

SOCIAL RESPONSIBILITY IN THE SMMEs OF THE BOTSHABELO INDUSTRIAL ESTATES

by

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DECLARATION

I, Francis Okyere, student number 207071829, do hereby declare that this research report submitted to the Central University of Technology, Free State, for the Degree M.TECH: BUSINESS ADMINISTRATION is my own independent work and has not previously been submitted by me at another university/faculty. I furthermore cede copyright of the dissertation in favour of the Central University of Technology, Free State.



SIGNATURE OF STUDENT

10TH DECEMBER

DATE

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ABSTRACT

Research evidence suggests that South African small, medium and micro enterprises (SMMEs) are not making the desired impact on their societies because they are unable to create jobs. The normative assertion is that by engaging in socially responsible activities, SMMEs will be able to enhance their impact on society. Much “noise”, effort and resources are being made available to South African SMMEs to encourage them to embrace this concept of social responsibility as it is also touted to result in business benefits. Socially responsible behaviour by SMMEs has therefore become an important national issue in South Africa. However, in spite of this realisation, very little is known about how seriously the South African SMMEs really consider and approach the whole issue of business social responsibility (BSR) precisely because of the dearth of empirical research on the subject.

Without empirical evidence from systematic research, it becomes extremely difficult to tell for sure what these SMMEs think of and are really doing in terms of BSR; what obstacles they face in their BSR endeavours; what support they need; among others. Without such information, policy makers cannot reasonably be expected to formulate appropriate support mechanisms to enhance the BSR efforts of these SMMEs. In the end, communities like Botshabelo (in the Free State Province of South Africa) might lose out on the benefits that are usually associated with BSR performance of SMMEs.

The purpose of this study was to provide such information. Specifically, the research investigated the following issues: SMMEs understanding of BSR; BSR as a sound business philosophy/practice for SMMEs; Why SMMEs undertake BSR; SMMEs’ attitude towards BSR; Barriers to SMMEs’ BSR engagement; and main BSR activities of SMMEs.

In this study, research was conducted on the SMMEs of the Botshabelo industrial estate. After a thorough literature review, data were collected from 170 respondents on 137 out of the 150 SMMEs operating in Botshabelo.

The results of the data analysis suggest that the SMMEs investigated have a good understanding of the concept and its value. However, the SMMEs focus mainly on employee and customer issues while showing less concern for community and environmental issues. The SMMEs also encounter barriers to BSR engagement which mostly have to do with lack of time. Based on these findings, recommendations are made regarding policy and further research.

CHAPTER I: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Botshabelo is situated some 45 km from Bloemfontein on the N8 road leading to Lesotho. It is believed to be the largest black settlement in the Free State Province of South Africa and the second largest in the country after Soweto. Botshabelo was established in 1978 as apartheid engineered settlement for the displaced Basotho people in the Free State. Most of the present inhabitants moved to the town from rural farms (Mangaung Local Municipality, 2009:1).

Typical of most black communities in South Africa, Botshabelo remains plagued by the problems of high unemployment rate, crime, and poverty. According to the most comprehensive data available from Statistics South Africa (STATSA), the total population of Botshabelo as at the most recent census in 2001 was 175820 people of whom 67094 were not capable of being employed, 47075 were unemployed, 29570 were employed and 131447 had no income at all (STATSA, 2001). Thus, the socio- economic situation as far as employment is concerned can be described as dire.

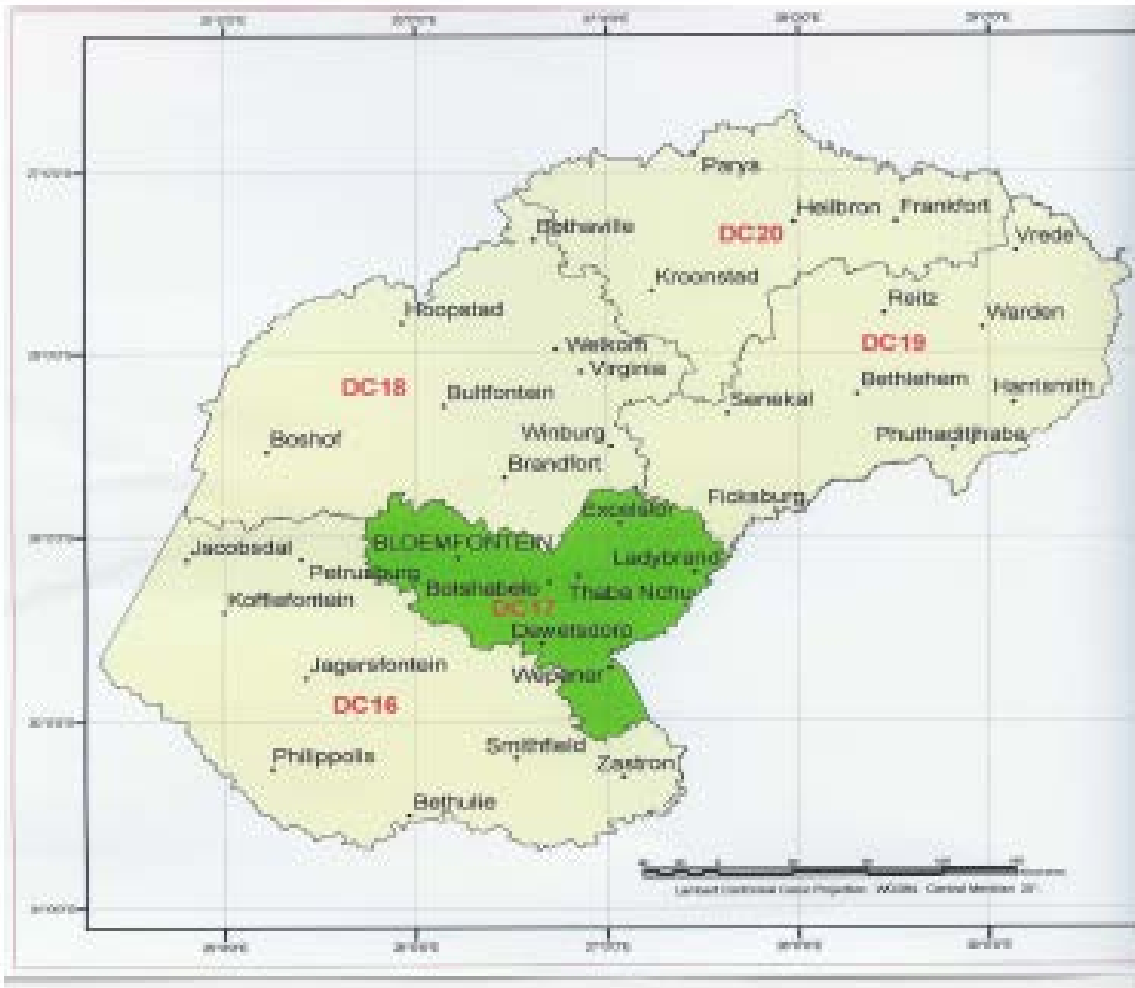


Figure 1.1: Location of Botshabelo in the Motheo District Municipality of the Free State province.

(Source: Motheo district municipality, 2003)

In the midst of all of the above socio-economic problems, small, medium, and micro enterprises (SMMEs) - about 150 mainly textile factories - have emerged as the main source of economic activity for the people of Botshabelo (Mangaung Local Municipality, 2003-2004:9) because they are the only source of employment for the majority of the citizens of Botshabelo who, like most South African townships, harbour mainly unskilled to semi-skilled inhabitants.

Hence the SMMEs of Botshabelo industrial estates can be described as the mainstay of the economy of Botshabelo and its outlying villages. This socio-economic situation of Botshabelo and its outlying villages lends support to what Botha and Visagie (1998:694) alluded to and which was later reiterated by Dzansi (2004:2) that, in economically depressed communities, the population is usually too small to justify large enterprises hence the only source of viable economic activity is through SMMEs.

However, as pointed out by Botha and Visage (1998); Dzansi (2004); and Dzansi and Pretorius (2009), SMMEs can never be relied upon to provide enough employment to communities due to their restricted growth and employment capability. Nonetheless, Dzansi (2004) and Dzansi and Pretorius (2009) strongly argue that only when SMMEs get involved in socially responsible activities will they be able to make more socio-economic impact on the communities within which they operate their businesses. This means that the SMMEs of Botshabelo industrial estates will be able to impact significantly on their local community if only they embrace and conduct their businesses in a manner that is socially responsible. Hence there is need for the SMMEs of the Botshabelo Industrial Estates to take business social responsibility (BSR) seriously in order to enhance their contribution to socio-economic development in Botshabelo and its surrounding areas.

Moreover, generally, SMMEs are associated with “businesses that are conducted informally, and that therefore avoid paying taxes, exploit their own labour and provide intolerable working conditions, pollute the environment and apply production methods that jeopardize workers’ health” (UNIDO, 2008:1). However, the same source observes that such preconceptions can make society blind to the SMMEs’ responsible behaviour and their contributions to labour, community, customers and the environment (UNIDO, 2008:1).

The point is that no one knows for sure how seriously the SMMEs of the Botshabelo Industrial Estates take the concept of Business Social Responsibility (hereafter BSR), talk less of how far they practise the concept precisely because, to date, and to the best knowledge of the researcher, BSR activities of these SMMEs are not known. There is thus a gap that needs to be addressed through a systematic research like the current one.

Brynard and Hanekom (2006:4) are of the opinion that research is a spiral that starts with the statement of the problem, which leads to research questions, then solution to the problem which are found by gathering and analysing data. The following sections provide the problem succinctly and state the resultant specific research questions as well as the objectives pursued. Thereafter, the importance of the study is stated. After this, the methodology followed in the investigation is thoroughly presented. The chapter proceeds with an outlay of the dissertation and ends with a chapter summary.

1.2 PROBLEM STATEMENT

In spite of the apparent importance of SMMEs involvement in BSR activities to socio-economically depressed areas such as Botshabelo, little to nothing is known about the BSR attitudes, activities, and obstacles confronting manufacturing SMMEs that operate in Botshabelo Industrial Estates. This is because a thorough preliminary literature survey yielded no parallel study on the subject.

In South Africa, very little is known about the business social responsibility attitudes, and obstacles faced by manufacturing SMMEs that operate in rural areas due to the dearth of systematic research on the subject. However, there is an increasing realization that any business venture is part of the community and it is its co-responsibility for solving the social problems of that community. Dzansi (2004:76) states that the fact that SMME

owners/managers are often members of; attract their employees; or have relatives in the communities in which their businesses operate means that they cannot escape or ignore BSR activities. Therefore, it is crucially important for SMMEs in rural South Africa, like those found in the industrial estate of Botshabelo, to understand, and engage in BSR so that they will at least not be at loggerheads with their communities where they operate their businesses.

The problem is that it becomes extremely difficult to tell exactly what these manufacturing SMMEs think of and are really doing in terms of BSR; what obstacles they face in their BSR endeavours; what support they need; among others. Without such information, policy makers cannot reasonably be expected to formulate appropriate support mechanisms to enhance the BSR efforts of these SMMEs. In the end, Botshabelo might lose out on the benefits that are usually associated with BSR performance of SMMEs.

1.3 RESEARCH QUESTIONS

The main research question for this study is: What is the status of BSR in the manufacturing SMMEs of Botshabelo industrial estates?

To answer this main research question, the following specific research questions were investigated.

1. What do SMMEs of the industrial estates of Botshabelo understand the concept of BSR to mean?

2. Do the SMMEs in the Botshabelo industrial estate regard BSR as a sound business philosophy?
3. What are the SMMEs' main reasons for engaging in BSR?
4. What is the general attitude of SMMEs towards BSR?
5. What major obstacles hinder BSR performance by SMMEs in the Botshabelo industrial estate?
6. What are the main BSR activities of the SMMEs?

1.4 STUDY OBJECTIVES

Based on the above problem statement, the main objective of the study was to gain a good understanding of the status of BSR in the manufacturing SMMEs of the Botshabelo industrial estates.

The specific objectives relating to the specific research questions are to determine:

1. SMMEs' understanding of the concept of BSR
2. Whether or not the SMMEs in the Botshabelo industrial estate regard BSR as a sound business philosophy.

3. The main reasons why SMMEs engage in BSR

4. The general attitude of SMMEs towards BSR

5. The major obstacles hindering BSR performance by SMMEs in the Botshabelo industrial estate

6. The main BSR activities of the SMMEs

1.5 IMPORTANCE OF THE STUDY

There are several reasons why this study is so important. Firstly, although businesses including smaller ones are expected to behave in a socially responsible manner, it is not clear whether South African small businesses have wholeheartedly accepted BSR as a business philosophy. This is largely due to the dearth of empirical research as far as the SMMEs of South Africa are concerned. This study is intended to fill this void.

Secondly, it is generally accepted that by their job creation activities SMMEs play a pivotal role in socio economic development. However, as pointed out by Dzansi (2004: 3), this contribution may only be very significant in the Western and Asian countries where SMMEs are reportedly able to grow hence employ more people. However, it is not the case in South Africa and other parts of Africa where research has continuously shown that SMMEs are not creating enough jobs. As a result, it is important to consider Dzansi and Pretorius' (2009:455) argument that South African SMMEs can still contribute meaningfully to socio economic development especially in impoverished communities like

Botshabelo if only they wholeheartedly embrace the idea of BSR. Thus, there is need to know how far the SMMEs of the Botshabelo industrial estates accept and practice BSR.

Thirdly, the SMMEs of Botshabelo industrial estate, being mostly manufacturing firms, can be tempted to ignore BSR. The fact is, manufacturing firms have long been associated with unethical business conducts to the extent that they have on several occasions, been accused of blatantly flouting legislations regarding, for example, waste disposal, carbon emission, child labour, etc. Seeing that BSR is just a voluntary act that requires the use of business resources and time, one wonders whether small businesses like the ones found in the Botshabelo industrial estate that are known to fight for survival will take BSR seriously. This study is designed to provide an understanding of how seriously South African small-scale manufacturing SMMEs like the ones being investigated take BSR seriously.

Fourthly, even if the South African SMMEs engage in BSR, questions related to how far they can go in their BSR efforts, what they are really doing in terms of BSR, what obstacles they face in their BSR endeavours, and what support they need must be answered in order to gain a better understanding of their situation as far as implementation is concerned. This understanding will enable policy makers to assist SMMEs in their BSR endeavour. This understanding will also enable policy makers to develop awareness interventions where there is lack of it. This study is intended to provide that understanding.

Fifthly, manufacturing businesses, usually through their waste disposal, carbon emission and other production practices, often cause unintended negative externalities in their business communities. With growing awareness of their rights, communities nowadays are often up in arms against firms they perceive as detrimental to their well-being even if such firms employ local labour force. It is also becoming increasingly apparent that

through their BSR engagement, businesses develop symbiotic relationships with their communities to the extent that communities may become more forgiving for the “unintended sins committed” in the course of business operations (Dzansi and Pretorius, 2009). Being mostly manufacturing firms, the SMMEs of the industrial estate of Botshabelo are very likely to cause unintended consequences through their business processes. In order to offset some of their negative externalities, one would expect these SMMEs to heed Dzansi and Pretorius’ (2009:454) advice to embrace BSR because failure to do so may deprive these SMMEs of the chance of developing mutual beneficial relationships with the local community. However, no one knows how seriously the industrial estates of Botshabelo are heeding this call. This study is intended to solve this “riddle”.

Last but not the least, one cannot reasonably expect the SMMEs to engage in BSR to the extent expected of them unless the obstacles they face in their BSR efforts are known and policies to mitigate these barriers are developed. This study is intended to identify barriers to the BSR efforts of the SMMEs that operate in the Botshabelo industrial estates.

1.6 METHODOLOGY

1.6.1 RESEARCH DESIGN

The research is quantitative in nature to determine the status of social responsibility in the SMMEs of the Botshabelo industrial estate. The study is quantitative because the data collected is numerically connotative.

Blumberg et al. (2011:47) are of the opinion that a research design should constitute the blue- print for the collection, measurement, and analysis of data. That is, research design should provide answers for questions such as:

- What kind of answers is the study looking for and which methods will be applied to find them?
- What techniques will be used to gather data?
- What kind of sampling will be used?

The following sections detail the techniques used for data collection so as to answer the questions posed by Blumberg et al. (2011) above. It also reveals why sampling was not used.

1.6.2 POPULATION AND SAMPLING

According to Davis (2005:228), a *population* in the research sense is the complete set of unit of analysis that is under investigation. Sampling on the other hand is defined by Brynard and Hanekom (2006:54) as a technique employed to select a small group with a view to determining the characteristics of a large group (the population). If selected discerningly, the sample will display the same characteristics or properties as the large group (Brynard & Hanekom, 2006:54).

1.6.2.1 The population

In the abstract, it was mentioned that there are about 150 SMMEs in the Botshabelo industrial estate, as this number is reasonable to deal with: A census was adopted for this study (meaning the whole 150 SMMEs were studied) because 150 SMMEs was

considered a reasonable size to handle. Therefore, there was no need to do sampling for this study.

1.6.2.2 Sampling

It was stated in the preceding section that a census was done. However, during the pre-testing of the questionnaire, the decision was made to use the first twenty SMMEs on the list of the 150 SMMEs to be investigated as a sample group to test the questionnaire.

1.6.3 DATA COLLECTION

Two means by which data can be collected are mentioned by Blumberg et al. (2008:197) as *monitoring* and *interrogation/communication*. The monitoring process includes studies in which the researcher inspects the activities of a subject or a nature of some material without attempting to elicit responses from anyone. In the interrogative/communication process, the researcher questions the subjects and collects their responses by personal or impersonal means.

The researcher adopted the interrogation/communication method for this empirical study whereby structured questions were completed by the respondents on face-to-face basis. The respondents were supplied with standardized instructions on how to complete the questionnaire. Further, field workers who were employed were trained on how to assist respondents in answering questions.

1.6.4 QUESTIONNAIRE DESIGN

In chapter 3, section 3.8, the researcher makes mention of a framework for measuring BSR designed by Pretorius and Dzansi in 2007, and states that since the framework has been validated and found to be reliable, and also relevant to this study, it would be adopted. Upon consultation with the supervisor for this study, Prof Dzansi, who coincidentally happens to be a co-designer of the adopted framework, further additions were made to the framework. Thus, the environmental activities of BSR were included as one of the dimensions.

In finalizing the measurement scale, two key factors were considered. The first factor was the determination of what variables and concepts were needed to be measured for the study. Discussion of these variables and concepts will follow in the next section which deals with the breakdown of the sections in the questionnaire. Next, and according to Davis (2007:202), is that the determination of what is to be measured should flow naturally from the research problem and objectives of the study. With Davis' (2007) assertion in mind, the questionnaire was structured in line with the research problem, the main and subsidiary objectives, and the research questions of the study. The structured questionnaire is divided into six parts (see Appendix for the final questionnaire).

1.6.4.1 Sections in the questionnaire

The six parts of the questionnaire are as follows:

Part A: In this part the respondents were asked about their understanding of BSR on a five-point Likert scale of strongly agree, agree, neutral, disagree and strongly disagree.

Part B: This part was based on how they (the respondents) see BSR as a sound business philosophy/practice. Respondents were to indicate on a five point scale from strongly agree to strongly disagree.

Part C: Questions in this section were posed to find out the reasons why the business undertakes socially responsible activities. The five-point scale ranging from strongly agree to disagree was used.

Part D: On a five-point scale of strongly agree, agree, neutral, disagree and strongly disagree, respondents were quizzed on their attitudes towards BSR.

Part E: Respondents were asked in this part to indicate on a five point scale from strongly agree to strongly disagree, the kind of obstacles/barriers to BSR.

Part F: On a five-point scale of strongly agree, agree, neutral, disagree and strongly disagree, respondents were asked questions on the socially responsible activities of the business. The questions here were divided into four parts. Questions in section F1 were on customer activities, F2 on community activities, F3 focused on employee activities and F4 questions were on environmental activities.

Part G: This part was on the demographic data of the respondents, and was divided into two sections. Section G1 contained questions on the personal details of respondents and G2 questions were on details of the business.

1.6.4.2 Pre-testing the questionnaire

After the design of the measurement scale (questionnaire), it is prudent to pretest it before it is finally used. Davis (2005:219) posits that pretesting often identifies problems in

wording, questionnaire format, and other areas that have profound impact on the validity of the findings.

Once the questionnaire was finalized, the researcher selected some SMMEs in Thetsane industrial estate in Maseru, Lesotho, which share similar characteristics with the SMMEs in the Botshabelo industrial estate, and distributed the questionnaires to them. After collecting the questionnaires, the researcher analysed the collected data with other masters and doctoral students. This was the first level of pre-testing. The second level of pre-testing involved some selected SMMEs of the Botshabelo industrial estate.

From both pre-testing, it emerged that some respondents were apprehensive about the anonymity and confidentiality of both personal and organisational information. These concerns were addressed and reported in the appropriate section of this chapter. Also, language issues surfaced and this was addressed by translating the questionnaire into the respondents' mother tongue for those respondents who had difficulty with the English language version of the questionnaire.

1.6.5 ENSURING CREDIBILITY OF THE STUDY

Dzansi (2004:187) notes that underpinning all research endeavours is the question of credibility, and that a researcher has to ensure that the evidence and conclusions from a research endeavour can stand up to scrutiny. Davis (2005:184) also points out that, two key elements of achieving the credibility of a study are for it to be valid and reliable.

1.6.5.1 Ensuring measurement validity

Davis (2005:185) states that a measurement scale is valid if it does what it is supposed to do and measures what it is supposed to measure. Thus, if a measurement instrument is not valid then it would not be beneficial to the research effort because it would not serve the purpose for which it was intended. There are three basic types of validity in measurement that most researchers are concerned with, namely content validity, construct validity and criterion-related validity. Only content validity and construct validity will be discussed since they are the only ones directly related to this study.

Ensuring content validity

Davis (2005:185) defines content validity as the degree to which the scale items represent the domain of the concept under the study. He further suggests the following procedures to ensure content validity.

- Construct 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
- Modify as necessary

To ensure content validity for this study, a thorough review of the related literature was done culminating in an operational definition for BSR which in the opinion of the researcher and the research supervisor sufficiently measured all the appropriate dimensions of the concept of BSR and its elements as recommended by Dzansi (2004) with the addition of environmental issues. Although environmentalism is not part of the Dzansi (2004) framework, this study recognises that small manufacturing firms by their nature will create environmental concerns to the environment. Based on the Dzansi's (2004) framework for measuring BSR in rural SMMEs, this study considered

owners/managers, customers, employees, the environment, as well as the local community, as key stakeholders of the SMMEs of the Botshabelo industrial estates. With the expert guidance of the research supervisor, who is a renowned BSR researcher, a final measurement scale that was pre-tested and deemed to sufficiently contain enough items was developed.

Ensuring construct validity

Construct validity is the degree to which the scale represents and acts like the concept being measured (Davis 2005:186). By this definition most of the steps in ensuring content validity also apply to construct validity. For example, the exhaustive review of the related literature resulted in the adoption of Dzansi's (2004) definition for BSR as ***a company's commitment to operating in an economically and environmentally sustainable manner while recognizing the interest of its stakeholders***. This definition guided the selection of questionnaire elements to ensure that the instrument measured what it set out to measure according to the stakeholder theory. Therefore, the questionnaire was divided into sections to cover the interest of the stakeholders.

1.6.5.2 Ensuring reliability

Cooper and Schindler (2008:293) aver that reliability is concerned with the degree to which an instrument is free of random or unstable error. That is, a measure is reliable to the degree that it supplies consistent results. They also identify the following as sources of error that compromise instrument reliability.

- the respondent
- situational factors
- the measurer
- the instrument

The respondent and situational factors

According to Cooper and Schindler (2008:288), respondents may suffer from temporary factors like fatigue, boredom, anxiety, hunger, impatience, or general variations in mood or other distractions and these limit the ability to respond accurately and fully. The researcher and his supervisor therefore ensured that the measurement scale was not too long and time consuming so as not to bore the respondents. During the pre-testing, stage it was realised that the right times to administer the questionnaires were during the morning hours and immediately after lunch. During those periods the respondents looked fresh and cheerful. Also questions touching on sensitive issues were gently phrased and respondents were assured of the confidentiality of their participation in the study.

Any condition that places a strain on the interview or measurement session can have serious effects on the interviewer-respondent rapport (Cooper and Schindler, 2008:288). In all of the interview situations a request was made for a respondent to be alone with the interviewer, so that the respondent would feel relaxed and free from any intimidation from a colleague or any superior.

The measurer

An interviewer can distort responses by rewording, paraphrasing, or reordering questions. To avoid all that, the questions were structured and standardized, so the respondents did not answer any of the questions in their own words. The wording of the questions and the instructions were straight forward and free of ambiguities. Finally the field workers employed to assist in administering the questionnaires were trained and therefore knew exactly what was required of them.

The instrument

Cooper and Schindler (2008:289) state that a defective instrument can cause distortion, confusion and ambiguity. They believe that these problems are the direct result of operational definitions that are insufficient, resulting in an inappropriate scale being chosen or developed. To reduce this possibility, a clear operational definition of BSR that sufficiently addressed the demands of the study was adopted. Additionally, the structured questions were free from complex words that would hinder comprehension by the respondents.

1.6.6 DATA EDITING, CODING AND ENTRY

1.6.6.1 Data editing

Cooper and Schindler (2008:415) see data editing as the customary first step in data analysis. Editing by nature helps detect errors and omissions, and corrects them when possible so that data quality is enhanced. After collecting the questionnaires, they were each subjected to scrutiny but the researcher did not detect any major errors or omissions that needed corrections.

1.6.6.2 Data coding

To Cooper and Schindler (2008:416), coding involves assigning numbers or other symbols to answers so that responses can be grouped into a limited number of categories. In the development of the questionnaire, a five-point Likert scale was assigned to responses and so it did not require any further coding except for responses to negative items that were reversed for the purpose of analysis.

1.6.6.3 Data entry

Once data is edited for errors, the next logical step is to capture the data into a form ready for analysis. The data for this study was captured onto excel spread sheet and sent to an expert in statistics for processing.

1.6.7 DATA ANALYSIS

The collected data was analysed using the statistical package SPSS. Zikmund and Babin (20010:325) mention that there are two types of data that result from analysis namely descriptive statistics and inferential statistics. Both types of data were produced.

1.6.7.1 Descriptive statistics

Descriptive statistics is used to describe the characteristics of the population (Zikmund and Babin 2010:325). Dzansi (2004:197) states that descriptive statistics allows a researcher to present data in a manner that is easily interpretable. Quyang (2010:1) further states that descriptive statistics include central tendency, variability relative position, and relationship. The descriptive statistics produced in this study to summarise and describe the data include frequency counts, means, standard deviations, variances, percentages, pie charts, and bar charts. Although these statistics were enough to address the research questions, inferential statistics were also produced to help gain further insight into the problem.

1.6.7.2 Inferential statistics

Inferential statistics allow the researcher to make inferences hence draw conclusions about the population based on the data obtained (Collis and Hussey, 2003) in Dzansi (2004:197). Inferential statistics are generally classified under two main categories. These are parametric statistics on the one hand and non-parametric statistics on the other hand. Non parametric analytic techniques were used to produce inferential statistics. This rather conservative approach was taken because the rating scale (Likert scale) used produced data often considered to be ordinal hence amenable only to non-parametric analysis in accordance with the conventional rules of statistics. The specific parametric statistic was the Chi square test (see details in Chapter 4).

1.7 ETHICAL ISSUES DEALT WITH

Blumberg et al (2008:154) postulate that ethics are moral principles, norms and standards of behaviour that guide choices about behaviour towards others. In research the views of other parties are solicited and their ideas used. In the process of soliciting these views, the researcher needs to behave in a morally responsible manner so that no one feels embittered. Research ethics therefore means the proper moral conduct of the various parties involved in the research process (Davis, 2005:460).

According to Davis (2005:463), subjects' rights are often overlooked in the conduct of business research, and this is unfortunate and must be addressed for three main reasons:

- The individual is the cornerstone of the research, and without his or her cooperation, the results obtained may be distorted.
- Business researchers are increasingly being faced with the problem of subjects refusing to respond due to unethical abuses of subjects' rights.
- The subject has the right to be informed of his or her participation in the research.

Blumberg et al (2008:156) are of the opinion that a research must be designed so that a respondent does not suffer physical harm, discomfort, pain, embarrassment or loss of privacy. To safeguard against these possibilities, Blumberg et al (2008), recommend the following three guidelines for the researcher:

- Explain the benefits of the study.
- Explain the participant's rights and protection.
- Obtain informed consent.

In the current research, the following actions were taken to ensure that the research process adhered to the highest ethical standard possible.

- The purpose of the research was explained to the respondents and they were told to choose whether to participate in the research or not;
- Respondents were also informed of their rights of protection of anonymity, thus their privacy would be strictly confidential;
- All aspects of the research were made known and clearly explained to participants. In other words, informed consent was sought from participants.
- Finally, the researcher adopted the teleology view point, whereby the benefits of what is being studied were measured against the costs of potential harm to the parties involved and making sure that no harm whether physical or otherwise occurred to any of the participants.

1.8 RESEARCH LIMITATIONS

No research is devoid of shortcomings and this research is no exception. The following limitations are acknowledged for the research.

Even though there are many SMMEs across the length and breadth of South Africa, the study was limited to SMMEs in Botshabelo. The findings cannot therefore be generalised to other SMMEs of the Free State, talk less of South Africa as a whole.

Because small businesses are known to struggle for survival, owners/managers may not provide truthful responses. However, the inclusion of employees in the survey should help balance these possible biases. Besides, it was assumed that owners/managers will be honourable enough to provide truthful and honest responses.

Thus notwithstanding these possible drawbacks, the outcomes of this research should be credible.

1.9 DEFINITION OF KEY TERMS

Business social responsibility (BSR)

This refers to a company's commitment to operating in an economically and environmentally sustainable manner while recognizing the interest of its stakeholders (stockholders, customers, employees, business partners, local communities, the environment and society at large) over and above those provided by law (Dzansi, 2004).

Small, medium and micro enterprise (SMME)

This refers to businesses that are described as follows:

- Micro: Turnover is less than the VAT registration limit, and usually lack formality in terms of registration.
- Small: Businesses with upper limit of 50 employees, and are generally more established than the micro enterprises and exhibit more complex business practices.
- Medium: The maximum number of employees is 200, and is characterized by decentralization of power to an additional management layer.

Stakeholder

These are all the groups (employees, customers, local communities, etc.) affected by a company's decisions, policies and operations.

Charity principle

This requests businesses to give voluntary aid to society's needy persons and groups.

1.10 OUTLINE OF THE STUDY

Chapter 1 of this study provides a general introduction to the study as well as a detailed account of the methodology applied. In this section, the problem and its setting are first presented, followed by the research questions and the study objectives. Thereafter, the importance of this study is stated. After that, a detailed account is given of the research

methodology including research design, data collection and analysis, and ethical considerations. The limitations to be aware of in this study are also presented. Finally, the outline of this study and chapter summary are presented.

Chapter 2 is on the role of SMMEs in socio economic development. The purpose of this chapter is to lay the foundation for understanding why SMMEs should engage in BSR.

Chapter 3 then looks at BSR as a concept, tracing its evolution from its early philanthropic and charitable days to present understandings. The varied definitions of BSR are discussed and an operational definition is adopted for the purposes of this study. The chapter ends with the examination of the SMME/BSR relationship, and the framework for measuring BSR in SMMEs.

Chapter 4 presents and discusses the results of the empirical part of this study.

Chapter 5 ends the study with conclusions, implications, and recommendations for policy, practice and further research.

1.11 CHAPTER SUMMARY

This chapter has provided an overview of the entire research process as well as a detailed account of the methodology applied. The next chapter provides a summary of the first part of the review of the literature related to the study. That is, the role of SMMEs in socio economic development with specific reference to South Africa.

CHAPTER 2: SMMEs IN SOCIO-ECONOMIC DEVELOPMENT

2.1 INTRODUCTION

The previous chapter provided an overview to the entire research as well as a detailed account of the research methodology. Among others, in the section dealing with the study outline in Chapter 1, it was stated that part of the literature review would be on the role of SMMEs in socio-economic development. The purpose of this chapter is to lay the foundation for understanding why SMMEs should engage in BSR. The review starts with an examination of the definition of SMMEs leading to an operational definition for the purpose of this study. Various definitions from different countries around the world are discussed and an operational definition is drawn for the purposes of this study. In order to understand the social responsibilities of SMMEs, issues pertaining to their nature,

barriers to success, and the enabling environment, are also discussed. Understanding the nature of SMMEs is paramount, as this will allow for realistic social responsibility roles to be assigned to them. Finally, the role of SMMEs in socio-economic development is reviewed.

2.2 DEFINING SMMEs

Several SMME researchers including Dzansi (2004); Nieman (2006) and Du Toit et al. (2011) state that it is difficult if not impossible to assign a single universally accepted definition for SMMEs. What therefore constitutes a very small, small, medium, or micro enterprise is dependent on the sector, region, country as well as the individual researcher's preference. A large number of definitions of SMMEs are therefore available with the following definitions being some of those found in the current literature search.

2.2.1 SOME INTERNATIONAL DEFINITIONS

Moore et al. (2010:5) state that efforts to define SMMEs use criteria such as number of employees, sales volume, and value of assets. Conceding that there is no generally accepted definition, Moore et al. (2010:5) argue that the following criteria make a business fall under the SMME sector.

- The business is relatively small with the number of employees fewer than 100.
- Except for its marketing function, the business's operations are geographically localised.
- Financing for the business is provided by no more than a few individuals.
- The business usually begins with an individual.

According to Marriotti (2007:6) SMMEs are defined as firms with fewer than 100 employees and having less than €15 million in annual gross turnover.

The United Nations Industrial Development Organization (UNIDO) defines SMMEs differently for industrialised and developing countries. According to UNIDO (2005), the definition for industrialized countries is:

- large – firms with 500 or more workers;
- medium – firms with 100 – 499 workers;
- small – firms with 99 or fewer workers.

And the classification for developing countries is:

- large – firms with 100 or more workers;
- medium – firms with 20 – 99 workers;
- small – firms with 5 – 19 workers;
- micro – firms with fewer than 5 workers.

The Asia Pacific Economic Cooperation (APEC), as quoted in United Nations Economic and Social Council (ECOSOC) (2012), states that SMMEs are enterprises with fewer than 100 employees, with a medium sized enterprise employing between 20 and 99 people; a small firm employs between 5 and 19, and a micro firm employs fewer than 5 people including owners/managers.

European Union (EU) Member States employ their own, varied definitions of what constitutes an SMME, but have recently attempted to standardise these definitions as follows:

- Firms with fewer than 10 employees – micro;
- Firms with fewer than 50 employees – small;
- Firms with fewer than 200 employees – medium.

In contrast, in the United States where small businesses are defined by the number of employees, businesses with fewer than 100 employees are classified as small, while those with fewer than 500 are called medium-sized enterprises (Katz and Green, 2009:5). Watson and Copeland (1998) have long warned that definitions based only on the size (number of employees, turnover, profitability, net worth, etc.) of enterprises suffer from lack of universal applicability. In their opinion, this is because enterprises may be conceived of in varying terms. Storey (1994) alerts us to the danger of using size to define a firm by stating that in some sectors, all firms may be regarded as small while in other sectors there are possibly no firms which are small.

According to Storey (1994:9), a business can be considered small if it is independently owned, operated and financed independently, has a relatively small share of the market and relatively little impact on its industry.

From the various definitions discussed above, it is clear that internationally, there is no consensus on what constitutes an SMME. Definitions vary across industries and also across countries. Therefore, before an operational definition is drawn for the purpose of

this study, it will be prudent to look at the South African definition of SMMEs since the research is South Africa based.

2.2.2 LOCAL DEFINITIONS

The most widely used framework in South Africa to define SMMEs is the National Small Business Act 102 of 1996. The Act employs both the qualitative and quantitative criteria in its definitions.

In terms of the qualitative criteria, a business will be regarded as belonging to the SMME sector if it fulfils the following conditions:

- must be a separate and distinct entity;
- cannot be part of a group of companies;
- must include subsidiaries and branches (where applicable) when measuring its size;
- should be managed by its owners;
- can be a natural person, sole proprietorship, partnership or a legal person such as a close corporation or company.

(Nieman, 2006:4)

The quantitative indicators include:

- total full-time employees;
- total annual turnover; and
- total gross asset value (excluding fixed property).

(Nieman, 2006:4)

The National Small Business Act 102 of 1996 uses the above criteria to classify a business as micro, very small, small and medium (see Table 2.1) of the schedule.

- **Micro enterprise:** Turnover is less than the VAT registration limit (that is, R150 000 per year). These enterprises usually lack formality in terms of registration. They include, for example, 'spaza' shops, minibus taxis and household industries and employ no more than 5 people. These businesses are also sometimes called survivalist businesses. This category is considered pre-entrepreneurial and includes hawkers, vendors and subsistence farmers.
- **Very Small:** Generally, these are enterprises employing fewer than 10 people, with the exception of the mining, electricity, manufacturing and construction sectors, in which there can be up to 20 employees. Usually, these enterprises operate in the formal market.
- **Small enterprises:** The upper limit for these types of businesses is 50 employees. Small enterprises are generally more established than very small enterprises and exhibit more complex business practices.
- **Medium enterprises:** The maximum number of employees is 100, or 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are often characterized by the decentralization of power to an additional management layer.

As Dzansi (2004) alludes to, difficulties in coming up with a singular universally accepted definition of SMME seems largely due to descriptors for micro, very small, small, and

medium enterprises differing from country to country and even within countries. An operational definition for the purpose of this study is therefore imminent. For the purpose of this study, a business is considered an SMME if it fulfils one or more of the following criteria:

- Fewer than 200 employees
- Annual turnover of less than R5 million
- Capital assets of less than R2 million
- Independently owned
- Directly involvement of owners in the management of the business.

Table 2.1: Schedule of SMMEs in South Africa

Sector /sub-sector (Standard Industrial Classification)	Size of Class	Total employees full-time	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 & 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
Finance and Business services	Medium	200	R26m	R5m
	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: Small Business Act 102 of 1996)

2.3 CONSTRAINTS FACING SMMEs IN DEVELOPING COUNTRIES

Experts agree that SMMEs are agents of socio-economic development (United States Agency for International Development (USAID), 2007). However, there are constraints that hinder SMMEs' development hence their ability to perform the roles as expected of them leading to them being asked to engage in BSR (Dzansi, 2004) to enhance their impact on society.

Abor and Quartey (2010:224) identify the following constraints to SMME development in developing countries:

- **Finance:** A problem SMMEs often face is access to capital. Cook and Quartey (2000) in Abor and Quartey (2010) state that SMMEs in many developing countries are constrained by the availability of financial resources to meet operational and investment needs. According ECOSOC (2012), SMMEs need increased access to

bank credit in order to make use of their potential but this is often not available to them. The same source suggests that African SMMEs often lack access to finance and this is likely to be exacerbated by the effects of the current financial and economic crisis on the continent. Access to finance remains a major problem in majority of African countries, and while loans from commercial banks are at least possible in principle, the evidence shows that the terms of such access are often punitive to SMMEs (ECOSOC, 2012).

- **Lack of managerial skills:** The scarcity of management experience, prevalent in most developing countries, has a significant impact on SMMEs. The lack of support services or their relatively higher cost can hamper SMMEs' efforts to improve their management, because consulting firms are often not equipped with appropriate, cost-effective management solutions for SMMEs. Despite the numerous institutions providing training and advisory services, there are still gaps in the SMME sector as a whole (Abor and Quartey, 2010).
- **Equipment and technology:** SMMEs have difficulties in gaining access to appropriate technologies and information on available techniques. This limits innovation and SMME competitiveness (Abor and Quartey, 2010).
- **Regulatory issues:** Regulatory constraints also pose serious challenges to SMME development. High start-up costs for SMMEs, including licensing and registration requirements, can impose excessive and unnecessary burdens on SMMEs. Adomakoh (2011) states that inflexible labour codes and other indirect labour costs are unaffordable to SMMEs, and complicated tax codes - sales tax, stamp duties etc. are least favourable to SMMEs.

- **Access to international markets:** Acknowledging the work of Aryeetey *et al.* (1994), Abor and Quartey (2010) observe that, previously insulated from international competition, many SMMEs in developing countries are now faced with both greater external competition and the need to expand their market share. An example that readily comes to mind is back home here in South Africa where the demise of apartheid has allowed competition from international businesses. Although international markets too have become accessible as a result of globalisation, Abor and Quartey (2010) makes the case that more often than not, the limited experience and knowledge of international markets, poor quality control and product standardization, as well as limited access to international partners impede developing countries SMMEs from expanding into international markets.

2.3.1 PROBLEMS EXPERIENCED BY SMMEs IN SOUTH AFRICA

Investigating the problems experienced by South African SMMEs, Brink *et al.* (2003:1) reduce the otherwise numerous problems to three broad categories namely environmental, financial and managerial problems. Earlier, Cant *et al.* (1999: 23) and later on Olawale and Garwe (2010:730) divide the SMME environment into **external (macro)** and **internal** factors. Together, these two sources provide insightful coverage of environmental factors inhibiting SMME performance in the South African context. Hence, for the purpose of this study, these works will receive much attention.

Macro environmental factors

Strategic management teaches us that management has little or no control over the exogenous problems that manifest themselves in the economic, socio-demographic, political, technological and international spheres, market size, competitors, and low demand. The most prominent problems influencing SMME success in this environment

are: the state of the economy, compliance with legislation, resource scarcity, HIV/AIDS, crime and corruption and rapidly changing technology (Cant *et al.* 1999: 23).

Internal factors

Deficiencies in the internal environment are a major cause of SMMEs failure, and include: management skills; financial knowledge; lack of expertise in marketing and human resource management; and overemphasis on financial rewards (Ligthelm and Cant 2002: 6).

According to Ligthelm and Cant (2002: 6) the following are management skills (actions and behaviour) which are lacking in South African SMMEs: inability to set goals; lack of forward planning; reluctance to seek advice; lack of commitment; and unwillingness to adapt to change. There is no doubt that these managerial shortcomings have the potential to inhibit SMME performance hence their ability to contribute meaningfully to socio economic development.

Like managerial incapacity, marketing inadequacies such as inability to conduct market research, poor product or service, as well as misreading customer trends and needs also inhibit SMME performance hence their ability to contribute meaningfully to socio-economic development

Production and operational issues

According to Cant *et al.* (1999:23), the following operational aspects may impact on the success of SMMEs:

- Lack of proper quality control

- Problems with suppliers or resources
- Limited attention to developing suitable products or services.

Like Cant *et al.* (1999), Olawale and Garwe (2010:730) also identify and classify constraints faced by SMMEs in South Africa under two broad categories: internal environment and external environment

Again, basic strategic management teaches us that internal environmental factors of a firm are largely controllable by the firm. The internal environmental factors that Olawale and Garwe (2010:730) expect to hinder SMME performance include:

- **Access to finance:** All businesses require financial resources in order to start trading and to fund growth. Lack of access to or availability of capital can be a constraint on business growth (Cessar, 2004) in Olawale and Garwe (2010:731).
- **Management skills:** Managerial competencies are sets of knowledge, skills, behaviours and attitudes that contribute to personal effectiveness. Managerial competencies are very important to the survival and growth of SMMEs. In South Africa, Herrington and Wood (2003) in Olawale and Garwe (2010:731) state that lack of education and training has reduced management capacity in new firms in the country. This is one of the reasons usually cited for the low level of entrepreneurial activity and the high failure rate of new ventures which Cant *et al.* (1999) also mentioned.
- **Location and networking:** Location impacts on market potential hence the growth of SMMEs. Geographical proximity to either critical buyers or suppliers will no doubt lead to superior performance. Like their large business counterparts,

networking is very important to SMMEs, both new and established ones, and can positively impact on their performance and access to finance. Lack of networks is common to South African SMMEs (Olawale and Garwe, 2010:731) and this prevents SMMEs from learning the skills needed to engage with shareholders and the general public.

- **Crime and corruption:** According to Brown (2001) in Olawale and Garwe (2010:732), business is the largest organized group suffering from crime and violence. Olawale and Garwe (2010:732) also state that the South African Police Service Crime Statistics (2009) reveals that while the incidence of virtually all major categories of crime has fallen in 2008, business related crime is on the increase. Most of these crimes affected small businesses. Corruption is another constraint to SMME development. Olawale and Garwe (2010:732) quote Gavira (2002) in stating that corruption in the SMME sector is often linked to regulatory, compliance and bureaucracy-related challenges. They further state that South African SMMEs lack the bargaining power and influence to oppose requests for corrupt demands. Citing the findings of the World Bank (2005), Olawale and Garwe (2010:732) further note that approximately 70% of South African SMMEs see corruption as an impediment to their success.
- **Labour:** Every business including SMMEs need access to suitable skilled and motivated labour in order to sustain growth. Quoting Mahada (2008), Olawale and Garwe (2010:732) observe that it is difficult and expensive for SMMEs to hire skilled labour in South Africa. Labour costs are governed by legislation such as the Employment and Minimum Wage Regulations.
- **Regulations:** The costs of registration may impact on the growth of SMMEs. New SMMEs have to obtain registration licences and pay taxes, and most of them

perceive that they do not get enough support from the government. Most new SMMEs in South Africa are not aware of government efforts to assist them. Such efforts include Khula Finance Enterprise (Khula) and the Small Business Development Agency (SEDA).

(Olawale and Garwe, 2010:732).

Judging by the literature, it seems reasonable to conclude that:

- There are diverse constraints/barriers to SMME development;
- These constraints can be conveniently categorised as internal and external factors;
- The internal factors are mainly due to poor management practices which can be addressed by the managers themselves;
- The external factors are beyond the control of SMMEs, however supportive government policies can help address them.

Therefore, for SMMEs to develop and make meaningful contribution to the societies in which they conduct business, they must overcome barriers they face. If these barriers are reduced, an enabling environment will be created. In other words, there is need for an SMME enabling environment so that they can grow and prosper hence make meaningful contribution to South African societies. Thus the SMME enabling environment becomes an important issue in any SMME discourse.

2.3.2 THE SOUTH AFRICAN SMME ENABLING ENVIRONMENT

The ECOSOC (2012:4) is of the view that because of the weak operating environment for business ventures in most developing countries, potential entrepreneurs resort to

economic activity outside the legal systems (informal sector). This both limits potential benefits for the micro entrepreneur (e.g. access to finance and support services) and hinders the growth of the formal sector by draining resources and rendering the tax base ineffective. It is against this backdrop that the South African government came up with programs and policies aimed at providing the necessary supportive environment needed for SMME growth. In South Africa, this support is legislated for in the National Small Business Act 102 of 1996 and the government White Paper on National Strategy for the Development and Promotion of Small Businesses 1995.

The White Paper on small businesses, published by the Department of Trade and Industry in March 1995, has the objective to **regulate, stimulate and promote small business activities in South Africa**. It consists of four parts (A, B, C and D) as shown in Figure 2.1 below:

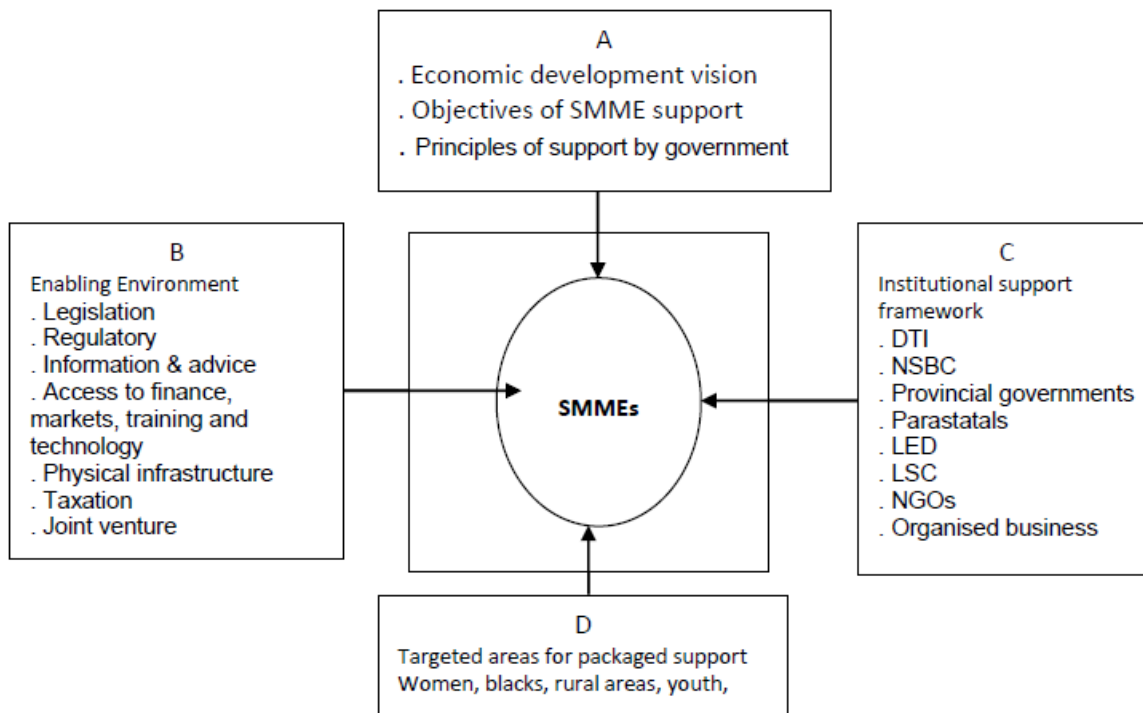


Figure 2.1: The national SMME support strategy.

Adapted from: White Paper 1995

PART A: Vision, Support and Principles

Part A of the strategy (Figure 2.1) consists of three elements economic development, objectives of SMME support and principles of support by government.

Economic development by government

This section, like the Small Business Act 102 of 1995, divides SMMEs into four categories for the purpose of targeted development and support. The categories are:

Table 2.2: SMME sector categories

Category	Descriptor(s)
Survivalist enterprises	activities performed by people who are unable to find a paid job or access an economic sector of their choice
Micro enterprises	very small businesses, often involving only the owner, some family member(s) and at most one or two paid employees
Small enterprises	Constituting the bulk of established businesses, with employment of between 5 and 50 people, usually owner-managed or directly controlled by owner-communities
Medium enterprises	51 to 200 employees and a turnover of R5 million per annum.

Adapted from: White Paper 1995

Objectives of SMME support

The key objectives described in this part of the White Paper are to:

- Create an enabling environment for small entrepreneurs;
- Facilitate greater education, income generation, wealth and earning opportunities;
- Address the legacy of apartheid-based disempowerment of black businesses;
- Support the advancement of women in all business sectors;
- Create long-term employment;
- Stimulate sector-focused economic growth;
- Strengthen cohesion among small enterprises;
- Level the playing fields between large and small businesses, and urban and rural ones;
- Prepare small businesses to meet the challenges of international competition.

Apart from setting policy objectives of SMME support, Part A also spells out ten key principles that underpin the government's national small business strategy key underlying principles behind government SMME support strategy.

Principles of support by government

1. There should be joint vision for large businesses and SMMEs;
2. All segments of the SMME sector deserve attention;
3. The efficiency and competitiveness of the SMME sector has to be developed;

4. There should be an integrated SMME support strategy that gives attention to both supply and demand side activities;
5. There should be emphasis on Black and other marginalized groups' advancement in the enterprise sector as a key factor in all spheres of the strategy.
6. The scarcity of public funds demands careful prioritization of support programmes and skilful deployment of resources;
7. Support policies should be sector focused, and with strict control of the use of public funds and full recognition of the market orientation of the economy;
8. The institutional framework for SMME support should be restructured in order to reflect evolving institutional diversity, the provincial thrust of policy implementation and effective bottom-up and top-down co-operation and co-ordination;
9. Ultimate responsibility for the national strategy rests with the Department of Trade and Industry;
10. The private sector, co-operatives, NGOs and foreign assistance programmes all have a critical role to play in an integrated small business strategy.

PART B: The enabling environment

Part B of the White Paper (1995:23) focuses on making the environment conducive for SMMEs to prosper. It identifies the fulfilment of the following objectives as paramount to the creation of an environment that will enhance SMME growth, development, and performance. To surmise, the most important objectives are to:

- Create an enabling legal framework with special attention to National Small Business, Transaction and Procurement and small Business Finance Acts;
- Streamline regulatory conditions by reforming the small-claims courts and establishing a user-friendly environment for the simplification and standardisation of documents;
- Enhance SMME access to information and advice by providing business information and advice within reasonable distance to all enterprises and those interested in self-employment.
- Enhance SMME access to finance through venture finance, credit guarantees and information on access to finance;
- Make physical infrastructure available to SMMEs with emphasis on providing support for home-based businesses and entrepreneurs;
- Provide training in entrepreneurship and management skills by means of sharing knowledge, changing school curricula, modularizing training programmes, research and a business mentorship system;
- Make available industrial relations consultants to resolve misunderstanding between labour and small enterprises in order to create a stable working environment;
- Make modern technology more accessible to small businesses;
- Encourage SMMEs to form joint ventures with experienced local and foreign partners;
- Provide differential taxation and other financial incentives in favour of SMMEs.

These objectives need to be institutionalised in order to assist SMMEs, so that this support can be accessed through organisations mandated to provide it. The institutional frameworks are provided for and discussed in Part C.

PART C: Institutional support structures

There are a large number of institutions assigned various responsibilities in order to promote and support SMME development. All of these organisations play important roles in their own right and writing about each will constitute a major undertaking hence will not be pursued here. Suffice it to however list the following important SMME support organisations.

- Department of Trade and Industry (DTI)
- National Small Business Council (NSBC)
- Small Business Development Agency (SBDA)
- Wholesale Funding Agency
- Restructuring of the Small Business Development Corporation (SBDC)
- Small business support by provincial governments
- Local authorities
- Local Services Centres
- NGOs and small business support units
- Organised business

PART D: Targeted areas for packaged support

As discussed in the introduction to this chapter, SMMEs have been recognised by government as a vital contributor to improving the socio economic conditions in the country. It is therefore understandable that the White Paper (1995) targets the SMME sector especially among marginalized groups for attention. These groups (see Figure 2.1) include:

- Small manufacturers
- Traders/dealers
- Female heads of households
- Disabled people
- Rural families

2.3.3 SUMMATIVE ASSESSMENT OF THE SMME ENVIRONMENT

The discussion so far has revealed that the purpose of the two main instruments, the National Small Business Act 102 of 1996 and the White Paper on National Strategy for Development and Promotion of Small Businesses (1995) is to create an enabling environment for SMME development in South Africa.

Notwithstanding this, the National Small Business Project (SBP) and the South African Chamber of Business (SACOB) believe that the Government has not done enough (Dzansi, 2004). In fact, Dzansi (2004) quotes SACOB (1999) and SBP (2002) to make the case that issues like the minimum wage, labour regulations that impose significant direct costs on SMMEs, prohibitively expensive and too complicated tax system as it affects SMMEs; and prohibitively expensive access to and redress from the courts for SMMEs are still suffocating the ability of SMMEs to grow and survive.

As a result of the above factors, SMMEs have been accused of being unable to reduce the burden of unemployment in South Africa. Dzansi (2004) therefore calls for SMMEs to embrace the concept of SMMEs as means to enhance their role in socio economic development. The question one may ask is what exactly society expects of SMMEs and what the SMMEs in South Africa are doing with regard to societal expectations. These questions lead directly to the question of the role of SMMEs in socio economic development in general and South Africa in particular.

2.4 SMMEs IN SOUTH AFRICA'S SOCIO-ECONOMIC DEVELOPMENT

There is a growing impetus worldwide for the development of a strong SMME sector as an engine of economic growth and development. There is suggestion that China as well as the so called Asian Tigers' economic boom is largely driven by SMMEs where SMMEs are said to be responsible for innovation and competitive advantage.

The United Nations Industrial Development Organisation (UNIDO) (2002:2) states that for developing countries, integration into the global economy through economic liberalization, deregulation, and democratization is the best way to overcome unemployment, poverty and inequality. Crucial to this process is the development of a vibrant private sector, in which SMMEs play a central part.

According to UNIDO (2002: 3), SMMEs make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment. These figures alone show the important role of SMMEs.

There is a rich body of research on the contribution of SMMEs (Muuka, 2002; Machacha 2002; Dzansi 2004; Nieman 2006; and Nieman & Nieuwenhuizen, 2010). While some of these researches have areas of disagreement, there is a degree of consensus on two issues of particular importance to this study.

The first is that SMMEs tend to employ more labour-intensive production processes than large enterprises. Accordingly, they should contribute significantly to more employment opportunities, the generation of income and ultimately, the reduction of poverty. Unfortunately as Dzansi (2004) observes, South African SMMEs are unable to employ people to the level expected of them. As a result, South African SMMEs and in particular the micro and small ones are generally seen as not doing enough for the socio-economic development of the country particularly in impoverished communities like Botshabelo. This has led Dzansi (2004) and others to say that engaging in BSR will change this negative perception. Secondly, SMMEs are the seedbed for entrepreneurship development and innovation hence drivers of competitiveness as evidenced in the case of the economic boom in China and other so-called Asian Tigers.

Countries in Africa have in general, realized the importance of SMMEs in economic development. Machacha (2002) states that SMMEs help diversify the economy and at the same time create employment. It is a fact that most of Africa's economies have historically been dominated by government departments and large multinational businesses. However, experts now believe that the tide is changing and the future economic prosperity of Africa lies with a vibrant SMME sector. Muuka (2002) believes that the informal sector in Africa is significant due to the large number of employees it absorbs, and that in many African countries the informal sector (mainly made up of SMMEs) is estimated to employ anywhere from three to six times the number of employees in the formal sector.

Within the SADC member countries (Angola, Botswana, Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe) SMME policy initiatives now rank higher than ever before on the political agenda of eradicating poverty (Chidzomba, 2002). According to this source, the member countries recognize that SMMEs play a critical role as a source of most new jobs. As a result, concerted efforts were initiated in 1996 by SADC member countries to boost the SMME sector. This led to the formation of the Small Enterprise Promotion Advisory Council (SEPAC). This body serves as a regional SMME support network for the SADC region.

SEPAC is charged with the responsibility of, among others:

- Implementing programmes to promote sustainable regional integration of SADC members;
- Marketing, business linkage and cross-border trade;
- Policy issues;
- Entrepreneurship development and training;
- Access to finance;
- Information, technology development and transfer, facilitation of exchange of information and experiences;
- Identifying specific barriers to small enterprise success and promote supporting policies and programmes that provide small business with increased opportunities;
- Assisting regional and international performance of SMMEs by reducing impediments to growth and capitalizing on opportunities for sustainable development (Chidzomba, 2002).

These developments follow from the recognition that SMMEs throughout the SADC region can contribute to poverty alleviation and job creation if supported by an enabling policy environment.

In South Africa, the contribution of SMMEs to socio-economic development is vital. As far back as 1999, SMMEs have been reported to account for about 91% of formal business entities in the country, contributing between 52% and 57% of GDP and providing about 61% of employment (Ntsika, 1999). Corroborating Ntsika (1999), Nieman and Nieuwenhuizen (2010:3) contend that SMMEs form 97.5 % of all businesses in South Africa and they generate 35% of gross domestic product (GDP), contribute 43% of the total value of salaries and wages paid in the country, and employ 55% of all formal private sector employees.

Malagas (2003) cited in Nieman (2006) argues that SMMEs have become an important target for policy makers because among others:

- The labour-absorptive capacity of the small business sector is higher than that of other size-classes;
- The average capital cost of a job created in the SMME sector is lower than in the big business sector;
- They allow for more competitive markets;
- They can adapt more rapidly than larger organizations to changing tastes and trends;
- They often use local and recycled resources;
- They provide opportunities for aspiring entrepreneurs, especially those who are unemployed, under-employed or who have been retrenched;

- SMME workers often require limited skills training as they are able to learn skills on the job;
- Subcontracting by large enterprises to SMMEs lends flexibility to production processes;
- They play a vital role in technical and other innovations.

The following tables are used to portray the effect of the small business sector on the economy. Table 2.3 shows each sector's contribution to GDP in terms of size-class. The table depicts that SMMEs contributed 34.8 per cent of GDP compared to large business's 65.23 per cent.

Table 2.3: SMMEs contribution to the GDP in the industrial sectors in 2000

Sector	Micro	Small	Medium	Large	Total
Agriculture	4.13	8.67	43.71	43.49	100
Mining	1.01	1.74	2.55	94.70	100
Manufacturing	5.27	7.37	21.02	66.34	100
Electricity	0.00	0.00	0.00	100	100
Construction	3.14	35.60	12.20	49.06	100
Trade	2.27	23.41	17.12	57.21	100
Transport	7.07	18.50	20.30	54.13	100
Business and other services	14.90	12.90	2.90	69.30	100
Average: All Services	5.82	13.90	15.05	65.23	100

Source: Ntsika (2000:24)

With regards to employment, Table 2.4 shows the percentage contribution of the various class-size enterprises per industrial sector.

Table 2.4: SMMEs employment contribution in the industrial sectors: 2000.

Sector	Micro	Small	Medium	Large	Total
Agriculture	4.17	13.81	52.31	29.71	100
Mining	0.92	2.51	2.59	93.97	100
Manufacturing	8.39	10.57	24.58	56.46	100
Electricity	0.00	0.00	0.00	0.00	100
Construction	2.93	37.28	13.45	46.34	100
Trade	35.77	23.73	13.00	27.49	100
Transport	11.38	23.50	20.84	44.27	100
Business services	25.14	19.18	5.20	50.48	100
Other services	52.68	18.22	8.23	20.86	100
Average: All Sectors	17.38	16.34	20.76	45.52	100

Source: Ntsika (2000:24)

Table 2.4 shows that the SMME sector contributed 54.5 per cent compared to 45.5 per cent of large business. It can also be seen that the SMME sector made a huge contribution to employment in the agricultural, manufacturing, construction, trade and transport sectors.

Table 2.5 indicates that the annual growth in employment per sector according to enterprise size, over this period was only 1.3 per cent per annum. This was less than the average population growth rate, implying that the unemployment rate grew over this period of time, resulting in a faster growing informal sector.

Table 2.5: Annual growth in employment per sector by size (1980-2000).

Sector	Micro	Small	Medium	Large	Average
Agriculture	-3.42	92.28	5.25	5.32	2.97
Mining	0.14	2.70	1.02	-1.04	-0.91
Manufacturing	3.83	2.35	1.05	0.47	0.99
Construction	1.47	-0.56	-0.78	-3.88	-2.38
Trade	4.28	1.65	0.56	6.00	3.40
Transport	-4.62	-1.19	-0.51	3.11	-0.19
Business services	4.46	11.24	22.97	5.70	6.75
Other services	12.91	19.97	-21.82	N/A	2.33
Average growth	3.42	1.22	0.96	0.93	1.33

Source: Ntsika (2000:26)

Table 2.6: SMME component of enterprises in the industrial sectors: 2000.

Sector	Micro	Small	Medium	Large	Total
Agriculture	24.86	28.35	40.96	5.82	100
Mining	57.89	18.98	7.24	15.90	100
Manufacturing	61.27	18.92	14.11	5.70	100
Electricity	0.00	0.00	0.00	100	100

Construction	24.50	67.05	4.84	3.61	100
Trade	82.57	14.59	1.75	1.09	100
Transport	64.66	28.39	5.34	1.61	100
Business services	84.99	13.03	0.99	0.99	100
Other services	89.26	8.95	1.02	0.77	100
Average: All Services	67.41	19.50	10.74	2.50	100

Source: Ntsika (2000:26)

A significant contribution to the number of business entities per industrial sector was made by the small business sectors. Table 2.6 above depicts the percentage contribution towards the number of establishments per industrial sector and according to the enterprise-size.

The Tables above have shown clearly that SMMEs are major role players in the economic development of South Africa, especially in terms of employment, the number of private sector entities created, and the contribution to GDP.

The discussion in this section has revealed that SMMEs are significant in driving economic development and that with effective policies and support, they can help to alleviate poverty and reduce unemployment. Agupusi (2007:2) maintains that since 1994 South Africa has been promoting small businesses as an engine for economic growth and socio-economic integration. Presently, due to the growth of unemployment in the country, there has been a renewed focus on the promotion of small businesses from both the government and the private sector. All this is being done to foster their survival and growth because of the important role they play in socio-economic development.

2.5 CHAPTER SUMMARY

This section examined the many definitions of SMMEs and highlighted their common attributes. In reviewing the constraints faced by SMMEs, it was apparent that access to finance, access to information and markets, access to appropriate technology, lack of managerial skills and regulatory issues are some of the major hindrances to SMME growth. These constraints may be external i.e. beyond the control of SMMEs, or internal, referring to constraints that SMMEs can directly address. In addressing the challenges faced by the sector, the South African Government has authored the National Small Business Act 102 of 1996 and the White Paper on National Strategy for the Development and Promotion of Small Business 1995.

The contributions of SMMEs to socio-economic development show that SMMEs are important to both developing and developed economies. Globally, SMMEs account for 99% of business numbers and 40% to 50% of GDP in spite of the challenges facing them. In South Africa, the contribution of SMMEs to the economy is significant but not as much as they are expected to be hence experts like Dzansi (2004) call for SMMEs to embrace BSR so that their impact can be felt more. Chapter 3 examines the concept of BSR with specific reference to SMMEs.

CHAPTER 3: SMALL BUSINESS SOCIAL RESPONSIBILITY

3.1 INTRODUCTION

The previous chapter has made the point for SMMEs to wholeheartedly embrace and practise BSR so as to make more lasting impact on communities in which they do business. As a follow on, this chapter reviews the BSR literature with specific reference to SMMEs. The review starts with an examination of evolving definitions of BSR covering the period from the 1950s to the present. Thereafter, the theoretical foundation of BSR is critically reviewed and the two main schools of thought on the subject are then examined. After that the stakeholder theory and business ethics are considered. Finally, the relationship between SMMEs and BSR is examined.

As a sort of historical preview, the concept seems to have evolved considerably since it first emerged in the 1950s (Carroll, 1999; Cochran 2007). The concept of BSR has a long and varied history. While it is possible to trace evidence of the business community's concern for society to the 19th century, formal concern with social responsibility is largely a product of the 20th century and especially the past 50 years (Carroll, 1999:268). According to Carroll (1999), while it is possible to detect evidence of BSR throughout the

world (mostly in the developed world), formal writings have been most evident in the United States, where a sizable body of literature accumulated. However, he does not rule out the possibility of related notions having been around for ages. Dzansi (2004) actually believes that the age old UBUNTU philosophy is the South African indigenous form of BSR. Cochran (2007:499) also attributes growth in BSR to the birth of the “modern activist movements” in the 1950s and 1960s in the United States and the Vietnam War of the 1960s and 1970s that galvanised other social movements, leading to a changed business environment - concerned about business practices. Today, these activist groups and NGOs attempt to focus media attention on business practices they consider irresponsible.

Currently, negative media attention can tarnish the image of a business, leading to decreased sales or employee dissatisfaction. If businesses do not react appropriately, media attention can also lead to unwanted legislation and regulation. In today’s business environment, business owners must either embrace BSR or risk the consequences. Understanding and practising the concept is therefore important to business success.

3.2 DEFINING BSR

Although it is not a new concept, BSR remains an elusive notion for academics and a contested issue for businesses and their stakeholders. Due to the range of contrasting definitions, the concept of BSR has led to the emergence of a variety of practices (Thomas & Nowak, 2006:3).

Citing the work of Bowen (1953) in his landmark book ‘Social Responsibilities of the Businessman’, Carroll (1999) argued that the book marked the beginnings of the modern period of literature on the subject of BSR. Carroll (1999:290) states that Bowen (1953) initially defined the social responsibility of businessmen as: “The obligation of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of objectives and values of society.” Carroll (1999)

believes that Bowen's (1953) book and definition of social responsibility represented the most recent literature from the 1950s to 1960s.

Davis (1967:70) defines social responsibility as: "Businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic interest."

In 1963, Joseph W. McGuire writing in his book 'Business and society' stated: "The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society which extends beyond those obligations". Much as McGuire (1963) did not elaborate clearly what those obligations were in his definition, academics believe that it is somewhat more precise than the previous ones since the definition went beyond economic and legal obligations. McGuire (1963) later expanded his definition by adding that the corporation must take an interest in politics, in the welfare of the community, in education, in the happiness of its employees, and in the whole social world around it. Therefore, business must act 'justly' as a proper citizen should.

Johnson (1971:50) presents various definitions of BSR, notable among which was the following: "A socially responsible firm is one whose managerial staff balances a multiplicity of interests. Instead of striving only for larger profits for its stockholders, a responsible enterprise also takes into account employees, suppliers, dealers, the local community and the nation." This definition embodies the stakeholder concept. Johnson (1971) suggests that business does not only owe economic responsibilities to owners but to other parties (e.g. employees, customers and community).

Fitch (1976:38) defines BSR as a way of solving problems. He states: "Business social responsibility is defined as a social attempt to solve social problems caused wholly or in

part by the business.” He is of the opinion that in order for businesses to be socially responsible, they must identify and define a social problem and then from the wide range of social problems, decide which ones to solve first.

Carroll (1979:500) offers the following definition of BSR: “The social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time.” Carroll (1979) believes that the first and foremost responsibility of a business is economic in nature (that is society expects business to produce goods and services and sell them at a profit). Much as society expects business to make a profit, for its efficiency and effectiveness, society expects business to obey the law. Thus, the legal responsibility becomes the second part of the definition. The ethical responsibility represents the kinds of behaviours and ethical norms that society expects business to follow while the discretionary responsibilities represent voluntary roles that business assumes.

In the 1980s, the focus on developing new and refined definitions of BSR gave way to research on BSR and alternative concepts and themes such as corporate social responsiveness, corporate social performance, public policy, and many other synonyms to BSR (Carroll, 1999:284). Even though much confusion surrounds the definition of BSR, a clearer picture of what BSR means emerged in the 1980s.

In 1983, Carroll elaborated on his 1979 four-part definition of BSR. He states:

“BSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions to discussing the firm’s ethic and the extent to which it supports the society in which it exists with

contributions of money, time and talent. Thus, BSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic.”

(Carroll, 1983:604).

Dzansi (2004:80) attributes the following definitions of BSR to Kyambalesa (1994) and Peyton (2003) respectively:

- “BSR is a business’s obligation to seek socially beneficial results along with economically beneficial results in policies, decisions and actions,” and
- “BSR is a company’s commitment to operating in an economically and environmentally sustainable manner while recognizing the interest of its stakeholders. Stakeholders include investors, customers, employees, business partners, local communities, the environment, and society at large.”

The United Nations Industrial Development Organization (UNIDO) (2002) states that: “Being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.”

According to Asongu (2007:3), BSR can be defined as: “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and the society at large”. This definition encompasses the following:

- Voluntariness – actions not prescribed by law;
- Stakeholder dimension – interaction with employees, customers, community, etc.
- Social dimension – integration of social concerns in business operations;

- Economic dimension – contribution to economic development.

Even though BSR research generally has been hampered by lack of a consistent definition, over the past 50 years, there seems to be growing common ground among these various definitions. That, business must: operate in an economically sound environment; abide by the law; consider the interest of its stakeholders; and reach out to the community and society at large.

Dzansi's (2004; 2006; 2009) consistent definition seems to embody the common views listed above. He defines BSR as: **“A company's commitment to operating in an economically and environmentally sustainable manner while recognising the interest of its stakeholders (stockholders, customers, employees, business partners, local communities, the environment and society at large) over and above those provided by law.”**

For the purposes of this study, the definition above by Dzansi (2004; 2006; 2009) is adopted. This definition implies that business has an obligation to the community within which it operates. Also, the areas in which the business could choose to exercise its social responsibilities are the investors, customers, employees, the environment and the general well-being of society.

Following the above operational definition, investors, customers, employees and the environment are deemed key areas in which business owes its obligations. The following is a brief overview of each of them:

Investors in a business could be business partners or those who have provided financial support to the business. In this sense, a proper accounting system must be maintained which provides information on the financial situation of the business.

Customers are key role players in every business. As such business must adopt an attitude of social responsibility towards its customers. Aardt et al. (2011:153) state that in adopting such an attitude business should know the four basic customer rights, which are:

1. The right to safe products and services;
2. The right to be informed about all relevant aspects of products and services;
3. The right to be heard in the event of a complaint; and
4. The right to choose what to buy.

Employees: Social responsibility towards employees should not only include the employees themselves but their immediate families also. Business must treat its employees fairly, and respect their dignity and basic human needs (Aardt et al., 2011:153).

Environment: The natural environment is a critical area of social responsibility and includes issues such as water and air pollution, natural resource conservation and hazardous waste disposal (Aardt et al., 2011:153).

Social welfare of the community: Business must be involved in the general social welfare of the community in which it is operating. Aardt et al. (2011:153) state that this involvement must be in health and education, sports development and contributions to

charity. Business could also be involved in actions aimed at correcting political and social problems. Business Against Crime (in South Africa) is an example of such action.

The obligation of business to society is therefore diverse in nature and in the execution of such obligations, certain theories apply.

3.3 THEORETICAL FOUNDATIONS OF BSR

3.3.1 THE CHARITY (PHILANTHROPIC) PRINCIPLE

One of the pioneering aspects of the business society relationship was business philanthropy. The charity principle originates from the idea that richer members of society should be charitable to the less privileged. This is a very ancient notion and some royalties through the ages were seen providing for the poor. Biblical passages bring to mind this most ancient principle, as do the sacred writings of other religions. According to Fredrick et al. (1992:34), when Andrew Carnegie and other wealthy business leaders donated to public libraries, supported settlement houses for the poor, gave money to educational institutions, and contributed funds to community organizations, they were continuing this long tradition of being “my brother’s keeper” as directed in the Bible. In the early decades of the 20th century prior to the advent of welfare states, such discretionary philanthropy was especially important. While essentially charitable in nature, however, today’s BSR also contains the principle of stewardship.

3.3.2 THE STEWARDSHIP PRINCIPLE

Some modern business executives see themselves as stewards or trustees acting in the general interest of the public. Even though the companies of business executives are privately owned and they try to make profits for the stockholders, the companies are

managed and directed by professionals some of who believe that they have an obligation to ensure that everyone benefits from the actions of their companies.

According to the stewardship principle, business managers have been positioned in public trust, and their control of resources can affect others. Due to the fact that they wield this kind of influence, they incur a social responsibility. Business managers have, as a result, become stewards or trustees of society. Therefore, they are expected to act with a degree of social responsibility in making business decisions.

Parmar et al. (2010) believe that this kind of thinking brought about the modern theory of stakeholder management. According to this theory, business managers need to interact skilfully with all groups who have a 'stake' in what the business does. If they do not do so, then businesses will not be fully effective economically or it will not be fully accepted by the public.

These two principles, the charity principle and the stewardship principle, established the foundation of business social responsibility. In other words, Corporate (Business) philanthropy is the modern expression of the charity principle. The stewardship principle is given meaning today when business managers recognize that business and society are intertwined and interdependent. This mutuality of interest places a responsibility on business to exercise care and social concern in formulating policies and conducting business operations. Table 3.1 shows how these two principles have coalesced to form the modern idea of business social responsibility.

Besides these two theories that drive the BSR concept, Cochran (2007:447) suggests that among the first academics to debate the topic of business social responsibility were Columbian University Professor Adolf A. Berle and Harvard Professor E. Merrick Dodd.

Cochran (2007:447) points out that whereas Berle was of the opinion that managers were responsible only to a firm’s shareholders, Dodd had a different view and contended that shareholders and managers also had social responsibilities to other society members who are generally referred to as stakeholders. Thus the ‘stakeholder reasoning’ became one of the intellectual bases for the assertion that businesses have a social responsibility.

Table 3: Principles of BSR and their modern expression.

Item	Charity Principle	Stewardship Principle
Definition	Business should give voluntary aid to society’s needy persons and groups.	Business acting as public trustee, should consider the interests of all who are affected by business decisions and policies.
Modern Expression	Corporate Philanthropy Voluntary actions to promote social good	Acknowledge business and society’s interdependence Balancing the interests and needs of many diverse groups in society
Examples	Corporate philanthropic foundations Private initiatives to solve social problems Social partnerships with needy groups	Stakeholder approach to corporate strategic planning Optimum long-run profits, rather than maximum short-run profits Enlightened self-interest attitude

Source (Frederick, et al.,1993:36).

3.3.3 THE STAKEHOLDER THEORY

The idea that businesses have stakeholders has now become commonplace in the management literature, both academic and professional (Crane et al., 2008:139). A company’s success can be affected – negatively or positively – by its stakeholders. Failure to respond to stakeholder concerns can lead to conflicts and serious public interest issues (Frederick et al., 1992:3). Many academics and writers, among them

Pedersen (2006), Branco and Rodrigues (2007) and Figar and Figar (2011) subscribe to the stakeholder theory.

The notion that the stakeholder theory is one of the basic foundations of BSR means stakeholders are important players in the activities of business. This section, therefore, will explore the stakeholder theory by examining who the stakeholders are and their influence on business. If business owners/managers, and especially small business owners/managers, are to efficiently and effectively engage in BSR activities, then insight into stakeholder theory is imperative.

In the traditional view of the firm, the shareholders (stockholders) are the owners of the business/company, and the firm has a binding duty to put their needs first, thus to increase value for them. In older input-output models, the inputs of investors, employees and suppliers are converted into usable outputs which customers buy, thereby returning some capital benefit to the business.

The conventional input-output perspective is shown in Figure 3.1 below. According to this model, input-output firms are primarily economically driven, only addressing the needs of investors (although it recognises the role that employees, suppliers and customers play in generating revenue for owners).

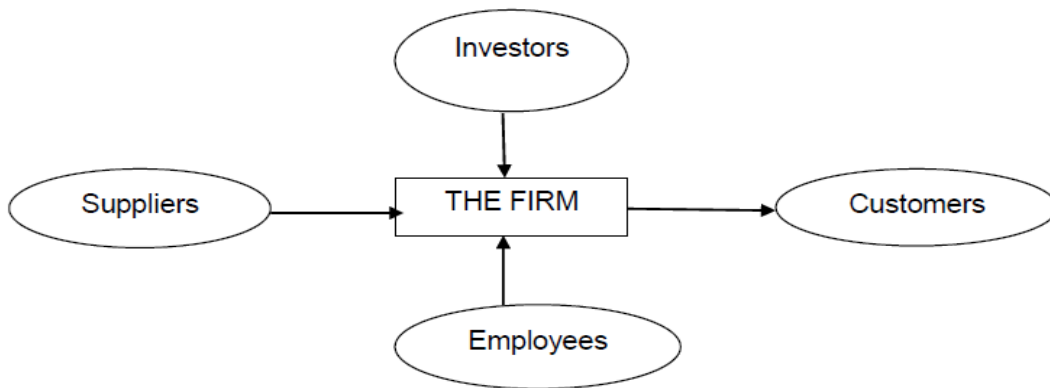


Figure 3.1: The input-output model of the Firm.

(Source: Crane et al. 2008:143)

However, the stakeholder theory advocates argue that besides the four parties in the conventional input-output model (investors, employees, suppliers and customers), there are other parties involved including government bodies, political groups, trade unions and communities. Besides this, everyone needs to benefit economically from the revenue generated. The stakeholder model is shown in Figure 3.2. This view is reiterated by Crane et al. (2008:142) that all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits and that there is no prima facie priority of one set of interests and benefits over another. Hence, the arrows between the firm and its stakeholder constituents run in both directions.

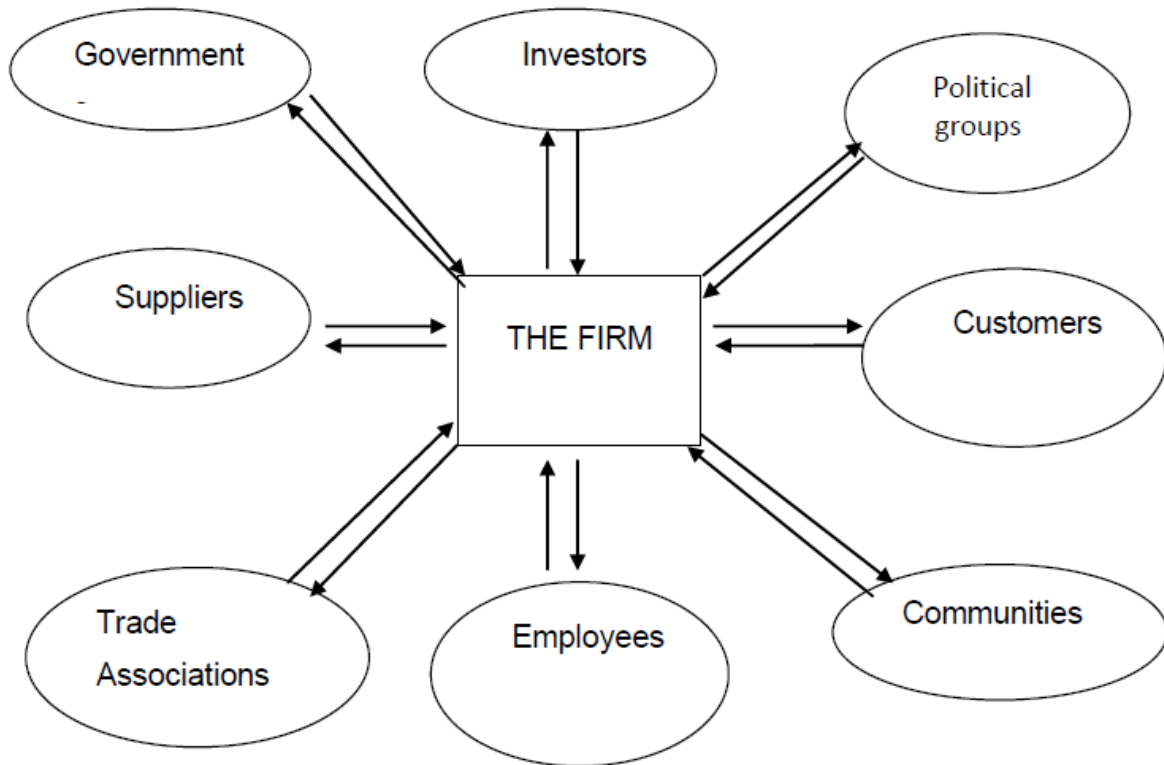


Figure 3.2: The stakeholder model of the Firm

(Source: Crane et al. 2008:143)

In the two models above, the input-output model is generally economically inclined, whereas the stakeholder model is socially inclined. Consequently, two opposing perspectives of the firm are seen: economic versus stakeholder. Brown et al. (2001) argue that these seemingly opposing views are actually complementary, a view reiterated by Dzansi and Pretorius (2009:250).

Frederick et al. (1992:7-12) state that when business interacts so often and so closely with society, a shared interest and interdependence develops. When this occurs, stakeholders are created. They are also of the view that it is sometimes useful to

differentiate between stakeholders as either primary stakeholders or secondary stakeholders.

According to these authors, **stakeholders** are all the groups affected by a corporation's decisions, policies, and operations. **Primary and Secondary Stakeholders:** A business' primary involvement with society includes all the direct relationship necessary for it to perform its major mission of producing goods and services for society. These primary interactions are usually conducted through the open market. In other words, a business buys employees' time and skills, buys supplies, borrows capital, and sells products to customers in competition with other firms. The free market system is the main way in which business interacts with society. Thus a firm's primary involvements reflect its strategy, the policy decisions of its managers, and the stakeholders who are critical to its existence.

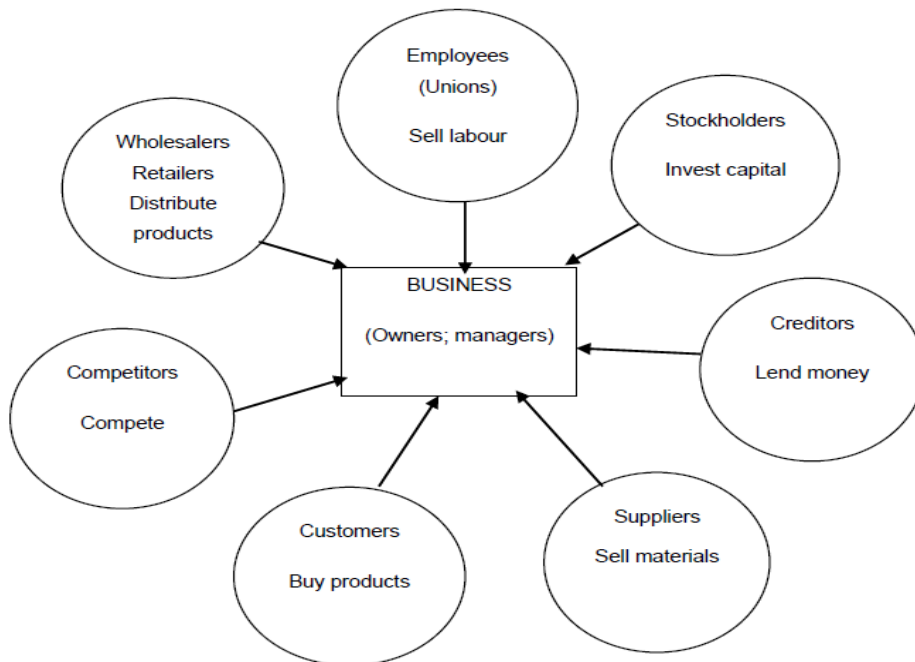


Figure 3.3: The interactions between business and its primary stakeholders.

Source (Frederick et al., 1992:10).

These market-driven customers, suppliers, employees and investors are a business' **primary stakeholders**. Figure 3.3 shows the relations between a business and its primary stakeholders.

However, as Figure 3.4 reveals, a business' relationships go beyond those primary involvements to others in society. Another level of interaction occurs when other groups express an interest or concern in the organization's activities. A business' secondary involvements are the result of the impacts caused by the company's primary mission or function. Those groups in society who are affected, directly or indirectly, by the company's secondary impacts and involvements are known as its **secondary stakeholders**.

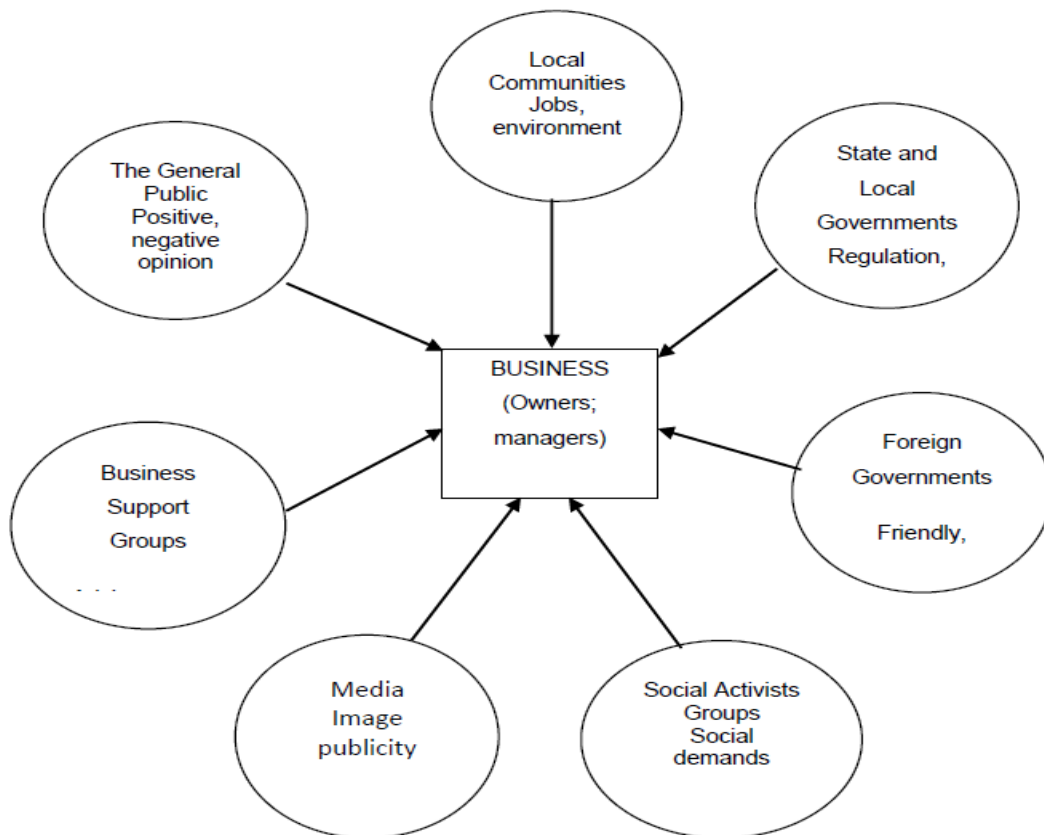


Figure 3.4: The relations between a business and its secondary stakeholders.

Source (Frederick et al., 1992:12).

The discussion on the stakeholder theory can thus be summarised as:

- Stakeholders are persons or groups with legitimate interests in procedural and/or substantive aspects of the firm and who are identified by their interest in the firm (Dzansi, 2004:73);
- Stakeholder theory is a theory of organizational management and business ethics;
- Stakeholder theory addresses morality in managing an organization;
- Stakeholder theory recommends methods through which management can give due regards to the interest of all stakeholders;
- Ultimately, normative assertions lend support to the idea that the stakeholder theory contributes to successful economic performance of a firm. Therefore, the contention that businesses practicing stakeholder management will, other things being equal, be relatively successful in conventional terms (profitability, stability, growth, etc.) is justified (Dzansi, 2004:74).

It is apparent from the above discussion that business owners/managers must operate ethically in response to stakeholders if their businesses are to survive.

3.4 ETHICS AS A FOUNDATION FOR BSR

In the earlier discussion of stakeholder theory above, it was mentioned that failure of business owners/managers to respond to stakeholder concerns can lead to conflicts and serious public issues (Frederick et al., 1992:3). In addressing stakeholder concerns, business owner/managers must be involved in ethical decision making; therefore, a sound knowledge in ethics in general and business ethics in particular is crucial, so that business owners/managers find it a bit easier to grapple with ethical dilemmas.

Business owners/managers must address the concerns of their stakeholders in an ethical manner so that no one group among the stakeholders is neglected. Frederick et al. (1992:55) state that the general public expects business to exhibit high levels of ethical performance and social responsibility. Consequently, ethics is proposed as a foundation of BSR.

3.4.1 MEANING OF ETHICS

The Cambridge Advanced Learner's Dictionary (2005:424) defines ethics as a system of accepted beliefs which control behaviour, especially if such system is based on morals. Frederick et al. (1992:52-53) sees ethics as a conception of right and wrong conduct. They state that ethics tells us when our behaviour is moral or immoral. Ethics deals with fundamental human relationships - how we think and behave towards others and how we want them to think and act towards us.

The definitions above place emphasis on the moral duty and obligation that one has towards others. These notions of right and wrong may come from many sources. Religious beliefs for instance are a major source of ethical guidance for many. The family institution neighbours and neighbourhoods, friends among others, all influence what we believe to be right and wrong in life.

Business decisions should be made to follow the lines of action that are desirable in terms of the values and objectives of society. Business owners/managers should therefore act responsibly in conducting their businesses, namely in rendering products and services and dealing with stakeholders. An understanding of business ethics is key to the ultimate success of any business because of its role in accommodating different stakeholder expectations. Aardt et al. (2000:259) are of the opinion that a business code of ethics should be developed and implemented throughout any business venture. This contention inspires the need to examine the concept of **business ethics**.

David (2009:72) defines **business ethics** as follows: Business ethics can be defined as principles of conduct within organizations that guide decision making and behaviour. A business code of ethics can provide a basis on which policies can be devised to guide daily behaviour and decisions at the work place.

David (2009:72) states that ethical issues that have an effect on business decisions are related to:

- Product safety;
- Employee health;
- Sexual harassment;
- AIDS in the workplace;
- Smoking;
- Affirmative action and empowerment of employees;
- Waste disposal;
- Foreign business practices;
- Cover-ups;

- Takeover tactics;
- Conflicts of interest;
- Employee privacy;
- Inappropriate gifts to influence business decisions; and
- Security of company records and lay-offs.

Further, David (2009:72) groups the above ethical issues as: the personal ethics of the entrepreneur and ethics in operating the venture.

The personal ethics of the entrepreneur: The entrepreneur plays a major role in establishing the initial codes of ethics governing the business. The following personal characteristics may affect the handling of employees, customers and competitors, as well as business decisions:

- Honesty
- Reliability
- Fairness
- Loyalty

Ethics in operating the venture: The day-to-day operation of the venture also gives rise to ethical dimensions that entrepreneurs should consider. These are not only related to the products and/or services rendered, but also to advertising and dealing with personnel. The following aspects could play a role in the development of business ethics and a code of conduct related to ethics:

- The safety of products/services

- The quality and price of products/services
- Advertising
- After-sales service
- Dealing with employees

3.4.2 BENEFITS OF BUSINESS ETHICS TO SMMES

According to Ferrell et al. (2013:17), ethical behaviour and BSR can bring significant benefits to the business. For example, they may:

- Attract customers to the company's products, thereby boosting sales and profit;
- Make employees want to stay with the business, reduce labour turnover and therefore increase productivity;
- Attract more employees wanting to work for the business, reduce recruitment costs and enable the company to get the most talented employees;
- Attract investors and keep the company's share price high, thereby protecting the business from takeover.

In conclusion, it is evident that for business, in general, and SMMEs in particular to effectively engage in BSR, a sound knowledge of the stakeholder theory and business ethics is essential. Managers of SMMEs interviewed in the empirical part of this research support this notion - that stakeholder theory and business ethics are imperative to the successful operation of their ventures. Enderle (2004:51) rightly states that the epitome of business ethics is not only possible but also necessary for SMMEs. The next section explores the relationship between SMMEs and BSR.

3.5 THE SMMEs AND BSR INTERFACE

Historically, the interest of businessmen was to generate profit in secrecy. They often disregarded the opinion of the public and lived in luxury, while their employees were paid extremely low wages and lived in poverty. Aardt et al. (2000:258) state that today however, there is an increasing realization that businesses are based in communities and are thus partly responsible for addressing community problems.

This view is especially more applicable to SMMEs which, it can be argued, are more intimately embedded in the communities in which they operate. The fact is it is very reasonable to expect SMMEs to recruit their labour force from the local community and draw most of their customers from the same local community since that would make much more economic sense. Similarly, one can expect the local community members to look for their needs and employment from these businesses as a first destination. This creates a kind of interdependence whereby the communities get easier access to products and employment from the local business and the business also finds ready market for their products, with the community serving as a source of labour force.

Consequently, ignoring BSR will be disadvantageous to such SMMEs as well as the communities, as the mutual dependence between society and business cannot be underestimated. The engagement of SMMEs in BSR therefore strengthens such mutuality.

The relationship between business and civil society has evolved from paternalistic philanthropy to a re-examination of the roles, rights and responsibilities of business in society. BSR is now being seriously discussed and debated in the public sphere. Not

surprisingly, The United Kingdom considers BSR so important that it has a Minister of Corporate Social Responsibility.

The European Union (EU) has published a Green Paper on BSR in which it says “Public policy has a key role in encouraging a greater sense of corporate social responsibility and in establishing a framework to ensure that businesses integrate environmental and social considerations into their activities” (EU, 2001). At the World Summit on Sustainable Development in Vienna in 2002, UNIDO (2002) presented a framework on the SMME/BSR interface, shown in Figure 3.5 below, which may be applicable in the South African context. The framework (Figure 3.5) suggests that if the constraints facing SMMEs are addressed, then they are more likely to assume their full potential. This will create a platform from which they are more able to participate in BSR.

<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • Protectionism 'by the backdoor;' • The burden of compliance and monitoring; • The Corporate Social Responsibility paradox: Are SMMEs unable to generate benefits from CSR? 	<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • 'Business case' benefits: better alignment with consumer concerns, cost savings, productivity, and innovation; • SMMEs as beneficiaries of CSR initiatives; • Broader benefits of CSR e.g. lifelong learning, community development.
<p style="text-align: center;">Barriers</p> <ul style="list-style-type: none"> • Lack of technology, expertise, training and investment necessary to make improvements; • Few CSR initiatives orientated towards SMMEs. Little understanding of SMME business case. Supply chain initiatives rarely extend beyond first level suppliers; • More pressing need to upgrade the quality of technology, management and marketing; • Price competition and limited consumer pressure. 	<p style="text-align: center;">Drivers</p> <ul style="list-style-type: none"> • Supply chain pressure from TNC codes of conduct and demand for certification; • Shifting markets, the need to align production towards changing consumer preferences, internationalization of standards; • Local pressure from regulation, public policy and civil society; • Strategic business case benefits.

Figure 3.5: A framework for the SMME/BSR interface

(Source: UNIDO, 2002)

3.5.1 ENGAGING SMMEs IN BSR

The discussion in this chapter so far has revealed that for SMMEs engaging in BSR in order to contribute more meaningfully to socio economic development, at least four issues need to be addressed. These issues relate to employees, society, environment and the market. Figure 3.6 shows a conceptual framework for SMME engagement in BSR. This

framework is an adaptation from the European Commission (2005) which is relevant to the African context.

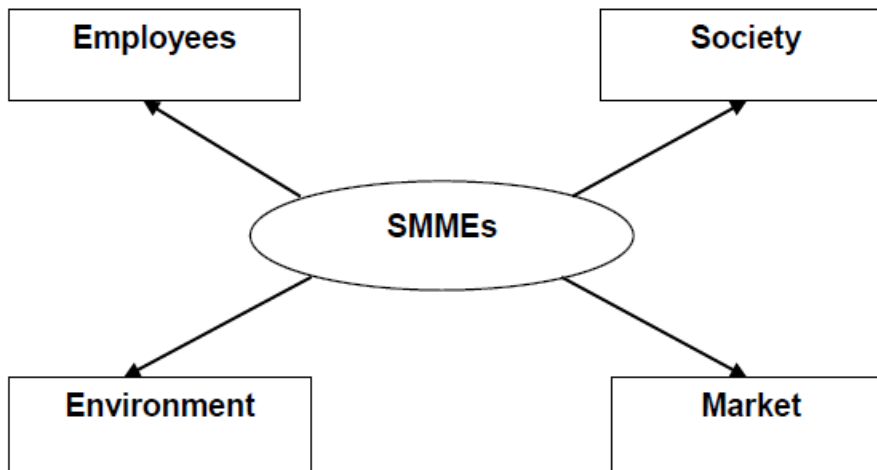


Figure 3.6: A conceptual framework for SMME engagement in BSR

Source: European Commission (2005) with modifications

According to the European Commission (2005), the following are applicable to the framework.

Employees: The attention SMMEs need to have on employees include:

- Working condition improvement (i.e. sound health and safety at work) and job satisfaction
- Staff training and development
- Employees' participation in decision-making and good communication
- Reasonable wages and proper financial support

Society: SMMEs must be engaged in:

- Donations to institutions in the community/society (i.e. orphanages, schools, hospitals etc.);
- Improvement of community infrastructure.

(European Commission, 2005)

Market: Activities of BSR should focus on:

- Improving the quality and safety of products;
- Provision of clients with voluntary service;
- Fair pricing;
- Ethical advertising;
- Paying suppliers or business partners paid without delay;
- Contracting local partners;
- Standards driven through supply chain;
- Support for the establishment of community/local business alliances.

(European Commission, 2005)

Environment: The activities of BSR in this area should focus on:

- Friendly environmental products or production process must be designed;
- Efficient use of resources;
- Informing business partners, customers/consumers or society at large must be informed on environmental issues.

(European Commission, 2005).

3.5.2 BENEFITS OF BSR TO SMMEs

The European Commission (2005) identifies the following as the positive outcomes that SMMEs can derive when they engage in socially responsible programs:

- Improved products and/or production processes, resulting in a better customer satisfaction and loyalty;
- Higher motivation and loyalty of employees, resulting in higher creativity and innovativeness;
- Better publicity due to the award of prizes and/or enhanced word-of-the mouth;
- Better position at the labour market and better networking with business partners and authorities including better access to public funds to a better company image;
- Cost savings and increased profitability due to a more efficient deployment of human and production resources;
- Increased turnover/sales due to a competitive advantage derived from the above.

To sum up, one can say with a reasonable degree of confidence that:

- (i) Given an enabling environment, SMMEs can contribute significantly to socio-economic development;
- (ii) SMMEs engagement in BSR stretches to all their stakeholders.

It is safe, therefore, to contend that an enabling environment created, will let SMMEs fulfil their obligations to their stakeholders.

3.5.3 MEASURING BSR IN SMMES

Most BSR research is focused on large enterprises. As such, frameworks and arguments for responsible business activities tend to address large business concerns. Dzansi (2004) and Dzansi and Pretorius (2009) raise the concern that frameworks that apply to large businesses do not necessarily capture the essence of BSR in SMMEs. Furthermore, these authors argue that SMME specific frameworks that are used in other contexts like Europe are not suitable for the developing country context where local conditions require different societal expectations. Based on these arguments, Dzansi and Pretorius (2009) have developed a framework for measuring BSR in SMMEs in the context of developing countries.

The European framework in Figure 3.7 and Dzansi and Pretorius' (2009) framework are based on the stakeholder theory in which they identify the main stakeholders of SMMEs as customers, employees, and the community. In addition, the European Commission, (2005) adds environmentalism but Dzansi and Pretorius' (2009) framework does not. The current study borrows from the latter, to provide a modified framework that includes environmental dimensions and elements.

3.6 THE INSTRUMENT USED

Based on Dzansi and Pretorius' (2009) framework, a modified framework was developed for the current study. The modified framework is captured in Figure 3.7.

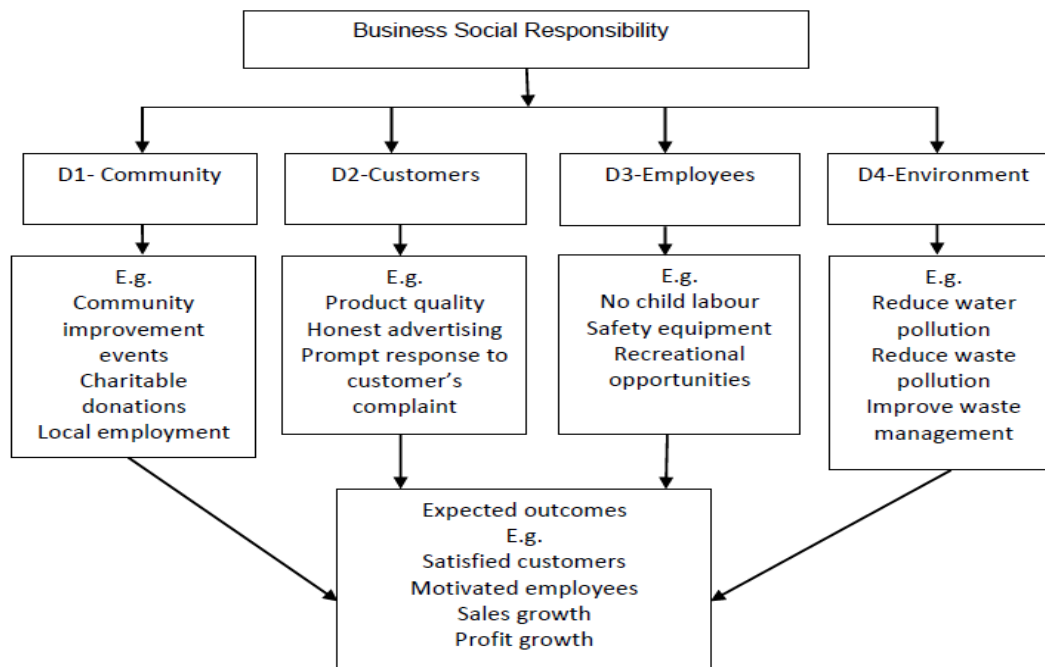


Figure 3.7: A framework to measure BSR in SMMEs.

Source: Dzansi and Pretorius (2009) with modifications

According to Figure 3.7, the local community, customers, employees and the environment constitute the most important stakeholders of an SMME. Therefore, an SMME should identify BSR activities relevant to these communities and pursue them vigorously. Based on this framework, a five-point Likert scale (see the appendix for the items included) was developed to measure the views of respondents on the BSR engagement of their businesses.

3.7 CHAPTER SUMMARY

This chapter has reviewed the literature on the concept of BSR with specific focus on BSR in SMMEs. This exercise eventually led to the development of a framework to

measure BSR in SMMEs that unlike Dzansi and Pretorius' (2009) framework, also includes environmental issues. Based on the framework, a five-point Likert scale (see the appendix for the items included) was developed to measure BSR. The next chapter presents the results of the data analysis.

CHAPTER 4: RESULTS AND DISCUSSION

4.1 INTRODUCTION

The previous chapter presented the literature review on the concept of BSR with specific focus on BSR in SMMEs leading to the development of a framework to measure BSR in SMMEs and a five-point Likert scale (see the appendix for the items included) that was used to measure BSR. This chapter presents and discusses the results of the empirical study.

4.2 DEMOGRAPHICS

Table 4.1 presents the demographic characteristics of the respondents. The demographics are divided into two categories namely personal and business characteristics. The most striking features of the demographics are discussed below.

4.2.1 PERSONAL CHARACTERISTICS

The first important finding has to do with the gender composition of respondents. With 35.3% (61) of the respondents being female and 64.7% (112) male (see Table 4.1), gender distribution is skewed in favour of males. This finding must be disturbing for policy makers who have been at pains seeking gender parity in economic participation in the country.

Table 4.1: Demographic characteristics

Variables	Categories	Frequency	Percentage
PERSONAL CHARACTERISTICS			
Gender	Female	61	35.3
	Male	112	64.7
Age	18-35	45	26.0
	36-45	56	32.4
	46-55	44	25.4
	56-65	28	16.2
Race	Black	41	23.7
	Coloured	31	17.9
	Indian	22	12.7
	White	20	11.6
	Other	59	34.1
Religious denomination	Christian	144	83.2
	Muslim	25	14.5
	Other	4	2.3
Nationality	South African citizen	118	68.2
	South African permanent residence	16	9.3
	Non-South African	39	22.5
Level of education	Grade 5-9	14	8.1
	Grade 10-12	82	47.4
	Post matric	77	44.5
Type of respondents	Owner	3	1.7
	Manager	69	39.9
	Owner/manager	36	20.8
	Employee	64	37.6
BUSINESS CHARACTERISTICS			
Type of business	Clothing manufacturing	57	32.9
	Clothing retail	41	23.7
	Metal	17	9.8
	Plastic	34	19.7
	Other	24	13.9
Form of business	Sole proprietor	8	4.6
	Close corporation	42	24.3
	Pty Ltd	118	68.2
	Partnership	5	2.9
Number of employees	1-10	28	16.2
	11-20	11	6.4
	21-50	61	35.3
	51-200	73	42.2
Gross turnover per annum	Up to R500.000	20	11.6
	More than R500.000 but less than R2million	102	59
	More than R2million but less than R4million	32	18.5
	More than R4million	19	11
Return on investment for previous year	Loss making	12	6.9
	Break even	43	24.9
	Up to 2%	69	39.9
	3-5%	24	13.9
	More than 5%	25	14.5
% pre-tax profit spent on social responsibility activities in year	1%	133	76.9
	2%	36	20.8
	More than 2%	4	2.3
Age of business	4-6 years	42	24.3
	8-10 years	92	53.2
	11-15 years	30	17.3
	More than 15 years	9	5.2

The age distribution of respondents is quite interesting. Table 4.1 as well as Figure 4.1 below show that majority (approximately 60%) of the owners/managers are youthful (between the ages of 18-45 years). Unlike gender, this finding will please policy makers because youth participation in the economy particularly business ownership is a key national priority.

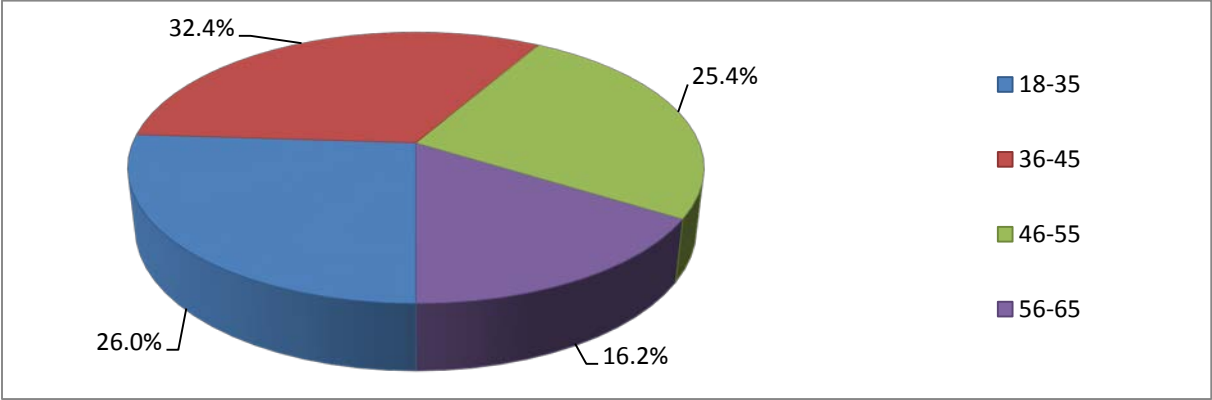


Figure 4.1: Age distribution of respondents

The data on race distribution however did not reveal anything of significance except to say that with the respondent statistics in Table 4.1 as captured in Figure 4.2 (23.7% (41) blacks, 17.9% (31) coloured, 12.7% (22) Indians, 11.6% (20) whites and 34.1% other category) all races seem to be represented.

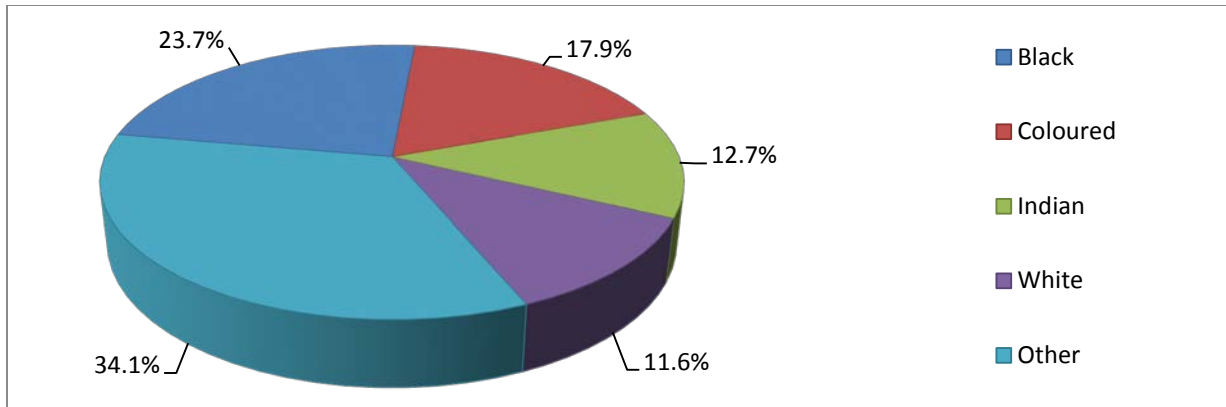


Figure 4.2: Race of respondents

Contrary to the widely reported complaints that foreigners are dominating most of the small business sector, which sometimes led to fatal violence in many parts of the country, the data on nationality reports otherwise. Table 4.1 and Figure 4.3 show that majority (78.5% - 134) of the respondents were either South African citizens or permanent residents and only a relatively few (22.5% - 39) were Non-South Africans. It is however important to point out that compared to other types of small businesses that require little set up capital, small manufacturing businesses found in the Botshabelo require substantial capital, which may have deterred foreigners. Whatever the case, it is very pleasing that South African nationals dominate this important sector of the economy.

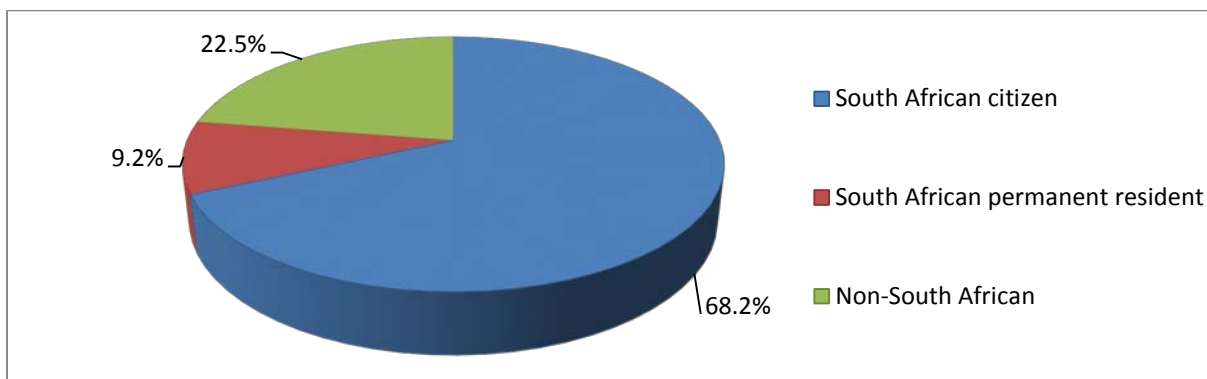


Figure 4.3: Nationality of respondents

On the level of education, Table 4.1 which is also shown in the pie chart (Figure 4.4 below) indicates that an overwhelming majority of the respondents (92% - 159) had matric or higher level of education. In addition, the data in Table 4.1 shows that all the Owners/managers have post matric level education. Since education provides competencies, this finding is a positive sign for the future of small business management.

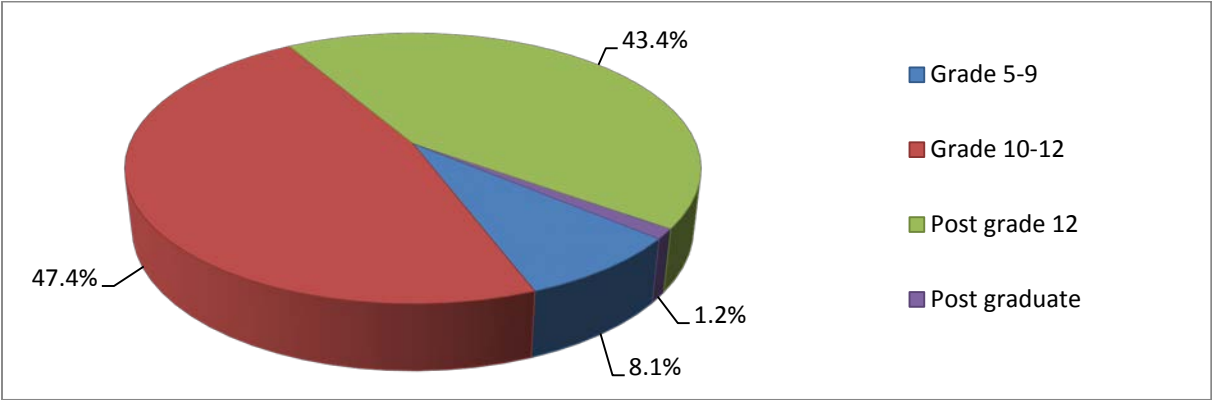


Figure 4.4: Respondents' highest level of education

4.2.2 BUSINESS CHARACTERISTICS

Judging by the statistics in Table 4.1 as captured in Figure 4.5, clothing-related business (manufacturing and retail with a combined percentage of approximately 57%) is the dominant business. It is worth pointing out here that it was understood from casual discussions with owners/managers that most of the clothing produced have ready market from chain stores like Pep and Jet.

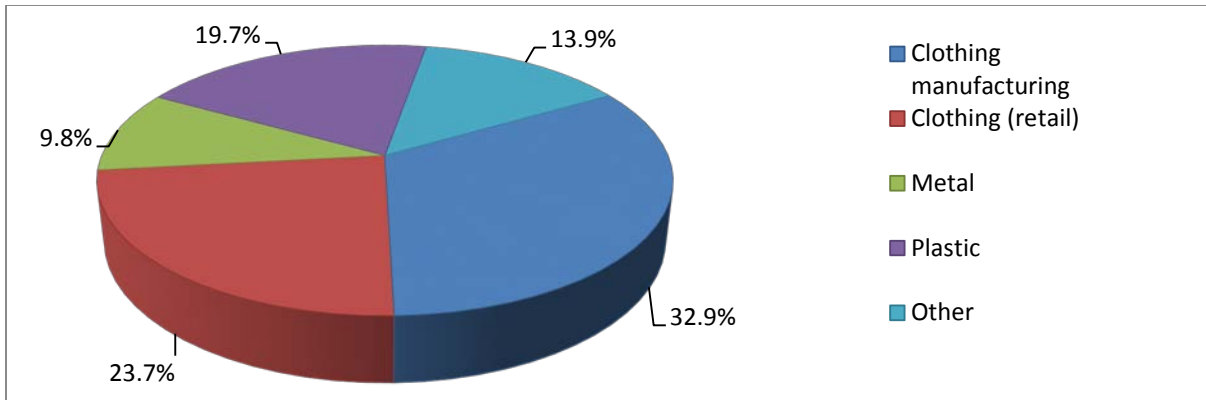


Figure 4.5: Type of business

According to Table 4.1 as captured in Figure 4.6 below, most of (approximately 68% - that is over two-thirds) of the businesses are Limited Liability Companies. Partnerships account for about a quarter (approximately 24%) and only a few (approximately 5%) are sole proprietorships.

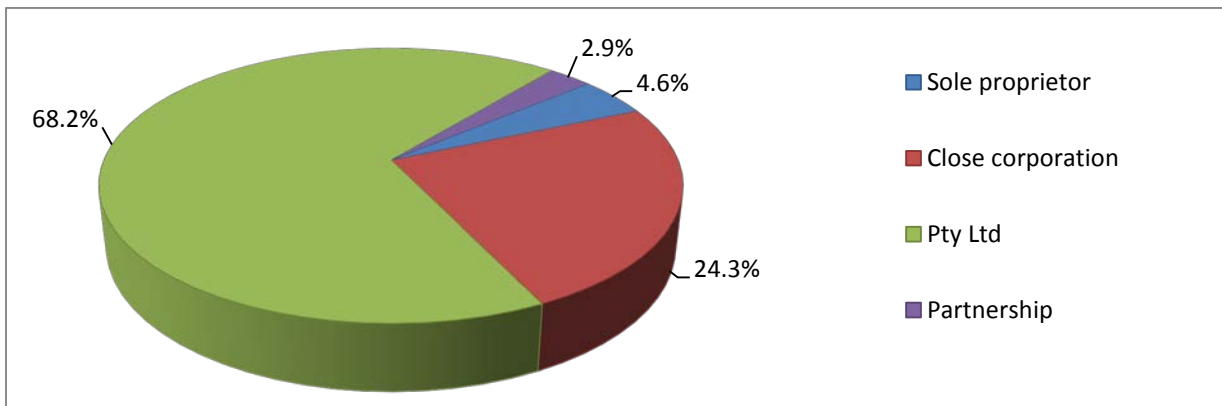


Figure 4.6: Form of business

Table 4.2 provides an overview of form versus type of businesses surveyed.

Table 4.2: Profile of businesses in terms of form and type

Form x type	Count	Percentage
Pty Ltd – Clothing manufacturing	41	23.7%
Pty Ltd – Plastic	26	15.0%
Pty Ltd – Clothing (retail)	25	14.5%
Pty Ltd – Other	18	10.4%
Close corporation – Clothing manufacturing	15	8.7%
Close corporation – Clothing (retail)	11	6.4%
Pty Ltd – Metal	8	4.6%
Close corporation – Metal	6	3.5%
Close corporation – Other	5	2.9%
Close corporation – Plastic	5	2.9%
Sole proprietor – Clothing (retail)	5	2.9%
Partnership – Plastic	3	1.7%
Sole proprietor – Metal	3	1.7%
Partnership – Clothing manufacturing	1	0.6%
Partnership – Other	1	0.6%
Total	173	100%

Gross turnover and number of employees are the criteria used in South Africa to classify businesses as micro, small or medium. Unfortunately, the data in Table 4.1 creates a

problem as far as classification is concerned. According to Table 4.1, businesses whose gross turnover per annum was more than R500, 000.00 but less than R2million accounted for 59% (102). This figure contradicts the relatively small proportion of businesses being micro in nature when one uses ‘number of employees’ as a basis for classification.

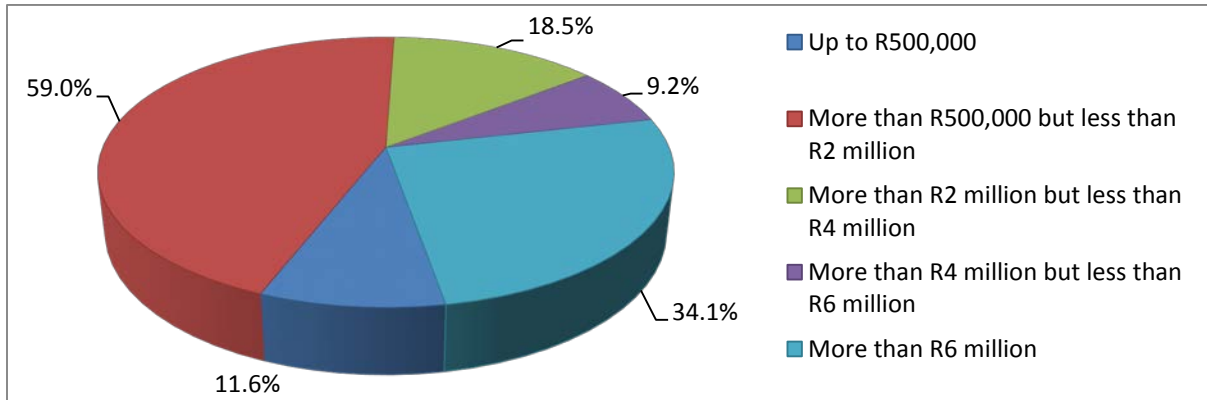


Figure 4.7: Gross turnover per annum

The decision was however made to use number of employees as a basis for classification precisely because employment is a key social issue in communities such as Botshabelo.

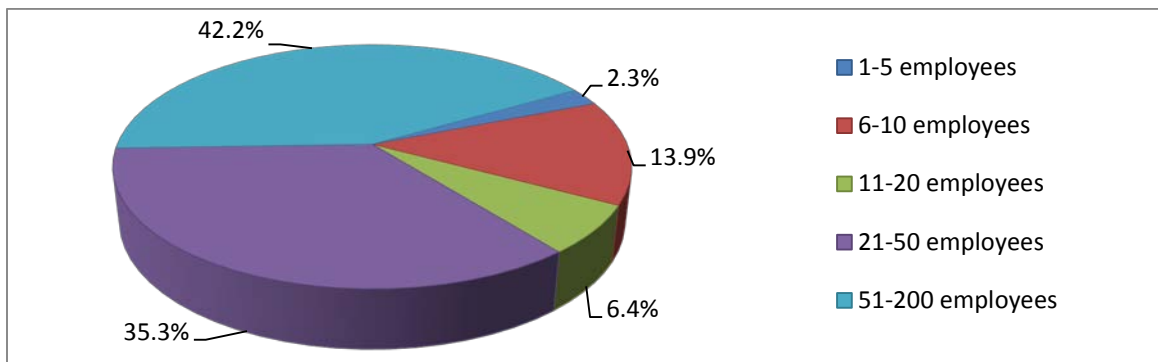


Figure 4.8: Number of employees besides owner

Table 4.1 and Figure 4.8 indicate that only a relatively small proportion (16.2% - 28) of the businesses are micro in nature since they employ between 1-10 people; 41.7% (72)

are small in nature (they employ 11-50 people); and the rest 42.2% (73) are medium-sized employing 51-200 people. These figures present an interesting finding. It shows that most of the businesses are either small or medium. It is therefore not surprising that most of the businesses are also Limited Liability Companies as indicated earlier. The data in Table 4.1 as captured in Figure 4.8 further indicates that clothing manufacturing companies are the biggest employers (they employ between 51-200 workers). This is not surprising because as stated earlier, from casual discussions with owners/managers, much of the produce has ready market from the chain stores hence they are able to employ more workers.

As can be seen from Table 4.1 and vividly captured in Figure 4.9, businesses with gross turnover of more than R500, 000 but less than R2million per annum (those that can be classified as very small) spent 1% of their pre-tax profit on social responsibility activities.

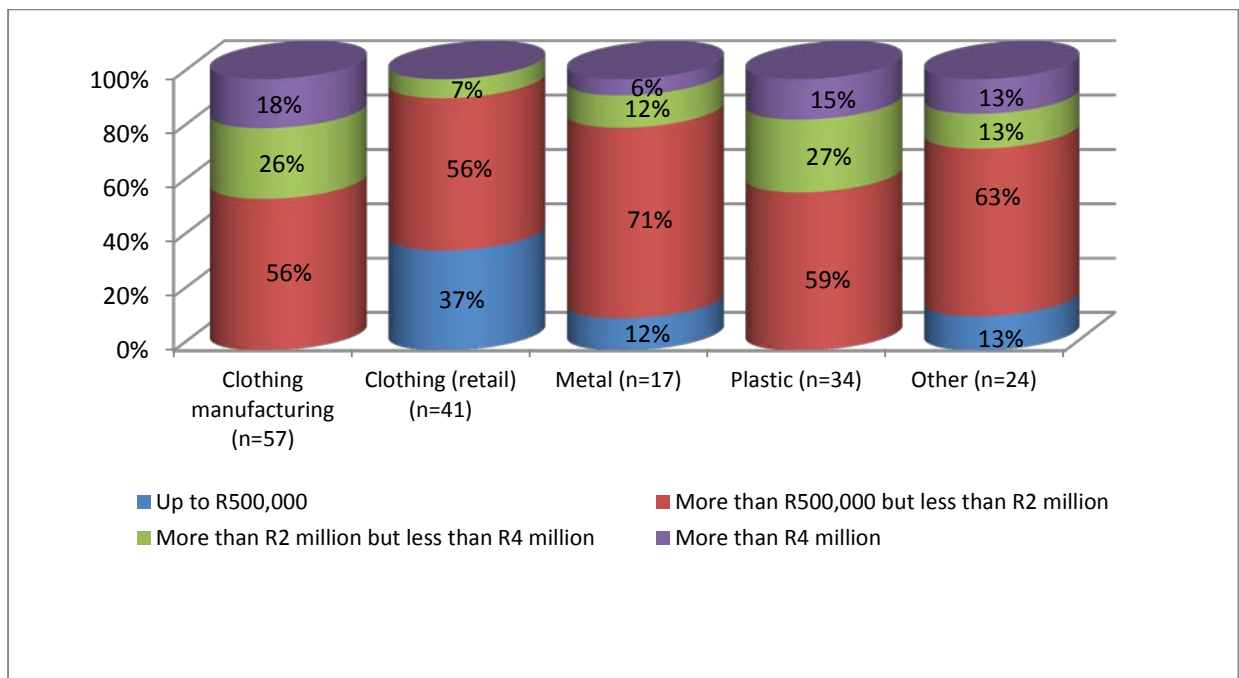


Figure 4.9: Gross annual turnover by type of business

Those with more than R2million but less than R4million gross turnover per annum (small businesses) spent 2% of their pre-profit on BSR, and businesses with more than R4million (medium) spent more than R2million on BSR. It can be deduced, therefore, that there appears to be a correlation between gross turnover per annum and pre-tax profit on BSR. Thus, the higher the gross turnover the more pre-tax spent profit on BSR.

With regard to return on investment, Table 4.1 as well as Figure 4.9 shows that loss making businesses formed 6.9% (12), whilst those that break-even were 24.9% (43). Thus 37% of the small business community is not making profit. Whilst it may appear encouraging that the majority (63%) are profit making, the 37% non-profit making businesses is rather too high since that means over a third of the businesses may not be able to contribute substantially (if anything at all) to the socio-economic wellbeing of the Botshabelo community.

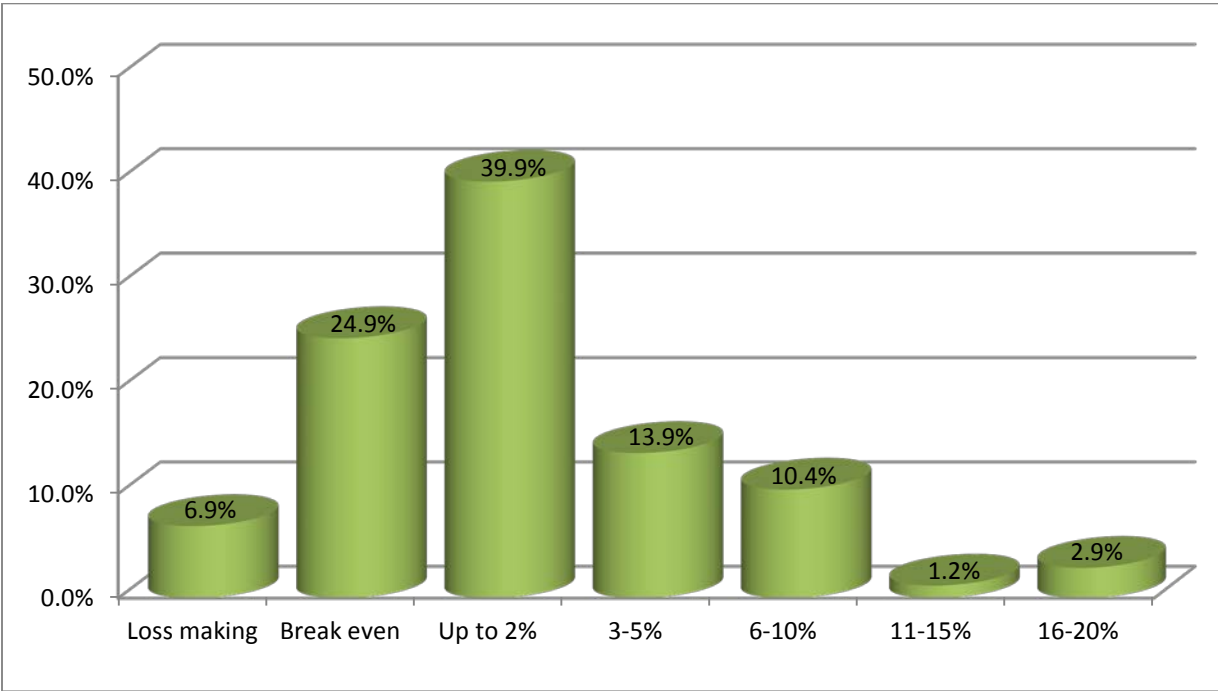


Figure 4.10: Estimate of company’s return on investment for previous year

This is especially relevant to a voluntary activity like contributing towards BSR. It is therefore not surprising that in terms of BSR expenditure, Table 4.1 as well as Figure 4.11 shows that most of the businesses (76.9% - 133) spent only 1% pre-tax profit on BSR related activities whilst the remaining few spent 2% or higher on BSR.

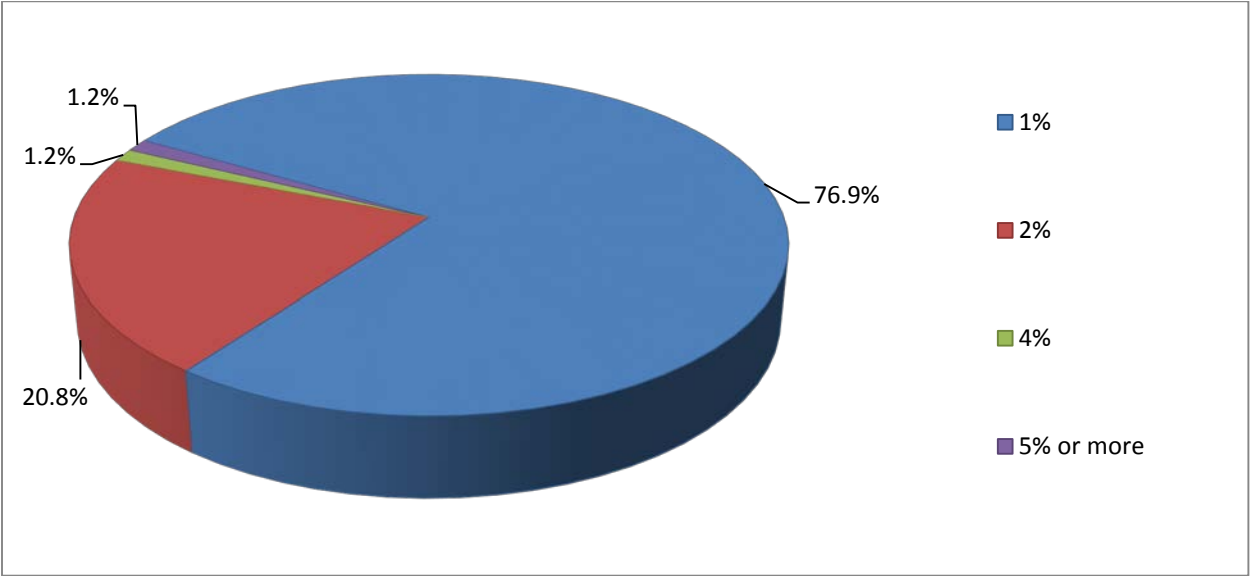


Figure 4.11: Estimated percentage pre-tax profit spent on BSR in a year

4.3 SOCIAL RESPONSIBILITY IN THE SMMEs

To gain a good understanding of the BSR situation within the manufacturing SMMEs in the industrial estate of Botshabelo, specific research questions were formulated. These are:

1. What do SMMEs of the industrial estates of Botshabelo understand the concept of BSR to mean?
2. To what extents do the SMMEs in the Botshabelo industrial estate regard BSR as a sound business philosophy?
3. What are the SMMEs' main reasons for engaging in BSR?
4. What is the general attitude of SMMEs attitude towards BSR?
5. What major obstacles hinder BSR performance by SMMEs in the Botshabelo industrial estate?
6. What are the main BSR activities of the SMMEs?

The following sections of the questionnaire addressed the research questions;

- Section A: Small business understanding of BSR
- Section B: BSR as a sound business philosophy/practice
- Section C: Reasons for undertaking BSR
- Section D: Small businesses' attitude towards BSR
- Section E: Barriers to SMMEs' BSR
- Section F: BSR activities of SMMEs

The results are therefore reported and discussed according to the above headings.

4.3.1 RESPONDENTS' UNDERSTANDING OF BSR

Table 4.3 shows that majority of the respondents (129 or 74.7%) understand what business social responsibility means. However, in question 1, “disagree” is the desired response, meaning that a firm should undertake BSR whether or not it is making profit. Therefore “disagree” shows a deep understanding of BSR by the SMMEs of the industrial estate in Botshabelo. The count of 82 in question 1 of “disagree” must in practical terms be subtracted from the total count of 95 of “disagree” and added to the 517 of “agree”. This means, an average of about 150 respondents demonstrated a deep understanding of the concept. With regards to whether they engage in BSR because society regards it as good or right in business conduct (which was question 3), majority, 126 (72.8%) of the respondents agreed to the statement. Also, an overwhelming majority, 158 (91.3%), of the respondents affirm that their engagement in BSR is voluntary and a ‘beyond law’ activity, as evident in question 4.

Table 4.3: Respondents’ understanding of BSR

Understanding BSR	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Engaging in socially and environmentally responsible actions only when profits allow	24	13.9	82	47.4	67	38.7
Abiding by law and regulations of business	7	4	0	0	166	96
Abiding by what society regards as good or right in business conduct	38	22	9	5.2	126	72.8
Voluntarily engaging in social and environmental actions that exceed what owners, the law and society expect in order to embrace society	11	6.4	4	2.3	158	91.3
Average	20	11.6%	24	13.7%	129	74.7%

4.3.2 PERCEPTION OF BSR AS A SOUND BUSINESS PHILOSOPHY

Section B of the questionnaire is on how respondents see business social responsibility as a sound business philosophy/practice. This section also answers specific research question 2. Thus, to what extent do the SMMEs in the Botshabelo industrial estate regard BSR as a sound business philosophy/practice? Table 4.4 depicts the outcome. Table 4.4 has revealed that, majority of the respondents, 158 (91.5%) see business social responsibility as a sound business philosophy/practice. It is also worth noting that 110 (63.6%) of the respondents believe that BSR eventually leads to company profitability.

Table 4.4: Perception of BSR as a sound business philosophy/practice

BSR as a sound business philosophy/practice	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
It enables business to improve its image (brand reputation) in the community	0	0	0	0	173	100
It contributes to employee satisfaction, commitment, motivation and productivity	0	0	0	0	173	100
Good deeds help attract and keep customers	2	12	0	0	171	98.8
It eventually leads to company profitability	58	33.5	5	2.9	110	63.6
Creates a win-win situation for business and society at large	7	4	0	0	166	96
It minimizes operating costs due to lower legal/litigation and non-compliance costs	15	8.7	1	0.6	157	90.8
Average	14	7.9%	1	0.6%	158	91.5%

4.3.3 REASONS FOR UNDERTAKING BSR

Specific research question 3 is on the respondents' reasons for engaging in BSR. Table 4.5 below reveals the reasons. Table 4.5 shows that an overwhelming majority 151 (87.4%) of the respondents agreed to the 7 statements that were posed to find their reasons for undertaking BSR, while only 2 (1%) disagreed.

Table 4.5: Respondents' reasons for undertaking BSR

Reasons for undertaking BSR	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
To have a good business image (public relation)	0	0	0	0	173	100
To comply with the law	33	19.1	0	0	140	80.9
To comply with community demands	58	33.5	9	5.2	106	61.3
To increase customer satisfaction	8	4.6	0	0	165	95.4
To increase employee satisfaction and motivation	8	4.6	0	0	165	95.4
To comply with tender requirements	29	16.8	2	1.2	142	82.1
Because it is the right thing to do	5	2.9	1	0.6	167	96.5
Average	20	11.6%	2	1%	151	87.4%

It should be noted here that majority of the respondents' agreement to questions 11, 14 and 15, implies that the quest to achieve good company image, increased satisfied customers as well as motivated and satisfied employees (which may lead to increased productivity) are dominant reasons why small businesses engage in BSR.

4.3.4 ATTITUDE TOWARDS BSR

Research question 4 was on SMMEs attitude towards BSR. That is, how stakeholder interests measure against shareholder value. Section D of the questionnaire addressed this research question.

Table 4.6: Attitude towards business social responsibility

Attitude towards BSR	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Consumer interest is less important than that of shareholder	30	17.3	52	30.1	91	52.6
The employee interest is less important than that of shareholder	31	17.9	56	32.4	86	49.7
Concern for the environment is less important than that of shareholder	82	47.7	67	38.7	24	13.9
Concern for the community is less important than that of the shareholder interest	76	43.9	63	36.4	34	19.7
Average	54	31.6%	60	34.4%	59	34%

The average response of respondents' attitude towards business social responsibility as shown on Table 4.6 indicates that an average of 34.4% (60) of them disagreed that consumer, employee and environmental interests are less important than that of shareholder, while 34% (59) agreed to the statement and 31.6% (54) stayed neutral. This shows a somewhat split opinion on the statement. But, by inference, and in reversing the scores for better understanding, the result indicates an opinion that the interests of the consumer, employee, environment, and community are more valued, albeit marginally, than that of the shareholder.

4.3.5 BARRIERS TO BSR ACTIVITIES

Section E on the questionnaire is on barriers to business social responsibility activities. This section addressed specific research question 5. Table 4.7 shows the outcome.

Table 4.7: Barriers to BSR activities

Barriers to BSR	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
There is not enough time to engage in BSR	2	2.9	5	2.9	163	94.2
The company is not profitable enough to allocate money to BSR	35	20.2	89	51.5	49	28.3
The benefit of doing it is not clear to us	33	19.1	128	74.0	12	7.0
Management does not think it is worth pursuing	26	15.0	126	72.8	21	12.1
Employees do not have time to spare on community volunteerism	10	5.8	6	3.5	157	90.7
Average	21	12.6%	71	40.9%	81	46.5%

From the results of the data analysis in Table 4.4, one can make the inference that respondents acknowledge BSR as an important business concept but are being hindered by lack of time to engage in it to the extent they would like to. Table 4.7 shows that SMMEs (94%) do not have the time to engage in BSR. Similarly 90.7% of respondents say employees do not have the time to spend on BSR activities. Therefore, for SMMEs, making time is the main barrier to engaging in BSR.

4.3.6 MAIN BSR ACTIVITIES

This part is about the SMMEs' main BSR activities and it helps address question 6. The BSR activities are divided into customer activities, community activities, employee focused activities and environmental activities. The following tables are divided as such in order to simplify the interpretations of the responses.

4.3.6.1 Customer-related activities

Table 4.8 below displays the data on customer focused BSR activities.

Table 4.8: Customer activities

BSR customer activities	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Products are well labelled	0	0	0	0	173	100
Makes sure expired goods never get to the market	2	1.2	0	0	171	98.9
Never engages in false advertising	1	0.6	1	0.6	171	98.8
Promptly responds to customer complaints	0	0	1	0.6	172	99.4
Always informs customers of safety standards	0	0	0	0	173	100
Constantly monitors product safety and quality	0	0	0	0	173	100
Makes fair and prompt refunds to customers	0	0	1	0.6	172	99.4
Makes prompt payment to suppliers	7	4.0	0	0	166	95.9
Average	1	0.7%	1	0.2%	171	99.1%

Table 4.8 indicates that an overwhelming majority of the respondents, 171 (99.1%), agree that their business engage in the listed customer-related BSR activities. The result goes a long way to confirm the general notion and Dzansi's (2006) finding that customer-related issues are the most important BSR issue for SMMEs.

4.3.6.2 Community activities

Table 4.9 shows respondents BSR activities in the community. As shown in Table 4.9, majority of the respondents 134 (77.2%) say their businesses are actively involved in community related BSR activities. However, with regard to *giving first preference to employment of local community members*, a high proportion of the respondents, 70 (40.5%), stayed neutral, 37 (21.4%) disagreed and only 66 (38.2%) agreed. This may mean that much as the SMMEs engage in BSR, when it comes to employment, they are not so much concerned with where they come from probably because they prefer the most qualified person.

Table 4.9: BSR community activities

BSR community activities	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Actively participates in community improvement events	30	17.3	1	0.6	142	82
Regularly makes charitable donations to community organisations	28	16.2	0	0	145	83.8
Actively participates in community welfare programs such as AIDS awareness events	20	11.6	5	2.9	148	85.6
Gives first preference employment opportunity to local community members	70	40.5	37	21.4	66	38.2
Actively contributes towards combating crime in the local community	5	2.9	1	0.6	167	96.5
Average	31	17.7%	8	5.1%	134	77.2%

4.3.6.3 Employee-focused BSR activities

The responses on employee focused BSR activities are shown in Table 4.10 below.

Table 4.10: BSR employee activities

BSR employee-focused activities	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Encourages employees to participate in community volunteer programs	34	19.7	14	8.1	125	72.3
Allows employees to use company time for community welfare programs	14	8.1	112	64.8	47	27.2
Provides employees recreation opportunities	14	8.1	2	1.2	157	90.8
Recruits diverse workforce	13	7.5	5	2.9	155	89.6
Targets disabled people for employment	88	50.9	68	39.3	17	9.8
Regularly conducts employee satisfaction survey	6	3.5	1	0.6	166	96.0
Does not use child labour	1	0.6	2	1.2	170	98.3
Regularly conducts employee safety education	1	0.6	0	0.0	172	99.4
Provides all employees with safety equipment	4	2.3	0	0.0	169	97.6
Average	19	11.2%	23	13.2%	131	76%

Table 4.10 reveals that 131 (76%) of the businesses engage in employee focused BSR activities. It must be noted that those responses to the questionnaire item: *recruits diverse workforce* is consistent with responses in Table 4.9 *giving first preference to employment of local community members*. That is, not restricting employment strictly to local people may have resulted in a diversified workforce. Thus, while SMMEs' BSR involve both community and employee-focused activities, SMMEs of the Botshabelo Industrial Estate do not appear to compromise staff quality merely to address the employment needs of

the community they operate in. This may not go down well with advocates who agitate for local employment especially in one of the poor communities in South Africa.

4.3.6.4 Environmental activities of SMMEs

Table 4.11 show the responses regarding SMMEs' environmental activities.

Table 4.11: SMME environmental activities

BSR environmental activities	Neutral		Disagree		Agree	
	<i>f</i>	%	<i>f</i>	%	<i>f</i>	%
Frowns upon environmental littering	8	4.9	1	0.6	164	94.8
Encourages recycling	20	11.6	1	0.6	152	88.4
Is always seeking ways to reduce water pollution	18	10.4	0	0.0	155	89.6
Is always seeking ways to reduce noise pollution	17	9.8	0	0.0	156	90.2
Constantly combating air pollution	32	18.5	1	0.6	140	80.9
Is always seeking ways to improve solid waste management	13	7.5	1	0.6	159	91.9
Is always seeking ways to reduce water usage	7	4.0	1	0.6	165	95.4
Is always seeking ways to reduce water usage	10	5.8	1	0.6	163	93.6
Average	15	9.0%	8	0.45%	157	90.6%

According to Table 4.11, majority of the respondents, 157 (90.6%), indicate that their businesses engage in environmentally responsible activities. That is, their businesses care about the environment. This goes to confirm the high level of understanding of BSR (see Table 4.3) where 158 (91.3%) of the respondents agreed that BSR is also seen as voluntarily engaging in social and environmental actions that exceed what owners, the law and society expect.

4.4 CHAPTER SUMMARY

This chapter has presented and discussed the results of the empirical part of this study. The interpretations of the data were based largely on frequency tables, pie and bar charts and percentage analysis. It is clear from the results that SMMEs of the Botshabelo Industrial Estate: have a good understanding of BSR as shown in Table 4.3; regard BSR as a sound business philosophy/practice as is evident in in Table 4.4; encounter some barriers in their BSR endeavours; and allocate some of their resources to BSR. Also, the SMMEs of the Botshabelo industrial estate believe that BSR can be a good tool for public relations (to project the image of the business). The next chapter rounds-off the study by drawing conclusions and making recommendations for policy, practice and further research.

CHAPTER 5: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In Chapter 4, the findings and discussions of this empirical work were presented. This chapter rounds-off the study and draws conclusions are drawn on the literature review and the empirical study. Additionally, implications and recommendations for SMMEs, and policy makers as well as recommendations for further research are presented.

5.2 CONCLUSIONS BASED ON THE LITERATURE

In the literature review in Chapters 2 and 3, it became evident that BSR has become a worldwide phenomenon not only for big corporations but SMMEs also. For SMMEs, it is clear that BSR helps SMMEs develop symbiotic relationships with communities within which they operate their businesses. Therefore, it is concluded that SMMEs cannot afford to ignore their social responsibility.

It also emerged in the literature review that “wholesale” importation of big business BSR practices for SMMEs will not work. Therefore SMMEs need a tailor-made BSR framework to address their peculiar needs.

Based on the literature, the stakeholder approach appears a very appealing proposition in addressing and understanding the SMME/BSR interface as it identifies issues pertinent to the communities in which the SMMEs conduct their business. It was therefore concluded that for the purpose of this study the modified framework (Figure 3.7) will be the conceptual framework for the empirical investigation.

5.3 CONCLUSIONS BASED ON THE EMPIRICAL RESULTS

The following conclusions are drawn on the various research questions based on the results presented in the previous chapter.

5.3.1 THE FIRST RESEARCH QUESTION

The first research question was on respondents' understanding of BSR. Four items on the questionnaire were used to find out their understanding. The frequency counts and percentage analysis (74.7% agree) in Table 4.3 leads one to conclude that the SMMEs of the Botshabelo industrial estate have a very good understanding of the BSR concept.

5.3.2 THE SECOND RESEARCH QUESTION

Six items on the questionnaire were used to investigate the extents to which SMMEs in the Botshabelo industrial estate regard BSR as a sound business philosophy/practice, which was the second question. Table 4.4 summed up the responses, and it emerged that (91.5%) of the respondents see BSR as a sound business philosophy/practice. It is therefore concluded that as far as the SMMEs of Botshabelo industrial estate are concerned, BSR is a sound business philosophy.

5.3.3 THE THIRD RESEARCH QUESTION

The third research question investigated SMMEs' main reasons for undertaking BSR. Since all the listed items in Table 4.5 shows percentages that are higher than 50% for

“agree” (in fact, the least was 61.3% and highest 100%), it is concluded that on the basis of the responses, the following are the main reasons why the SMMEs of Botshabelo industrial estate engage in BSR;

1. To have a good business image (public relation);
2. To comply with the law;
3. To comply with community demands;
4. To increase customer satisfaction;
5. To increase employee satisfaction and motivation;
6. To comply with tender requirements; and
7. Because it is the right thing to do.

5.3.4 THE FOURTH RESEARCH QUESTION

The fourth research question was on the respondents' attitude towards business social responsibility. The results revealed a somewhat split opinion on the matter. Of the four items on the questionnaire tested, Table 4.5 indicates that respondents show concern for consumer and an employee as far as BSR is concerned. On the other hand, they show apathy towards environmental issues. Therefore, on the whole, it can be concluded that whilst the SMMEs of Botshabelo industrial estate show a positive attitude towards consumer and employees BSR related issues, they are indifferent to the larger business community and the environment.

5.3.5 THE FIFTH RESEARCH QUESTION

The fifth question was on barriers to BSR engagement. The statistics in Table 4.7 indicate acknowledgement to some barriers to BSR in the SMMEs investigated. On the basis of the data in Table 4.7, it is concluded that lack of time constitutes the single most serious barrier for the SMMEs of Botshabelo industrial estate to engage in BSR.

5.3.6 THE SIXTH RESEARCH QUESTION

The sixth research question was on the main BSR activities for the SMMEs of Botshabelo industrial estate. The results indicate that:

1. An overwhelming majority (99.1%) of the respondents agree that their business engage in all the listed customer-related BSR activities. The results go a long way to confirm the general notion and Dzansi's (2006) finding that customer-related issues are the most important BSR issue for SMMEs.
2. A good proportion (77.2%) of the respondents agree that their business engage in all the listed community-related BSR activities. However, out of the five activities listed, respondents say that their businesses do not give first preference to local employment.
3. Employee issues are also important activities for the SMMEs as a good majority (76%) of the respondents say that their businesses respond to employee related activities. In fact 9 out of the ten activities tested were activities that the SMMEs engage in.
4. The environment is a major BSR focus of the SMMEs as an overwhelming majority (90.6%) of the respondents say their businesses engage in all the listed activities.

Therefore, on the whole, it can be concluded that whilst the SMMEs of Botshabelo industrial estate show a somewhat negative attitude towards environmental issues, they nonetheless engage in these activities in addition to customer, consumer and employees BSR related issues that are listed in Tables 4.8; 4.9; 4.10; and 4.11.

5.4 IMPLICATIONS AND RECOMMENDATIONS

5.4.1 IMPLICATIONS

Although this empirical study has revealed that there is high level of understanding of BSR among the SMMEs in the Botshabelo industrial estate, a number of issues are of great concern and these need attention.

Firstly, the SMMEs need to improve on their attitude towards BSR with regard to community and environmental issues as the study results reveal that they show apathy towards environmental and community issues. This apathy towards environmental issues come as no surprise when one considers Dzansi and Pretorius' argument for excluding environmentalism from the SMME BSR framework. According to these authors, SMMEs normally regard environmental issues as a concern for big businesses, not them.

Also, it is observable that the surveyed SMMEs do not seem to welcome the employment of disabled people that much.

Furthermore, much as the SMMEs admit that BSR is also voluntary in nature, they do acknowledge that lack of spare time hinders both the company and employees from engaging voluntarily in community activities.

5.4.2 RECOMMENDATIONS

5.4.2.1 Policy recommendations

Firstly, everyone knows the negative externalities of manufacturing for the environment. For these manufacturing SMMEs to relegate environmental issues in particular to such a low level of importance as reported in this study is disturbing. It is recommended that the SMMEs of the Botshabelo industrial estate must be encouraged and educated on the need to improve on their attitude towards environmental issues and community issues in their BSR efforts.

Secondly, the fact that the SMMEs of Botshabelo industrial estates do not deliberately target disabled people is surprising because the South African government through the employment equity Act encourages and supports businesses that employ disabled people. May be, these SMMEs are unaware of available government support and incentives. The SMMEs must be made to target disabled people for employment.

Thirdly, that the SMMEs of Botshabelo industrial estates do not target local employment must be worrying to local residents and local government officials. The truth is, Botshabelo is known to harbour a large population of unskilled unemployed people. These people should be employed unskilled work whilst being trained on the job to acquire relevant skills.

Fourthly, the SMMEs must be encouraged to make company time available for their employees to engage more in BSR activities. This is because the SMMEs regard time as the main constraint to BSR engagement. Policy makers can set up at least one day in a year as “BSR Awareness Day”- to help raise the level of BSR awareness among SMMEs, not only in the industrial estate of Botshabelo but South Africa in general.

5.4.2.2 Further research

For the SMMEs to relegate environmental issues to such a low level on the ladder of importance is surprising and disturbing. Research should be undertaken into the reasons

why SMMEs place such low importance on environmental and community issues in their BSR efforts

Research should therefore be undertaken into the reason why SMMEs are not keen in targeting disabled people for employment especially when there are government incentives for doing so.

This empirical study has revealed that there is a positive relationship between BSR and profitability. But the study did not test how much profit, in percentage, that is. There is therefore the need for further empirical research to find out how far this relationship between BSR and profitability goes, so that this can serve as one of the motivating factors for SMMEs to engage in BSR.

Although the SMMEs in the industrial estate of Botshabelo see BSR as a sound business practice/philosophy, the research fell short of testing whether BSR is part of their mainstream business practice. It is therefore recommended that research should be done to determine that.

5.5 CHAPTER SUMMARY

This chapter has stated the conclusions of the study based on the literature review and the empirical data analysis. The general conclusions are that the SMMEs understand the value of BSR. However, they focus mainly on employee and customer issues while showing less concern for community and environmental issues. They also encounter barriers to BSR engagement which mostly have to do with lack of time. Based on these findings, policy and further research recommendations are made first to understand more the BSR/SMME interface and, secondly, to help the SMMEs improve on their BSR engagement.

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APPENDIX A: THE QUESTIONNAIRE

SMMEs Business Social Responsibility QUESTIONNAIRE

Good day Sir/Madam. My name is

I am collecting data for Mr. Francis Okyere, a Masters student of Business Administration at Central University of Technology, Free State. He is being supervised in this project by Professor DY Dzansi. The study is titled “**Social responsibility in the SMMEs of Botshabelo Industrial Estates**”.

Currently, nothing is known about the social responsibility attitudes, activities, and obstacles of Botshabelo industrial estate SMMEs due to lack of systematic research. As a result, it is extremely difficult to tell for example, exactly what the SMMEs in the industrial estate of Botshabelo think of and are really doing regarding social responsibility; what obstacles hinder your social responsibility efforts; what support you need; and so on. Without such information, policy makers cannot reasonably be expected to formulate appropriate support mechanisms to enhance your social responsibility efforts. In the end, your businesses and the community of Botshabelo might lose out on the benefits that are usually associated with social responsibility performance of SMMEs.

The aim of the study is to gain a good understanding of the nature of business social responsibility as practiced in the SMMEs of the industrial estates of Botshabelo.

Responses to these questionnaires will be treated in the strictest confidence. The questionnaire will be filled anonymously and responses will not be attributed to a particular respondent and will be used for the purpose of this research only.

May you please use a few minutes of your time to answer the questions. The questionnaire should not take you more than 30 minutes to complete.

Thanking you in advance for your positive response.

[A] YOUR UNDERSTANDING OF BUSINESS SOCIAL RESPONSIBILITY						
Business social responsibility as I best understand it means:						
1.	Engaging in social and environmental actions only when profit allows.	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
2.	Abiding by laws and regulations for business	5	4	3	2	1
3.	Abiding by what society regards as good or right in business conduct	5	4	3	2	1
4.	Voluntarily engaging in social and environmental actions that exceed what owners, the law, and society expect in order to enhance society.	5	4	3	2	1
[B] BUSINESS SOCIAL RESPONSIBILITY AS A SOUND BUSINESS PHILOSOPHY/PRACTICE						
In my opinion, overall, BSR is a sound business philosophy because:						
5.	It enables business to improve its image (brand reputation) in the community	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
6.	It contributes to employee satisfaction, commitment, motivation and productivity	5	4	3	2	1
7.	Good deeds help attract and keep customers	5	4	3	2	1
8.	It eventually leads to company profitability	5	4	3	2	1
9.	Creates a win-win situation for business and society at large	5	4	3	2	1
10.	It minimizes operating costs due to lower legal/litigation and non-compliance costs	5	4	3	2	1
[C] REASONS FOR UNDERTAKING BUSINESS SOCIAL RESPONSIBILITY						
The company engages in socially responsible activities...						
11.	To have a good business image (public relation exercise)	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
12.	To comply with the law	5	4	3	2	1
13.	To comply with community demands	5	4	3	2	1
14.	To increase customer satisfaction	5	4	3	2	1
15.	To increase employee satisfaction and motivation	5	4	3	2	1
16.	To comply with tender requirements	5	4	3	2	1
17.	Because it is the right thing to do	5	4	3	2	1
[D] BUSINESS SOCIAL RESPONSIBILITY ATTITUDE						
What are your views on the following issues?						
18.	Consumer interest is less important than that of shareholder (score to be reversed)	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
19.	The employee interest is less important than that of shareholder (score to be reversed)	5	4	3	2	1
20.	Concern for the environment is less important than that of shareholder (score to be reversed)	5	4	3	2	1
21.	Concern for community welfare is less important than that of shareholder interest (score to be reversed)	5	4	3	2	1
[E] BARRIERS TO BUSINESS SOCIAL RESPONSIBILITY						
The company is unable to engage in socially responsible activities as it would like to because:						
22.	There is not enough time to engage in BSR	Strongly agree 5	Agree 4	Neutral 3	Disagree 2	Strongly disagree 1
23.	The company is not profitable enough to allocate money to BSR	5	4	3	2	1
24.	The benefits of doing it is not very clear to us	5	4	3	2	1
25.	Management does not think it is worth pursuing	5	4	3	2	1
26.	Employees do not have time to spare on community volunteerism	5	4	3	2	1

[F] SOCIALLY RESPONSIBLE ACTIVITIES OF THE BUSINESS						
Please indicate your agreement/disagreement that:						
[F1] CUSTOMER ACTIVITIES						
The company:						
		Strongly agree	Agree	Neutral	Disagree	Strongly disagree
27.	Products are well labeled	5	4	3	2	1
28.	Makes sure expired products never get to the market	5	4	3	2	1
29.	Never engage in false advertising	5	4	3	2	1
30.	Promptly responds to customer complaints	5	4	3	2	1
31.	Always informs customers of product standard	5	4	3	2	1
32.	Constantly monitors product safety and quality	5	4	3	2	1
33.	Makes fair and prompt refunds to customers	5	4	3	2	1
34.	Makes prompt payment to suppliers					
[F2] COMMUNITY ACTIVITIES						
The company:						
35.	Actively Participates in community improvement events	5	4	3	2	1
36.	Regularly, make charitable donations to community organisations.	5	4	3	2	1
37.	Actively participates in community welfare programs such as AIDS awareness events	5	4	3	2	1
38.	Gives first preference employment opportunity to local community members	5	4	3	2	1
39.	Actively contributes towards combating crime in the local community	5	4	3	2	1
[F3] EMPLOYEE FOCUSED ACTIVITIES						
The company:						
40.	Encourages employees to participate in community volunteer programs	5	4	3	2	1
41.	Allows employees to use company time for community welfare programmes	5	4	3	2	1
42.	Provides employees recreation opportunities	5	4	3	2	1
43.	Recruits diverse workforce	5	4	3	2	1
44.	Targets disabled people for employment	5	4	3	2	1
45.	Regularly conducts employee satisfaction surveys	5	4	3	2	1
46.	Does not use child labour	5	4	3	2	1
47.	Regularly conducts employee safety education	5	4	3	2	1
48.	Provides all employees with safety equipment	5	4	3	2	1
[F4] ENVIRONMENT ACTIVITIES						
The company:						
49.	Frowns upon environmental littering	5	4	3	2	1
50.	Encourages recycling	5	4	3	2	1
51.	Is always seeking ways to reduce water pollution	5	4	3	2	1
52.	Is always seeking ways to reduce noise pollution	5	4	3	2	1
53.	Constantly improving air pollution	5	4	3	2	1
54.	Is always seeking ways to improve solid waste management	5	4	3	2	1
55.	Is always seeking ways to reduce water usage	5	4	3	2	1
56.	Is always seeking ways to reduce energy usage	5	4	3	2	1

[G] DEMOGRAPHIC DATA

[G1] PERSONAL DETAILS										
57.	Your gender	1 male				2 female				
58.	Your race	1 Black	2 White	3 Coloured	4 Indian	5 Other.....				
59.	Your age	1 Under 18	2 18-35	3 36 – 45		4 46-55		5 56-65	6 66 and above	
60.	Your highest level of education	1 None	2 Grade 1-4	3 Grade 5-9		4 Grade 10-12		5 Post grade 12	6 Post graduate	
61.	Type of respondent	1 Owner	2 Manager	3 Owner/manager				4 Employee		
62.	Religious denomination	1 Christian	2 Muslim	3 Hindu		4 Other.....				
63.	Nationality	1 South African citizen			2 South African Permanent resident			2 Non- South African		
[G2] BUSINESS DETAILS										
64.	Type of business	1 Clothing Manufacturing		2 Clothing (Retailing)		3 Metal		4 Plastic	5 Other State:	
65.	Number of employees besides owner	1 [1-5]		2 [6-10]		3 [11-20]		4 [21-50]	5 [51-200]	
66.	Gross Turnover per annum	1 Up to R500,000		2 More than R500,000 Less than R2million		3 More than R2million Less than R4million		4 More than R4million Up to R6million	5 More than R 6 million	
67.	Please estimate your company's return on investment for the previous year	1 Loss making	2 Break even	3 Up to 2%	4 [3-5%]	5 [6-10%]	6 [11-15%]	7 [16-20%]	8 More than 20%	
68.	Please estimate in monetary terms the percentage pre-tax profit that your company spends on social responsibility activities in a year					1 [1%]	2 [2%]	3 [3%]	4 [4%]	5 [5% or more]
69.	Age of business	1 [1-3 years]		2 [4-6 years]		3 [8-10 years]		4 [11-15 years]		5 More than 15 years
70.	Form of business	1 Sole proprietor		2 Close corporation		3 Pty Ltd.		4 Partnership	5 Other.....	