UNIVERSITY OF KWAZULU NATAL

The Effects of Corporate Social Responsibility on South African Small, Medium and Micro Enterprises (SMMEs)

By

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A dissertation submitted in partial fulfilment of the requirements for the degree of *Master of Business Administration*

In Graduate School of Business

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June 2016

DECLARATION

I, Gamuchirai Makwanha declare that

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Acknowledgements

- I would like to express my sincere appreciation to my supervisors, Dr. H. Mapudzi and Mr. C. Chikandiwa for their patience, guidance, encouragement and support.

- I would like to thank the owners of all the SMMEs for allowing me to conduct research in their companies, and for their patience, support and understanding.

- I would also like to thank Mr. Sanele Phungula and Mr. Dumile Khubone from the Durban Chamber of Commerce for providing me with the information that I required about SMMEs.

- To my husband Trelum, thank you so much for all the support you gave me, be it financial, physical or emotional, I really appreciate.

- Lastly, I would like to thank my 3 daughters, Runako, Mazvita and Tatenda for all the patience and support.

Abstract

Corporate social responsibility (CSR) has become increasingly important to the competitiveness of small, medium and micro-sized enterprises (SMMEs). A positive relationship between the CSR activities of SMMEs and their enhanced competitiveness exists, at least if a long-term perspective is adopted. Despite the widespread practical and academic interest in CSR and its impact on the competitiveness of SMMEs, few theoretical and empirical contributions could be found. The main objective of this study was to highlight the CSR activities in South African SMMEs and their effects on the society as well as challenges faced in implementing these CSR activities. A structured, self-administered questionnaire was distributed to 260 SMME respondents. The respondents were identified by means of a purposive sampling technique, while the data was collected from 224 usable questionnaires. The results of the study indicated that adopting CSR techniques by SMMEs increases their competitiveness on the market. The outcomes of this study might assist SMMEs to effectively and responsibly administer their activities to increase their competitiveness.

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List of acronyms

CSR: Corporate Social Responsibility

SMMEs: Small, Medium and Micro-sized Enterprises

DCC: Durban Chamber of Commerce

HIV: Human Immunodeficiency Virus

AIDS: Acquired Immune Deficiency Syndrome

NGOs: Non-Governmental Organisations

CHAPTER 1

GENERAL OVERVIEW

1.1   Introduction

Small, medium and micro enterprises (SMMEs) constitute by far the largest number of firms in the private sector, despite more focus being directed on large firms. SMMEs account for up to 90% of all registered firms in the South African economy, and even more if the informal sector is included (Economic Development and growth in Ethekwini, 2014). In addition, SMMEs are important providers of employment and producers of a large share of total industrial output. Given the economic and industrial importance of SMMEs, they also have a considerable role and impact when it comes to environmental issues such as pollution and social issues such as income, working conditions and the working environment.

Being a corporate socially responsible citizen is very crucial for every organisation and SMMEs owners in South Africa are beginning to realise this. In an effort to achieve being socially responsible, the SMMEs are engaging in different types of corporate social responsibility activities to the society at large, their employees as well as to the enterprises.

Wood and Jones (2011) asserted that stakeholders are central in corporate social responsibility since they are the source of society's expectations about Corporate Social Responsibility, that is, they experience the businesses' behaviour and they evaluate the businesses' social performance by comparing their experiences to their prior expectations. Therefore, Corporate Social Responsibility can be equated against the notions of giving back to the community, treating employees fairly and offering quality products and services. The most common Corporate Social Responsibility activities include sponsorship programmes, the provision of career development and training to employees, waste recycling, and participation in community activities (Suprawan, De Bussy & Dickinson, 2010).

Just like their larger counterparts, SMMEs cannot operate their businesses without employees, customers and community support. Jamali, Zanhour & Keshishian (2010) argue that SMMEs act responsibly because their legitimacy with immediate stakeholders is at stake. Carroll (2011) suggests that SMMEs could implement CSR policies successfully and this would directly affect their competitiveness. SMMEs have stakeholder relationships that are similar to and stronger than those of large companies (Jenkins, 2010; Perrini, 2012). This implies that SMMEs have stakeholders in the common range with large companies and the purpose of stakeholder management is similar, their main concern being to reduce their risk by managing stakeholders (Jenkins, 2010). Furthermore, SMMEs are closer to stakeholders like communities and their employees (Perrini, 2012). The study targeted owners of economically active SMMEs that are in Durban, KwaZulu Natal.

1.2   Problem statement

Corporate social responsibility activities are those undertaken by an organisation to plough back into the society that builds its corporate image or identity. Cole (2011) explains that organisations are expected by society to play a direct role in meeting community needs in arts and education, health and environment matters as well as in social welfare, in addition to their roles as employers and producers.

Armstrong (2012) argues that personnel management is also concerned with ensuring that the firm meets its social and legal responsibilities towards its employees, with particular regard to conditions of employment and quality of working life provided for them and the need to promote occupational health and safety and equal opportunities for all. Most of the SMMEs' values tally with the authors' definitions and explanations.

Despite such promising values, some SMMEs customers are always complaining about the services and products being offered by these organisations. Employees

are also crying foul over their working conditions, remuneration and the availability of resources. The society at large is not happy with how the organisations are running their operations (Cole, 2012).

This state of affairs indicates that there is a gap between the intended and the actual. The intended being the SMMEs' intention to competitively maintain their presence in the market while at the same time satisfying their customers and meeting those customers' needs (Cole, 2009). The actual means that in reality these SMMEs are being overtaken by large corporations simply because large corporations pay attention to their customers' needs (Bulkeley, 2011). The research is carried out with a view to closely examine, review and evaluate how corporate social responsibility activities can be used as a strategic tool to close the gap between the promises of the SMMEs maintaining their market presence as they are laid out in the organisations' philosophy and what is actually happening on the ground, that is, the extensive employee and customer dissatisfactions as well as the shrinking of customer base due to unsatisfactory service.

1.3   Research aims and objectives

The study aims to provide a more comprehensive understanding of the corporate social responsibility activities in SMMEs, how these activities impact on the society as well as the challenges at stake. This is so as to make recommendations on how SMMEs can improve their operations so that stakeholders can view them as responsible corporate citizens.

1.3.1 Research Objectives
The study seeks to:
- Highlight corporate social responsibility activities in the Small Medium and Micro Enterprises (SMMEs).

- Highlight the extent to which the society as a whole is benefiting from SMMEs

- Identify the challenges of corporate social responsibility.
- Make recommendations on how the SMMEs can improve their operations so that they are viewed as responsible corporate citizens by their stakeholders.

1.3.2 Research Questions

The study seeks to answer the following questions:

- What are the corporate social responsibility activities being carried out by SMMEs?

- To what extent is the society as a whole benefiting from SMMEs?

- What are the challenges of corporate social responsibility?

- How can the SMMEs improve, in order for them to be viewed as responsible corporate citizens by their stakeholders?

1.4   Methodology

The study was located in the KwaZulu-Natal region of the Republic of South Africa and the participants were owners of SMMEs that are found in Durban. The study was based on the SMMEs database provided to the researcher by the Durban Chamber of Commerce. At the time of study, the database showed that 2 600 SMMEs are registered with the Durban Chamber of Commerce. Of these 2 600, 70% are economically non active, that is, not having experienced any financial activity during the previous five years. Therefore, the study only focused on the remaining 780 economically active SMMEs which became the researcher's population sample.

The quantitative approach was used. SMMEs were randomly selected within the seven different types of industries that exist in South Africa, agriculture, hunting, forestry and fishing industry; manufacturing industry; construction and building industry; wholesale, retail trade, repairs and catering industry; transport, storage and communication industry; community, social and personal services industry and also "other" industry.

The study participants were SMMEs owners. SMMEs owners were chosen since these are the people that have knowledge about corporate social responsibility in different SMMEs. To ensure representativeness, the researcher was given a complete list of some of the SMME owners with their qualifications and level of literacy. The researcher then selected SMME owners who showed a high level of literacy that would make them understand the questionnaire and also what the researcher was looking for.

1.4.1 Assumptions

The study assumed that some SMMEs were undertaking corporate social responsibility activities as a strategy to gain a competitive edge over their competitors. It also assumed that all SMMEs stakeholders were benefiting from these social responsibility activities. SMMEs were assumed to be viewed as responsible corporate citizens by their stakeholders. It also assumed that the targeted area represented a true reflection of SMMEs in other regions.

1.4.2 Limitations/ Challenges

It was anticipated that various types of information could be difficult to get although the organisations involved were approached before the collection of data. There was also a tendency of people hiding their bad side especially SMME owners who misinterpreted the purpose of the research and responded in a way to protect their companies. The validity and reliability of results might have been heavily affected by the fact that respondents could respond in a certain manner, which did not give a true reflection of what was on the ground due to personal feelings and attitudes

towards the researcher. An assistant was sent to distribute, collect and do face-to-face explanations about the questionnaires with respondents so as to minimise this. Illiteracy was another big challenge since some of the respondents were old illiterate pensioners and were in need of translation to be done to them.

1.5   Significance of research

The researcher closely examined, reviewed and evaluated how corporate social responsibility activities can be used as a strategic tool. The study might benefit various SMMEs owners, their employees, their customers and the society at large.

1.5.1 The SMMEs, the customer, the employees and society at large

The study might benefit SMME owners to improve the quality of their products and services so that they could gain a competitive edge over large corporations. It might also assist the enterprises to identify their stakeholders' expectations as well as areas which need improvement, including training needs. The study might also assist in coming up with strategies, which could improve the motivation and confidence in the SMMEs' employees.

The study might also help in making customers enjoy high quality products and services while at the same time receiving friendly welcome by motivated and confident staff. There might also be a variety of products and services to choose from due to the improvement in technology brought about by the training of staff.

The study might make the employees enjoy improved working conditions and better remuneration. Their confidence might also be boosted and motivation amongst employees might increase due to availability of resources and improved quality of products and services.

The study might also contribute to knowledge about a safe environment to the society at large and might also create employment due to expansions in operations.

It might also assist in growth in operations for the business community, including improvement in infrastructure.

1.5.2 The role of SMMEs to the local economy

SMMEs can be the backbones of any economy and can therefore drive economic growth. Small businesses are significant contributors to job creation, creating more than 50 percent of all employment opportunities in South Africa (Global Entrepreneurship Monitor, 2010). Currently, the SMME sector contributes more than 45 percent of the country's gross domestic product (Durban chamber Newsletter,2012). Therefore, SMMEs have the potential to create and expand employment opportunities, develop entrepreneurial skills and enhance market opportunities.

1.6   Definition of concepts

For the purpose of this study, the following definitions and concepts were adopted:

Corporate social responsibility: the action undertaken by an organisation to plough back into the society that builds its corporate image. Activities include production of high quality goods and services, ethical marketing activities, sound employee welfare, environmental issues and assisting the society a large.

Customer: the umbrella word for everyone who does business with the organisation, which include the subscriber, the corporate world and the society at large.

Ethics: a code of morally acceptable behaviour. Organisations make ethical statements that outline the moral stance they take in business. The ethical behaviour and policy of an organisation will be heavily influenced by the ethical stance of the people who make up the organisation.

Small Medium and Micro Enterprises: In South Africa, Small Medium and Micro Enterprises are categorised by the National Small Business Act 102 of 1996 into five stages of development; survivalist, micro, very small, small and medium-sized enterprises (Singh, 2012).

According to Turner, Varghese & Walker (2008), **survivalist enterprises** are part of the informal economy that is run by unemployed persons whose primary objective is to survive economically. Very little capital is invested in these enterprises and therefore they do not generate as much as necessary income and assets. The owners usually lack appropriate business skills and training to run the business, and the opportunities for growing the business are limited.

Micro enterprises: are those enterprises that employ about five employees. They also operate informally and the owners do not have skills to run a business, are unlicensed and as a result, they do not comply with legislation. The micro enterprises' turnover is the VAT registration level of R300 000 per annum and they have the potential to make the transition to a viable formal small business.

Very small enterprises: are part of the formal economy. These enterprises employ less than ten employees who are usually professionals that are able to make use of the appropriate technology and therefore, have potential for great innovation.

As compared to very small enterprises, **small enterprises** are much established and are registered entities. Small enterprises operate in fixed business premises and are organised into complex organisational structures of at most 100 employees.

Lastly, **medium enterprises** are owner-managed, they comply with the law and like small enterprises, are organised into complex structures of up to 200 employees that perform their duties in fixed business premises.

1.7   Outline of chapters

Chapter 1 is an overview of the background of the problem on corporate social responsibility activities done by SMMEs, assumptions and limitations to the study. Following this, is Chapter 2, which reviews literature on the concept of corporate social responsibility, its components, drivers, benefits as well as the challenges or obstacles that are associated with it. Chapter 2 also highlights the effects of corporate social responsibility activities on SMMEs. Chapter 3 provides a theoretical background of the different methods used to collect data in this study. Chapter 3 also examines the advantages and disadvantages associated with the use of questionnaires as a means of data collection since it is the principal approach utilised for this study. It also describes how the questionnaires were distributed and how the questions were structured. Chapter 4 shows how each question was responded to by the respondents in the form of tables, graphs and charts. These graphs and charts are then interpreted, with each graph being thoroughly explained. Chapter 5 explains and expands the results in relation with literature. Chapter 6 summarises the research findings, gives recommendations and also concluding remarks of the study.

1.8   Summary

The first chapter was about the background of Corporate Social Responsibility (CSR) and also that of Small, medium and micro enterprises (SMMEs). It also highlighted the aims and objectives of the study which is mainly to show the activities and effects of corporate social responsibility in SMMEs. Chapter 1 also highlighted the significance of the study and some concepts were defined.

CHAPTER 2

LITERATURE REVIEW

2.0   Introduction

Chapter 1 highlighted the background of the study, research aims and objectives, as well as the methodology of the study and its significance. The purpose of this chapter is to review opinions of different scholars about the effects of CSR on SMMEs. The Chapter aims to discuss the components of corporate social responsibility; highlighting what drives companies to engage it in their day to day businesses, its benefits to the companies and the community, activities of corporate social responsibility by companies, the challenges they come across when they initiate the policy as well as the criticism that comes with corporate social responsibility projects. The researcher also discusses the benefits of SMMEs in a country's economy, reasons why SMMEs are involved in CSR and the effects of CSR on SMMEs. Different activities of CSR by SMMEs and the obstacles that they face in the process are also discussed in this chapter.

2.1   Contextualising CSR

Corporate social responsibility, also known as corporate conscience, corporate citizenship or sustainable responsible business, refers to how companies manage processes in their businesses in order to end up with an overall position impact on society, (Mallenbaker, 2012). During operation, companies need to answer to their management quality in terms of processes and people and to the nature and quantity of their impact on society in different areas. Externally, stakeholder's interest in company action is increasing. What companies are doing, both good and bad, in terms of products and services on the environment and local communities or in how they treat or develop employees is being closely watched. In addition to sustainability and good governance, commitment to corporate social responsibility is an important element of good corporate citizenship. These days, corporate social responsibility programs go hand in hand with a company's business strategy and its key

involvement with key stake holder groups. Therefore, supporting industry initiatives, customers and end use segments enable close engagement with these important stakeholders.

Corporate social responsibility is described in many ways. Home and Watts (2009), define it as the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local communities and the society. It is about capacity building for sustainable livelihoods. It takes into consideration differences in cultures and finds opportunities in building employees skills, the community and the government. Corporate social responsibility is about giving back to the society.

Corporate social responsibility is a company's sense of responsibility towards the community and environment [both ecological and social] in which it operates (The business dictionary, 2014). It therefore means businesses have to be conducted ethically in the interest of the wider community. Companies are expected to respond to emerging societal priorities and expectations positively, show a willingness to act in accordance with regulation, balance shareholders interests against the interests of the wider community and to be good citizens in the community.

Bounds et al (2013) define corporate social responsibility as an obligation beyond that required by the law and economics, for a company to pursue long term goals that are good for society. This can be done by showing a positive response to emerging societal priorities and expectations. Companies are expected to show some willingness to act in accordance with regulations by conducting business in an ethical way and in the interests of the wider community. Corporate social responsibility is how a company manages its business processes to produce an overall positive impact on society.

Different scholars review corporate social responsibility differently but they all share common principles. They all have the belief that companies have a responsibility for the public good. Companies should not only have the interests of the business owners or shareholders at heart, but should also consider the rest of the stakeholders which include the employees, customers, suppliers and the community.

2.1.2 Classification of SMMEs

There are different classes of SMMEs in different countries, but they all have the common element of recognising enterprises of a certain size as micro, small or medium sized (Small business Chronicle, 2012). The groupings also include aspects of the number of employees, size of annual turnover and total assets that the company owns. It is concluded that SMMEs constitute the majority of firms in all countries, either formal or informal.

The definition of SMMEs includes both informal and formal business setups as SMMEs. According to the definition, the moment an innovator sets up something and starts involving a minimum of five people to help him, it is a small business.

According to the South African legislative perspective, the National Business Act 102 of 1996, SMMEs are classified into five stages of development, that is survivalist, micro, very small, small and medium sized enterprises, (Singh 2012). The survivalist operates from part of the informal economy and is undertaken by unemployed people whose primary objective is to survive economically (Turner, Varghose and Walker, 2008). Micro enterprises also operate informally, have about five employees and are led by unskilled owners. However, unlike the survivalist, micro enterprises have the potential to turn into formal small businesses. Very small enterprises employ less than ten professional employees and are part of the formal economy. Small enterprises are registered, much established enterprises which operate in fixed, busy premises and have a maximum of 100 employees. Medium enterprises employ up to 200 people and are owner managed enterprises that comply with the law (Turner, Varghose and Walker 2008).

2.2   History and development of CSR and its relevance to SMMEs

The history of corporate social responsibility goes as far back as when individual people started owning companies and providing people with jobs. In the beginning, the belief was that corporations were only responsible for providing a maximum financial return to their shareholders. Later, people discovered that the pursuit of financial gain had to take place within the laws of land. While some academics and practitioners were battling to establish the meaning of corporate social responsibility, in 1960, Keith Davis suggested that it refers to businesses' decisions and actions taken from reasons at least partially beyond the firm's direct economic or technical interests (Hellens, 2013). In 1961, Eells and Waltons described it as the problems that arise when corporate enterprise casts its shadow on the social scene and the ethical principles that ought to govern the relationship between the corporation and society. Again, the 1960's saw social activist groups advocating for a broader notion of corporate responsibility.

In the 1970's, the message became completely clear as a result of the creation of some governmental bodies. The Environmental Protection Agency, the Equal Employment Opportunity Commission, the Occupation Safety and Health Administration and the Consumer Product Safety Commission, all brought to light that public policy recognised the environment, employees and consumers as significant and legitimate stakeholders of businesses (Davis, 2013). This pushed corporate executives to wrestle with how they balance their commitments to the corporations' owners with their duties to a growing group of stakeholders who claim both legal and ethical rights. In 1971, the Committee for Economic Development used a "three concentric circles" approach to depict corporate social responsibility where the inner circle included basic economic functions like growth, products and jobs. The middle one suggested that economic functions must be exercised with a sensitive awareness of changing social values and priorities while the outer one outlined the responsibilities that business should assume to become more actively involved in improving the social environment.

Attention was then shifted to social responsiveness putting emphasis on corporate action, pro action and implementation of a social role. However, the question of reconciling the firm's economic orientation with its social orientation remained. That is when a four part conceptualisation of corporate social responsibility where a firm was said to have economic, legal, ethical and philanthropic responsibilities arose (Carroll, 2009). It pointed out that corporate social responsibility would be accepted as legitimate if it addresses the entire spectrum of business obligations to the society.

Thus, in recent years, corporate social performance includes corporate social responsibility, responsiveness and the whole concept of socially beneficial activities of businesses (Bulkeley, 2011).

2.3   Components/ Responsibilities of CSR

The whole idea of corporate social responsibility is that companies have a number of responsibilities to assume. These start with those that require them to satisfy shareholders and the law, then those that benefit the society.

2.3.1 Economic Responsibility

From the beginning, companies were created as economic entities designed to offer goods and services to the society (Coiley, 2010). Their first responsibility therefore becomes the economic responsibility, with the profit motive as their primary incentive. The reason being that if companies do not make a profit, then they will not be able to run for long, people will lose their jobs and the company will not be able to take care of its social responsibilities. All other business responsibilities hence emanate from the economic responsibility of the firm, because without it, the others become moot considerations. For a company to be a good citizen, it needs to be sure that it can operate profitably in the first place.

2.3.2 Legal Responsibility

Although society expects businesses to operate as per the profit motive, businesses are also expected to comply with the laws and regulations set by federal, state and the local governments as the ground rules under which they must operate. Therefore a company's legal responsibilities are the requirements that are placed on it by the law. After ensuring its profitability, ensuring that it obeys the laws is a company's most important responsibility as per the theory of corporate social responsibility. Legal responsibilities bring out the notion of ''codified ethics' 'because they cover the basics of fair operations as laid out by law setters, (The proper business ethics, 2012). These responsibilities include in securities regulations, labour, environmental and even criminal law, among others.

2.3.3 Ethical Responsibilities

Ethical responsibilities are those that a company pursues because its leaders believe it is the right thing to do and not because they are obliged to do so (Grace and Cohen, 2011). They embrace activities and practices that society expects or prohibits even though they are not part of law. Norms, expectations or standards that are considered to be fair or just in respect with protection of stakeholders' moral rights are embodied in these ethical responsibilities. They are therefore a legitimate corporate social responsibility component which is in dynamic play with the legal responsibility category (Grace and Cohen, 2011). This is so because they continually push the legal responsibility category to grow while placing ever growing expectations on business people to operate at higher levels than required by law.

2.3.4 Philanthropic Responsibilities

If a company manages to meet all responsibilities expected of it, it can begin meeting philanthropic responsibilities. These are responsibilities that exceed what is simply required or what the organisation believes is right, (Hellen, 2013). They cover those corporate actions that go hand in hand with society's expectation that companies be good corporate citizens. This may be fulfilled through making an effort to benefit society by, for example donating services to community organisations, donating

money to charities or financing towards arts or education to the needy. Philanthropy is more voluntary on the part of businesses even though society always expects that businesses provide it. It is considered to be highly desired and highly prized but the least important of all the other responsibilities. Companies may not be philanthropic but still be considered as operating legally, profitably or ethically if they manage to do so.

The table below summarises the four responsibilities of organisations.

Economic Components	**Legal Components**
a. Companies should perform with the aim of maximising earnings per share. b. Companies should be committed to being highly profitable. c. Companies are expected to maintain a strong competitive position d. Companies should be highly efficient in operations e. Successful firms are defined as ones that are consistently profitable	a. Companies should consistently perform as per government and law expectations. b. Companies should be law abiding corporate citizens. c. Companies need to comply with various federal, state and local regulations. d. Companies should provide goods and services that at least meet minimal legal requirements. e. A successful firm is defined as one that fulfils its legal obligations.
Ethical Components	**Philanthropic Components**
a. Firms are expected to perform as per societal mores and ethical norms. b. Firms should recognise and respect new ethical moral norms adopted by society. c. Firms should not compromise ethical norms in trying to achieve their corporate goals.	a. Firms should perform in a manner consistent with philanthropic expectations of society. b. Firms are expected to assist the fine and performing arts. c. Managers and employees should participate in voluntary activities within local communities.

d. Corporate integrity and ethical behaviour should go beyond mere compliance with laws.	d. Assistance should be given to private and public educational institutions.
e. Good corporate citizenship should be defined as doing what is morally or ethically expected.	e. Projects that enhance a community's quality of life should be voluntarily assisted.

It therefore entails that the total corporate social responsibility of businesses comprises the fulfilment of its economic, legal, ethical and philanthropic responsibilities. The corporate social responsible firm should aim at making a profit, obeying the law, operating ethically and being a good citizen.

2.4   Drivers of Corporate Social Responsibility

Different companies are all the time at different stages of corporate citizenship, according to different factors affecting their different dimensions of development (Mirvins & Googins, 2011). Corporations may be influenced to adopt corporate social responsibility by a number of drivers grouped as follows:

2.4.1 Internal and Competitive Forces

National origin is usually a factor because companies from the same country have a certain business style. Traditions and values adopted by a company are an important driver of a company's social responsiveness. A firm can only be expected to undertake and sustain social responsibility activities and initiatives under certain conditions that are allowed by its set up. Traditions and values are more like the organisation's foundation on which it is built (Kerr et al, 2009). These will recognise its good relationship with its stakeholders and hence, its growth. Senior management is expected to have an awareness of the content and potential instrumental value of corporate social responsibility in order to be able to pass it on to the rest of the employees. This goes on consistently until it becomes a company's tradition.

Founding purpose and time can also be termed a major determinant of corporate social responsibility. Organisations that are founded on principles of corporate citizenship from the beginning skip some of the stages of development (Doctor Venon, 2011). Examples can be those companies that emerged at the time of the green movement when customers began showing interest in products that are environmentally friendly. Their founding purpose could be concluded as that of fulfilling consumer needs and hence act as a strong force to social responsiveness.

Reputation and image of the company also drive them to be socially responsible. Customers or consumers nowadays want to be associated with companies that are responsible for their societal members. One research carried out in America found out that 67% of the shoppers preferred shopping in a company that gives back to the society than in one with all the modern or cheaper commodities (The US Economy, 2012). This means that by being socially responsible, companies will be viewed in a much better way which leads to improving their reputation and image and hence their customer base.

Attracting and retaining employees is also an important driver of corporate social responsibility. For an organisation to attract good staff and retain its current employees, it has to demonstrate that it is responsible for its people, for the community and for the environment it operates in (De George, 2011). People want to be associated with the best and employees want to be secure in their jobs. Companies that show a lot of care, not only to management, but to all stakeholders involved, are companies that every person would want to work for.

2.4.2 External Pressures
Expectations of the community drive companies to behave in a certain way. It is important that organisations operate consistently in accordance with expectations of their surrounding communities in order for them to survive in the industry (Davis, 2013). All the time companies carry on their operations, they take away from the community and as a result, they are obliged to give back to the same community. As

they operate, community members have needs and wants which they expect the surrounding organisations to fulfil.

Consumers and customers also push companies to be involved in corporate social responsibility projects. These are the groups of people responsible for the growth of the company, on whether it will make a profit or not and on whether it will survive the competition in the market or not. Consumers and customers have their own specific needs from the products and services offered by different companies. They also have specific demands on the raw materials that should be used in products, on the contents and on the actual production of goods and services. Fulfilment of these demands by companies is one way of social responsive driven by consumers.

Search for a competitive advantage will always drive companies to be good corporate citizens (Hansen and Juslin, 2011). Without customers, organisations cannot make money and without money, they cannot be profitable. This will mean failure and as a result, closing down. Companies are operating in competition in order for them to get customers and hence, gain a competitive advantage. This means they have to realise what pushes people to want to do business with them in order for them to be viable in the market place. One important factor is customers want to be associated with companies everyone speak highly of and there is no better praise than being a good corporate citizen. This means that in their fight to gain competitive advantage, businesses are driven into corporate social responsibility.

Laws and regulations of a country will also determine its corporate social responsiveness. Different nations have different laws and regulations pertaining to the environment that organisations are operating in and businesses that organisations can engage and how they are taxed after making a profit. Since companies base their corporate social responsibility programmes on the profits they make, limitations and taxes by a certain government will determine how far they go.

Too many regulations and laws may prohibit businesses from operating to full capacity while too high taxes may reduce profits resulting in less CSR projects.

2.5   Benefits of Corporate Social Responsibility

Operating in economically, socially and environmentally responsible manner helps businesses to succeed. According to Edelman's (2011) Good purpose study, 67% of consumers say they are more likely to buy products and services from a company if they know it supports good causes, (Edelman, 2011). As a key ingredient in business strategy and execution, corporate social responsibility is playing a central role in helping corporations to be seen as leaders. By being socially responsible, companies can benefit in different ways which can be classified as benefits to the organisation and benefits to the community.

2.5.1   Benefits to the organisation

2.5.1.1   Social license
This is also referred to as a local community's acceptance or approval of a company and it exists outside formal regulatory processes (Argenti & Druckenmiller, 2012). It can only be acquired through timely and effective communication, dialogue that is meaningful and ethical as well as responsible behaviour. If the community feels that a company's operations only have a negative impact on them and do not benefit anyone around, it may demonstrate towards its relocation. This will mean disruption of operations and loss of money, therefore, companies have to be careful to trade with the interests of the community at heart.

2.5.1.2   Human resources
Corporate responsibility programmes can be an aid for recruitment and retention of employees within the company, particularly within the competitive graduate market, (United Nations Report, 2012). Job seekers also consider an organisation's corporate social responsibility policy. Staff members within can also have their

perception of the company improved due to its policy. It encourages customer orientation among customer facing employees.

2.5.1. Building customer loyalty

Distinctive ethical values would lead to strong customer loyalty being built. Some organisations use their commitments to corporate social responsibility as their primary positioning tool to differentiate their brands while others use it as a strategic plan to gain public support for their presence in global markets (Bhattacharya et al, 2011). Many companies use their social contributions as another form of advertising.

2.5.1. Risk management

Corporate social responsibility can limit risks that are able to destroy in hours reputations that took decades to build. Bansal and Roth (2000) suggested that this can happen through corruption scandals or environmental accidents and may lead to so much unwanted attention being drawn from regulators, governments, courts and the media. Being a good corporate citizen helps mitigate operational impact and risks and also supports external relationships.

2.5.1.5 Reduced scrutiny

Corporate social programmes can convince governments and the public that a company takes health, safety, diversity and the environment seriously and as a result, it might end up not being closely monitored. All organisations would want to operate without much interference through taxation and regulations so this will be an advantage.

2.5.1.6 Attracts green and ethical investment

It goes without arguments that being involved in CSR programmes helps organisations advertise themselves and that CSR initiatives are considered a good thing to do. Who does not want to be involved with the best? This means that if a firm is involved with the community and the people; it is very easy for it to gain investors. People will have confidence that they will definitely reap higher returns if they are working with a socially responsible organisation.

2.5.1.7 Promotes a vision of accountability

This refers to social accounting which means communicating effects of a company's economic actions on the environment and socially to respective interest groups. It is an approach to reporting a firm's activities which stresses the need for the identification of socially relevant behaviour, determining those to whom the company is accountable for its social performance and the development of correct measures and reporting techniques (Carroll, 2000).

2.5.2 Benefits to the community

2.5.2.1 Creates an awareness of efforts being made by the business

These efforts vary from producing goods that are healthy, that are not harmful to recycling materials, using user friendly packaging to using environmentally friendly manufacturing processes and to giving back to the community either monetary or volunteering time (Sacconi, 2004). This can also help the community to work hand in hand with the company because the community would know that the company has its interests at heart and it is concerned with their well being.

2.5.2.2 Supply of goods and services

If companies are involved in the community they work in, it means the organisation and the people know each other closely. The goods and services offered to the market would be exactly what the people want. The products would be of good quality and safe to use or consume.

2.5.2.3 Cleaner surroundings

This is achieved because one of the major concepts of corporate social responsibility is clean environment, it means manufacturers would use more efficient and cleaner ways to produce and would also use recyclable material which would reduce wastages and too much littering.

2.5.2.4 Better educational facilities

When companies carry out their voluntary responsibilities as a way of giving back to the community, they may revamp or build schools from scratch, they may donate learning material or uniforms to the less fortunate or they may pay school fees for those who cannot afford. All this would result in improved educational facilities which make learning bearable.

2.6 Activities of Corporate Social Responsibility in Organisaions

According to Cook et al (2013), a firm can ensure that its reputation is maintained in society by contributing to those activities which are never sufficiently funded by the state. Society expects organisations to play a direct role in meeting community needs in arts, education, health and matters of the environment and social welfare besides their roles as employers and producers (Cole, 2012). This implies that being socially responsible therefore means organisations should be able to constructively contribute in social groups that it is involved in. Companies involved in corporate social responsibility do not just do it for the sake of corporate social responsibility but as part of their reputation so a lot of time and effort is involved.

2.6.1 Activities performed by different firms

2.6.1.1 Charitable programmes

According to Patel (2010), different charitable organisations depend on donations for their survival. Orphanages, old people or disabled people's homes run on donations from different organisations. This means they would be looking up to companies around them to donate so that the disadvantaged people would also be able to get help. It is through CSR projects that companies make donations, either monetary or materially to these homes.

2.6.1.2 Community upliftment projects

This refers to those activities that help the development of the community. Although it is a responsibility of the government to look after its people, it might not be able to provide for each and every person in society hence, the intervention of different organisations (Johnson et al, 2010). They can help by sponsoring or joining programmes that benefit the community, like skills development programmes, learner-ships and housing sponsorships or subsidies. This helps alleviate poverty and improve people's standard of living.

2.6.1.3 Community health

Companies can help society by organising and sponsoring special awareness programmes for serious illnesses such as HIV/AIDS, TB and nutritional programmes. Many people in poverty stricken areas die mainly because they lack knowledge about health issues (UNEP, 2013). Organisations can help reduce these early deaths through their CSR programmes.

2.6.1.4 Education projects

Where there are no schools at all and children are not attending because they cannot access schools, companies can chip in and build schools for the community. Where there are schools but no proper learning equipment, firms could help by supplying desks and chairs, information technology centres, libraries or other facilities (Cartka et al, 2009). Where schools and facilities are there, organisations can pay school fees for those who cannot afford or provide sponsorships to sports events.

2.6.1.5 Investing in job creation projects

Society looks upon the surrounding companies for breakthroughs in terms of changes in their lives for the better. Organisations are expected to expand in order for them to be able to create more jobs for the people. When they create the jobs, they have to make sure that they employ locals first in order to help them improve their standards of living.

2.6.1.6 Sponsoring the arts

Corporate social investment also covers sponsorships that are for purposes of entertainment to the public and talent show casing (Patel, 2005). This helps those with talent to develop it and maybe use it as a way of living and end up creating jobs for others. It also helps the community with entertainment which can turn them away from drugs and promiscuity. All these programmes might help improve and develop the community as a whole.

2.6.1.7 Societal- oriented CSR Activities

CSR activities targeted at the society or the community may refer to social and or labour market integration at community level; improvement of the local infrastructure; cash or in-kind donations to the local community institutions and support for the society in a wider sense. For instance;

Durban Christian Centre Hope Centre Clinic, a small private clinic established by Durban Christian Centre Church, has a panel of nurses and doctors who come in twice every week to offer medical attention to the local community for free. Although there are some government hospitals which offer the same services, usually they are too full, sometimes they do not have enough doctors and as a result they refer some patients to hospitals that are far away. This then makes Hope Centre Clinic's initiative one to reckon with because the community is getting accessible help (Health at DCC, 2014).

Cerberus Consulting Services, is another small business that carries out free of charge public relations activities like media relations and press conferences to a small Non-governmental organisation (NGO) that aims at educating the young generation on career development, dangers of drug abuse and teen pregnancies. This is an old topic that had been talked about on a larger scale but it can never be said enough times hence, the importance of Cerberus' CSR initiative.

2.6.2   Employee wellbeing

According to Corbin and Pangrazi (2010), organisations should take care of all their employees in all aspects. However, this is not possible for employers to provide employees with everything that they want. Only socially responsible companies will invest in advancement of employees and their families by encouraging them to develop themselves, training them, helping them financially through giving loans and salaries that are competitive in the market.

A focus on employees includes improvement of working conditions and job satisfaction; ensuring a balance between work and social life; allowing equal opportunities and diversity; training and developing workers; involving employees in company decisions and responsible and fair remuneration or financially supporting the employees. This can be achieved through ensuring health and safety at work places by making sure employees are putting on protective clothing where there is need, they have sufficient working space, enough lighting and ventilation, among others.

Celani Funeral Services, a small business that employ local people who receive minimum wages, made sure it provides uniforms for all its employees to ensure that no one of them feels out of place. Chris Swale Motors CC provides lunch and a fruit for its employees on a daily basis to ensure their good health and that they are fit to work all the time. The company also has resting hours for its garage employees where they rotate to carry out duties so that no one gets worn out because of the heavy parts they use when working (Augastines, 2014).

2.6.3   Market oriented CSR activities

These activities target both the customers and business partners or suppliers of the respective businesses. The initiatives include activities to improve the quality or safety of products; provision of voluntary services to the clients; fair trade pricing; ethical advertising; paying suppliers or business partners without delay; contracting

local partners; driving standards through the supply chain and supporting the establishment of local or business alliances.

Chicken Land Pty Ltd, a medium poultry food supplier in Durban makes sure it meets all its different customers' needs all the time. The company has all the general poultry products to cater for all the people as well as hallal products to cater for those who eat hallal only. This means that every customer that walks in their shops would get something that satisfies their needs.

Day and Night Engineering CC offers services to its customers twenty four hours a day and seven days a week. This means any time a customer needs their services, they would be able to be served. It also offers a six month guarantee to all its customers plus a continuous and efficient free of charge technical assistance and guarantee service. This means it would be able to keep getting new customers and retaining the old ones because of the good service and an enhanced image.

2.6.4   Environment oriented CSR Activities
Initiatives in the field of the environmental protection focus on designing environmentally friendly products or production processes; efficiency in use of resources; pollution and waste reduction; applying an ecologic assessment on the suppliers concerning their environmental standards and informing business partners, customers and the society about environmental issues.

Umbilo Beauticians is a small business which follows a CSR approach in the fields of managing waste, sorting and recycling, saving energy by switching of lights during the night and switching off plugs during the day each time they do not need them. They try by all means to conserve water, shampoo and other hair treatment products. Umbilo Beauticians dumps all its waste at a proper dumping site allocated by the municipality thereby, reducing littering and land pollution.

Emerald Furniture Manufacturers Pty Ltd buys second hand furniture as a side job. They revamp the furniture and donate it to the needy old people's homes and orphanages. This helps reduce dumping of old furniture while the previous users get something in return and the company is able to invest in the community much cheaper.

2.7   Obstacles/ Challenges of Corporate Social Responsibility

2.7.1 Cost/ Benefit Ratio

Cost/ Benefit Ratio refer to a situation where a company does not possess the financial resources for corporate social responsibility development, (Fields, 2002). Baker (2008) suggests that a company should have resources that are valuable, rare, inimitable and non substitutable in order for it to have corporate social responsibility-based strategy that cannot be copied. This will mean a sustainable competitive advantage. However, where competitors copy the strategy, it also increases social benefits (Baker, 2008). There can also be trade-offs among profit, ethical profit, ethical choices and actions where a company wants a profit for its shareholders at the same time, consumers want to deal with a company that considers corporate social responsibility (Visser, 2008).

External control barriers result from a situation where an organisation fails to monitor its market environment. They can also result from the lack of proper knowledge on how to integrate corporate social responsibility. Insufficient checks and balances are done in companies as to which other corporate social responsibility approaches exist.

2.7.2 Absence of strong leadership and management

For an organisation to be able to integrate corporate social responsibility concepts, CSR initiative should be given to an overseer or a department as their responsibility. Failure to do this may result in even successful corporate social responsibility efforts failing to break out the box because it has been decoupled from the organisation's everyday workings.

2.7.3 Too many options VS too little focus

According to Fields (2002), the world has seen an ever expanding list of socially worthy causes which has led to many companies becoming confused on what exactly to do. Some organisations end up with no real story to tell whilst trying to do the right thing.

2.7.4 Commitment by the top management, confusion in the middle

Usually CEOs have zeal when it comes to a corporate responsibility cause, but are faced with a challenge on how to connect a purpose driven strategy with consumers. If their middle management, which in this case should assist, is fuzzy about fusing the vision with the business, ideas get lost, resulting in no one being able to implement any CSR concept.

2.7.5 Too much friction, too little connection

This is as a result of different corporate social responsibility codes being used by different organisations. It causes inefficiency where codes overlap and friction in the sense that companies would have disagreements on what is really termed CSR. Therefore, the CSR efforts of other organisations will not be recognised.

2.7.6 Supply chain

According to Sun (2010), companies need to include social responsibility in their reviews of product quality. If a company's suppliers have insufficient understanding of the business benefits associated with making the required investments in corporate social responsibility, then the above would not be achieved. The behaviour of suppliers has an impact on the business which also has an impact on the society.

2.7.7 Implementation of corporate social responsibility

In different companies, corporate social responsibility is based in different departments. In some cases, it is considered to be a separate unit that reports to the CEO or the board of directors. Usually it is approached without a clearly defined team or program. This will mean there is no one in the company to take full

responsibility of the programme and as a result, it may end up being poorly implemented.

2.7.8 Lack of consumer faith in organisations

A lot of consumers believe that multinational companies are involved in corporate social responsibility programme as a way of negotiating with local authorities and the government to be exempted from regulations, like taxation and environment and labour standards. This is the exact opposite of the whole concept of corporate social responsibility and it serves to undermine the business case.

2.7.9 Challenges faced by SMMEs in CSR

Just like large organisations, SMMEs also face a lot of problems during CSR projects implementation. These challenges arise because in the industry companies deal with different people and other organisations with their own opinions of a better operating environment. These people have different backgrounds and beliefs so communication problems tend to rise. A number of challenges can be pointed out.

2.7.9.1 Lack of education and information

Owners of SMMEs and their employees tend to lack education on CSR and a lack of information on how to turn CSR into a competitive advantage. Given that scenario, small business owners need to be trained on CSR issues in order for them to be able to pass it on to the whole company. Most of them started businesses with no or very little knowledge on other issues except for making money that is why they are lagging behind.

2.7.9.2 Graft and corruption

This refers to all issues of corruption in the operating industry. With so much corruption by some huge companies, where does this leave small businesses? If the big companies which are supposed to be leading by example are bad, then it means there is no chance for the small players in the industry. Small companies may also be found bribing their way through because they have seen it happening to

successful businesses. This means that issues such as green or clean environment would be dodged without any penalties.

2.7.9.3 Cost benefit question

Usually small companies are mainly focused on their cash flow and do not concentrate on a return on investment. This will make all non profit activities an issue not to worry about. As a result, they do not take time to be socially responsible. Everyone in the industry is worried about his profitability and looks at others to do the social work. If all small business owners think that others are performing better and wait for them to do it, then it means none of them will end up doing it.

2.8   Critical analysis of Corporate Social Responsibility

From the beginning, corporate social responsibility has been viewed by some as a win-win situation. Companies get involved in corporate social responsibility programmes because of ulterior motives (Mullerat, 2009). They believe that when companies donate to the society, they will just be giving away their shareholders' money only after seeing potential profit in it. This means donating in this case is used as image enhancing, which means more customers hence, a financial benefit. So companies make profit and society also benefits. Below are ways in which corporate social responsibility diverts attention.

2.8.1 Corporate social responsibility as public relations

Companies can build brand loyalty and develop personal connections with their customers through corporate social responsibility projects. When a company donates to charity, it gives the company's message a lot of power. Corporate social responsibility offers many potential avenues on getting companies' messages across through the media. This can be used as a powerful tool of marketing the company. Saturating the media with positive images of the company through corporate social responsibility initiatives can help cover up negative impacts of the company. According to Roux (2007) corporate social responsibility enables businesses to claim

progress despite the lack of evidence of verifiable change. Corporate social responsibility is an empty promise and it is only an effective public relations tool (Heath, 2010).

2.8.2 Corporate social responsibility is a strategy for avoiding regulation

Many companies argue that regulation threaten the positive work that they are doing while critics argue that socially responsible companies take issues with government regulation to bad corporate practice. Critics believe that active engagement of corporations in corporate social responsibility issues increases their influence on society. Mullerat (2009) stated that businesses would be in positions of wielding significant level of influence over the different aspects of society caused by their active engagement in corporate social responsibility. It is believed that this influence might also be used for each unethical or even illegal purposes. With no or little regulations, companies will not be bound. If regulation distracts from bad practice, it means companies are not acting responsibly because they believe it is morally right to do so but they are trying to get an advantage over their competitors.

2.8.3 Corporate social responsibility as Public Private Partnership (PPP)

This is when companies, governmental, intergovernmental and or civil society organisations put their resources together. For example, running community development projects, sponsoring school activities or providing healthcare. Such projects remove the boundary between government and company roles. Corporate social responsibility is considered a privatisation of a public function; it has shifted the ground towards privatisation (Aras & Crowther, 2010). It is also meant to make relationships between the government and corporations acceptable, it generates contacts and builds trust and reputation to enable transactions towards private ownership and control.

2.8.4 Corporate social responsibility as pressure from activists

With the issue of profit maximisation, given a chance, corporations would want to retain all their profits. Critics believe it cannot be a business' financial interest to act responsible, but it is pressure from activists, consumers, employees and investors- all those who make significant changes in corporate policies. They only go ahead with corporate social responsibility because it allows them to project a positive image by doing very little. According to Aras and Crowther (2010), businesses can engage in corporate social responsibility related activities in a minimum manner while still creating highly positive image for the company. This, they do just as a response to pressure being put on them hence, the minimum effort.

2.8.5 Corporate social responsibility over-publicised

According to Freitag (2008) and Mullerat (2009), the level of publicity associated with the concept of CSR creates an impression that most businesses are wholly involved in CSR-related activities, when in reality it is not the case. Increased coverage of CSR issues by different types of media gives an impression that all corporations are being involved when it is only a few. It has been concluded that it is only a few multinational companies that engage in CSR practices and many small ones neglect the issue.

2.8.6 Corporate social responsibility as a hiding tool

It is not all companies that are involved in corporate social responsibility activities that operate in responsible ways. CSR activities engaged in by some businesses contradict with their exact business practices and tendencies. An example is given by Horrigan (2010) and Fernando (2011), where multinational corporations address issues of equality in work places and fair working conditions for employees but they outsource from a number of developing countries where these issues are not even addressed. This is a way of running away from their responsibility and hiding it where no one pursues it.

2.9   Effects of CSR activities by South African SMMEs

In this part of the study, the researcher explores the importance of SMMEs in a country's economy, the role they play in CSR initiatives and the role played by other organisations in CSR development in SMMEs. CSR activities by SMMEs and the challenges that they come across in trying to be socially responsible are also looked at.

2.9.1 Impact of SMMEs on the Economy

Large enterprises have seen a lot of restructuring and downsising in the past years and this has seen SMMEs coming in to play an important role in the South African economy and development, (Mullerat 2011). The SMMEs sector has a significant growth that has seen a rise in the number of people employed in the informal sector. This has led to SMMEs receiving a lot of attention from the government and some funding institutions.

SMMEs in every country constitute the largest number of companies in the private sector (UNEP, 2003). This is because they are not very difficult to set up and they do not have stringent requirements for them to be in existence. Any person with ambition and has big dreams can start up their own business and if well controlled and managed can end up very big. This means SMMEs help to reduce the unemployment rate of a country. They can be a huge source of employment, starting from the business owner himself up to the 5-300 people that they employ. Although each country, South Africa included, has so many multinational companies, they are not able to provide labour for all citizens. This means SMMEs will come in as important providers of employment.

SMMEs do not only come as providers of employment but also as producers of a large share of total industrial output in all countries (Lepoutre and Heene, 2006). They can act as a backbone of the economy and the main driver of economic growth. Currently the South African SMME sector is contributing plus 45% of the country's gross domestic product (Fergusson, 2014). SMME owners are given freedom to showcase their talent and to explore the ideas that they had but did not

have anyone to listen to them when they were still employed. This means they will operate to full capacity because they know they are doing the business for themselves and for their own benefit. Maximum production is expected as long as the business is financed.

SMMEs have a considerable role and impact when it comes to environmental and social issues. They have the potential to develop entrepreneurial skills within communities. If everyone is given an opportunity to start their own business, people would be able to show what they can do best (Johnson et al, 2010). Continual practice would mean improvements and hence perfection. SMMEs mean support of innovative ideas in the societies and country as a whole. There is a lot of competition in the country and everyone wants to come up with something different to offer the customers. This means business owners are forced to be continually coming up with new ideas and hence improved skills. In this way, they would also be helping the unskilled to develop their skills, leading to an improved South Africa.

Development of a vibrant private sector due to SMMEs being set up is seen as a way of integrating into the global economy through economic liberalisation, deregulation and democratisation. This is the best way of overcoming poverty, especially in developing countries. According to Armstrong (2012), SMMEs tend to employ more labour intensive production processes than large enterprises. They contribute in great deal to the generation of income and ultimately, the reduction of poverty. Countries with a high share of small industrial enterprises are believed to have succeeded in making the income distribution more equitable. This is a key contribution of ensuring long term social stability through reduction of ex-post redistribution pressure and economic disparities between rural and urban areas.

SMMEs are also key to the transition of agriculture led economies. This is possible because they provide simple opportunities for processing activities which help generate sustainable livelihoods.

2.9.2 CSR by SMMEs

Corporate social responsibility means that companies integrate social and environmental issues into their business operations and in their interaction with business relevant groups on a voluntary basis. This then means CSR is characterised by responsible entrepreneurship; voluntary activities which go beyond those required by law; activities to benefit employees, society or the environment. This is a positive contribution to the target groups at the same time avoiding negative effects on others and by regular activities not one time events (Cartka et al, 2009).

2.9.3 Impact of CSR initiatives on SMMEs

CSR is mainly discussed in the context of larger enterprises but is also a strategic tool in enhancing the competitiveness of SMMEs, (De George, 2011). This can be achieved in the following ways:

Awareness of customer needs through CSR projects has led SMMEs to realise customer needs and wants (Carroll, 2011). This means an improvement in both products and the production process, resulting in a better customer satisfaction. If customers are satisfied, they will stay loyal to their service providers and hence, increased business. This is one way of fulfilling consumer needs and at the same time growing the business through profits earned. In this case, it can be concluded that CSR initiatives play a role in the growth of SMMEs by educating small business owners on how to satisfy customers and they gain a customer base in return.

Higher motivation and loyalty of employees is also being achieved by SMMEs through CSR initiatives. This is because employees are also regarded as important stakeholders in CSR, not only because they go out and do voluntary work on behalf of the organisation, but because they also enable the organisations to be successful. This means SMMEs also have an obligation to look after their employees and help improve their lives through personal development and through financial assistance. This results in higher creativity and innovativeness amongst the existing and potential employees. If workers are involved in achieving the organisation's objectives, they feel they are part of the company and hence, become more willing to show their innovations (Perrinni, 2012).

SMMEs can also achieve better publicity through CSR initiatives. If a company donates for a better cause, everyone talks about it. This enhanced word of mouth can help people know about the small company that is hidden somewhere and as a result start doing business with it. Jenkins (2010), states that CSR can be regarded as a good advertising tool for the small businesses which people know nothing about. The moment they show their CSR initiatives, they come out in the open and everyone starts reading about them. This can lead to their coming out in the open and also to the boosting of their businesses.

CSR projects by SMMEs can also result in better position in the labour market. CSR is a very good way of attracting employees, therefore, this puts the respective companies at a better position in the labour market. It can also lead to better networking with other businesses and authorities. Lynn and Brizee (2012) believe that for companies to survive the competition and remain in the industry, they have to operate ethically. They have to play their part in the development of the country's economy and have to show that they are following regulations. CSR initiatives are one way of showing that and this will result in suppliers and buyers coming out to do business with those SMMEs involved in CSR. Being involved with law abiders means one's business will not be involved in illegal activities.

SMMEs involved in CSR initiatives also have an increased chance of accessing public funds from the government and financers. Small businesses that are well known for their works towards a good cause would make authorities not to have doubts of their contribution towards the growth of the economy. This means they can access funds easily and help expand their projects and hence growth of the business as a whole, resulting in a better image of the company. Belief is that most small businesses start failing and falling within their first five years, therefore, being socially responsible can be seen as a great advantage of growing small businesses into huge corporations (Economic Development and Growth in Ethekwini, 2014).

A more efficient deployment of human and production resources resulting from being socially responsible leads to cost savings and increased profitability. It has been realised that organisations involved in CSR are advertised by other people and the media because of their good actions. This means they will not have to spend as much as they were supposed to on advertising themselves. Good employees and good business partners will come to them and this will result in cost saving. Operations with people's needs at heart also results in efficient production which means minimal cost and therefore high savings resulting in maximum profits earned (Wood and Jones, 2011).

All the matters discussed above might lead to a company gaining competitive advantage in the market. This means a higher customer base, increased turnover, increased profits and eventually, growth and stability of the company as a whole.

2.9.4   Ways in which CSR activities by other organisations affect SMMEs

As part of their CSR initiatives, other organisations come up with programmes that help SMMEs grow. This is being achieved through:

- Offering management training to the upcoming business owners. Many small business owners start their business with very little knowledge on how to run a company into a successful entity. Training by large organisations help improve the business owner's knowledge and skills and this can lead to a better company being formed (Cartka et al, 2009).

- Monitoring and inspecting how the company is being run. Consistent checks on new businesses can help the owner and his employees be kept on the right track. As new comers in the industry, small business owners need some people to hold their hands until they can walk on their own (De George, 2011).

- According to Fergusson (2014), people may have very good business ideas but do not have the money to start up the business. Offering finance as an act of CSR by multinational companies can also assist potential and newly

established SMMEs to run. This helps reduce poverty, prostitution and drug dealing acts because people might have something to occupy themselves with.

- Improving business links. Some large corporations which have been in existence for so long already have a big market share. They may help SMMEs by sub contracting some of their jobs to them. This helps the large companies reduce their pressure but still be able to meet their demands through work being done by small businesses. The small business will also be gaining experience about the market and the products.

- Supporting local businesses. Huge production companies might buy their supplies locally, mostly from small businesses in order to support their growth. If companies support each other, it means there is no period that one can go without customers. Buying from within the country means those small companies are also given a chance to grow their businesses and hence employ more people.

- The government of South Africa has established branches in each and every province that help in SMMEs development by providing finance and guidance. All aspiring entrepreneurs have equal opportunities to access the funds so they need to apply and make sure they meet the requirements. The government is doing its best to ensure the development of SMMEs to help curb the issue of unemployment in the country (Durban Chamber of Commerce Newsletter, 2012).

2.10 Summary

This section reviewed the effects of CSR on SMMEs according to different writers and ended with the researcher's own opinion. The first part of the section looked at CSR activities by SMMEs in general context. It also gave the history and development of the concept of CSR and its relevance to SMMEs. The researcher went on to highlight the responsibilities and drivers of CSR; the benefits of CSR both to the organisation and the community; the activities of CSR by different

organisations and the obstacles they face during implementation of the concept. Critical analysis of CSR in organisations was also discussed. The second part of the section highlighted the effects of CSR in South African SMMEs through discussion of CSR in SMMEs in terms of the activities undertaken and the obstacles they face.

The following chapter consists of the research methodology, that is, the research design, population, sampling, data collection and instruments used as well as their merits and demerits.

CHAPTER 3

METHODOLOGY

3.1   Introduction

The previous chapter reviewed literature on the history of corporate social responsibility, benefits of SMMEs in a country's economy, reasons why SMMEs are involved in CSR and also the effects and activities of CSR in SMMEs. Given that background, this chapter aims to discuss the methods carried out in order to achieve objectives of the study. It centres on the research methodology, research design, population, data collection instruments as well as their merits and demerits. Data collection procedures, validity and reliability of instruments and data analysis procedures are also covered.

3.2   Aims and objectives

The study aims to highlight the corporate social responsibility activities by Small Medium and Micro Enterprises (SMMEs). It also seeks to highlight the extent to which the society as a whole is benefiting from SMMEs. The study also aims to identify the challenges of corporate social responsibility in organisations and lastly, it also seeks to make recommendations on how the SMMEs can improve their operations so that they are viewed as responsible corporate citizens by their stakeholders.

3.3   Participants and location of study

The participants of the study were the people involved in SMMEs in Durban in the Kwa Zulu Natal Region of South Africa. Durban was chosen since it is where the researcher resides, and therefore, it would be easy for her to access all the different SMMEs under study. Study participants were the owners of the enterprises and they were selected using non probability sampling. To ensure representativeness, lists of SMME owners showing their qualifications were used to select participants who showed relevant literacy and a high level of understanding.

3.4   Research design and methods

3.4.1 Description and Purpose

There are basically two philosophical approaches, which can be used when conducting a research, that is, quantitative and qualitative research. These two approaches have their merits and demerits. Best and Kahn (2010) define quantitative research as a method that gathers, describes, records, analyses and interprets data on conditions that exist. It depends on statistical analysis. It focuses on reliability, internal and external validity. Qualitative research is a method of determining what is, that is, using systematic procedures to discover non-quantifiable relationships between variables (Best & Kahn, 2010). The quantitative research method was adopted for this study as it aims at investigating a situation in order to change it.

With the quantitative approach, testing hypotheses are constructed before the data are collected. Quantitative approach also enables generalising research findings where the data are based on random samples of sufficient size. Quantitative approach also generalises a research finding when it has been replicated on many different populations and subpopulations.

Quantitative research is useful for obtaining data that allow quantitative predictions to be made, in as much as it also enables the researcher to construct a situation that eliminates the confounding influence of many variables, allowing one to more credibly established cause-and-effect relationships

Quantitative research provides precise, quantitative, numerical data. Data analysis is relatively less time consuming (using statistical software) when using quantitative research. The research results are also relatively independent of the researcher (e.g., statistical significance). Quantitative research may have higher credibility with many people in power (e.g., administrators, politicians, people who fund programs); and it is also useful for studying large numbers of people.

For the purpose of this study, the quantitative research approach was used as the research involved a number of companies. The quantitative method has a clearly defined procedure and was also used in an attempt to counter the weaknesses of the qualitative method that overlooks the costs incurred whilst researching and also that it is labour intensive. McLeod (2010) indicated that, if open-ended questions were applied, it would become time consuming to analyse data, therefore, as a way to counter this problem, the questionnaires had closed questions only.

However, despite the above advantages, the main disadvantage of quantitative research is that the researcher's categories that were used might not reflect local constituencies' understandings and also that the researcher might miss out on phenomena occurring because of the focus on theory or hypothesis testing rather than on theory or hypothesis generation (called the *confirmation bias*). Also knowledge produced might be too abstract and general for direct application to specific local situations, contexts and individuals.

3.4.1.1   Construction of the Instrument

Oppenheim (2013) views the questionnaire as any data collection instrument comprising of checklists, attitude scales, projective techniques and rating scales. Merriam and Simpson (2010) say there are two types of questionnaires and these are an open type questionnaire and closed type questionnaire. In this study, both types of questionnaires were used because open type questionnaires gives greater freedom of response and they are not directed to choose the response form, suggested answers or alternatives as happens in closed type questions. According to Cohen and Manion (2012), a good questionnaire should be as good as law, that is, clear, unambiguous and informally workable.

The questionnaire was constructed following a number of considerations as expounded by Leedy (2011), who says a questionnaire must be built and quality

tested again and again for precision of expression, objectivity, relevance, suitability to problem situation and probability of reception and return.

The main reasons for using a questionnaire was because a questionnaire allows anonymity of responses, thereby providing more accurate data. People also do not fear victimisation, as they do not put their names on the questionnaire. Data facts are acquired from many people within a short space of time when using questionnaires. Biasing error was also reduced. Using questionnaires also allowed for interpretation of responses that were not subjective, based on the individual, and also all the information came in the form of written communication that became a permanent.

3.4.1.2   Recruitment of Study Participants

The choices of SMMEs used were based on systematic sampling which is also known as interval sampling. The researcher used the SMMEs directory that was provided by the Durban Chamber of Commerce which had a list of all the SMMEs in Durban arranged in alphabetical order. The researcher chose the first SMME randomly from the study population which were all the economically active SMMEs in Durban and then proceeded with the selection of every third (3rd) SMME from the list until the study population got to 260. Questionnaires were then distributed amongst the respondents by hand by the researcher.

3.4.2 Pretesting and Validation

According to Melville and Goddard (2010) validity means the measurements are correct and instruments measure what is intended to measure, and measures it correctly. Dominowski (2010) defines reliability as the stability or consistency of the values that are obtained. Data collected for purposes of a study need to be authentic for the study's deductions to be acceptable. Likewise the instruments that were used to collect data needed to be reliable, valid and usable. The instruments needed to have consistency of measurement (reliability) and also measured what they were intended to measure (validity).

Validity of the questionnaire was obtained through asking experts in SMMEs and CSR to construct their questions about SMMEs and CSR. The main points highlighted included the definition of CSR, who is considered as being responsible for CSR in South Africa, various CSR activities, beneficiaries of CSR activities as well as how CSR activities affect SMMEs. To ensure validity, all the above points were included in the construction of the questionnaire.

To ensure reliability, the researcher repeatedly gave the questionnaire to participants soon after collecting it and the responses were repeated by the participants.
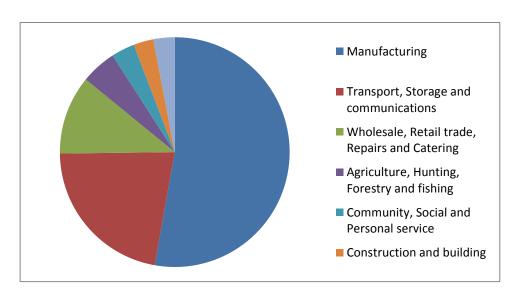
3.4.3 Administration of the Questionnaire

Before distribution of the questionnaires, emails were sent to potential participants and phone calls were made to those who could not access the internet to inform them of the questionnaires. The questionnaires were then administered by hand to all the research participants by the researcher.

3.5   Data collection strategies

According to the Durban Chamber of Commerce, the distribution of SMMEs according to industry is as shown by the pie chart below:

<u>Distribution of SMMEs according to industry</u>

Questionnaires were distributed according to distribution of companies within the different industries. The researcher chose 260 SMMEs since the Raosoft calculator states that the minimum number of participants in a sample of 780 SMMEs for a quantitative research is 257. The researcher then rounded off the figure to the nearest 10 so as to come up with a rounded figure.

There was equal distribution of questionnaires within the different companies. 260 questionnaires were issued to the owners of the SMMEs. Most of the SMMEs consist of only one member who is the owner/ manager which is also one of the reasons why the questionnaires were given to the owners only. SMME owners also appeared to be the only ones in their organisations who really understood what corporate social responsibility was all about.

3.6   Analysis of the data

Collected data was presented in form of statistical tables, graphs and pie charts. Saunders et al (2013) support that the simplest way of summarising data for individual variables is to use tables. However, since they do not put visual clues to the lowest and highest values, hence the use of diagrams was important as they provide visual clues.

3.7   Ethical considerations

Lynn and Brizee (2012) state that ethical considerations such as fairness, honesty and respect for the respondents as well as dignity for the individuals and also confidentiality of information should be taken care of during research. Information obtained through the use of questionnaires respected the privacy of the respondents since there were no names on the forms and a statement of confidentiality was also included. All information obtained was held with strict confidence and those who responded did so at their own will without being forced.

Respect was also given to the SMME owners as permission was first sought before the study was carried out in the SMMEs as cited by Gill and Johnson (2012). The duo state that the researcher should consult with all interested parties before undertaking any fieldwork and should only proceed by consent and agreement. Any special circumstance that might affect the interpretation of the results was clearly reported as highlighted by Barnes (2010).

3.8   Limitations of the research

The quality of data collected from the respondents in the various SMMEs could have been influenced, if the respondents by any chance got the impression that the researcher was working under the instruction of government and/ or was working as an agent of any financial institution that might want to offer them some loans or incentives.

Data collected could also have been affected by respondents who might have wanted to please the researcher by supplying only positive answers. This challenge was countered through designing a questionnaire that did not ask any personal demographic information.

Bias might have been caused by selective use of the questionnaire as the method of collecting data without including interviews which could have had the benefit of physical observation. Questionnaires became the sole method of data collection in a bid to limit costs as well as to reduce contact time with the respondents.

Quality of data collected could also have been affected by illiterate respondents who linked corporate social responsibility with social work rather than as a marketing activity in an organisation. To avoid this, the questionnaire was designed in such a way that the respondent would give his/ her own understanding of the term corporate social responsibility.

3.9   Summary

This Chapter dealt with research methodology. A discussion of the research design was highlighted. It also outlined the population and sampling methods that were used. Research instruments, their merits and demerits were discussed, as well as data collection and analysis procedures. Chapter 4 will focus on data presentation, analysis and interpretation.

CHAPTER 4

PRESENTATION OF RESULTS

4.0   Introduction

The previous chapter highlighted the methods utilised to carry out this study. It explained the meaning of questionnaires and quantitative research, their advantages and disadvantages as these are the instruments used in this study. This chapter is devoted to presenting the findings of the study based on responses from the questionnaires distributed. All collected data are presented in the form of tables, charts and graphs with the keys provided for clarity. The results were discussed and later presented looking at some of the following major concepts according to the topic under study:

- Corporate social responsibility activities in SMMEs
- Benefits of corporate social responsibility to organisations and society
- Challenges of corporate social responsibility in SMMEs

Altogether, 260 SMMEs were approached with 260 questionnaires being distributed and a total of 224 were returned, giving an 86% return rate.

4.1   Presentation of data

Table 4.1.1 shows the number of questionnaires distributed per industry and the number of questionnaires returned respectively. Out of the 260 questionnaires given to SMME owners, 224 were returned. This meant 224 out of 260 people responded giving the researcher an 86% response rate and 14% non response rate meaning that the data collected from the respondents is adequate for gathering the required information as shown on table 4.1.1.

Table 4.1.1: Questionnaires distributed as per industry

INDUSTRY	QUESTIONNAIRES DISTRIBUTED		RESPONDENTS BY INDUSTRY	
	Number	%	Number	%
Manufacturing Industry	130	50	114	51
Transport, Storage and Communication	52	20	49	22
Wholesale, Retail trade, Repairs and Catering	26	11	27	12
Agriculture, Hunting, Forestry and Fishing	13	5	9	4
Community, Social and Personal service	13	5	9	4
Construction and Building Industry	13	5	9	4
Other Industries	10	4	7	3
Total	260	100	224	100

4.1.1 Distribution and collection of questionnaires

Respondents of different age groups were interviewed to allow the researcher to get opinions from people of all ages. Table 4.1.2 shows that 7% of the respondents were 20 years and below, 28% were between 21 and 30 years, 24% were aged between 31 to 40 years, 21% 41 to 50 years and 20% consisted of those above 51 years. All these respondents were owners of small businesses at the time of study.

Table 4.1.2: Respondents by Age

AGE GROUP	NUMBER OF RESPONDENTS	% RESPONDENTS
20 years and below	16	7%
21-30 years	62	28%
31-40 years	54	24%
41-50 years	47	21%
51 years and above	45	20%
Total	224	100%

Figure 4.1.0 shows that 58% of the respondents or 151 people out of 260 were male and 42% (109 people) were female SMME owners. This showed an almost equal distribution of respondents according to gender.
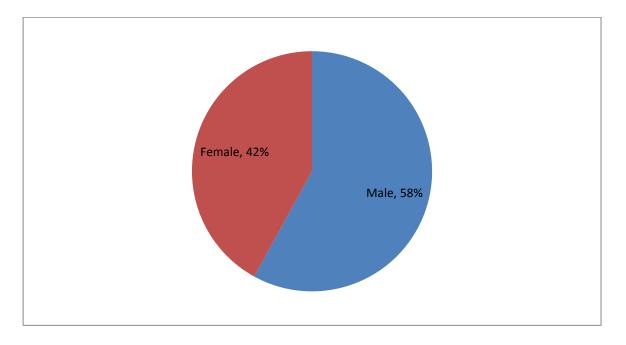

Fig 4.1.0: Respondents by Gender

According to Figure 4.1.1, 23% of the respondents attained a diploma, 19% a degree, 17% did not reach matric, 16% went up to matric level, 14% attained masters and 11% are Doctors in education. People with different levels of education, from the lowest to the highest that can be were all interviewed and are all involved in SMMEs.
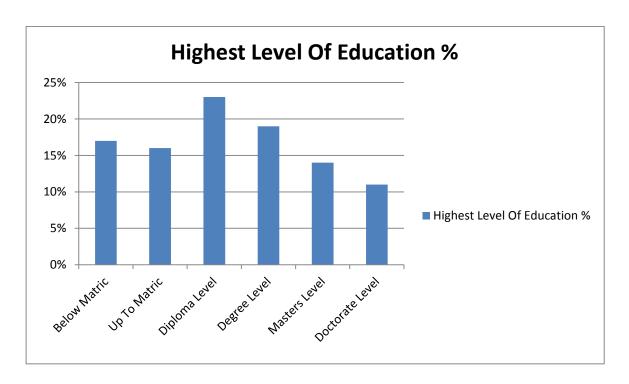

Fig 4.1.1: Highest level of education of respondents

4.1.2: Responses on knowledge of CSR

In response to the question, "Do you know what CSR is?" 177 out of 224 respondents answered yes, giving 79% of a positive response while 47 or 21% answered no as per Figure 4.1.2. This meant the rest of the questions were going to be responded to accurately by those who knew what CSR is.
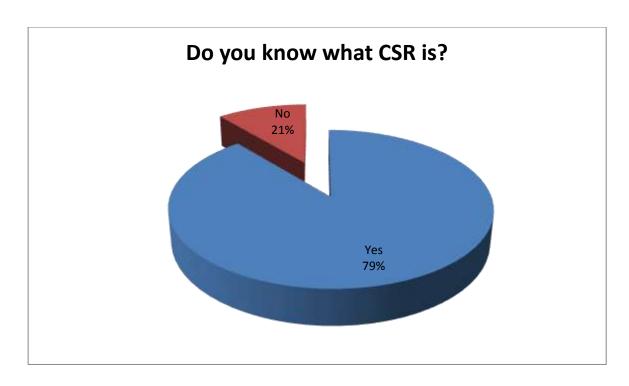
Fig 4.1.2: Respondents on general knowledge of CSR

Only a total 177 respondents confirmed that they know what CSR is, so these answers were taken from those 177 questionnaires. From these 177 respondents, 19% knew what CSR is said they got to know about it from other companies, 21% from local NGOs, 25% through their business associates, 23% heard about it from the Durban Chamber of Commerce, 7% through the media and 5% from different other sources as per table 4.1.2. This shows the concept of CSR is being talked about a lot in businesses of all types.

Table 4.1.2: How did you get to know about CSR?

SOURCE	NUMBER OF RESPONDENTS	% OF RESPONDENTS
Other Companies	34	19%
Local NGOs	38	21%
Business Associates	44	25%
Durban Chamber of Commerce	40	23%

Media	12	7%
Other	9	5%
Total	177	100%

Table 4.1.3 shows different descriptions of CSR despite the fact that all definitions describe what CSR is. However, 48% agreed CSR should have something to do with both the company and its stakeholders managing the environment. 33% thought employees and the local community should be looked after, 11% supported the idea of stakeholder-company relationships and only 8% thought CSR describes a decision making process based on ethical values and compliance with legal requirements.

Table 4.1.3: Description of CSR according to Respondents

DESCRIPTION	RESPONDENTS	
	NUMBER	%
CSR is a formal process of relationship management through which companies engage with their stakeholders to align their mutual interests.	19	11%
CSR is a concept aimed at achieving commercial success in a way that does not compromise the well being of its employees or the local community.	58	33%
CSR describes a decision making process based on ethical values and compliance with legal requirements.	15	8%
CSR describes the way in which a company manages its economic, social and environmental relationships, and the way it engages with its stakeholders.	85	48%
Total	177	100%

4.1.1 Presentation of results as per objective number 1 – Highlight CSR activities in SMMEs

Shown on Figure 4.1.3, 92 out of the 177 respondents who knew what CSR is, that is 52% agreed that every company needs to engage in CSR activities, 37% said maybe and 11% thought it is not a necessity. This shows how much people appreciate CSR activities in the development of the nation.
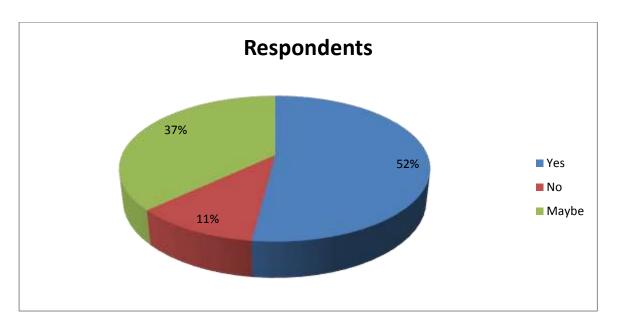

Figure 4.1.3: In your opinion, does every company need to engage in CSR activities?

From the respondents, 45% believe CSR is a responsibility of the government, as per Table 4.1.4, 17% said only multinational companies should be responsible, 11% thought large corporations, 10% small businesses and the other 17% are sure all the above should be responsible for CSR. This shows a different view of CSR and that most people believe that the government is the one responsible for looking after citizens. It is good to note that some people still argue that SMMEs should also be responsible for CSR.

Table 4.1.4: Who do you think is responsible for CSR in the Republic of South Africa?

RESPONSIBLE PARTIES	NUMBER OF RESPONDENTS	RESPONDENTS %
Multinational Companies	30	17%
Government Departments	80	45%
Large Corporate	19	11%
Small Businesses	18	10%
All of the Above	30	17%
None of the above	0	0%
Total	177	100%

On Table 4.1.5, respondents were giving their opinions on the activities they thought should be undertaken by companies in CSR programmes. Respondents were allowed to give more than one opinion and their responses show how much companies should involve their employees in running the business, (146 respondents). Responses that supported sponsoring of learners with bursaries were 101, 99 respondents said cleaning of the city by employees, 77 agreed to offering employees incentives for attaining targets, 91 believed in sponsoring sports while 62 said engaging in non pollution activities during manufacturing.

Table 4.1.5: What activities should be undertaken by a company in a CSR programme? (You can tick more than 1 circle)

CSR ACTIVITY	NUMBER OF RESPONDENTS
Involvement of employees in the company's decision making	146
Offering incentives to employees in cases of target reached	77
Sponsoring learners by means of bursaries	101
Sponsoring local sporting teams	91
Cleaning of the city by employees	99
Engaging in non pollution activities during manufacturing	62
None of the above	0

As presented in Figure 4.1.4, it shows the publicity factor pushes so many companies to be involved in CSR activities. From the respondents, 51% argued that CSR activities build publicity for the company, while 16% said no and 33% were neutral about the opinion.
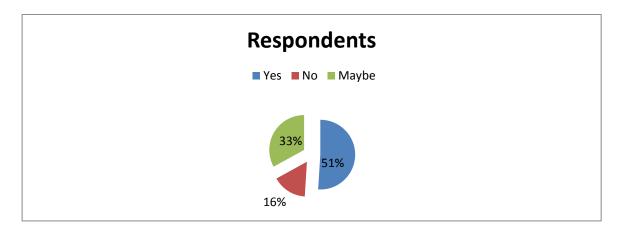

Figure 4.1.4: Do CSR activities build publicity for a company?

Besides creating publicity for the company with 20% of the respondents, CSR activities were also agreed by many, 19%, to making the company a good corporate citizen. Figure 4.1.5 also reveals that 15% believes that involving in CSR activities attracts donors, 45% think it attracts competent employees, 37% agrees it results in all the above benefits and only 3% believe there are no benefits for being socially responsible.
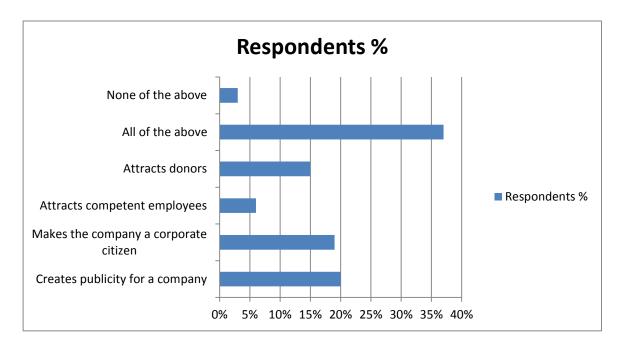

Figure 4.1.5: In what ways do CSR activities affect a company?

4.1.2   Presentation of results as per objective number 2 – Establish the benefits of CSR to the organisations

Respondents had different opinions on whether companies benefit from engaging in CSR activities or not. Figure 4.1.6 shows that 50% said companies benefit, 16% thought they do not at all and 34% had a neutral opinion, they thought they may or may not.
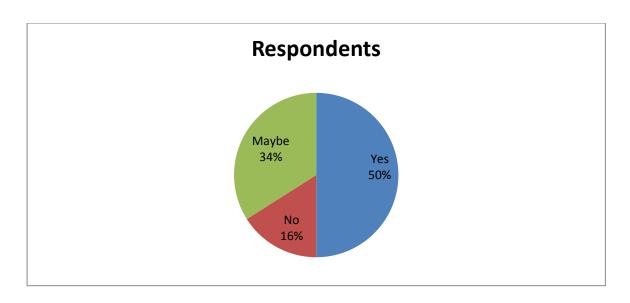
Figure 4.1.6: Do you believe a company benefits from engaging in CSR?

In the study, it was identified that it is not only the company that benefits from CSR. This was supported by respondents who thought during CSR activities, the company benefits-53%, employees benefit-8%, society benefits-15% and that everyone benefits-24% as revealed by figure4.1.7. This is why companies are encouraged to embark on CSR activities. Their initiatives do not just end with the company but they assist everyone in one way or the other and everyone sees it.
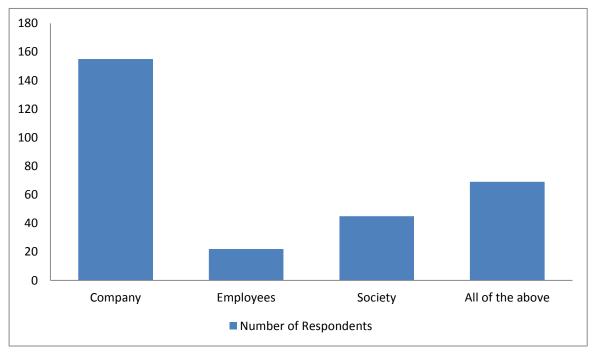

Figure 4.1.7: Who, in your opinion benefits from a company's CSR activities?

As they carry out the CSR activities, SMMEs also end up benefiting in many ways as shown in table 4.1.6. 19% of the respondents think the SMMEs end up receiving government subsidy, 18% still agree to gaining publicity as a benefit while the other 18% said the organisation end up getting preference in terms of tenders and grants from different organisations. This could be because so many huge corporations are willing to help those small businesses which get involved with people and community as a whole. 17% thought the organisation will get preference in terms of loans from financial institutions, 14% said they will get customer preference and the last 14% agreed the organisation becomes more competitive on the market through CSR activities. This is true because everyone wants to be associated with good things.

Table 4.1.6: How do SMMEs benefit from engaging in CSR activities?

BENEFIT	NUMBER OF RESPONDENTS	RESPONDENTS %
Publicity for the organisation	31	18%
Government subsidisation	33	19%
Preference in terms of tenders and grants	31	18%
Preference in terms of loans from banks	29	17%
Increase in customer base	29	17%
Increase in competitive advantage	24	14%
Total	177	100%

However, it is not only the SMMEs that benefit from their good acts. Society also benefits in different ways which is the main reason for companies being socially responsible. Companies cannot run on their own if society is not involved and as a result, they have to make sure they also give back. Table 4.1.7 shows that society benefits through creation of employment for the people around as revealed by 37% of the respondents. 32% thought society benefits through increase of innovation

levels amongst the people. This is because those socially responsible companies involve society so much and it motivates them. 14% of the respondents agreed that society benefits from improvement of infrastructure, 12% said it encourages youths to be engaged in morally responsible activities. When socially responsible companies donate towards sporting activities or different projects, the youth will be kept occupied with better things to do as shown by 5% who thought CSR activities benefit society by reducing crime rate.

Table 4.1.7: To what extent is the society as a whole benefiting from SMMEs?

BENEFIT	NUMBER OF RESPONDENTS	RESPONDENTS %
Create employment in the community	65	37%
Increase level of innovation within societies	57	32%
Improves infrastructure in communities	25	14%
Encourages youths to be involved in morally responsible activities	21	12%
Reduce crime rate within societies	9	5%
Total	177	100%

Socially responsible companies deserve incentives to keep them going and to encourage them to continue with the good work. SMMEs can use these different incentives as benefits to keep them in the industry. Table 4.1.8 gives some of the incentives and how respondents reviewed them. From the respondents, 54% believed that government financial incentives should always be there, 17% agreed on considerable credit or matching grant schemes to encourage companies to keep going, 12% said companies should be given award schemes and tenders, 7% sponsored participation in fares, another 7% said linkage with larger firms should be enabled, 2% believed in agreed participation in business networks while the last 1%

had their own different views. Incentives would help companies, especially the small ones. They reduce their burdens or struggles and help them to be able to carry on with operations.

Table 4.1.8: What incentives do you think should be given to companies that engage in CSR?

INCENTIVE	NUMBER OF RESPONDENTS	%
Government financial incentives	96	54%
Considerable credit/grant schemes	30	17%
Award schemes and tenders	21	12%
Sponsored participation in fares	12	7%
Linkage with larger firms	12	7%
Facilitated participation in business networks	4	2%
Other Incentives	2	1%
Total	177	100%

4.1.3 Presentation of results as per objective number 3 – Identify the challenges of CSR

Table 4.1.9 shows what respondents thought could hinder CSR activities by SMMEs. Those that agreed that lack of funds hinders SMMEs from being socially responsible were 25%. This could be because many small business owners start from scratch with a little capital. As they operate, they will always focus on building up on their capital as a result they always think they do not have any extra income to share. The table also shows that 26% said lack of support from the government and other organisations is what hinders CSR activities by SMMEs. SMMEs owners look up to

the government and huge corporate for assistance in different ways and if they do not get any, usually they do not survive. Table 4.1.9 also shows that 24% thought it is because the activities are too hard for SMMEs to implement. The table shows that 25% still believe it is the SMMEs which should be benefiting from other companies' CSR activities not them carrying them out. This is why they do not even think of engaging in those activities in the first place.

Table 4.1.9: In your opinion, what are the challenges of CSR in SMMEs?

CHALLENGE	NUMBER OF RESPONDENTS	%
Lack of funds	44	25%
Lack of government support	46	26%
Activities too hard for SMMEs to implement	43	24%
Some SMMEs feel they are the ones who should be benefiting from CSR	44	25%
Total	177	100%

In Table 4.1.10, 45% of the respondents agreed that SMME owners should empower their employees in terms of education and other benefits. This will help increase their knowledge in their operations and in what is happening in the industry. It also helps the whole company in carrying out its CSR activities. The table shows that 20% see that SMMEs should engage in more competitions that benefit the community. As companies operate, they involve people surrounding them so if they show them their appreciation they will also support them. In the Table 4.1.10; 14% agreed that SMMEs should engage more in sponsorship of various activities to the society they operate in so that as the company grows, society also improves. This table also shows that 12% said SMMEs need to engage in production processes that do not

harm the environment and 9% said they should grant more bursaries to needy learners.

Table 4.1.10: How can SMMEs improve for them to be viewed as responsible corporate citizens by their stakeholders?

IMPROVEMENT	NUMBER OF RESPONDENTS	%
Engage in more sponsorships of various activities	25	14%
Grant more bursaries to the needy	16	9%
Engage in production processes that do not harm the environment	21	12%
Engage in more competitions that benefit the community	35	20%
Empower their employees in terms of education and other benefits	80	45%
Total	177	100%

4.1.4 Summary

The Chapter gave a presentation of the results of the data collected from the different respondents according to their different industries, age, gender and educational levels. Views by respondents on the concept of CSR were collected and summarised in the form of graphs, charts and tables then presented according to their numbers. Only the most relevant questions were picked from the whole questionnaire for the sake of summarising the study. In the next Chapter, the researcher will discuss the research findings and go on to interpret them.

CHAPTER 5

DISCUSSION

5.1   Introduction

The previous chapter presented the data collected in the form of tables and figures. The data in the tables and figures was also described and interpreted. This chapter will discuss the research findings in relation to literature as well as the research objectives.

5.2.1   Objective 1 – Highlight CSR activities in SMMEs

Cook et al (2013) says that companies can maintain their reputation in the society through contributing to activities that are never sufficiently funded by the government and these activities are the corporate social responsibility activities. The study results shows that the majority of SMME owners knew what corporate social responsibility was all about as 79% agreed to know about it. The SMME owners claimed to have known about CSR through many sources that include other companies, local NGOs, business associates, the media as well as the Durban Chamber of Commerce. This clearly shows that corporate social responsibility is being talked about in different organisations.

Some SMME owners are engaging in activities that meet community needs such as education, arts, health and matters of the environment as well as social welfare despite trying to achieve their main goals of making a profit (Cole, 2012). Most of the respondents that participated in the study described corporate social responsibility as the way in which an organisation manages its economic, social and environmental relationships and also the way in which it engages with its stakeholders. Some of the respondents also believed that it is a concept which aims to achieve commercial success in a way that does not compromise the well being of its employees as well as the local community. The responses clearly showed that

SMME owners had positive ideas on corporate social responsibility since despite the different ways they described it, all of their responses described or highlighted corporate social responsibility activities in a way.

Some SMME owners (52%) believed that corporate social responsibility activities should be engaged by all companies. However, some also believed that it was not necessary in some companies but was the responsibility of the government and also large multinational companies. However, all companies should not only have interests of its owners or shareholders at heart but should also consider the rest of the stakeholders such as employees, customers, and the community (Bounds et al, 2013).

Small business owners should be able to constructively contribute in social groups that they are involved in through charitable programmes, community upliftment projects, community health, education projects as well as employee wellbeing, (Bound et al, 2013). When asked on activities that they thought should be undertaken by companies as CSR activities, most respondents believed that companies should mainly involve their employees in making their decisions. Respondents also highlighted sponsoring learners with bursaries, sponsoring local sporting teams offering employee incentives, cleaning up the community as well as engaging in non pollution activities. Organisations can be involved in all these activities so as to positively contribute in their local communities as long as these activities are undertaken ethically (Grace and Cohen, 2011).

5.2.2 Objective 2 – Establish the benefits of CSR to the organisation

When an organisation operates in an economically, socially and environmentally responsible manner it is likely that that organisation succeeds, (Elderman, 2011). Corporate social responsibility is playing a key role in helping corporations to be seen as leaders. Being socially responsible is benefiting companies in different ways and these include both benefits to the company itself as well as benefits to the

community. Most respondents believed that companies benefit from being socially responsible. The respondents believed that the company itself is the one that benefit the most from undertaking corporate social responsibility activities, followed by the society and lastly the employees. Therefore, a company's CSR initiatives end up benefiting everyone in one way or the other.

SMMEs also benefit in many ways once they engage in CSR activities. Most respondents believed that SMMEs would receive government subsidisation since they engage in CSR activities, some also believed that they benefit through publicity as well as increasing their chances of winning tenders and grants. Respondents also believed that engaging in CSR activities would help companies increase their customer base as well as increasing their chances of getting their loans approved by financial institutions.

Corporate social responsibility activities in SMMEs can benefit the society in many ways and these include production of various healthy goods, that are not harmful and produced using recycled materials using environmentally friendly production processes, and also companies giving back to the community financially or volunteering time, (Sacconi, 2004). The study results showed that the society benefits through different ways such as employment creation increase of creativity and innovation amongst the society, improvements in infrastructure as well as reducing the crime rates in the community.

5.2.3 Objective 3 – Identify the challenges of CSR

SMMEs face many challenges in engaging in CSR activities. This is due to the fact that they are very small as compared to their larger counterparts. Many SMME owners believed that lack of government support is the main challenge faced by SMMEs. Some believed that the main challenge faced by SMMEs is that of lack of funds to fund CSR activities and also that most SMME owners felt that they are the ones who should be benefiting from CSR activities by large companies. Other SMME

owners believed that CSR activities are too difficult and can not be implemented by small businesses.

However, when asked how SMMEs could improve so that they are viewed as responsible citizens by their stakeholders most of them (45%) believed that they needed to empower their employees through educating them and also through other different ways. Others believed that they engage in more competitions that would also benefit the society and also engaging in production processes that would not harm the environment.

5.3   Summary

In this chapter, a discussion of the results and findings was given so as to allow a better understanding of the study. Results were analysed according to the objectives of the study as given in chapter 1. Respondents' views were grouped and then evaluated according to each objective to try and understand what people think about the concept of CSR. Chapter 6 will give a summary of the study, its findings, recommendations and conclusions of the study according to the researcher.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.0   Introduction

In the previous chapter, analysis and interpretation of data was given according to the respondents' views on the concept of CSR. Laid out in this chapter are the researcher's conclusions and recommendations to SMME operators about CSR issues. The researcher draws the conclusions from all the findings from other sources and from respondents interviewed. The recommendations are ideas on how to improve SMME involvement in CSR issues.

6.1   Summary and conclusions of the study

The findings of this study confirm a positive appreciation of the concept of CSR by SMMEs. Corporate Social Responsibility is being viewed as a commitment that requires a lot of input from an organisation. It should benefit the organisation, the customers and the society. Even small businesses are also striving to be socially responsible as they operate. The small business owners reveal an understanding of the concept and why it is encouraged to be involved. Research findings show that CSR issues are being discussed all over by business operators and other organisations. People's knowledge on the issue is growing.

However, some respondents still believe it is the responsibility of the government to implement the activities of CSR. It is hard for SMME owners to accept that no matter how small they are and how little they get, they are still expected to give back to the society. Many small business owners rely on the money their companies make for day to day needs. Hence, according to them it is only large corporations that can be

socially responsible. They believe their companies should also be on the receiving end.

The researcher noted that some SMME owners are not well acquainted with the concept of CSR. This means they might not put an effort to implement it because they do not know how important it is. It was found that SMMEs have been carrying out various CSR activities such as those related to the environment, health and safety, staff welfare, education, charity, and quality in the past years. However, due to the challenges discussed in the previous chapter, there has been very little done by them towards CSR activities.

In some cases, it is not about money or lack of knowledge, but it is because society expects too much to be done for them. There are too many activities that people want the government or companies to assist them with. This causes too much pressure which can end up in confusion- SMMEs may in the end try to do too many ineffective CSR activities to the extent that they will end up failing. In some cases society still thinks the companies should have done more than what they have done at that time and this can discourage the small business owners.

6.3.1   Recommendations to the government
Usually SMMEs are a product of innovative and not financially sound people who help the economy by creating employment; this means the government has to assist them with financial aid so that they operate to full capacity.

Linking SMMEs to cheaper reliable suppliers so that their production goes smoothly is another type of assistance that the government can utilise. The government can also assist by helping curb corruption so that SMMEs also get involved in big business issues such as tenders and big contracts.

Offering rewards to top performing SMMEs so that they are motivated to do better is also another way that the government can utilise to motivate SMMEs to implement CSR activities.

Most of the SMME operators lack knowledge on how business and CSR issues link so they need to be educated on these issues. Educational tours can be set by the responsible government department so that small business owners and their employees are made aware of the necessities of CSR activities. In this way, they will be able to overcome the problem of not being able to implement the activities.

Some SMME owners do not even know why they are supposed to be involved in CSR issues. These people need encouragement to participate. If representatives are sent to address them and really explain to them the impact of CSR on the community and the nation as a whole will be visible.

In some small businesses, there is belief that CSR activities refer to giving to people in need so that they benefit. Benefits to the organisation carrying out the activities are not laid out. These should also be taught so that owners of companies get encouraged to be involved. SMMEs can make good use of the publicity and the preference through being socially responsible.

6.3.2   Recommendations to SMME owners
SMME owners should be encouraged to send their employees for training. In this way they will get to mingle with other employees from huge companies and share ideas besides learning how they operate. Employees should also be supported through encouragement to further their studies so that they help the company grow using the knowledge accumulated.

Management of SMMEs should be educated on the advantages of involving their workforce in decision making. This will help them retain their employees and hence save on recruitment costs. It also motivates their employees who can assist by boosting the company's customer base.

Long-term success and competitiveness of the organisation largely depend on the employees' knowledge, competence, talent, creativity, as well as motivation and loyalty. By following the laws, the employer can meet the basic needs of the employees. Therefore, SMME owners are advised to operate according to the law. Through employees' involvement in the resolution of vital issues, the managers get a lot of good ideas, gain trust and loyalty of the employees, and this helps to facilitate efficiency of their companies.

General public should also be encouraged to support small businesses by dealing internally. They should be taught on the advantages of buying in their own country versus importing. This does not only benefit the companies but the nation as a whole. It also pushes the small companies to want to give back to the community.

6.4   Limitations and areas of future research

Drawbacks encountered during the study include that it was too costly. Transportation to remote areas as well as phone calls made in attempting to secure an appointment to drop the questionnaires in different SMMEs was a major cost challenge.

The unwillingness of some SMME owners to co-operate was also a limitation. Another limitation was that some SMMEs owners were too busy especially those owner managed SMMEs to such an extent that it was impossible to deal with them.

During the course of this study, the researcher recognised areas that needed further research or that needed a more comprehensive review of the findings developed from this project. When one is researching on a topic that represents the whole of the Republic of South Africa, then researching on a wider geographical area need to be considered. This would limit bias as the respondents will evenly represent the area being researched.

In the event of future research, more research instruments should be used to include questionnaires, interviews as well as observations. The use of more than one method to collect data will help counter check whether the information supplied is genuine.

Future research should also focus on both SMMEs and large corporations to find out if the management of these organisations thoroughly understands the concept of corporate social responsibility. This might enable the users of the research study to find out whether personnel in these organisations need to be educated on CSR or not.

6.5   Summary

The researcher has found out that despite knowing what corporate social responsibility is, most SMME owners do not know its importance. Some SMME owners even strongly believe that it is not their duty to implement CSR activities but that of the government and large corporations. The government can make follow ups on those that they grant loans to start small businesses to see if they really understand all the business concepts as well as marketing concepts. This will enable the government to spot areas which need education so as to ensure that all small business owners are aware of what they are really doing, how to improve their businesses as well as how to be competitive on a large market consisting of both small and large organisations.

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18 December 2014

Ms Gamuchirai Makwanha 212561812
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Protocol reference number: HSS/1565/014M
Project title: The effects of Corporate Social Responsibility in South African Small Medium and Micro Enterprises (SMMEs)

Dear Ms Makwanha

Expedited Approval

In response to your application dated 24 November 2014, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL.**

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

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

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

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

Yours faithfully

....
Dr Shenuka Singh (Chair)

/px

cc Supervisor: Ms Mapudzi
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cc School Administrator: Ms Zarina Bullyraj