
Indicate the extent to which you disagree or agree with the following statements.							

22	The concept of business social responsibility—that is, the idea that businesses need to look beyond profit motive and also contribute towards community causes, such as disaster relief, sponsorships, etc.—as well as taking extra care of its employees, customers, and the environment is well known to me	Strongly Disagree 1	2	3	4	Strongly Agree 5	
23	Businesses, irrespective of size, have a responsibility to contribute to the above named social causes.	1	2	3	4	5	
24	Businesses, irrespective of size, stand to benefit from contributing towards the above social causes	1	2	3	4	5	
REASONS Indicate the degree to which the following reasons are important for your business's engagement in social responsibility activities.							
25.1	My company responds to social causes because it is morally the right thing to do	Not at all 1	2	3	4	To a great extent 5	
25.2	My company responds to social causes simply because "everybody is doing it"	1	2	3	4	5	
25.3	My company contributes towards social causes because it will boost profits	1	2	3	4	5	
25.4	My company responds to social causes because simply to meet legal requirements	1	2	3	4	5	
OBSTACLES To what extent are the following obstacles to your company's pursuit of socia /environmental causes?							
26	Lack of technology	Not at all 1	2	3	4	To a great extent 5	
27	Lack of expertise	1	2	3	4	5	
28	Financial constraints	1	2	3	4	5	
29	Little understanding of how pursuing social causes will benefit the company.	1	2	3	4	5	
30	Lack of time (there are more pressing needs to channel efforts into).	1	2	3	4	5	

EXPECTED BENEFITS							
Indicate the degree to which you agree or disagree with the statement that a company that engages in socially responsible activities is more likely to derive the following benefits:							
31	Enhanced company image	Strongly disagree 1	2	3	4	Strongly agree 5	
32	Increased sales	1	2	3	4	5	
33	Greater worker productivity	1	2	3	4	5	
34	Keeps operating costs down due to lower legal costs and penalties	1	2	3	4	5	
35	Increased level of customer loyalty	1	2	3	4	5	
REALISED BENEFITS							
Indicate the extent to which your company has experienced any of the following benefits from your social responsibility activities over the last three years.							
36	Employee attendance has improved	Not at all 1	2	3	4	To a great extent 5	
37	Sales has been growing	1	2	3	4	5	
38	Overall financial performance has been improving	1	2	3	4	5	
39	Increasing number of loyal customers	1	2	3	4	5	

DEMOGRAPHIC DATA								
40	What type of business are you engaged in?							
	Commercial farming 1	Health/ Medical 2	Hospitality-restaurant hotels 3	Mining 4	Retail 5	Transport 6	Construction 7	Other (specify) 8
41	*Please indicate your gender*	*Male (1)*	*Female (2)*					
42	Please indicate your age in years							
43	Please state your highest educational level							
	No formal education 1	Primary 2	Middle/Secondary (grade 7 - 9) 3	Matric (grade 10 – 12) 4	Post Matric/Tertiary 5	Post graduate 6		
44	Indicate the number of years your business has been in operation							
45	Indicate your ethnicity/tribe (if non South African, your nationality)							
46	Besides the owner/manager, how many people does your company employ on full-time basis?							
FINANCIAL MATTERS								
47	Please think about your company's sales over the past three to five years and indicate the **average** per year sales growth over that period.							

	Decreasing (1-20%) 1	No change (0%) 2	Increasing (1-10%) 3	Increasing (11-20%) 4	Increasing (21-30%) 5	Increasing (31-40%) 6	Increasing (41-50%) 7	Increasing Over 50% 8	
48	Please think about your company's gross profit level over the past three to five years and indicate the **average** per year profit level over that period.								
	Decreasing (1-20%) 1	No Change 0% 2	Increasing (1-10%) 3	Increasing (11-20%) 4	Increasing (21-30%) 5	Increasing (31-40%) 6	Increasing (41-50%) 7	Increasing (Over 50%) 8	
49	Use the table below to estimate, in monetary terms, the percentage of pre-tax profit that your company spends annually on social causes.								
	Less than1% 1	(1%) 2	(2%) 3	(3%) 4	(4%) 5	(5%) 6	(6%) 7	(7%) 8	(8%) 9	(9%) 10	(10%) 11	Over 10% 12	

Appendix C: SCHEDULE of Size Standards for the Definition of SMMEs in South Africa

Column 1	Column 2	Column 3	Column 4	Column 5
Sector/sub-sector (standard industrial classification)	Size of class	Total full-time employees	Annual turnover	Total gross asset value
Agriculture	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very small	10	R0.50m	R0.50m
	Micro	5	R0.2m	R0.10m
Mining and quarrying	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
Electricity, gas, and water	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5.10m	R1.9m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	RR26m	R5m
	Small	50	R6m	R1m
	Very small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail and motor trade and repair services	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale commercial agents and allied services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very small	20	R6m	R0.6m
	Micro	5	R0.20m	R0.10m
Catering, accommodation, and other trade	Medium	200	R3m	R3m
	Small	50	R1m	R1m
	Very small	20	R1.9	R1.9m
	Micro	5	R0.10	R0.10m
Transport storage and communications	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
	Medium	200	R26m	R5m

Finance and business services	Small	50	R13m	R3m
	Very small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, social, and personal services	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very small	20	R1m	R0.6m
	Micro	5	R0.20m	R0.10m

(Source: Amended Small Business Act 102 of 1996)