



**AN INVESTIGATION INTO CORPORATE SOCIAL  
RESPONSIBILITY ON SUSTAINABLE GROWTH OF  
WHOLESALE AND RETAIL SMEs: A CASE STUDY OF  
ETHEKWINI MUNICIPAL REGION**

**By**

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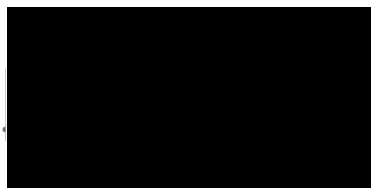
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## **DECLARATION**

I, the undersigned, Bobo Chazireni declare that the work exhibited in this thesis is based on my research and that I have not submitted this thesis to any other institution of higher education to obtain an academic qualification.

Signed:.....

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## **ABSTRACT**

In light of current business trends, social responsibility has become a strategic tool for such important outcomes as financial gains and market positioning, amongst others. However, social responsibility for businesses has been mainly associated with large corporations, and Small to Medium Enterprises (SMEs) were insignificant as they regarded social responsibility as a costly, unsustainable business initiative. Considering wholesale and retail SMEs in EThekweni Municipal region, corporate social responsibility has been growing greater importance in the minds of businesses. Given the enormity of the South African economy, social responsibility for business took centre stage during the socio-economic turbulence experienced in the country. To a great extent, social responsibility has appeared in literature covering large organisations but comparably, microscopic and scarce theoretical or empirical literature existing for small and medium enterprises. However, this scenario undermines the importance and critical role that SMEs play in the economy of the KwaZulu-Natal region. This research study aims to investigate Corporate Social Responsibility on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region. This shall be done by assessing the attitude levels of wholesale and retail SMEs towards corporate social responsibility; investigating the practice of corporate social responsibility by wholesale and retail SMEs; exploring barriers undermining the practice of corporate social responsibility by wholesale and retail SMEs; and exploring SME owner-managers' values key to the sustainable growth of the business.

The Stakeholder Theoretical framework guides this study and a mixed method approach was adopted where data was collected by carrying out surveys. The researcher pedantically probed participants with the same questions by means of structured questionnaires. The primary data in respect of CSR on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region were obtained by means of self-administered questionnaires and semi-structured interviews, which followed the completed questionnaires. The research considers a target population drawn from the membership list of the Durban Chamber of Commerce and Industry. The study was carried out and consisted of businesses that employed more than 20 and less than 200 fulltime employees. This research study is descriptive in nature and will make use of a descriptive model for data analysis.

Regarding Corporate Social Responsibility on Sustainable Growth, the study mainly focused on wholesale and retail SMEs. To a large extent, the attitudes and perceptions of the respondents were negative and rather insignificant when it came to implementation of Corporate Social Responsibility. The main reason for this was the cost attached to CSR. In some instances, owner managers were not aware of the positive impact of CSR as a strategic tool in the sustainable growth of the business through participation. It emerged that majority of wholesale and retail SMEs were not fully involving Stakeholders in their business activities as required by the Stakeholder Theory. Some Stakeholders are valued more than others and many do not practice CSR towards the community and the natural environment, regarding it as extra-curricular from their core-business. In addition, majority of wholesale and retail SMEs rated their businesses as averagely successful citing the unstable economy that South Africa is currently going through which has seen unemployment rising above approximately 25 percent in 2013. The results showed that the major reason, amongst other reasons, causing wholesale and retail SMEs in EThekweni Municipal region fail to commit to CSR is the cost and the impact of practising CSR on their profit. Furthermore, SME businesses were of the belief that CSR was only for large corporations and that SMEs were insignificant since they had rather less or no impact on the environment. SMEs held the municipal authority responsible for practising social responsibility on the environment since they (SMEs) followed all the laws of the land.

This study aspired to expand and contribute significantly to the body of knowledge regarding CSR by examining CSR on sustainable growth of wholesale and retail SMEs in EThekweni Municipal region. As new knowledge, the study proposed a model based on the Stakeholder Theory which is meant to assist wholesale and retail SMEs in EThekweni Municipal region to apply positive attitude towards embracing CSR in their businesses. However, the study recommends that local authorities and chambers of commerce must play a leading role in awareness and support mobilisation to try and motivate wholesale and retail SMEs to practise CSR. In addition, it is recommended that the phrase 'Corporate Social Responsibility' should be re-phrased as 'Small Business Responsibility' or generally 'Business Responsibility' as a way of contextualising the whole responsible business idea, promote and refer to the social responsibility of SMEs. The phrase simply drives SMEs to think that they are excluded from the practice because of their size. The concept Corporate Social Responsibility imposes a challenging journey on SMEs, it is psychologically intimidating to SMEs, hence resistance to the practise of CSR.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

CSR:	Corporate social responsibility
SME:	Small and Medium enterprises
GEM:	Global entrepreneurship monitor
ICT:	Information, Communication Technology
MIF:	Multilateral Investment Fund
IADB:	Inter-American Development Bank
ADB:	African Development Bank
PC- GNI:	Gross national income per capita
MSME:	Micro, Small, and Medium Enterprise
EU:	European Union
GDP:	Gross domestic product
GEM:	Global Emerging Markets
PCA:	Principal component analysis
CIPC:	Companies and Intellectual Property Commission
CPI:	Corruption perception index
SEDA:	Small Business Development Agency
WBCSD:	World Business Council for Sustainable Development
MNC:	Multinational Corporations
TNC:	Transnational Corporation
NGO:	Non-governmental organisation
WBCSD:	World Business Council on Sustainable Development
CED:	Committee for Economic Development
SGR:	Sustainable growth rate
UNIDO:	United Nations Industrial Development Organization
ISO:	International Standard Organisation
APO:	Asian Productivity Organization
ROI:	Return on Investment
SRI:	Stanford Research Institute
CSP:	Corporate social performance
SAAR:	Social accountability, auditing and reporting

## **CHAPTER ONE**

### **OVERVIEW OF THE STUDY**

#### **1.1 BACKGROUND TO THE STUDY**

Although Corporate Social Responsibility (CSR) has customarily been linked with big businesses, the SME business sector has shown itself to be a substantial sector in the South African economy, attention has been shifted to a research analysis of the principles and practice of CSR in SMEs for sustainable growth. Kechiche and Soparnot (2012b) postulated that “SMEs are not merely small versions of big businesses as they contribute meaningfully to the economic growth of a country”. SME growth is an indicator of a revived economy and therefore cannot be undermined. As a consequence to such positive views, there is an emerging fast-growing body of academic work focused on commitment to CSR in the sector (Fay 2012).

SMEs have been identified as productive drivers of inclusive economic growth and development in the EThekweni Municipal region. In South Africa alone, it is projected that SMEs are accountable for approximately 56 percent of private sector employment and contribute approximately 36 percent to the gross domestic product of the country. Given the critical socio-economic role played by SMEs, it is vital that they grow and succeed (Idemudia 2014).

While a number of studies have acknowledged access to finance as a key success factor, similar studies carried out around the world also highlighted the role of corporate social responsibility in the success of SMEs (Gartner and Brush 2014). However, there is little evidence of any studies undertaken in this regard in the EThekweni Municipal region in South Africa. There is a general phenomenon in developing countries that there is very little information on SMEs or research work on ethics, corporate social responsibility and SMEs. Theoretical developments that originate from SMEs’ perspectives are almost non-existent (Fatoki and Chiliya 2012; Hernáez 2012; Kechiche and Soparnot 2012a; Inyang 2013b). Delchet-Cochet (2012) alluded that “While articles have been calling for research on CSR in SMEs, the work to date has been limited and there is a considerable amount of research needed.”

Research on CSR is important and will assist in guiding most CSR initiatives in SME businesses. Idemudia (2014) highlighted the need for SMEs to be successful as their role in developing economies cannot be undermined. However, current research on CSR in SMEs is rather meagre in developing countries. The Stakeholder Theory and Stakeholder approach to corporate social responsibility will guide this study and provide an integrated and consistent theoretical framework for the efficient and effective adoption and implementation of CSR on sustainable growth of SMEs. Therefore, this study will narrow the gap in the literature by examining CSR on Sustainable Growth of wholesale and retail SMEs located in EThekweni Municipal region in the province of KwaZulu-Natal.

## **1.2 STATEMENT OF THE PROBLEM**

South Africa experiences abundant socio-economic challenges, and many of these challenges are however to a large extent, linked to high levels of unemployment. Fatoki and Garwe (2010) pointed out that the official unemployment rate is approximately 25 percent; however, if one were to include those between the ages of 16 to 60 and discouraged work seekers, then the unemployment rate is approximately 36 percent. In 2015, 65 percent of children in South Africa lived in households with at least one working adult. The other 35 percent (over 6.5 million children) lived in households where no adults were working. There has been only a slight decrease in unemployment from 2003 to 2011 and 2013 to 2015, with the proportion of children who live in unemployed households hovering around 35 percent Hall (2009).

Fatoki and Garwe (2010) alluded that new SMEs are seen as a significant component of the solution to South Africa's development issues. However, most new SMEs do not grow with their failure rate in South Africa being 75 percent is, one of the highest in the world and which has contributed to vast unemployment.

Despite their significant importance and SME contribution to economic growth, SMEs in the EThekweni Municipal region are still faced with numerous challenges that inhibit entrepreneurial growth. Apart from SME funding and access to finance (which is a major reason for high failure rate), the Global Entrepreneurship Monitor (GEM) Reports of 2001-2010 explained that South African SMEs also suffer from poor marketing, expertise and management skills which is a results of lack of adequate training and education. This

high rate of business failure result in business closures and generally high unemployment rate in the economy (Mahembe 2014). However, according to the Stakeholder Theory, by involving all Stakeholders in the business activities, wholesale and retail SMEs lessen the burden of costs for direct marketing while at the same time increasing brand loyalty (Urban and Naidoo 2012); (Freeman 2010).

South Africa experienced a viral unemployment trend in recent years and though SMEs play an important role in curbing unemployment, the survival and sustainable growth rate of these SMEs is poor. Hence, their role in reducing unemployment is weakened or rather diminished.

Given the background above, the problem statement states that there is no clear model that promotes CSR on the Sustainable Growth of wholesale and retail SMEs.

### **1.3 AIMS AND OBJECTIVES**

#### **1.3.1 AIM OF THE RESEARCH**

The aim of this study is to investigate Corporate Social Responsibility on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region.

#### **1.3.2 RESEARCH QUESTIONS**

- What are the attitudes of owner managers of wholesale and retail SMEs in EThekweni Municipal region in respect of their social responsibility towards the community, employees and environment?
- To what extent do wholesale and retail SMEs in EThekweni Municipal region practise corporate social responsibility?
- What are the barriers undermining the practice of corporate social responsibility by wholesale and retail SMEs in EThekweni Municipal region?
- What are the owner manager's key personal values to sustainable growth of wholesale and retail SME businesses in EThekweni Municipal region?



### **1.3.3 RESEARCH OBJECTIVES**

The objectives of the study are:

- To assess the attitude level of wholesale and retail SMEs towards corporate social responsibility.
- To investigate the practice of corporate social responsibility by wholesale and retail SMEs.
- To explore barriers undermining the practice of corporate social responsibility by wholesale and retail SMEs.
- Explore the SME owner-managers' values key to sustainable growth of the business.

### **1.4 SIGNIFICANCE OF THE STUDY**

According to Jamali, Lund-Thomsen and Jeppesen (2015), in this globalised business setup, organisations are generally operating under immense pressure as societies and government thereof have various and progressively burdensome expectations compared to the past, where little was expected for the business to offer in terms of CSR (the concept has developed with time). The world is increasingly complicated as tremendous fast-growing changes are experienced in such areas as ICTs, marketing, supply chain and ever-changing customer tastes. Governments play a critical role in creating sustainability for SMEs through designing feasible policies and legislation that make it easy for SMEs to operate and realise meaningful growth. Research shows that there is much literature largely discussing corporate social responsibility by large corporates. However, to this end, besides their immense contribution to the economy, SMEs are underrated and overlooked in respect of CSR. There is a general thought that research on corporate social responsibility for SMEs have been undermined by the assumption that SMEs has little or no opportunities to practise social responsibility since large organisations bulldoze their way into the limelight and exploit the benefits thereof.

However, Thompson and Smith (1991) argued that "SMEs have gained the reputation of being less capable of fulfilling social responsibility than large corporations. While the

writers concede that the magnitude of resource investments or contributions by SMEs may be small, and the visibility of their social actions less conspicuous, when compared to big business, they maintain that an enlightened view of social responsibility suggests that small business social actions are only limited by the imagination of small business owner-managers”.

This study attempts to answer questions such as: what are the barriers that deter SMEs from practising CSR? How do SMEs define CSR? and what motivates SMEs to practise CSR? The purpose of this study is to address such questions as above by investigating CSR on Sustainable Growth of wholesale and retail SMEs in the EThekweni Municipal region.

Therefore, the significance of this study in light of the limited research conducted on CSR for SMEs in EThekweni Municipal region as compared to large corporations is to provide a meaningful and expansive contribution to the body of knowledge on CSR for SMEs in and around South Africa. The study will assist in creating awareness of the responsible business and moral reasons to practise CSR and the associated benefits from CSR, not only amongst the surveyed wholesale and retail SMEs but all SMEs in general. In addition, it is expected that the research findings, recommendations and the proposed model will cascade down to wholesale and retail SMEs and SMEs in general through the Durban Chamber of Commerce as a way of assisting SMEs to engage more in CSR.

## **1.5 DEFINITION/CLARIFYING CONCEPTS**

In line with this research study, there is a need to clarify three concepts, namely, sustainable growth, attitude and perception.

### **1.5.1 Definition of Sustainable growth**

From the finance point of view, Tyrväinen (2014) commented that the sustainable growth rate in a business is the maximum growth rate a business can achieve without having to increase its financial leverage or debt financing. This implies that it is the maximum growth rate that can be achieved given the company's profitability, asset utilization, dividend pay-out and debt ratios.

Sustainable growth, in general, means the balance between the rate of growth of a business and all the facets of the business. The business must maintain a growth rate without disadvantaging or creating other significant economic problems, especially for future generations (Ostry, Berg and Tsangarides 2014). The future generation refers to a business considers the effects of its growth on its employees, community and the environment. It has been established through research that there is a direct *trade-off* / or *interchange* between rapid growth and growth in the future. There are amassable chances that rapid growth today may exhaust resources and create environmental, employee and societal problems for future generations, including the depletion of oil and fish stocks and global warming (Ball 2014).

Tyrväinen (2014) look at sustainable growth from a finance point, which is arguably not conclusive as it fails to encompass all factors that concern sustainable growth. Ostry, Berg and Tsangarides (2014) argued for generalising sustainable growth using the word 'balance' between growth and all business facets. However, in simpler terms and with reference to a business and noting Ball's (2014) explanation, sustainable growth is the credibly achievable growth that a company could retain without encountering some problems. Often-times, a business that grows too quickly may find it difficult to fund the growth. A business that grows too slowly or not at all may stagnate.

### **1.5.2 Attitude and Perception**

Attitude has been defined from different angles of expertise including the social sciences and management sciences where some experts such as Bartikowski and Walsh (2015) suggest a definition where they assert that attitude is a predisposition or a tendency to respond positively or negatively towards a certain idea, object, person or situation. Furthermore, the scholars explained that attitude influences an individual's choice of action and responses to challenges, incentives and rewards (together called stimuli). Along the same line of thought, Aruna (2016) stated that attitude is a manner of thinking, feeling or behaviour that reflects a state of mind or disposition. It refers to the way a person views something or tends to behave towards it, often in an evaluative way. However, not diverting much from what has been said above, the researcher's view agrees with Luttrell, Petty and Briñol (2016) that attitude is an individual's position and feeling with regard to a person or thing.

Taking a look at perception, a reputable social theorist Hagenaars (2014), defined it as “A way in which something is regarded, understood or interpreted. A stand point/position on the way you think about or understand a subject, someone, concept or something.”

However, collective research by a number of academics on attitude and perception saw Aruna (2016) explaining that perception is how one sees things. It could be objective, as in I perceive this to be a rainy day. Or it could be subjective; I perceive this to be a lousy day due to the weather. But it all boils down to how one sees the world. The attitude is reflected in one’s behaviour towards the way they perceive things, i.e., because I perceive it to be a lousy day, I am going to complain to anyone who will listen. So what you see through your own personal glasses (unlike anyone else’s) and attitude is how you react to your perception and show the world what you think about what you have seen.

In support of using the two words interchangeably, medical science researchers (Allport 1935) defined an attitude as “A mental or neural state of readiness, organized through experience, exerting a directive or dynamic influence on the individual’s response to all objects and situations to which it is related. A simpler definition of attitude is a mind-set or a tendency to act in a particular way due to both an individual’s experience and temperament.” Conclusively, Lindsay Peter and Norman Donald (1977) agreed that perception is closely related to attitudes by narrating that “Perception is the process by which organisms interpret and organize sensation to produce a meaningful experience of the world. In other words, a person is confronted with a situation or stimuli.” Haring (2014) pointed out that the person interprets the stimuli into something meaningful to him/her based on prior experiences. However, what an individual interprets or perceives may be substantially different from reality.

Considering all the contributions from different authors and researchers above, it is the researchers’ opinion that there is a thin line between the two words which is why most people use them interchangeably. To this end Lindsay Peter and Norman Donald (1977) agree that the two words are closely related, but Haring (2014) argues in his explanation that a perception is not always reality.

Nonetheless, the researcher suggests that besides the scientific definitions of the two, how one perceives a concept or world at any given time is important. It is vital to one’s behaviour towards that thing. If one perceives someone is out to get one, one’s attitude will reflect that and one will behave accordingly. If one perceives CSR is beneficial to business, naturally one’s attitude will be more positive and one’s behaviour will be CSR

inclined. Perception leads to attitude, which affects behaviour and which in turn creates either a positive approach or negative approach to the concept. Based on the views and arguments of the academics above, this study shall adopt the two words and will use them interchangeably where applicable in an effort to solicit and present critical information throughout the research.

## **1.6 SCOPE OF THE STUDY**

This study is confined to wholesale and retail SMEs registered with the Durban Chamber of Commerce in the EThekweni Municipal region. Furthermore, the study will not include wholesale and retail SMEs in other provinces, since the whole research study will become too expanded and geographically tiresome to carry out a conclusive study. It is of importance to note that the study will consider a business to be an SME and should be not less than 20 and no more than 200 employees. CSR is a vast concept which cannot be entirely exhausted in a single research study because businesses can engage in any of the various forms of CSR. However, for the purposes of this study, the focus is primarily directed to wholesale and retail SMEs' social responsibility with respect to the environment, community and their employees.

## **1.7 RESEARCH OUTLINE**

**Chapter two** is a critical literature overview aiming to examining literature from different sources for and against corporate social responsibility as a concept and practice by SMEs in general. The discussion will be mainly focused on the existence, adoption, implementation and practice of CSR outside the borders and inside the boundaries of South Africa. The chapter also looks at the interface between CSR and the success of the business. It also establishes the role of CSR on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region in particular. The overview shall include examining literature under the research objectives as the main themes of the study. **Chapter three** examines the theoretical framework on which this study bases its concept of CSR. The chapter critically examines fundamental linkages that exist between CSR as a practice and Stakeholder theory, the drive and socio-economic factors that CSR address in business. Progressively, it further analyses the ambiguity of 'social community' when seen as something 'singular' or 'plural'; Stakeholders' changing action modes; a panoptic analysis of Stakeholder theory; descriptive Stakeholder theory; instrumental Stakeholder theory; is Stakeholder theory normative in nature?; how are the different Stakeholder theory

approaches related?; an in-depth analysis of Stakeholder theory; false evidence in Stakeholder theory; the ethical foundations of Stakeholder theory; strengths of Stakeholder theory; criticism of Stakeholder theory and link between Stakeholder Theory and CSR. **Chapter four** is a detailed discussion of the research methodology adopted in this study. **Chapter five** present, interprets the results of the survey and interviews by the owner-managers of wholesale and retail SMEs in EThekweni Municipal region. The results are discussed and contextualised in relation to the literature and other similar surveys carried out on the same concept. **Chapter six** mainly feature a detailed summary of key findings of the study survey, interviews and literature review. Recommendations are provided and a model is proposed that wholesale and retail SMEs can adopt to further their engagement in CSR. Finally, the chapter concludes with an outline for future areas of research.

## **CHAPTER TWO**

### **CORPORATE SOCIAL RESPONSIBILITY**

#### **2.1 SMEs BACKGROUND**

This chapter will carry out an assessment on SMEs and an in-depth analysis on the concept of CSR.

Amran (2009) contend that CSR is a business management concept that originated in the early 1930s after the Wall Street crash of 1929 exposed CSR in large organisations. Since then, social responsibility has continued to be the focus of business operations and a popular topic of investigation for practitioners and academics from a range of disciplines.

However, whilst the primary interpretation of CSR has been tailored and polished since it was first used, the significance of this multidimensional concept for the SME retail sector or SME sector has continued to be overshadowed by its application to large and multinational organisations Nejati (2009). Due to relatively little thought being given to CSR in relation to SMEs until recent years, the knowledge of social activities in this sector, particularly in Africa, has remained unexplored and nebulous. This study therefore investigates CSR from the perspective of wholesale and retail SMEs in the EThekweni Municipal region of South Africa (Masemola 2014).

The aim of this research is to explore CSR on Sustainable Growth a case of wholesale and retail SMEs in EThekweni Municipal region in South Africa. From the literature review, arguments are analysed to determine which investigations would contribute to developing a holistic understanding. The chapter will further concentrate on the concept of CSR, attitude levels of SMEs towards CSR, practise of CSR by SMEs, values of SME owner managers in relation to sustainable growth of wholesale and retail SMEs and barriers to the practise of CSR by SMEs.

The increased understanding of the CSR orientation of SMEs in the wholesale and retail industry obtained by investigating these areas will assist in shedding more light on the use of Stakeholder theory for explaining the SME–CSR relationship in **Chapter Three**.

## **2.2 SMALL AND MEDIUM ENTERPRISES DEFINED**

In Australia, an important early study of the performance and difficulties of small businesses was completed by the Wiltshire Committee in 1971. It defined a small business as one in which one or two persons are required to make all the critical management decisions: finance; accounting; personal; purchasing processing or servicing; marketing; selling without the aid of internal specialists; and with specific knowledge in only one or two functional areas (Subramaniam and Moslehi 2013). In Thailand Chittithaworn (2011) established that an enterprise is defined as an SME based on the value of assets or number of full-time employees. However, a more accepted and utilised quantitative definition of the Australian Bureau of Statistics (ABS 2002) is that small businesses are companies with less than 20 employees and medium businesses are companies with less than 200 employees (Kuruppu, Mukheibir and Murta 2014).

The Statistical Centre of Iran classified enterprises into four groups, namely enterprises with 1-9 workers; enterprises with 10-49 workers; enterprises with 50-99 workers; and enterprises more than 100 workers. The Statistical Centre of Iran considers only enterprises with a workforce of less than 50 as small and medium enterprises (Azimzadeh 2013). Ng and Kee (2012) noted that in Kenya SMEs are enterprises employing between 11-100 employees.

In support of the determinant factors of what builds up an SME, Nkonoki (2010) summarised all the views by quantifying the view that while the definition of what constitutes an SME varies, it is generally based on the number of employees and financial turnover.

However, the South African National Small Business Act No 102 of 1996 classifies medium enterprises as those employing over 50 people and up to 200, with a total annual turnover of less than 40 million Rand (Nieman 2001). Small enterprises are those employing between 20 and 50 people, with a total annual turnover of less than 10 million rand. This is presented in Table 2.1 below.



**Table 2.1: SME definition on the basis of employee numbers**

<b>Size or class</b>	<b>Total full-time equivalent of paid employees Less than</b>	<b>Total annual turnover Less than</b>	<b>Total gross asset value (fixed property excluded) Less than</b>
Medium	200	R40.00 m	R15.00 m
Small	50	R10.00 m	R 3.75 m
Very small	20	R 4.00 m	R 1.50 m
Micro	5	R 0.15 m	R 0.10 m

Source: <http://www.beesknees.co.za/startup/smallbusiness.htm> (accessed on 14 December 2014)

Furthermore in view of the Republic of South Africa National Small Business Act of South Africa of 1996, as amended in 2004, described an SME as a separate distinct entity including cooperative enterprises and non-governmental organizations managed by one owner or more, including branches or subsidiaries if any is predominately carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards and that can be classified as an SME by satisfying the criteria mentioned in the schedule of size standards (Olawale and Garwe 2010).

To summarise the contributions, there is no distinct definition of an SME. Different authors and researchers provide subjective definitions because the concept varies from country to country and from, sector to sector. Researchers have different views on the definition. Ng and Kee's (2012) definition is different from Subramaniam and Moslehi's (2013) who highlighted a definition which is accepted in Australia. However, the definition is different from most researchers who base their definitions on size and turnover. It is common that an SME definition cannot be particularised to a specific field or trade, but as a public notion, the definition must not miscue at least the two determinant factors, which are maximum annual turnover and number of full-time employees. It is important to point out that the SME sector includes a wide range of enterprises. There are major differences between medium-sized enterprises on the one hand and very small or micro-enterprises on the other. The primary focus of this research

is on small and medium-enterprises rather than on the micro-sector, and the acronym 'SME' is thus used throughout.

From the above literature review, the different definitions provided by previous researchers leave a gap for further study as to what exactly applies to a business regarded as an SME. However, for the purpose of this study the definition of an SME will be adopted from the Republic of South Africa Small Business classification that bases on the number of employees in this case, the number of employees is between 20 and 200, with a total annual turnover of not more than R40m. In an effort to unearth SMEs as a household name that has a significant pattern in most economies, it is essential to view some of the issues that build up to the definition.

## **2.3 THE IMPORTANCE OF SMES IN THE ECONOMY**

Governments worldwide identify the importance of SMEs and their input to economic growth, social cohesion, employment and local development. SMEs form the majority of businesses in most countries and are crucial for the following reasons:

### **2.3.1 Entrepreneurial activity drives economic growth**

In Baumgartner, Gelbmann and Rauter's (2013) contributions in literature where they discussed that the most competitive nations are those that have the highest level of entrepreneurial activity. Small and medium size businesses tend to be the greatest creators of jobs and collectively, the greatest creators of wealth in emerging economies. In 1790, 90 percent of the United States population was self-employed, a fact that is commonly thought to have been a major factor in the building of the world's largest economy.

However, with that (Baumgartner, Gelbmann and Rauter 2013) in mind, (Brown-Liburd and Zamora 2014) agree and explained that many of today's most impactful global corporates began as small entrepreneurial ventures in America at about that time. In South Africa, as in other emerging economies, these potentially transformative entrepreneurial entities must be identified and nurtured now.

## 2.4 CHALLENGES AND CONSEQUENCES FACED BY SMEs

SMEs play a crucial role in almost all economies but particularly in developing countries, with major employment and income distribution challenges. The creation and sustainability of new SMEs are vital to the economic prosperity of a country or else it risks economic stagnation (Fatoki 2014b).

Reginald and Millicent (2014) statistically pointed out that SMEs account for roughly 91 percent of formal business entities, contributing between 51 percent and 57 percent to the GDP and 60 percent of employment in South Africa.” The contribution by SMEs to South African GDP is unquestionable. However Cant and Wiid (2013) iterated the fact that EThekweni Municipal region SMEs fail in spite of support from government and private initiatives that support and develop small businesses. SMEs experience problems not only during economic downturns but also during economic progress. According to Fatoki (2014d), the failure rate of these SMEs even when support is available has led to high unemployment rate and crooked economic growth trends. In addition, Castells and Himanen (2014) shared the view by noting that many small businesses within South Africa do not make it past the second year of trading, with failure rate as high as 63 percent.

A comment on the issue by Reginald and Millicent (2014) outlined challenges to the growth of small businesses include lack of management skills, poor networking, high labour costs, crime and inaccessibility to finance. A few years ago, the interest rate was more than 18 percent which had a significant impact on consumers and businesses alike in terms of spending power. Since the economic slowdown from 2008, interest rates worldwide dropped with some countries having a 1 percent interest rate and South Africa standing at a prime rate of 7 percent - the lowest in decades. Even though these rates were subtly in favour of business, one way or the other, wholesale and retail SME in EThekweni Municipal region were still found fighting for survival.

Ngary *et al.* (2014) strongly argued that, “Lack of business skills is attributed to failure of business owned by young people unlike the need for capital, which is common to everyone who is self-employed.” Managerial competencies also prove to be a thorn in the flesh for they play an imperative role in the survival and growth of new SMEs (Hove, Sibanda and Pooe 2014). Shinozaki (2012) subscribes to the same notion that the lack of

managerial experience and skills are the main reasons why new firms fail. Furthermore, he explained that in South Africa a lack of education and training has reduced management capacity in new firms. This is one of the reasons for the low level of entrepreneurial creation and the high failure rate of new ventures.

Hove, Sibanda and Poee (2014) side-lined all other challenges and use the Resource Based Theory to demonstrate the financing needs of an entrepreneur, they state that Entrepreneurs need resources such as fixed assets and working capital to be able to achieve a competitive advantage in the market. A far-reaching suggestion by Lekhanya and Mason (2014) who suggested that though SMEs are expected to have assets in order for them to be competitive, most new SMEs in EThekweni Municipal region are not utilising or aware of government efforts to assist them through such institutions as Khula Finance Enterprise and Small Business Development Agency (SEDA).

Due to the high incidents of crime, businesses are incurring huge costs to safeguard not only goods but customers as well. In addition, SMEs in EThekweni Municipal region, as is the case all over the world, have to pay registration and licenses fees and pay taxes as part of government legislation, which has a significant impact on the sustainable growth of SMEs in the country (Beck and Cull 2014).

Nevertheless, SMEs in EThekweni Municipal region play an essential role in the development of South Africa's economy and have become the primary source of job creation. SMEs in EThekweni Municipal region are faced with a variety of exogenous and endogenous variables, which are not only affecting its day-to-day business but its long term success and survival Poee (2014). Hove and Sibanda (2014) and the other researchers above seem to have one train of thought, where resources in the form of finances is the main challenge. Notably, financing is needed for small firms to start and expand operations, develop new products and invest in new staff or production facilities. The perceived lack of support, especially by government, is another obstacle to the development of entrepreneurship in the EThekweni Municipal region. The South African government is committing a great deal of effort to support entrepreneurship. Since most new entrepreneurs do not have the necessary capital to start a business, government support becomes very critical. Unfortunately, most entrepreneurs are not aware of these government programmes which are specifically designed to help them. There is little

information on the types of financial products available to entrepreneurs, as well as the procedure to apply for these products.

## **2.5 WHAT DO SMEs NEED TO SUCCEED?**

According to Carlisle (2013), the globalisation of business has momentarily transformed SMEs into global value chains through diverse types of cross-border activities. Many entrepreneurs are recognizing the opportunities that this process offers and gaining access to global markets has turned out to be a strategic instrument for their further development. Nel, Binns and Bek (2013) pointed out that access to global markets for small businesses can offer a host of business opportunities, such as fat and new niche markets; possibilities to exploit scale and technological advantages; upgrading of technological capability; ways of spreading risk; lowering and sharing costs, including R&D costs; and in many cases, improving access to finance. In light of the above contributions, Mahembe (2011b) contends that gaining access to global markets can assist prospective high-growth firms to realize their potential and is often an essential strategic move for SMEs with large investments in intellectual property.

Bischoff and Wood (2013) raised the issue that in order to prosper, wholesale and retail SMEs in EThekweni Municipal region need a conducive business environment and regulations; adequate basic infrastructure services; access to short and long-term funding at reasonable rates; equity and venture capital; advisory assistance; and knowledge about market opportunities. They typically suffer from weak entrepreneurial skills as well as deficiencies in accounting, production management and business planning. According to Thomas (2013), as SMEs grow, they increasingly need connectivity to export markets and the world economy. So far, the lessons of international experience show that very few government and donor initiatives have succeeded in implementing sustainable strategies for SME development.

In consideration of the Stakeholder Theory, Afsharipour and Rana (2014) purport that to succeed, sustainable SME development will require concerted efforts amongst the Stakeholders concerned, including commercial and rural banks; leasing companies and equity providers; consulting and training firms; internet providers, as well as local business associations.

Considering Bischoff and Wood (2013) and Mahembe's (2011b) contributions, the researcher's view in the same context of identifying a conducive environment in which SMEs can sail to success without much bruising, provincial municipalities' and government's role in the process should be limited to providing an enabling environment for private sector development, correcting potential market failures and creating a level-playing field that will allow SMEs to compete with their larger counterparts on an equal basis. Governments do not have the finances or the ability to get directly involved in economic activities such as SME financing and service provision. Emerging international experience demonstrates that government is not the appropriate vehicle to implement and coordinate such efforts, consequently, public-private partnerships for SME development are a critical element for the success of these efforts.

## **2.6 GENERAL BACKGROUND TO THE GROWTH, SURVIVAL AND FALL OF SMEs IN SOUTH AFRICA**

The study shows that crime is the leading macro-environmental variable affecting South African SMEs. To support SMEs in their bid to grow, some of the following should be taken into consideration:

- Training programmes and workshops targeting SMEs should incorporate the key variables identified in order to be focused and specific on the problems experienced by South African SMEs, as well as to allow for practical application of concepts and procedures (Blankestijn, Tiggeloove and Snijders 2014).
- Associations and representative bodies should be formed which focus on key variables such as crime prevention tips and methods (Breetzke, Landman and Cohn 2014).
- Negotiations should be conducted with local government to increase its role in supporting SMEs according to the specific key variables identified (Delchet-Cochet and Vo 2012).

To salvage themselves from closing their doors for business, the marketing of SMEs should include aspects of the 'Proudly South African' initiative and also the endorsement of supporting local SMEs. Furthermore, in order to cope with the trials and tribulations

that pave the entrepreneurial journey, entrepreneurs must have an innate frustration at normality and a strong belief that they can meet the demands and offer beneficial products and services to their Stakeholders according to the Stakeholder Theory.

## **2.7 CORPORATE SOCIAL RESPONSIBILITY (CSR)**

### **2.7.1 Definition of CSR**

The European Commission (2011) defines the concept 'corporate social responsibility' as a concept where organisations incorporate social and environmental concerns into their business operations and in their interaction with their Stakeholders on a voluntary basis (Mutti 2012).

Revathy (2012) argues that "Corporate social responsibility is concerned with treating the Stakeholders of the firm ethically or in a responsible manner. Stakeholders exist both within a firm and outside. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation".

However, in the South African context, the most acknowledged definition was made available in the King Report of 2009 which defines corporate social responsibility as a well-managed organisation that is aware of and responds to social issues, placing a high priority on ethical standards (Pless, Maak and Stahl 2012). In fact, Baron (2001) commented that he views CSR as an ill- and incompletely defined concept. Furthermore, Cheng, Ioannou and Serafeim's (2014) literature defined CSR as a concept whereby companies integrate social and environmental concerns into their Stakeholder business operations and in their interaction with their Stakeholders on a voluntary basis. Generally, according to the Stakeholder Theory, it is all about open and transparent business practices based on ethical values and respect for Stakeholders and the environment, which will contribute to the sustainable growth of an SME business (Tennyson, Serafin and Venables 2003).

Farina and Chambel (2014) state there is no justice in the above statements as they view CSR as operating a business in a manner that meets or exceeds the ethical, legal,

commercial and public expectations that society has of business. They gained support from Kenya by Muthuri and Gilbert (2011) who also view CSR as operating a business in a sustainable manner that satisfies the ethical, legal and community well-being.

In an effort to fuse the slight differences in the contextualisation and practices of corporate social responsibility by authors, Benn (2004), Dunphy and Griffiths (2014) collectively agree that corporate social responsibility is the commitment of business contributing to sustainable economic development and working with Stakeholders to improve their quality of life.

Chandler and Werther Jr (2013) authoritatively contend that there are trivial differences germinating from researchers and authors about CSR, whereby definitions are driven from the way authors contextualize CSR. While in essence, CSR is an evolving concept that currently has various acceptable definitions. Turyakira, Venter and Smith (2014) added that the multiple definitions are in part, an evidence of a rather complex and multi-dimensional nature of CSR, worse enough its implementation and practices in different countries. A single term CSR has also been referred to under a number of different phrases (connotations), namely corporate citizenship, corporate philanthropy, corporate giving, corporate community involvement, community relations, community affairs, community development, corporate responsibility, global citizenship and corporate societal marketing. Some define corporate social responsibility from the economic point of view of the business, while some adopt from the environmental, ethics, legal, and some from the humanitarian or philanthropy mindset Turyakira, Venter and Smith (2014).

Conclusively, from all these different perspectives, there is need for a common ground that CSR is about doing business sustainably and ethically, as well as treating or addressing Stakeholder concerns responsibly. Therefore, for the purposes of this research, CSR is the commitment of a business entity to its employees, community and environment for the purposes of maintaining sustainable living standards. This definition embraces all the elements that are generally included in CSR, such as the community, the environment, human rights and the treatment of employees. Whereas some of these elements relate to social dimensions, others focus on Stakeholders (e.g., community involvement, treatment of employees and their families). As such, this definition is consistent with Development (2004) and Benn, Dunphy and Griffiths' (2014) multidimensional notion of CSR incorporating the work of Revathy (2012), who reviewed



various definitions of CSR and found that the Stakeholder and the social dimensions receive exactly the same attention based on frequency counts in research studies.

The inclusion of Stakeholders according to the Stakeholder Theory within the remit of CSR no doubt paramount, especially given that the frontier between Stakeholder management and CSR is not clear cut.

For example, Jensen (2001) argued that anyone who can potentially benefit from its engagement with the firm is a Stakeholder, which includes issues related to community, government, employees and their families.

The above CSR definition is in line with that of Freeman (2010) whose definition of a Stakeholder is any group or individual who can affect or is affected by the achievement of an organization's purpose.

In an effort to limit and streamline the research to elements considered as Stakeholder such as the community, this research study further dissects the proposed definition by the World Business Council for Sustainable Development (WBCSD 2004) to look at CSR from the Stakeholder involvement point of view. Khoury, Amer and Khalaf (2014) in respect of the Stakeholder Theory, agreed that CSR is the overall relationship of the corporation with all its Stakeholders and these include customers, employees, communities, owners/investors, government, suppliers and competitors. In addition, elements of social responsibility in this context will include investment in community outreach, employee relations, the creation and maintenance of employment and environmental stewardship.

CSR remains a broad, complex and continually evolving concept that encompasses a variety of ideas and practices. Practice has so far primarily been concentrated on large multinational enterprises. However, its wider application in SMEs is of central importance, concerning their contribution to the economy, employment performance and general contribution to the economic development of society (Kechiche and Soparnot 2012a). Therefore, based on the above comments by different researchers, the term 'corporate social responsibility' (CSR) is used in this study to refer to the social, environmental and economic attitudes and practices adopted by firms towards Stakeholders.

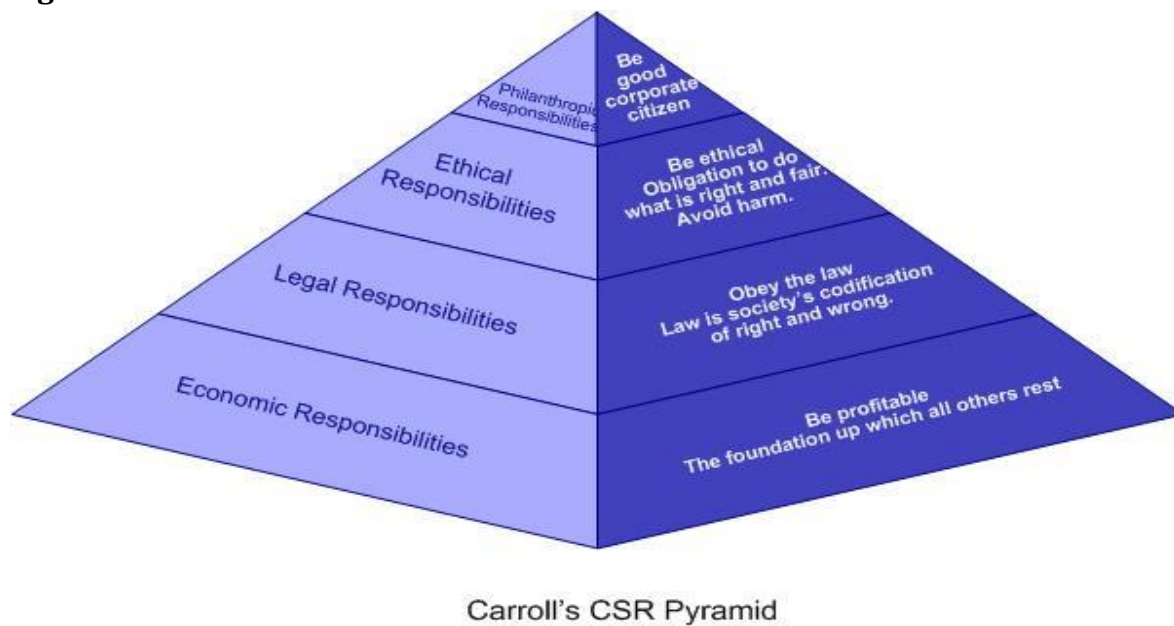
### **2.7.2 Corporate Social Responsibility (CSR) History**

Secchi (2007) and Lee (2008) reported that the definition of CSR has been changing in meaning and practice in view of Carol's 1996 CSR pyramid. The classical view of CSR was narrowly limited to philanthropy and then shifted to an emphasis on business-society relations, particularly referring to the contribution that a corporation or firm provided for solving social problems.

The concept of CSR first emerged in the 19th century in Great Britain (Asongu 2007). However, around the 1960s, it was the United States which experienced growing interest in CSR. Being the chief architect of the neo-liberal economic model, the responsibility to deliver social services such as pensions and medical are primarily performed by the corporate sector (Vogel 2006). On the historical developments, Moon (2012) agreed that the scope of CSR was widened in the 1980s, which integrated corporate objectives with the social responsibility of business thereby making it responsible to care for the environment, employees and also make good profits. However, according to Inoue and Kent (2014), the globalisation of the economy further highlighted the importance of corporate responsibilities in other developed countries of the world.

In the 1990s, Peter Drucker and many other authors propagated CSR as a part of corporate strategy (Moon 2012). Carroll (1991) presented a more systematic sequence of the development of CSR in his model as a pyramid which is shown in Figure 2.1 Carroll demonstrated that all these responsibilities have always existed to some extent, but it was only recently that ethnic and philanthropic dimensions have emerged as a very integral part of business (Sharma, Sharma and Kishor 2013).

**Figure 2.1: Carroll's CSR Model**



Source: Carroll (1996)

Carroll and Shabana's (2010) authority that the term corporate social responsibility is still widely used, even though related concepts such as sustainability, corporate citizenship, business ethics, Stakeholder management, corporate responsibility and corporate social performance are vying to replace it. In different ways, these expressions refer to the ensemble of policies, practices, investments and concrete results deployed and achieved by a business corporation in pursuit of its Stakeholder interests.

## **2.8 CSR MULTIDISCIPLINARY ACTIVITIES TOWARDS SUSTAINABLE GROWTH OF WHOLESALE AND REATIL SMEs**

### **2.8.1 Workforce-oriented CSR activities**

Workforce-oriented CSR activities refer to those activities aimed at improving the working conditions of workers by offering training and staff development; creating equal opportunities and diversity; and helping workers to maintain a work-life balance (Mayes, McDonald and Pini 2014). Dhaliwal (2012) maintain that the measures of workforce-oriented CSR activities are based on health and safety systems; systems for employee training and development; equal opportunities policies; systems for good employee

relations; and systems for job creation and security. Motivation and retention of employees are key drivers and main focus areas of CSR initiatives within SMEs (Melo and Garrido-Morgado 2012).

In a survey of European SMEs, Jo and Harjoto (2012) found that between 86 per cent and 95 per cent of Austrian businesses revealed that being a role model for employees by providing equal treatment to employees, a fair salary structure and honest contracts is an important workforce-oriented CSR function. Ioannou and Serafeim (2014) contend that businesses that implemented workforce-related CSR activities experienced a positive financial impact. Apart from the direct financial impact, businesses indicated that workforce-oriented CSR activities have a positive impact in relation to their reputation and ability to attract and retain employees. This outcome of CSR activities has a positive influence on the long-term competitiveness of SMEs.

Furthermore, a survey of Malaysian SMEs by Tonin and Vlassopoulos (2013) showed staff training to be one of the most important investments made by businesses to increase the value of their human capital. Skilled employees are likely to be more efficient in carrying out their duties, which results in high quality output and waste reduction. This will directly increase business sales, market share, profit, and growth. Thus, a highly skilled and trained workforce is a key resource in effective competitiveness since employees' knowledge and experience are unique intangible business assets. In a similar survey of the UK-wide study of socially responsible SMEs revealed that businesses which improved the work-life balance of employees or provided excellent training and development opportunities gained a competitive advantage in terms of increased market share (Mackenzie and Peters 2014)

Wholesale and retail SMEs in EThekweni Municipal region are encouraged to continuously improve the skills of their employees through training and retraining, provide a safe and conducive working environment, responsible and fair remuneration, and offer their workforce flexible working hours. This will provide their employees with greater motivation and a sense of job security, thereby gaining and retaining a competitive advantage.

### **2.8.2 Society-oriented CSR activities**

According to Homburg, Stierl and Bornemann (2013), Society-oriented CSR activities refer to those activities aimed at community, sports, health and well-being, education, support to low income groups and community participation. These activities are viewed as support for social and cultural community activities, as well as community development and other related issues. The main popular CSR activity is support for sporting activities and is the preferred activity amongst SMEs in nearly all the countries, both in Europe and Africa. Similarly, SMEs appear to be to most active in supporting sporting, health and cultural activities in Latin America.

Calabrese (2013) argued that Society-oriented CSR activities as important to SMEs, namely financial and in-kind (material) donations; volunteerism; education of the public; support of various kinds for the local quality of life (e.g. sports, culture, etc.); and collaboration with local schools, authorities and various organisations.

However, to sum up the above, Manasakis, Mitrokostas and Petrakis (2013) held the view that SMEs depend on the health, stability and prosperity of the communities in which they operate. The reputation of a business at its location, its image as an employer and producer, but also as an actor on the local scene, certainly influences its competitiveness.

In the researchers' view, SMEs are not in isolation from the community they operate in. Therefore Lizarzaburu (2014) strongly suggested a paradigm shift on the way SMEs view the society. His suggestion was mainly targeted at a two-way relationship where the community and the business view each other as partners. Cruz (2013) agreed and explained that Society-oriented CSR activities have a significant positive influence on the increased competitiveness of EThekweni Municipal region wholesale and retail SMEs. According to Cruz (2013), this means that a business which voluntarily participates in local community activities, such as providing the community with donations, assisting them with projects and sharing some of its profit with the community, is more likely to become competitive in the long run. Therefore, SMEs should take an interest in the overall well-being of the community by engaging in local community activities such as giving the community donations of necessary funds and goods, awarding grants to children for outstanding scholastic performance, and assisting the community with general development projects (e.g., health care and sports) in order to build good community relations and thereby enhance their competitiveness (Rahim and Wisuttisak 2013).

### **2.8.3 Environmentally-oriented CSR activities**

Environmentally-oriented social responsibility activities refer to the instrument or measures a business can take to diminish its negative impact on the natural environment, such as the ecological and economic use of natural resources; energy and water conservation, recycling; using environmentally friendly packaging; and pollution control waste reduction. The most important environmentally-oriented corporate social responsibility activities concern the consumption of materials and energy, and the handling of pollution and waste in the most environmentally friendly approach. Environmentally-oriented social responsibility activities are generally aimed at designing environmentally friendly products or production processes or being actively engaged in recycling activities (Holbrook 2014).

Supanti, Butcher and Fredline (2014) observed that environmentally oriented CSR activities had a positive impact on their business reputation, which in turn influenced their competitiveness. A survey of local SME owners/managers in the Nelson Mandela Bay region in South Africa revealed a positive relationship between embracing environmentally-oriented CSR activities and increased competitiveness in terms of profitability. Customers find it desirable to associate themselves with businesses and products that are eco-friendly. Hence, businesses that are environmental stewards stand to gain many satisfied and loyal customers.

When it comes to environmental sensitivity, there is a significant positive relationship between regulated CSR activities and the increased competitiveness of SMEs. This implies that if a business applies government regulations about the environment outside what the law requires and uses packaging materials that are environmentally friendly, it is more likely to be well known among its Stakeholders and become competitive in the long run. Taylor, Bowen and Ryu (2014) stated that SMEs should consult with government on the CSR initiatives that are most beneficial to important Stakeholders and the business. SMEs should also focus on the use of environmentally-friendly packing materials that are at the end of the day cost-effective in order to advance their image and enhance their competitiveness (Shepherd 2014). However, according to Kulkarni and Rao (2014), whilst corporate social responsibility has progressed to be a trendy topic of investigation since the early 19th century, it has gained momentum in recent years as academics and

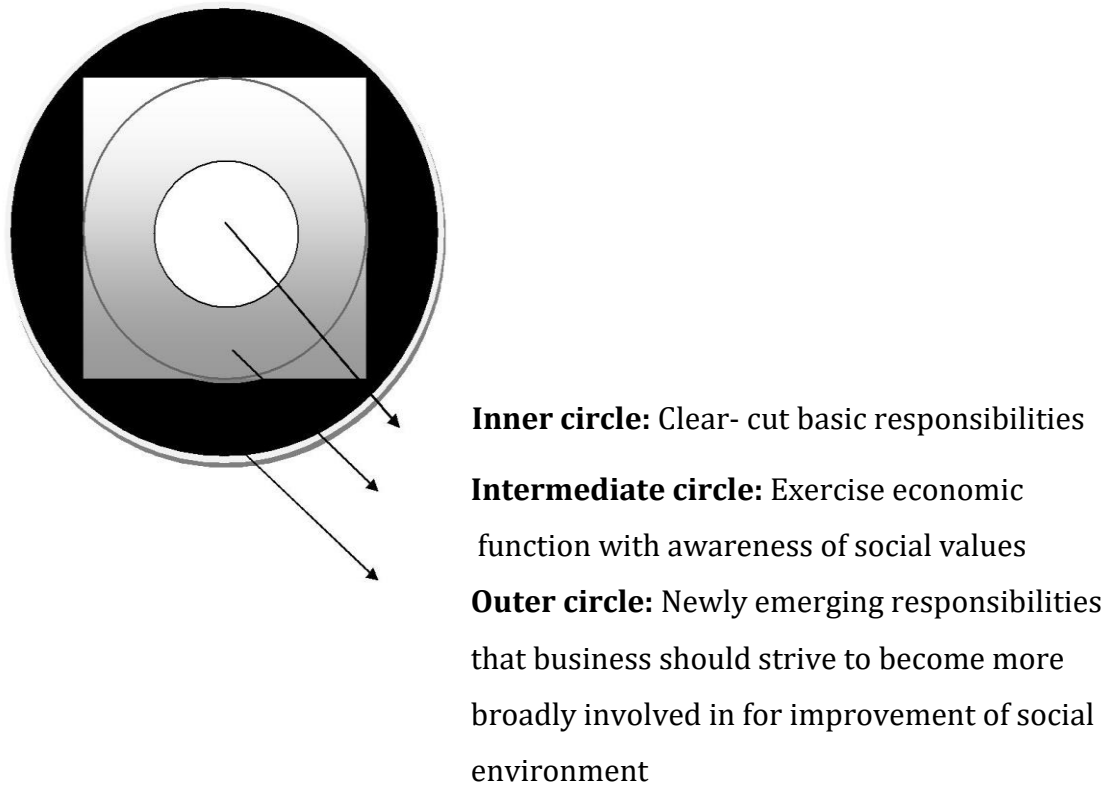
practitioners began recognising the social and environmental impact of SMEs on society. Since large organisations have always been focusing on CSR studies, socially responsible activities in the SME retail sector are often ignored and misjudged. These judgements germinate from a range of unfounded assumptions derived from large organisations. As a result, the social responsibility approach of SMEs has, until recently, remained largely unexplored (Pless, Maak and Stahl 2012).

With regard to the statements above, Zeng (2014) argues that CSR, instead of being a persistent concept in business management, has been predominantly investigated at the level of the large corporate. As a result, several authors are sceptical about the application of traditional CSR concepts for the investigation of social activities in SMEs. This justifies the need to develop a holistic understanding of the characteristics of SMEs.

If a business implements government regulations about the environment beyond what the law requires and makes use of packaging materials that are environmentally friendly, there are greater chances of the SME business being well known amongst its Stakeholders and becoming competitive in the long run. Hence, wholesale and retail SMEs in EThekweni Municipal region should consult with government on the CSR initiatives that are most beneficial to important Stakeholders and the business. SMEs should also focus on the use of environmentally friendly packing materials that are cost-effective in order to improve their image and enhance their competitiveness.

Shin (2014) establish that one of the most vital contributions to the definition of CSR was made by the Committee for Economic Development (CED). The CED articulated a triple concentric model of the concept. The inner circle shows the clear-cut basic responsibilities for the efficient execution of economic functions like productivity, job and economic growth reflecting the notion of 'business responsibility'. The intermediate circle encompasses the responsibility of the economic function with regard to changing social values and priorities such as environmental conservation, employee relations and more rigorous expectations of customers for information, fair treatment and protection from injury. The outer circle outlines emerging and still amorphous responsibilities that the business should assume to become more broadly involved in actively improving the social environment. A presentation of the CED model is made below.

**Figure 2.2: CED model of CSR**



Source: Adapted from Carroll (1999)

Carroll describes the CED model as ‘a landmark contribution to the concept of CSR’ which illustrates the changing relationship between business and society (Carroll 1999).

Following up on SMEs, Carroll’s (1999) model in essence states that business is expected to assume wider responsibilities in the society than ever before and to serve a broader range of community values. EThekwini SMEs, in effect, are also expected to contribute more to the quality of societies they operate in than just supplying quantities of goods and services. In as much as SMEs exist to serve society, its life and future will definitely rely on the quality of management’s response to the changing expectations of the communities. The owner-manager’s values play a very important role in response to societal needs.

According to Dillon, Back and Manz (2014), even though the model shows an integrated approach to CSR with business, employees, society and its environment, it still fails to explain how companies can retort to show their responsiveness. This shift in the paradigm of CSR from ‘the philosophical and moral obligation’ (CSR1) to ‘the managerial



and organizational action' (CSR2) was later documented by Hoffman, Frederick and Schwartz (2013) who argued that, "While CSR1 tends to be reactive, responding to the business environment and social pressures, CSR2 is proactive and anticipatory, aiming to impact and change enterprise environments and thereby business performance."

Windsor (2013) in Hoffman, Frederick and Schwartz (2013) contend that within a CSR2 conception of CSR, it is the business which decides on the level of its social response and economic issues take clear precedence over social issues. CSR2 also reflects the dominant values of corporate culture and the defence of the corporate status quo and thereby, instrumental reasoning became immune by the normative evaluation. In other words, CSR2 downplayed CSR1's emphasis on values, human rights and social justice. In response to the CED's (1971) separation of economic and the broader social responsibilities across Stakeholders, Ghazizadeh *et al.* (2013) contended that CSR is a firm's response to issues beyond the narrow economic, technical and legal requirements of a firm and therefore it begins where the law ends. Other researchers of this period had similar views. As they noted, CSR was distinguished by its long (as opposed to short) term managerial focus and by its discretionary, rather than mandated actions.

Fernandez-Feijoo, Romero and Ruiz (2014a) have a different way of viewing CSR. They discussed that the concept of community in CSR literature was introduced by Eilbert and Parker in 1973. They define CSR using the term 'neighbourhood' as follows 'perhaps the best way to understand social responsibility is to think of it as good neighbours' Fernandez-Feijoo *et al* (2014). The concept involves two phases. On the one hand, it means not doing things that 'spoil' the neighbourhood, and on the other, it might be expressed as the voluntary obligation to help solve neighbourhood problems such as racial discrimination and pollution.

However, the research considers Moon's (2014) broader view of corporate activities, which could be alleged as moving towards the concept of social licence that was to surface more fully nearly thirty years later. In simpler terms, a corporate executive must remain grounded in his philosophy, open in his approach and able to take decisive actions that are instantaneously profitable and attuned with the accepted values of his society (Moon 2014).

According to Coppa and Sriramesh (2013) in line with Moon (2014), explained a similar

idea is based on enterprises as a fundamental part of society. They proposed a three-tiered model that classified corporate behaviour in terms of increasing levels of commitment by enterprises, namely social obligation (a response to legal and market constraints); social responsibility (congruent with societal norms); and social responsiveness (adaptive, anticipatory and preventive). Social responsibility goes beyond social obligation and includes the need to bring corporate behaviour up to a level where it is harmonious with the prevailing social norms, values and expectations of performance.

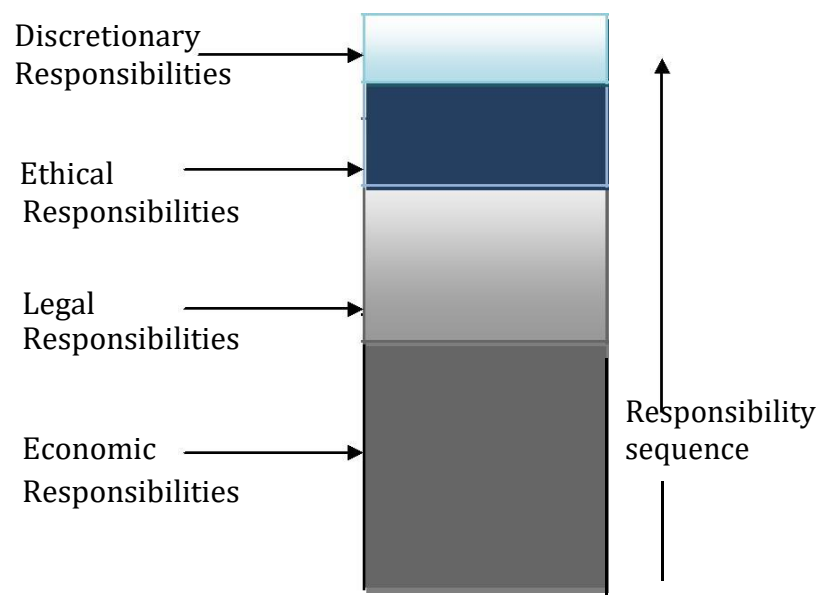
Towards the middle of this period, Nejati and Amran (2013) proposed a sociological view of corporate social responsibility. According to them, CSR2 abandoned the conceptual emphasis on CSR1 in support of an operational focus which involved an attempt to treat as a management issue one which had been principally treated as a social and/or ethical issue. They simply defined the social responsibility of a firm in terms of its impact on its constituencies: its employees, customers, owners, vendors, immediate and larger communities. Nejati and Amran (2013) raised three major contributions to the debate on corporate social responsibility. Firstly, the argument says that the success of CSR programs is dependent on the CEOs of large corporates and SMEs owners, who should be champions in portraying business responsibility.

Secondly, the argument was that enterprises should be proactive and lastly, that both external and internal Stakeholders can participate in corporate social responsibility. Until this time, corporate social responsibility was viewed as being either a reactive (corporate social responsibility) or a proactive (corporate social responsiveness) process and therefore very little information about the types of corporate social responsibility was available. Unfortunately, the question still stands of reconciling the firm's economic orientation with its social orientation (Reverte 2014).

A stride towards addressing this confusion was propounded by Boulouta and Pitelis (2014) after putting forward a comprehensive elucidation of corporate social responsibility. According to Boulouta and Pitelis (2014) in agreement with Carroll (1999), the component parts are focused on the capitalistic and societal expectations. In its first formation, the outline was developed from a retrospective developmental perspective, based on the claim that the history of business suggests a timely emphasis on the economic, then legal aspects and later a concern for the ethical and discriminatory

aspects. The four classes are simply to enlighten us that motive or actions can be categorized as primarily one or another of these four kinds. The order and relative weighting of these classes of motives is to suggest what might be termed their fundamental role in the evolution of importance. Although the components are not mutually exclusive, it actually helps a manager to consider that the diverse types of obligations are in an endless tension with one another (Newman 2014)

**Figure 2.3: Social responsibility categories**



Source: Carroll (1979)

However, Carroll's (1979) inclusion of economic and legal responsibilities within social responsibility is conflicting with various views like that of Davis (1973) who explicates social responsibility as something that commences where the law ends (Broady-Preston and Lobo 2011).

In concluding the arguments around Carroll's (1979) model of responsibilities, CSR has emerged as a significant theme in the global business community and has already moved into the mainstream activity. The growing emphasis on business social responsibility is affecting the relationships between companies and their various Stakeholders, including customers, employees, communities and governments. Larger companies have already incorporated CSR in their strategic plans as an essential element for long-term sustainability. In support of this notion, Singh, Islam and Ariffin (2015) pointed out that whilst it was initially considered as the domain of larger organisations with bigger

impacts on society, SMEs' social behaviour is no longer overlooked. People have started recognising the importance of SMEs as a predominant form of business in all economies and the net influence they can potentially have within society. SMEs make up the largest business sector in South Africa and most world economies. They are dominant in terms of absolute numbers, and are also the key drivers of employment and economic growth Singh *et al* (2015).

Owing to global competition, technological advances and the changing needs of consumers, competitive paradigms are continuously changing. These changes are driving businesses to compete on dimensions such as the design and development of the product, manufacturing, distribution, communication and marketing. As global competitiveness continues to be a momentous trend, the notion of corporate social responsibility (CSR) is proposed as an impressive strategy to invigorate the operations and competitiveness of SMEs. CSR is viewed as a vital concept that businesses of all types and sizes need to understand and address. From this background, Idemudia (2014) pointed that there exists a positive relationship between CSR activities of SMEs and their enhanced competitiveness, at least if a long-term perspective is considered.

## **2.9 WHAT COULD BE THE RELATIONSHIP BETWEEN CSR AND SMES?**

According to Macey (2014), from an individual street hawker to a complex multinational enterprise, every business institution has its Stakeholders and impact on society, whether negative or positive. CSR is largely defined as the general contribution of a business to sustainable development and should as a result be equally valid for large companies and SMEs. However, when corporate social responsibility is discussed in policy circles, academia, the media and wider civil society, the focus tends to be on the largest corporate. SMEs are often disregarded. Soneye, Kovács and Kovács (2014) pointed out that some related policy debates, however, do address SMEs. Programmes on enterprise development and business development services often focus particularly on ensuring an accommodative environment for SMEs.

According to Ghazizadeh *et al.* (2013) the justification is that a vibrant SME sector can form the bedrock on which all economic activity is built and SMEs can be the mainstay of

an economy, particularly in terms of employment. As it stands then, CSR proves to be a useful entry point from which SMEs can be considered.

However, Pérez, Martínez and del Bosque (2013) in Toledano and Riches (2014) argue that before establishing any connection between CSR and SMEs, it is important to make a note on terminology. Although the term 'SME' is frequently used, it is seldom defined. Yet this is essential to understand the significance of the sector, and the implications for and limitations of CSR in relation to it. What constitutes a small, medium or large company is by no means clear or uniform, even within individual countries.

The SME sector encompasses a very broad range of firms, from established traditional family businesses employing over a hundred people to 'survivalist' self-employed people working in informal micro-enterprises. While the upper end of the range is comparable across developed and developing countries, SMEs in the latter are concentrated at the lowest end. The picture is blurred further by the distinction between the formal and informal sectors. The term SME usually refers only to firms operating within the formal (legally registered) economy, and attempts to relate the CSR agenda to SMEs are likely to be restricted to these enterprises. CSR activities have a direct impact on society, employees or community. Therefore, SMEs which are not legally registered find it difficult to utilise and take advantage of the CSR platform (Idemudia 2014).

## **2.10 CSR AND SMES**

Previous research in CSR and SMEs shows two categories of personal relations, namely Stakeholder management and motivation to CSR in SMEs. These emerged as being the most common focuses in the literature overview. However, much previous research related to CSR and SMEs made comparisons with large companies. Thus, this section contains some SME peculiarities which are compared with a large firm involuntarily (Adesokan 2014). In this regard, Asif (2013) shared the view that CSR should incorporate all businesses through all industries, regardless of type and size. Focus on research in the field of CSR has moved from large companies to SMEs due to the great impact of SMEs on the environment, economy and society.

The Researcher found the engagement of SMEs in CSR. In addition, small firms are different in nature to large corporations. Various researchers have revealed the

peculiarities of SMEs related to CSR (Abreu *et al.* 2012). For example, Beal (2013) established that most SMEs believe their duty includes social and environmental responsibilities but SMEs are unlikely to regard CSR in terms of risk to brand image or reputation.

Considering all the arguments above, SMEs are already managing many social, economic and environmental impacts but do not generally use the language of CSR to define these. In particular, SMEs often have significant positive economic and social effects in their local areas, which are not often recognized in CSR terms. Nonetheless, SMEs do not have a high degree of explicit corporate social responsibility, except charitable activities.

## **2.11 CAN WHOLESALE AND RETAIL SMES IN ETHEKWINI MUNICIPAL REGION AFFORD TO BE SOCIALLY RESPONSIBLE?**

A thorough review and collection of responses from several researchers with regard to the above important question has been documented through Opara (2014) who asked how EThekwini Municipal region wholesale and retail SMEs can become socially responsible or invest in CSR with the poor funding conditions in the country, poverty, and other economic barriers in the country. SMEs made it possible for more and more people to be able to work and make a living, however, positive investment options are not readily available to SMEs as most of these options require huge capital injections. With economic trends in South Africa, wholesale and retail SMEs are just multiplying. However, there is one problem that disables most entrepreneurs starting such enterprises, which is the high level of taxes that the government takes from individuals that are ready to invest in SMEs. Consideration needs to be given to how SMEs can afford to invest in CSR if facing such hurdles.

The high level of taxation is the reason why people are not ready to invest in CSR, as outlined below:

- Difficult procedures and legislative rules necessary for the start-up of SMEs;
- Very high taxes, which decrease the prosperity of SMEs. The high level of taxes is one of the reasons contributing to black markets (Asif 2013).

If more wholesale and retail SMEs are to be created in EThekwini Municipal region and also practise CSR, then local governments should find ways of reducing their pressure on

the economic front and encourage entrepreneurs to establish sustainable SME businesses that will at the end of the day practise CSR. Of course, government does not carry the entire responsibility for the failure rate of SMEs and lack or non-practise of CSR. There are numerous factors that are not conducive to SMEs practising CSR, but these cannot be regarded as primary.

According to Petrenko *et al.* (2014), there is no other way but to regard CSR as a tool in stabilizing the economy and to anchor SMEs' sustainable growth. So, ideological biases might be avoided while SMEs look towards CSR as a corporate aid for sustainable growth and for socio-economic betterment. However, Schaefer, Pardo and Roloff (2014) explained that in the pre-globalization era, SMEs typically supplied goods to the markets near their homes or to the state. These markets were transformed in the 1990s and with the opening of domestic markets, the competition SMEs face is global in nature. Participation in the globalized economy is no more a choice for most of SMEs but the only way to survive and to grow (Schaefer *et al* 2014).

The classical system of the past where large companies and SMEs competed in reaching the consumer is now over. The markets are increasingly in favour of large supply networks and EThekwini Municipal region SMEs are increasingly becoming vendors to these complex supply networks which are owned by Multinational companies (Noronha *et al.* 2013).

In agreement Shinozaki's (2012) research on SMEs shared the view that the elimination of EThekwini Municipal region SMEs from complex supply networks leaves them to look for a life saver, which is CSR. Because of the minimal income that SMEs accumulate in their little lines of business, it proves very difficult for them to practise CSR. Networks have increasingly come under pressure from 'anti-globalists' who are pushing these networks to become more responsible and transparent. Whether this is desirable or not is debatable. What is clear, however, is that it is having a serious impact on SMEs because multinational companies and supply networks are pushing this agenda down the throats of SMEs. Take it or leave it. Where is the choice? In all economies, SMEs play a vital role and their virtues are well acknowledged and well documented.

Servaes and Tamayo (2013) added that the major issue facing EThekwini Municipal region SMEs is how to ensure their survival and growth in the face of an unfriendly

economy and market practices. The authors ask “Should we attempt to ease the pressure placed on multi-national companies mounted by civil society institutions regarding ethical and responsible behaviour? Or should we empower and equip SMEs to face this challenge? The former approach is hardly an option in today’s world. The clock cannot be turned back. Globalization is an irreversible trend at least for the foreseeable future. Here lies the inevitability of the question.”

With reference to Noronha *et al.* (2013), multinational companies have taken over and are utilising the complex networks leaving EThekwin Municipality SMEs in the shadows. The solution to this setback, according to Servaes and Tamayo (2013), is to look at how wholesale and retail SMEs in EThekwin Municipality can reconcile CSR obligations being imposed by civil society regardless of SMEs’ minimal human and capital resources. This inevitability is reinforced because, unlike multinational companies who can relocate their production/ business systems from one location to another (even one continent to another), SMEs are tied to their places of operation. Therefore, CSR is a strategic need for their sustainable growth in the community they are situated. Furthermore, given all the evidence above, the question of affordability of SMEs to be socially responsible is one that needs to be critically scrutinized to establish its applicability to various societies. SMEs perform different functions in different societies and on different levels. The concern should be whether bringing in the element of CSR can strengthen or weaken the operations and the roles these SMEs play in economies.

To establish whether or not wholesale and retail SMEs can practise CSR in EThekwin Municipality and other regions in South Africa, SMEs are at different stages of economic growth and therefore cannot be expected to have the same level of CSR. Wholesale and retail SMEs in South Africa are still underdeveloped and form a large part of the informal sector, which is still unregulated. Zaharia and Zaharia (2013) do not agree with the statement above but rather subscribe to the notion that though SMEs are at different levels of growth and development, they can practise CSR in their own capacity and ability. Wholesale and retail SMEs employ the majority of the population and their contribution as a safety net to the poor cannot be underestimated. This sector is, however, marked by low productivity, low job security and a falling demand for their products as a result of the big transnational corporations (TNC). It is from this background that a challenge exists on whether an attempt to hold SMEs accountable for



CSR and social programs as it is now reasonable.

Govindan, Khodaverdi and Jafarian (2013) argued that “There is, however, no doubt that those societies that have well developed SMEs, such as those in Taiwan, South Korea and other developed economies, need to be socially responsible. They generate sufficient returns that enable them to participate actively in community activities, receive sufficient support from their governments and compete effectively with their TNC counterparts.”

The process of having CSR implemented by SMEs is crucial if they are to realise their relevance in the business environment.

Aya Pastrana and Sriramesh (2014) generalised the discussion around the issue of affordability that when investments related to social responsibility immediately come to play, then one is reminded of the small amounts of capital that SMEs have. They are just able to break even and, sometimes, make insignificant profit. Therefore, it is not going to be easy for SMEs to engage into CSR if there are no cost effective measures that improve profit margins. In fact, all SMEs should consider social responsibility as a legitimate and achievable aim for business, while taking into account their mission. It is true that most SMEs might not have enough time to get involved in some aspects of corporate social responsibility but this can be solved through strategic partnerships with local governments and the civil society, including NGOs. Public policy should be developed to productively strengthen the links between such partnerships and the competitive advantage of nations.

Can wholesale and retail SMEs afford to be socially responsible? ‘Affordability’ of CSR to SMEs relies to a great degree on several key factors, namely:

- The economic and market conditions of the country where the company operates;
- The financial capability of the company;
- The definition and categorization of the concept; and
- The level of government or legislative support for CSR (Campopiano, De Massis and Cassia 2014)

According to Mehta, Arekar and Jain (2014), corporate social responsibility is a promising business concept and the way it has been classified has affected how

managers of wholesale and retail SMEs in South Africa view and espouse it on a practical level. The two definitions of CSR as provided by the World Bank Group and World Business Council on Sustainable Development (WBCSD) respectively, points to a few core elements, namely:

- CSR looks at the dynamics of environmental improvement in social and physical terms;
- CSR defines what a company must do to win and enjoy the confidence of the community in which it generates economic wealth;
- CSR is a fundamental link to the long-term prosperity of business; and
- CSR is mandatory in nature and is not limited to a particular class of business.

Aykol and Leonidou (2014) observed that “From the perspective of this explanation, CSR is appealing to any kind or class of business, but the case is not the same when it comes to its classification. Proponents of the concept have been quick to classify CSR into four main themes namely: economic, social, environmental and corporate governance.”

Minghetti and Mingotto (2015) contended that, considering the facts given above, this classification poses a threat to the adoption of CSR by managers of South African SMEs, particularly in developing countries, who see activities in these four areas as being the sole prerogative of bigger firms. For SMEs in developing countries, CSR is linked to MONEY SPENDING, whereas it might not necessarily be so. Therefore, CSR can be further classified into two i.e.:

- Monetary-Based CSR: These are CSR initiatives that involve money.
- Philanthropic-Based CSR: These are activities that involves donating funds, goods and services.

When considering the economic implications of CSR with reference to cost, a monetary-based CSR initiative represents additional cost to the firm. From an accounting view, this will be a deduction from the firm's gross profit and will ultimately affect the firm's profit level, which may prove negative unless the government has provided incentives to help safeguard such businesses and the company can afford it Manente (2015).

Still on an economic footing, Granly and Welo (2014) argued that the additional cost due to a monetary-based CSR system will result in higher costs of production, which translates to higher prices. This means that where the market support for CSR is not high, a 'pro-CSR' company with higher prices is likely to lose its market to a company that is 'anti-CSR' pricing policy. According to Granly and Welo (2014), the only way a 'pro-CSR' company can be protected is through government policy and legislation, in the forms of subsidies or tax cuts to 'pro-CSR' firms.

According to Córdoba-Pachón, Garde-Sánchez and Rodríguez-Bolívar (2014), non-monetary based corporate social responsibility refers to initiatives that do not absorb any monetary obligations and as such, do not amount to any financial cost to the business. However, they nevertheless have a positive contribution to the social, economic and environmental development of society. Wholesale and retail SMEs in EThekweni Municipal region play an increasingly binding role in maintaining the social fabric that holds communities together and those that find successful ways of doing this will be able to attract and retain the best employees. CSR is a foreign concept to the vast majority of SMEs in South Africa, so there is need to find an appropriate language and forum for educating them. If it is a fact that each SME has a responsibility to accept and monitor its social footprint in order to create a more sustainable lifestyle for all citizens of the world, then the first step is to raise awareness of the issue of CSR to SMEs (Meyer and Schmidt 2014). There are two primary ways of this happening, namely:

- Economic justification of CSR as a strategic advantage; and
- An emotive campaign aimed at heightening responsibility and accountability.

A number of motivational approaches have been mentioned above. Unfortunately, a few, if not none, of the SMEs in Africa are involved in external social activities. To increase the involvement of SMEs, CSR which is understood in large companies cannot be applied in the same way to SMEs because CSR practices in SMEs are hampered by the critical focus on survival by SMEs (Franklin and Blyton 2013).

## **2.12 CSR AND SUSTAINABLE GROWTH OF SMES IN ETHEKWINI MUNICIPAL REGION**

Todd, Javalgi and Grossman (2014) contended that with reference to a business, sustainable growth is the realistically attainable growth that a company could maintain without running into problems. Therefore, a business that grows too quickly may find it difficult to fund the growth. On the other hand, a business that grows too slowly or not at all may stagnate. Finding the optimum growth rate is the goal. Todd et al (2014) posit that a sustainable growth rate (SGR) is the maximum growth rate that a company can sustain without having to increase financial leverage. In essence, to find a company's sustainable growth rate is to answer the question: how much can this company grow before it must borrow money? (Snyman *et al.* 2014).

Ndubisi and Agarwal (2014), in support of Todd, Javalgi and Grossman (2014), suggest that businesses must consider sustainability a priority, adding that it is one of the only ways of ensuring South Africa's economic growth. The business of business is not just business. But Mahanyele (2010) argued that few wholesale and retail SMEs in EThekwin Municipality region survive beyond their birth and that South African SMEs should take inspiration from the large number of Corporates that have sustained over the years.

The wholesale and retail SMEs' relatively small size can work to the advantage of sustainable growth. The advantage is that SMEs tend to be closer to their communities and these strong ties help them stay in tune with local needs and demands. Their autonomy permits flexible decision-making to implement CSR as they see fit. To substantiate the idea of SMEs' sustainable growth as a springboard to consistent employment levels in an economy, poverty alleviation, crime reduction, increased brand loyalty through CSR Bolanle (2012). The following points avail the role why CSR is critical to SMEs:

### **2.12.1 CSR factors that influence the sustainable growth of SMEs**

According to Munasinghe and Malkumari (2012), CSR factors constitute the independent variables of this study. CSR has remained a broad, complex and continually evolving notion that encompasses a variety of ideas and practices. Adebisi and Muyideen (2012) share the idea that CSR can be easily described as the economic, legal, ethical and discretionary expectations that society has of businesses at a given point in time.

However, Ibidunni (2013) asserted that stakeholders are central in this aspect since they are the source of society's expectations about CSR; they experience the business' behavior and they evaluate the business' social performance by comparing their experiences with their prior expectations.

In its nature, CSR can be equated with the notions of giving back to the community, treating employees fairly and offering quality products and services. Common CSR activities include sponsorship programs, the provision of career development and training to employees, waste recycling and participation in community activities (Adebiyi and Adeola 2014; Shitta-Bey 2014). Okafor and Oshodin (2012) agreed that similar to their larger counterparts, SMEs cannot operate their businesses without employees, customers and community support. Okafor and Oshodin (2012) argue that SMEs act responsibly because their legitimacy with immediate stakeholders is at stake.

Conclusively, agreeing with the work of Adebiyi and Adeola (2014) and Shitta-Bey (2014), wholesale and retail SMEs could implement CSR policies successfully which would positively affect their sustainable growth and long-term goals. One important aspect to note is that SMEs have stakeholder relationships that are similar to and stronger than those of large companies because of their proximity to communities. Most SME businesses are founded as home-based (Spaza shops in Soweto) with strong community ties and loyal customers. Also noting Ibidunni's (2013) contribution, the above statements imply that SMEs have stakeholders in the common range with large companies and the purpose of stakeholder management is similar with their main concern being to reduce their risk by managing stakeholders. Through Akeem (2014) posits that CSR is all about making socially sensitive investments; developing relationships with employees, customers and their families; and involvement in activities that promote environmental conservation and sustainability.

#### **2.12.2 SMEs, CSR and Sustainable Development in South Africa**

Evidence from elsewhere on the relationship between the relative size of the SME sector, economic growth and poverty is more equivocal. There is a strong association between the importance of SMEs and GDP per capita growth. However, literature data does not support the assumption that SMEs exert a causal impact on growth. Neither is there any positive evidence that a larger SME sector reduces poverty. Beyond hard economics,

whether SMEs are inherently more socially beneficial than larger companies are a matter of opinion. They are perhaps more likely to contribute to social capital in the localities of their operations, as they are more likely to be embedded in their communities. However, they may also be less likely to be subject to rigorous inspections in relation to labour or environmental standards. However, Omobowale (2014) strongly argued that “In either case, there will be exceptions, and it may be that these arguments run more closely along the dividing line between the formal and informal economy than according to size alone. These debates are somewhat academic. In pragmatic terms, it is clear that SMEs as they stand are a major economic force upon which large numbers of people in developing countries depend for their livelihoods. At the very least then, CSR practices should be shaped in a way that does not adversely affect the economic viability of SMEs in developing countries.” Similarly, Opara (2014) observed that, “One of the most challenging critiques of CSR tools, particularly codes of conduct and supply chain standards, is that they can exclude wholesale and retail SMEs in developing countries from lucrative markets, thus harming livelihoods.” In agreement with Opara (2014), Ambituuni, Amezaga and Emeseh (2014) pointed out that as would be expected from such a large body of economic actors, the cumulative social and environmental impacts of SMEs are highly significant, even though their individual impacts are small.

To substantiate the above observations by scholars Opara (2014) and Amezaga and Emeseh (2014), the issue of the size of the firm is not simply due to the large number of enterprises and their overall economic significance, but also because wholesale and retail SMEs are often over-represented in their industries, has environmental impacts and because they may not be subject to the same regulatory and enforcement processes that can mitigate the negative impacts of large companies. There is therefore the potential for significant progress towards sustainable development if SMEs’ social and environmental performance could be ratcheted up Ambituuni (2014).

Nevertheless, logic leads to two conclusions in relation to CSR and SMEs namely:

- Firstly, that it makes more sense to spot existing CSR-related incentives for retail SMEs to espouse higher social and environmental standards, while ensuring that flanking measures are in place to assist in this switch and to protect livelihoods (Adesokan 2014).

- Secondly, there is need to look for new ways to make corporate social responsibility more relevant to retail SMEs (Zhattau 2014)

### **2.12.3 CSR and competitiveness in wholesale and retail SMEs**

A positive relationship between the CSR activities of SMEs and their enhanced competitiveness exists, at least if a long-term perspective is adopted Chell (2014). Nonetheless, Ranängen and Zobel (2014) argued that “Despite the widespread practical and academic interest in CSR and its impact on the competitiveness of SMEs, few theoretical and empirical contributions could be found.”

In this case, the primary objective of this research study is to investigate the impact of CSR on the Sustainable Growth of SMEs in South Africa. The outcome of this study will assist SMEs to include CSR as a growth strategy and responsibly manage their activities to increase growth and competitiveness.

## **2.13 OVERVIEW OF SOME EUROPEAN COUNTRIES SMEs’ APPROACHES TO CSR**

### **2.13.1 United Kingdom**

Castells (2014) generalised that UK SMEs are justly considered to be leaders in CSR. The UK home to some of the world’s leading thinkers, practitioners and campaigners in this field. According to Mullerat (2013), research by other facilitators around the world concluded that there are several reasons for this condition, namely: the UK is home and headquarters to a number of big accountancy firms it has; an environmental NGO community pioneering engagement with business; the UK has a sophisticated journalistic class; the UK’s experiences of some of the privatization processes and of the industrial revolution; two powerful Anglo-Dutch drivers in the shape of Unilever and Shell; the Quakers, Rotary International, the Freemasons and the notion of the ‘benign industrialist’; and the insurance industry, an important driver of change after the asbestos claims internationally.

Parallel to that fact, Mullerat (2013) argued that “It is not the socio-economic structures of the UK, but the UK government’s unique role in SMEs because of its international positioning and its colonial past which has proved valuable in launching initiatives such

as the Voluntary Principles on Security and Human Rights and the Kimberly Process Certification Scheme.”

In the same context of government intervention, it is worth to applauding the South African government on its national budgets for the past few years, which have managed to set aside a portion of the budget to benefit SMEs through the Ministry of Small Business Development. However, local authorities like the EThekweni Municipal region have been reluctant to put pressure on wholesale and retail SMEs in terms of improving disclosure. This is evidenced by environmental pressure groups in the EThekweni Municipal region challenging the top 350 wholesale and retail SMEs to avail their social and environmental reports and Himanen (2014). The positive CSR reporting behaviour and practices by large corporations should be adopted and practised by the rapid growing South African SME sector.

According to Henry (2013), over 15 percent of UK SMEs businesses agree that their organizations should do more than the law requires on the environment and over half think they should do so on social objectives. Many researchers, including Howard (2014), subscribe to the idea that a key indicator of CSR in the UK is the amount of financial resources given by SMEs to society (1 percent of their pre-tax profits go to charity).

### **2.13.2 Australia**

Abdulrazak and Ahmad (2014), in their research on Australia, observed that SMEs accounted for just about 99.7 percent of all Australian businesses in 2013. SMEs contributed roughly 95 percent of the value of Australia’s forestry, agriculture and fishing production; 80 percent of the value of Australia’s construction industry output; 67 percent is for property and business services production; and 42 percent for the national manufacturing industry output. SMEs’ contribution towards these four industries alone accounted for around 20 percent of the value of Australia’s GDP in 2011. However, Ghosh (2014) argued that despite SMEs being such a major contributor to the Australian and the global economy, their CSR practices remained murky. Ranängen and Zobel (2014) agreed that “The existing knowledge gap, coupled with the differences between the elementary characteristics of SMEs and large companies, restrict the applicability of



traditional models and theories in the evaluation of corporate social responsibility participation of SMEs in Australia.”

Without taking away anything from Ranängen and Zobel (2014), and, in support of different perspectives of other researchers on the same subject, it is important to note that whilst SMEs participate in ‘cadaverous CSR’, their approaches to social activities in Australia remain open-ended. Since the society and sociological contributions of such businesses have rarely been noticed in the past, there is definitely a lack of cohesive knowledge that could funnel SMEs, practitioners, academics and governments to take better decisions in this area.

### **2.13.3 France**

Pardo (2014) indicated that France as one of the European Union members, has arguably improved in their approach to CSR issues, though there is still more to be done on their SME policy framework to reward SMEs. Schaefer and Roloff (2014) pointed out that “French SMEs are increasingly becoming active on CSR practices. Several case studies reveal that the overall picture in France is one of moderate development of CSR in SMEs due to the existence of a system of state regulations and agreements governing labour relations.”

Schaefer, Pardo and Roloff (2014) agreed that, there is evidence of important initiatives going beyond legal requirements in many areas. Some laws and regulations affecting CSR in SMEs were passed in France at the beginning of the 21<sup>st</sup> century. For example, the Law on Employment and Saving Plan of 19 February 2001, which asks fund managers to take into account social, environmental and ethical considerations in the choice of investments as well as the Law on New Economic Regulations of 15 May 2001, which requires listed companies to introduce environmental and social information within their yearly reports to shareholders Fenwick (2014).

Loose and Remaud (2013) concurred with the fact that in France, an inter-ministerial CSR co-ordination committee was created in 2009 chaired by the “Commissaire National du Développement Durable. France has also launched several actions to support SMEs’ CSR initiatives. For example, the ‘Centre des Jeunes Dirigeants’, a group of 3,300 managers,

mainly from SMEs participate in the development of a methodology for a 'Global Performance Standard' (GPS). GPS is based on the concepts of corporate citizenship, social and environmental responsibility, involvement of stakeholders, and other relevant CSR topics.

Furthermore, to show that there are some initiatives taking place in that area, in 2007 the French government launched the website "Travailler mieux", to advance acceptable working conditions, specifically targeted at SMEs (Servaes and Tamayo 2013).

#### **2.13.4 Germany**

It has been established that CSR in German SMEs is still in its infancy when it comes to the adoption of CSR principles in businesses practices (Brown-Liburd and Zamora 2014). There are several reasons that build up to this anomaly as Lund-Thomsen and Lindgreen (2013) maintain that Germany SMEs suffer an individualisation approach to CSR campaigns and pressure to survive in one of the vast rich competitive economies in the world. However, in the researcher's view, a point worth considering about German is that as in other countries, in Germany the debate on CSR was originally focused first on environmental protection. The concept of CSR reached Germany only in the 90s and has only recently become a widely discussed issue at a governmental and society level. The debate was mostly centred on CSR and large firms, otherwise SMEs just like in South Africa were rather insignificant on that subject. However, despite the slow maturity to that effect, there are some developments worth mentioning:

- The German government plans to make the country's first trademark for good business behaviour. "Made in Germany" is a global brand.
- Humboldt University held the 3rd International CSR Conference in Berlin. The focus was on CSR and global governance.
- The German government has also shown an interest in CSR by starting a complete website called 'CSR in Germany' (Loose and Remaud 2013).

#### **2.14 OVERVIEW OF SOME ASIAN COUNTRIES' SMEs' APPROACH TO CSR**

Servaes and Tamayo (2013) broadly highlighted that the days when corporate social responsibility (CSR) was a concept and practice confined to North American and European companies are over. Particularly in the past two years, Asian businesses have

increasingly brought to bear their considerable energy and thought to matters of regional and global concern (Servaes and Tamayo 2013).

Taylor, Bowen and Ryu (2014) recorded in their research that in the American approach, CSR in SMEs is considered as a process that is not consistently controlled by anyone. CSR activities are expected to enhance the motivation of employees, together with a positive perception of the company on the part of stakeholders. CSR should be voluntary because it is the source of its dynamism and innovative characteristics. This was meant to shift from responsiveness to pro-activeness (Taylor et al, 2014).

In the researcher's opinion, there are a number of reservations to this effect because CSR, is viewed and applied differently from country to country. However, most researchers do not take those differences into consideration when they are looking at each country's approach to CSR, policies and standards. All the notable efforts, while often well-intentioned, in many cases reflect Western perceptions and misperceptions of Asia. Tied to sometimes controversial Western origins, this first conception of CSR, has masked the development of three different approaches to CSR more firmly tethered to Asian thinking. While it sounds so different from Asian approach, Rahim and Wisuttisak (2013) argue that CSR in Asian SMEs is evolving in different ways, each with its own priorities and mind sets. The original CSR model emerged from Western multinational companies operating in Asia. Beginning in the early 1990s, American and then European companies began to apply a set of principles to the operations of their Asian suppliers and business partners. According to Chawak and Dutta (2014), the rise of codes of conduct focusing both on labour and environmental practices, can in retrospect be seen as an early effort to develop 'soft law' principles for the globalizing economy.

#### **2.14.1 China**

Fenwick (2014) posited that China's rapid economic rise has led to social and environmental challenges that must be addressed to avoid weakening the nation's ability to sustain economic growth and development progress in the decades to come. Nonetheless, Li, Toppinen and Lantta (2014) commented that the Chinese government has embraced CSR as a tool to help address social and environmental issues resulting from rapid but uneven economic transition. In an economy so influenced by the state,

official endorsement of CSR standards, ratings and indices makes demonstrating performance against them a material factor in determining competitive advantage.

CSR in SMEs continue to evolve swiftly, with pressure from the state and gradually from citizens. A dynamic scenario to watch will be the interaction between pressures from the state and from citizens mobilizing, for example, through new social media. The state's adoption of CSR in part reflects a pragmatic recognition that it cannot on its own address the challenges facing the country as it undergoes rapid but uneven economic transition (Zhang, Morse and Kambhampati 2013).

Cui, Liang and Lu (2014) supported this line of thought and reveal that the link between CSR and SMEs is not simply the case of a business setting requirements for doing business in the country. CSR in SMEs is becoming an embedded aspect of China's own global brand and way of doing business internationally. As China proclaims its leadership over the sustainability agenda on the international economic and policy stage, CSR in SMEs will become a key part of the government's approach (Zadek, Forstater and Yu 2012).

China has seen an increase in the SME sector primarily due to government involvement. The statement was further emphasized by Graafland and Zhang (2014) who pointed out that from its early roots in philanthropy and compliance, CSR in SMEs has developed into a strategic concern addressing the efficiency and security of supply chains; development of new products and services; the competition for talent; and that the reputation and other gains from credible governance and accountability in China is focused on ensuring compliance on social and environmental issues.

Considering the perspectives of the researchers above, the trends of CSR in SMEs are moving rapidly into the strategic stage where businesses can gain a competitive advantage by aligning their strategy to address societal concerns, and further towards the civil stage where broad industry action is aligned to national sustainable development priorities. This is reflected in the endorsement of CSR at the highest levels and in the development of a nationally rooted body of research, standards, rankings, and guidance Rana (2014).

### **2.14.2 India**

Afsharipour (2014) pointed out that in the contemporary socio-economic scenario, the concept of CSR has become widely integrated with business ethic in all parts of the world. The need for CSR in SMEs is even more urgent in developing countries where economic disparities are more pronounced and both ecology and society are even more vulnerable to human-induced environmental hazards.”

In line with the above researcher’s view, Kumar (2014) pointing out that India is a country of magnificent contradictions, is widely inflicted with baffling economic disparity among the urban, semi-urban and rural populace and market based economic practice has further widened the scope of inequalities in the country. The developing SME culture of profit and competition has relegated social welfare issues such as health, education and social security for the vulnerable into merely a peripheral pursuit. With that in mind, the government of India, along with dynamic civil society participation, has tried to create a sense of business ethics and responsibility amongst the corporate both by legal and ideological means (Jain 2014).

Furthermore, recent studies and surveys have revealed that India’s CSR performance of public sector enterprises has ranked some of the best in Asia. For instance, in 2010-11, Coal India Ltd. (CIL) targeted to invest US\$ 67.5 million in social and environmental causes. Correspondingly, NALCO contributed US\$ 3.23 million for development work in Orissa's Koraput district as part of its CSR. Given this, India has been named amongst the top ten Asian countries for its emphasis on CSR disclosure norms (Wankhade 2014).

In an effort to draw a trend from the literature on the country-to-country above, there is a common trend where private business entities have generated a mixed reaction from the general public from the beginning (Coldwell and Joosub 2014). It seems that the public plays a big role in enforcing CSR principles. At the end of the day, through government initiatives, many SMEs are somewhat cynical of being asked to demonstrate their CSR credentials by the public and customers. They take CSR seriously and viewing the requirements as an extra administrative burden. Africa is part of the emerging economies with a number of countries whose SMEs do not consider CSR seriously. Most businesses focus on survival rather than tackling growth strategies such as corporate social responsibility, which is presumed to be a strategic tool for business’ sustainable

growth by Asian and European companies. Africa can revitalise their economies if they accept the SME movement by embracing the challenges that comes with starting small businesses.

## **2.15 OVERVIEW OF AFRICAN COUNTRIES' SME's APPROACH TO CSR**

Idemudia (2014) postulated that although businesses derive many benefits from implementing CSR activities, SMEs in African countries still face several challenges that hinder such implementation which has led to vast unemployment rates and business closures. Idemudia (2014) also states that these obstacles include a lack of financial resources; a lack of experience in management; weak institutions; poor governance; poor infrastructure; poor skills in strategically reflecting upon the business; low demand for products and services; poverty; withdrawing too much cash for personal use; insufficient profits and lack of market research.

Idemudia (2014) seems to be concentrating on problems that prevent SMEs from practising CSR.

However, regardless of the obstacles that SMEs face, they do contribute to communities through conducting activities for the benefit of both the business and local community because of their relationship with the community. Moreover, SMEs that are more concerned about the development of brands in the long-term tend to be more conscious about their social responsibility. As SMEs have stakeholders as well as an impact on society, the concept of CSR is just as valid for small businesses as it is for large corporates Venter (2012).

Aras and Crowther (2012) agreed that small and medium-sized enterprises (SMEs) are universally acknowledged as effective instruments for the generation of employment and economic growth. Even in countries with large corporations like the United States of America, SMEs contribute substantially to employment opportunities and they supply goods and services to consumers and large businesses. The rapid transformation of high performing Asian countries such as India, Malaysia, Indonesia, Taiwan and Hong Kong also provides evidence that SMEs are major catalysts in economic development (Turyakira and Smith 2012).

Fatoki (2014) argues that in Africa, where the private sector in general is not yet well developed, SMEs could play a critical role in stimulating economic development and alleviating poverty. Although SMEs are increasingly becoming the backbone of the economy, their rate of survival and competitiveness are a cause for concern. For instance, it is reported that one third of the business start-ups in Uganda do not see their first birthday Farina (2014).

### **2.15.1 Tanzania**

Mohamed and Mnguu (2014) noted that since Tanzania embarked on private sector reforms that started in the mid-1990s, the country experienced a growth of SMEs in the hotel and hospitality industry, creating significant employment opportunities but hardly practise CSR. Furthermore, Nandonde (2013) argued from a different view that while entrepreneurs in the hotel industry form a major part of the booming tourism industry and contribute significantly to economic growth, their potential for CSR is being undermined by unorthodox business practices such as overpricing and the provision of sub-standard services.

Considering Mohamed and Mnguu's (2014) arguments, it is not true that CSR for SMEs in Tanzania is insignificant. The above arguments by researchers do not mean that they are not participating in CSR such as providing food to the needy and supporting people faced with natural calamities such as floods. Despite the growing interest in CSR initiatives of entrepreneurs, little attention has been paid to these small-scale entrepreneurs in developing countries such as Tanzania. Research shows that entrepreneurs in the hotel industry in Tanzania paid attention to CSR as capital assets to win the confidence of communities in their business operations Farina (2014).

### **2.15.2 South Africa**

Chambel (2014) explained that SMEs form the building blocks of any society. According to a South African research report in 2010, approximately 91 percent of formal business entities in South Africa are SMEs, contributing between 52 and 57 percent to the country's GDP, and about 61 percent to employment.

Looking at the contributions by authors Nandonde (2013) and Aras and Crowther (2012), the researcher's opinion is that the contributions seem to be small compared to their counterparts in developing economies like Brazil, India and Mexico, and that they need to be nurtured and grown. They form the bread and butter of the country as job providers, poverty reducers, service delivery agents and economy boosters. However, for those SMEs that have tried to push through the markets, most of them declined along the way due to the key limiting factors to SME growth, which are perceived to be funding; necessary skills; crime; government taxes; and regulations; especially red tape and the cost of regulatory compliance.

Furthermore, Fatoki (2014) noted that other challenges and impediments which impact on the performance of SMEs in South Africa include failure to keep to contract terms. With unemployment in South Africa reaching its highest level since 2008 at 25.5 percent in the second quarter of 2014, SMEs contribute around 13 percent to the ballooning figure through retrenchments and company closures (Chawak and Dutta 2014).

However, as much as the SME failure rate in South Africa is linked to generic building blocks such as access to financing, competencies, tax etc., SMEs are also swimming in the deep end of developmental strategies such as CSR. A number of countries in Europe have policies crafted to promote and report on CSR activities by both SMEs and large corporations. In turn, SMEs are gaining some mileage through a rather expanded marketing platform and brand loyalty brought about by their involvement with the community. To have an objectivity position and clear understanding of how SMEs in South Africa view CSR, let's take a look at the research objectives as follows:

## **2.16 ATTITUDE LEVELS OF WHOLESALE AND RETAIL SMES TOWARDS CSR IN ETHEKWINI MUNICIPAL REGION**

### **2.16.1 How is CSR perceived by wholesale and retail SMEs?**

In contrast to large organisations, EThekwini Municipal region wholesale and retail SMEs perform poorly in terms of social responsibility and business ethics. Their CSR participation is strongly associated with customers and employees, with few initiatives aimed at their local community and the environment.



On a local level, however, Abreu *et al.* (2012) noted that there is a lack of research on SME engagement in social activities.” Researchers Hsu and Sarkis (2012) implemented a Qualitative Methodology and presented their findings by concluding that retail SMEs play a vital role in terms of engagement and civic issues in regional economic development. SMEs seem to be in touch with the expectations of the society. In Australia for example, small enterprise CSR participation focuses more on community Stakeholders who have lower Stakeholder salience than customers, employees and suppliers of the business.

The variations in the extent and form of CSR participation have been investigated by numerous scholars. Some authors like Revathy (2012) mention that engagement in CSR can vary due to a number of factors including political contexts, sectorial contexts and the character of owner-managers and others close to them. However, political contexts heavily influence CSR participation through legislative arrangements which often fall disproportionately on small firms. Furthermore, Hsu (2012) pointed out that SMEs like garages are more committed to community issues than are internet marketing firms, since members of the former are customers, employees and neighbours who are closer to the business.

The above statements are consistent with Inoue and Kent (2014) whose research noted that wholesale and retail SME visibility affects CSR participation. Due to the convergence of ownership and management in SMEs, CSR degree and structure is strongly influenced by the owners and their close associates and family members. The impact of 'significant others' such as spouses, children of firm members, mentors of the owner- manager and previous employees or colleagues on the SME fertilises the commitment to social issues (Rogerson 2014).

Mchombu and Mchombu (2014) presented quantitative research results pointing out that printing, manufacturing and engineering firms which have enormous environmental impacts are more likely to have a strategic approach to environmental management, whereas service firms like retail SMEs are more likely to have a CSR programme.

Other researchers have a complete different view to the above. Even though they used a qualitative methodology, Foo and Yazdanifard's (2014) results differ from Hsu (2012) and Sarkis (2012), they state that a lack of knowledge and daily involvement of SME

owner-managers in daily activities affect their ability to engage in social activities (Foo and Yazdanifard 2014).

Hsu (2012) and Sarkis' (2012) methodology failed to conclusively provide the perceptions of SMEs towards corporate social responsibility. The methodology produced results in terms of engagement and civic issues in regional economic development. Mchombu and Mchombu (2014) using a quantitative research methodology, presented results which were more focused on printing and manufacturing SMEs as ones who are supposed to have a strategy for CSR. Ultimately, whilst the scope and form of CSR involvement is a topic beleaguered by confusion (Toledano and Riches 2014), there are multiple views on how retail SMEs plan their socially responsible activities. One of the reasons that SMEs should be considered separately is a lack of codification/model and the inapplicability of measures of social responsibility used by large organisations. Retail SME businesses seem to react on an ad hoc and personal basis to social needs and do not actually have a model and the resources to focus on strategic gains. However, Nandonde (2013) and Divakaran, Shariff and McGinnis (2014) shared the view that social responsibility and ethics is a personal ethos that informs the practice of business as a 'manner of leading one's life'. Therefore, in the case of retail SMEs where ownership and management is intertwined, personal ethos and business behaviour is inseparable. An entrepreneur still has the discretion to manage the business in a personalised way, overlooking standard constraints like economic and legal requirements. This implies that the nature of responsible actions in individual SMEs will vary according to the ethical perspectives of the owner-manager.

The above view generated many questions amongst academics, nevertheless, Ghosh (2014) argued that social interaction with Stakeholders partly shapes SME's responsible behaviour. Ethics cannot be disconnected from the rest of the world.

Scholars Nandonde (2013), Divakaran and McGinnis (2014) promote personalised discretion in the running of the business by entrepreneurs. One aspect that should be noted in this regard is that community culture is so strong that the personal values developed in youth (entrepreneurs) are naturally displaced by the values of the community. Social control is a powerful form of governance on smaller networked businesses and therefore, SME owner-managers may not independently decide their social participation (Shariff 2014).

As they consider the macro-economics of the country, Fatoki and Chiliya (2012) generalised that the South African government is currently facing a major challenge in the provision of sustainable jobs and alleviation of poverty in the country. This is clearly evidenced by a high unemployment rate estimated to be 23.9 percent by Statistics South Africa in 2012. The development of SMEs is an essential strategy for curbing such a high unemployment rate. However, according to Brooks (2014), the government of South Africa in 2005 identified SMEs as key to poverty alleviation, income equality, employment and sustainable economic growth.

There are inconsistencies in the results presented by different researchers on the same subject. Turyakira, Venter and Smith (2014) concluded that CSR plays a pivotal role on the consistent sustainable growth and performance of an SME. Adeniran and Johnston (2012) in support of Turyakira, Venter and Smith's (2014) research, concurred that the failure rate of SMEs in South Africa is between 70 and 80 percent. This high failure rate casts doubt on the sector's ability to implement sustainable growth strategies such as CSR, create sustainable employment and reduce poverty. Therefore, the survival of SMEs is of vital importance in EThekweni Municipal region if their contribution to the economy is taken seriously. Furthermore, in EThekweni Municipal region, wholesale and retail SMEs often viewed CSR as an unnecessary burden for small enterprises due to their limited resources. Difficulties in attaining access to finance, a lack of time and expertise and the associated additional administrative burdens create a barrier to launching any programs that do not contribute directly to their core functions (Ladzani and Seeletse 2012).

Notably, Idemudia (2014) argued that efforts of wholesale and retail SMEs that started with CSR projects did not receive recognition and market rewards. The Codes of Good Practice of black economic empowerment further exclude SMEs from receiving any rewards for participating in CSR activities. The whole effort by SMEs to initiate and participate effectively in CSR activities has gone unnoticed, which has flushed the steam and spirit of CSR out of the SMEs.

Ramasobana and Fatoki (2014) considered the persistent challenges faced by SMEs in adopting CSR and concluded that CSR that leads to competitiveness and growth require a supportive social and political climate because the policy implications of an

environment characterised by heightened uncertainty, economic stagnation and political upheaval create profound challenges.

The above researchers, using either qualitative or quantitative research methodologies, raised arguments and recommendations but the results from their research fail to take into consideration the economic environment in which wholesale and retail SMEs in EThekweni operate, in which the economic environment has greater influence on SMEs' perception and decision to participate in CSR. With current business trends, economic growth and the creation of employment require a climate of confidence, hope and steady economic progress (Foo and Yazdanifard 2014). The challenging and unstable economy; lack of credit facilities; improper financing; lack of managerial skills such as financial management, tax, marketing and human managerial skills; competition and survival of the fittest in markets (Locally and Globally), wholesale and retail EThekweni Municipal region SMEs develop a negative attitude towards CSR and focus more on hand-to-mouth functions to keep the business afloat.

In support of Ramasobana and Fatoki (2014) on the negative attitude of SMEs towards CSR, Seabela and Fatoki (2014) agree that crime, especially xenophobia, is on the rise in South Africa. Xenophobia is not only directed at foreigners looking for work but also foreigners who have formed their own businesses. This can impact on the attitude of immigrant entrepreneurs towards corporate social responsibility because of the lack of a sense of belonging." In the same context, Fatoki (2014d) also pointed out that culture affects how a person perceives ethical issues, alternatives and consequences.

South Africa is made up of a mixture of races and the economy and businesses have accommodated these entrepreneurs in order to grow the country. Immigrants and native wholesale and retail SME owners in the EThekweni Municipal region come from different backgrounds and this can impact on how an individual SME owner perceives business ethics and CSR.

### **2.16.2 How wholesale and retail SMEs participate in CSR**

In view of the debate about the degree and form of CSR participation, it seems that there is no agreement/consensus on the relative importance of internal Stakeholders (customers, employees and suppliers) and external Stakeholders for example

community, for SMEs' responsible behaviour Dhaliwal (2012). In the same context, Doh and Tashman (2014) observed that owner-managers rank operational Stakeholders (customers, employees and suppliers) higher than community Stakeholders according to their respective Stakeholder salience.

Delchet-Cochet and Vo (2012) basing on their qualitative methodology concluded that wholesale and retail SMEs businesses value social capital creation through participation in social activities. However, most such activities are oriented towards immediate Stakeholders, which is consistent with the broad thesis of the Stakeholder theory, which argues that CSR benefits businesses in economic terms.

However, Garriga and Melé (2013) through Howard's (2014) work, examined four medium-sized Catalan businesses and raised the issue that the most important factor that legitimates participation in social activities is internal, and that relationships with external Stakeholders are of lesser importance.

CSR is primarily reputation building and for small firms, the reputation mechanism is less important than for large firms. Therefore, it is reasonable to say that the argument of Henry (2013) and Garriga and Melé (2013) hold true as it shows through research that CSR activities undertaken by wholesale and retail SMEs in EThekweni Municipal region meet the demands or expectations of their internal Stakeholders, rather than gaining support and recognition from their local or broader community. Profit maximisation is not the key motivator of small firm owner-managers as retail SMEs participate in civic engagements that bring no business benefits. Rather, internal drivers are the main motivation for CSR.

On the other hand, Mutti (2012) as quantitative researchers, have different view on the issue. Their results showed that even though participation in social activities with customers, employees and suppliers increases social capital mainly in the form of bonding social capital, bridging and linking social capital gained through social activities with community members help businesses in getting ahead. Whilst such interpretations seem valid from the viewpoint of socially applicable theories, the preference for internal Stakeholders in the social activities of SMEs fail to confirm them.

In essence, both qualitative and quantitative research methodology results are not conclusive on whether wholesale and retail SMEs practise CSR. There are divergent views on how SMEs value their internal Stakeholders and community Stakeholders when it comes to decisions relating to CSR. EThekweni Municipal region wholesale and retail SMEs do not have an established model for practising CSR nor do they have a method to deal with internal Stakeholders in relation to CSR, therefore scholars and proponents of CSR in EThekweni Municipal region should drive practical ways of dealing with internal Stakeholders in an effort to promote CSR initiatives. Therefore, is need for a research method that will bring together these views that feed into a clear model that can be used by wholesale and retail SMEs in order to practise CSR.

### **2.16.3 Why wholesale and retail SMEs participate in CSR**

Due to the innate features of SMEs, academics and practitioners (Masemola 2014 and Melo 2012) unanimously acknowledge that the CSR perception in these wholesale and retail SMEs is very different and challenging in comparison to large firms in the same industry. However, it is not that wholesale and retail SMEs are not socially sensitive, the major concern is that wholesale and retail SMEs in EThekweni Municipal region lack the resources that need to be invested to participate in responsible activities, proving the notion that ‘the bigger the SME, the more CSR is put into practice’ (Garrido-Morgado 2012).

However, Nejati and Amran (2013) presented results that conflicted with the ideas above and pointed out that time constraints and perceived lack of opportunity are the two major barriers for CSR engagements.

Interestingly, there is scepticism about the time factor since some owner-managers, despite being extremely busy, still manage to get involved in community issues and therefore it seems there is an issue of personality type that could explain this attitudinal difference. Nevertheless, lack of time still becomes a problem for social responsibility in wholesale and retail SMEs, since such activities further reduce their discretionary slack Seabela (2014).

The second-most discussed issues are the costs involved and information availability. Page and Söderbom (2012) provided qualitative-based conclusion that in the mind of small business owner-managers, socially responsible activities are perceived as costs that result in competitive disadvantage and therefore they often have to postpone such expenses even if they feel that CSR activities are something they would like to do. However, this point was criticised by Nkiko (2013) who also used a qualitative methodology but his results concluded that insufficient awareness of CSR accompanied by a lack of resources, impeded CSR participation by the wholesale and retail SMEs in EThekweni Municipal region.

Some researchers, presented totally different results. According to Pérez, Martínez and del Bosque (2013) and Ndubisi and Agarwal (2014), there is enough information available but knowledge is not sufficient amongst retail SME owner-managers who are weighed down by problems of bounded rationality. There are additional factors which barricade and frustrate the social activities of retail SMEs, namely organisational culture; difficulties getting employees involved; lack of measurement and quantification of CSR benefits; difficulties in making connections with the community; and the challenges of maintaining the momentum of such activities (Todd, Javalgi and Grossman 2014)

However, Yusuf and Adelopo (2014) concluded that bigger SMEs with more than 100–120 employees do not perceive such factors to be challenging. Verhoeven, Murthy and Soares de Oliveira (2014) noted that wholesale and retail SMEs in EThekweni Municipal region felt that information about CSR is not an issue, but that poor practical and financial help are the main problems. However, Taylor, Bowen and Ryu (2014) argued that lack of effective leadership by EThekweni Municipal region wholesale and retail SME owner-managers is another issue that restricts other SMEs in South Africa from doing more about CSR.

In terms of facilitating CSR in wholesale and retail SMEs, Beck and Cull (2014), after analysing South African wholesale and retail SMEs, noted that greater political participation at a local level, more freedom and social infrastructure for owner-managers and a stronger awareness through media, academia and politicians can be useful.

Benn, Dunphy and Griffiths (2014) argued that the lack of accountability and poor information availability from business organisations restrict SMEs' engagement in social

activities. The development of CSR learning networks through trade associations to enhance access to a range of complementary experiences and expertise is therefore necessary.

In support of the idea that wholesale and retail SMEs develop a positive perception towards CSR if they are given a level playing field, there is need for increased commitment from public authorities to improve business ethics in the wholesale and retail industry. In addition, there is need for exemplar case studies to encourage retail SMEs in social participation. Considering Adebajo's (2013) work, despite the political emphasis laid on the business benefits in South Africa, there is no strong evidence that demonstrates CSR brings competitive advantage or financial success. Based on the contradictory evidence of the benefits of CSR in the literature, Afsharipour and Rana (2014) posit that there is significant doubt of the practicability of legislation to encourage retail SMEs to increase social participation. In line with research by academics, SME business owner-managers find it distracting and a daunting task to simply obey the initiative, taking into account the resource constraints under which they operate (Afsharipour and Rana 2014).

All the researchers that have been analysed above hold different views of retail and wholesale SMEs' perceptions towards CSR. According to Attig (2013), the perception of wholesale and retail SMEs in EThekweni Municipal region towards CSR is neither negative or positive. However, considering the issues that came out of their different arguments, one Author would say:

- Different perceptions of SMEs influence their different engagements;
- Political context heavily influences CSR perception;
- Legislative arrangements have great impact on perception;
- Convergence of ownership and management create divided perception;
- There is a belief that printing, manufacturing and engineering firms are heavy users of the environment;
- There is a lack of codification of CSR for SMEs;
- There is inapplicability of measures used by big organisations;
- There are limited resources;
- Failure to receive recognition and market reward is negative for CSR;
- There is an unstable economy;
- There is a lack of credit facility for CSR; and



- There are divergent views on how SMEs value their Stakeholder.

These arguments and failure by researchers to conclude or agree on whether wholesale and retail SMEs have a positive or negative perception towards the practise of CSR leaves the whole subject hanging.

## **2.17 THE SME OWNER-MANAGER'S VALUES KEY TO SUSTAINABLE GROWTH OF THE BUSINESS**

### **2.17.1 What are the business values of wholesale and retail SMEs in EThekweni Municipal region and how are they oriented?**

As noted, the concepts and definitions of CSR and interpretation of the construct in the SME sector is not uniform. Welford (2013) found that there is a lack of consensus about wholesale and retail SMEs' familiarity and consciousness of CSR.

According to Arnold and Valentin (2013), society intermingle with business, lending its legitimacy and prestige and thus a firm becomes responsible for its activities within society in its long-term economic operations and its creation of value. Thus, CSR is an obligation of the company towards its society. On the other hand, some authors (Glavas and Godwin 2013 and Ormiston and Wong 2013) argue that SMEs have never thought about CSR as they do not acknowledge their social and environmental impacts. However, according to Attig (2013), literature shows that many SMEs are already socially sensitive and active, but not at the CSR level.

Doh and Tashman (2014) explain that SMEs actually were not comfortable with the concept and considered this precise term as a 'meta-language', which was hard to internalise from a management perspective. Di Giuli and Kostovetsky (2014) argued strongly around the issues related to the terminology. The term CSR is misleading because the concept is generic and is applicable to organisations of all types and sizes, but the term fails to reflect this. There is scepticism when using the words 'corporate' and 'social' to refer to unincorporated businesses like SMEs. Many deem that this ambiguity restricts SMEs from familiarising themselves with the construct.

According to Spence (2007), terms like 'small-firm social responsibility'; 'responsible business behaviour'; 'responsible competitiveness' and 'responsible business practice' emerged in research literature to make this concept more relevant for such organisations. Servaes and Tamayo (2013) argue that whilst some authors note that CSR is seen as providing an opportunity for strategic advantage for SMEs, others consider it to be a cost disadvantage due to the lower resource slacks of smaller businesses.

A number of researchers who used qualitative methodologies concluded that socially responsible activities and owner's values collide on the effect that CSR activities are perceived as costs that result in competitive disadvantage. Simultaneously the smaller size of SMEs provides little space to hide mistakes and therefore the moral proximity with the community and customers is more valued and this shapes the CSR behaviour of SMEs. Garriga and Melé's (2013) qualitative results shared the same sentiments in that they believe business must make appropriate decisions when confronted by a choice between financial returns and morality. The key therefore lies in finding the balance between entrepreneurship and ethical practice. Also in agreement with these researchers Wang and Tuttle (2014) noted that companies integrating social responsibility into their overall strategy may not experience such expenses as an 'add-on' and therefore do not view them as an extra cost. Porter and Kramer (2006) conclude that many companies think and implement social responsibility issues in a standardised way instead of aligning CSR with their strategic objectives.

### **2.17.2 The owner-manager's personal values driving the sustainable growth of the business**

The suggestion is that commercial gain is not the only driver of CSR practise in private companies, but the formal adoption of the concept can be associated with the variability changes in the personal values of the owner. In most cases these values are expressed through the right to discretion arising from decision making structure where the owner-manager has the sole power to make decisions for the business on matters that concerns finance, CSR and investors. The personal values of the SME owner-manager are also a reflection of how the business is viewed externally by Stakeholders according to the Stakeholder Theory. In line with this notion, Mohd *et al.* (2015) believe that values guide the selection or evaluation of actions, policies, people and events. People decide what is good

or bad; justified or illegitimate; worth doing or avoiding based on possible the consequences for their cherished values. However, the impact of values in everyday decisions is rarely conscious. Values create awareness when the actions or judgments one is considering have conflicting implications for the different values one cherishes.

In the same context, Hofstede, Hofstede and Minkov (2015) took the opportunity to define a value as a broad tendency to prefer certain states of affairs to others. Rokeach (1973) also defined values as an enduring belief that a specific mode of conduct or end-state of existence is preferable to the alternatives. According to Rokeach (1973), therefore, values are simply a specific and enduring belief, which in most cases arise from what one previously learned, was taught or generally from a person's socialisation.

However, Wang *et al.* (2015) argued that personal values of the owner-manager have a greater impact on the SME business's success than any other factor that can be attributed to entrepreneurial success.

**Table 2.2: Ten basic types of values**

<b>Type</b>	<b>Description</b>
<b>1. Self-direction</b>	Self-direction derives from organismic needs for control and mastery and interactional requirements of autonomy
<b>2. Stimulation</b>	Excitement, novelty and challenge in life.
<b>3. Hedonism</b>	Pleasure or sensuous gratification for oneself. Hedonism values derive from organismic needs and the pleasure associated with satisfying them.
<b>4. Achievement</b>	Personal success through demonstrating competence according to social standards.
<b>5. Power</b>	Social status and prestige, control or dominance over people and resources.
<b>6. Security</b>	Safety, harmony and stability of society, of relationships and of self.
<b>7. Conformity</b>	Restraint of actions, inclinations and impulses likely to upset or harm others and violate social expectations or norms.
<b>8. Tradition</b>	Respect, commitment and acceptance of the customs and ideas that one's culture or religion provides.
<b>9. Benevolence</b>	Preserving and enhancing the welfare of those with whom one is in frequent personal contact (the 'in-group').
<b>10. Universalism</b>	Understanding, appreciation, tolerance and protection for the welfare of all people and for nature.

Source: Rokeach (1968)

Rokeach (1968) stated that personal values influence all behaviour. The statement was emphasized by Kamakura and Mazzon (1991) who posited that personal values involve self-awareness and consciously influence choices and behaviour as they standards against which evaluations and judgments are made. Personal values are the core of the personality and influence all other characteristics, such as attitudes, evaluations, judgments, decisions and commitments. Personal values have an impact on determining the behaviour of the owner-manager within an organization.

Furthermore, according to Kilby (1992), values are instrumental in advancing a constructive understanding of human behaviour and consequent change. Thus it would appear that personal values should have important implications not only for the decision to pursue entrepreneurship, but for the way in which the entrepreneur/owner-manager manages a business. In this case, successful owner-managers have been identified with a personal value type referred to as 'entrepreneurial'. Entrepreneurs tend to place high value on desire, accomplishment, dependability, accountability, hard work, competence, confidence, innovation, assertiveness, morality, creativity, social recognition and growth (Mohd 2015).

Nonetheless, the failure rate of wholesale and retail SMEs is very high in EThekweni Municipal region. Studies by researchers Kamakura and Mazzon (1991) presented results that suggest that SME owners should incorporate values and improve management skills. However, it is worth noting that wholesale and retail SMEs that are motivated by opportunity have a better chance of survival. Given Africa's rich cultural background, EThekweni Municipal region's wholesale and retail SMEs grounded in Zululand have a strong value system which emanates from a strong cultural orientation and progressively, this cultural system manifests in their business operations.

According to a marketing research company in South Africa GFK, at least 13 percent of wholesale SMEs and 24 percent of manufacturing SMEs have attracted investors thus far because they managed to align the owner-managers values with the vision and strategy of the business (Cooper, Blackman and Keller 2015).

Furthermore, Alam *et al.* (2015) agreed that owner-managers' personal values and enterprise performance are parentally related and are key in attracting investors into the

business. Past studies have shown that owner-managers who put much value on their personal values are likely to achieve high performance levels. It is also suggested that owner/managers' personal values influence the strategies they adopt in operating their businesses and, ultimately, sustainable growth and the performance of their businesses.

### **2.17.3 The importance of values**

Tannenbaum and Schmidt (1973) pointed out that there are at least four internal forces that influence a manager's leadership style, namely value systems, confidence in employees, personal inclinations and feelings of security in an uncertain situation.

Values apply to all and they guide one's behaviour and attitude towards certain areas of one's life. In light of that, the researcher's opinion points out that a value system plays an important role, whether strong or weak. In simpler terms, individuals make decision in line with the value system they espouse. In other words, in most African societies, values and attitudes are important because they shape behaviour and behaviour influences people, which in turn impacts positively on the growth of the SME business. It is important to consider personal values of the owner-manager when looking at the growth of an SME business, since values normally translate to vision and finally strategies.

Asah, Fatoki and Rungani (2015) commented that values will affect not only the perceptions of appropriate ends, but also the perceptions of the appropriate means to those ends. From the concept and development of organizations strategies, structures and processes, to the use of particular leadership styles and the evaluation of subordinate performance and sustainable growth of the SME business, value systems will be persuasive. Fiedler's (1967) leadership theory is based upon the argument that managers cannot be expected to adopt a particular leadership style if it is contrary to their value orientations.

Wang *et al.* (2015) concluded that investors are concerned with the values of the organisation as a whole. Most wholesale and retail SME businesses reflect the personal values of the owner-manager and since decisions are centred around the owner-manager in an SME business setup, there are chances that investors will be attracted not only by the financial performance of the business but also by the values which the business exhibits in its operations.

#### **2.17.4 Values, Corporate Social Responsibility and Investment opportunities in South Africa**

Turyakira, Venter and Smith (2012) state that the owner-manager's values influence the adoption, practice and participation of the business in CSR activities. Furthermore, the outcomes of CSR activities can help to improve the survival rate of SMEs, and may offer great opportunities for business competitiveness, locally and globally. CSR is one of the important ways in which a business can distinguish itself from its competitors and attract investors. Businesses have to give back to employees, society and the environment within which they operate. A useful strategic tool like CSR not only boosts the brand image and reputation of the firm for investment opportunities, but also leads to improvement in sales, customer loyalty, and an increased ability to attract and retain employees Ngary (2014).

Wankhade (2014) in support of Turyakira, Venter and Smith (2012) contended that being socially responsible creates goodwill and a positive image for the brand. Trust and a good reputation are some of a company's most valuable assets. Investors consider such assets when they are carrying out investor feasibility studies and without these assets, one would not even have a business. You can nurture these important assets by being socially responsible.

It is however crucial that one devises the right socially responsible programme for one's business, otherwise it will be a waste of time and capital. When used properly, CSR will open up a myriad of new relationships and opportunities. Not only will one's success grow, but so will the company's culture. It will become a culture which the owner, staff and the wider community genuinely believe in (Reginald and Millicent 2014).

Considering the literature from researchers above, authors Sousa Filho *et al.* (2010) who chose to use mixed research methodology summarised their results noting that owner-managers' values and CSR speaks on behalf of the business. Since wholesale and retail SMEs have nothing much to show off to investors in the form of capital outlay and physical assets, investors and financiers are attracted to companies who are socially responsible. These decision-makers know this reflects good management and a positive reputation. Do not underestimate this influence as it can be just as important as one's company's

financial performance. In fact, it may be the deciding factor in choosing to support the company. However, Nandonde (2013) criticised the results as he believes policies and CSR scores are key bedrocks to CSR. The adoption and implementation of CSR policies, as well as the availability of CSR scores, has in fact generated a growing interest by financial markets and investment analysts in particular. Accordingly, given the pivotal role that financial markets play in the allocation of scarce capital resources and in the derivation of a company's market value, understanding whether and in what ways these markets assess a firm's CSR scores is critical.

Researchers fail to establish whether there is a significant link between values and CSR. Researchers reflect different stand points on the same topic as some were of the view that:

- There is need for a balance between entrepreneurship and ethical practice if wholesale and retail SMEs were to consider CSR.
- Entrepreneurs tend to place high value on desire and accomplishment rather than on business-driven principles.
- Values are undermined by the perceived cost of CSR.
- Values not only affect perceptions of the appropriate ends but also perceptions of the appropriate means to those ends
- Investors are attracted not only by the financial performance of the business but also the values which the owner-manager exhibits for them to invest in the business' CSR initiatives.
- Owner-managers who put much value on their personal values are likely to achieve high performance, depending on which personal values they are more inclined to promote.

It is the purpose of this study to close the gap created by the researcher's views based on the idea that according to Stakeholder Theory, values show in the light of a business treating all its Stakeholders equally (Asah, Fatoki and Rungani 2015).

## **2.18 THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY BY WHOLESALE AND RETAIL SMEs IN ETHEKWINI MUNICIPAL REGION**

### **2.18.1 To what extent do SMEs practise CSR?**

Onwuchekwa (2012) posited that CSR is viewed as a vital concept that businesses of all types and sizes need to understand and address. A because as global competitiveness continues to follow momentous trends, CSR is proposed as an effective strategy for invigorating the operations, competitiveness and sustainable growth of SMEs. CSR has become increasingly important to the sustainable growth of wholesale and retail SMEs and CSR has progressively gained acceptance and prominence both as a business tool and as a contribution to social progress. A positive relationship between the CSR activities of SMEs and their enhanced competitiveness exists, at least if a long-term perspective is adopted Onwuchekwa (2012).

The researcher is of the opinion that to promote sustainable growth, EThekwini Municipal region SME owner managers must determine how their businesses can become socially responsible, ecologically sustainable and economically competitive. Both business and society gain when a business actively strives to be socially responsible. Olanrewaju and Omonona (2012) in their quantitative research, subscribed to the notion that although CSR has been discussed mainly in the context of larger enterprises, it is also a strategic tool for enhancing sustainable growth of wholesale and retail SMEs. There are basic CSR issues that all businesses, irrespective of their size, have to respond to that promote sustainable growth, such as the creation of a good working environment where diversity is encouraged; fair distribution of wealth in a community; protection of the environment; market innovations; and ethical practices.

Conversely, Ariwa (2014) argued that despite continual public pronouncements about their assumed importance as instruments of development, retail SMEs in EThekwini Municipal region still lack effective knowledge of modern sustainable growth and competitiveness techniques such as CSR, although CSR has been identified as a potential tool for enhancing growth and competitiveness amongst businesses.

The researcher observes that, regardless of widespread practical and academic interest in CSR and its role in the sustainable growth of wholesale and retail SMEs in EThekwini Municipal region as evidenced by literature contributions there is hardly any theoretical



and empirical contributions available Ladzani and Seeletse (2012). Quantitative and qualitative research with respect to CSR in wholesale and retail SMEs is limited and not conclusive, especially in developing countries such as South Africa. In light of the perceived positive effects of CSR practices on SMEs, a closer examination of how wholesale and retail SMEs in EThekweni Municipal region implement CSR is therefore crucial. Speaking of sustainable growth in SMEs, one should consider several factors that include all the internal and internal Stakeholders of the business. All factors brought together will indicate how best the SME can implement CSR in order to achieve the expected goal (Kaime 2014).

### **2.18.2 The Implementation of corporate social responsibility by wholesale and retail SMEs in EThekweni Municipal region.**

Although SMEs are integrating CSR more and more into their day-to-day management, they have to overcome many obstacles in order to do so. Several research studies have explored the constraints to the successful implementation of sustainable development for SMEs in a wide range of business contexts (Kechiche and Soparnot 2012b).

Whilst acknowledging an increase in the levels of awareness of CSR in SMEs in South Africa, the above studies indicate that some SME directors remain sceptical as to the benefits to be derived from CSR initiatives and are not inclined to go beyond what is strictly required of them legally. In fact, these directors report that they are pretty much overwhelmed by the day-to-day operations of their businesses, and are too busy to concern themselves much with issues relating to society at large, which have no immediate return or benefit on their businesses. According to Adebajo *et al.* (2013), in the EThekweni Municipal region, SMEs also report that there is a lack of information about CSR and that this has not exactly encouraged them to become committed. In support of the claim on this specific point, Yusuf and Adelopo (2014) indicated that the barometer of sustainable development is regrettably low because of the lack of information.

To complement the same fact, Kolk and Lenfant (2013) alluded that surveys also highlight the fact that lack of information is the first obstacle to the implementation of responsible management on the part of SME directors (47 percent in 2007), despite numerous initiatives and campaigns to increase awareness and help directors overcome this very

same obstacle. Moreover, it has been noted that wholesale and retail SMEs in EThekweni Municipal region do not generally have the capacity to collect and analyse useful data on the subject of sustainable development themselves. Furthermore, their access to information is limited as too is their knowledge of CSR- whether this is gathered from technical support organizations or reference data (Kolk and Lenfant 2013)

Wholesale and retail SMEs in EThekweni Municipal region have come across, or rather experienced, several challenges in implementing CSR besides the generic problems ranging from finance, competencies, management and tax to competition. A study of some 138 South African SMEs conducted by Zou and Wu (2013) illustrated that less than 30 percent of SMEs knew anything about support organizations which offer assistance for CSR start up initiatives and less than 25 percent knew anything about CSR reference data. This lacuna illustrates a reactive as opposed to a proactive approach in relation to the issue of seeking out information to do with implementation of CSR in SMEs (Nyahunzvi 2013).

A further challenge is the cost of implementing judicious measures and the lack of financial resources to do so (Esau and Malone 2013; Makasi, Govender and Munyoro 2014). The perception of a company's resources as seen from the point of view of its managing director is a crucial matter. SME directors who believe that their companies do not have sufficient financial resources are less likely to think favourably about CSR and to are likely to believe that the resources required for investment will not be compensated for in terms of cost savings (Nkiko 2013).

Juggernath, Rampersad and Reddy (2013) argue that the commitment of SMEs also meets obstacles linked to the market, principally the difficulty of applying environmental and/or social legislation because of its complexity and the rigidity involved in certain procedures. In addition to implementation barriers, Beck and Cull's (2014) literature is cited by Nyahunzvi (2013) that SMEs in EThekweni Municipal region also lament the lack of adequate support services and infrastructure. Furthermore, the lack of availability of tools is also blamed for the lack of uptake. Those which exist appear to be designed for big business and are not easily adaptable to SMEs. Van Dyk (2014) commented that formal systems of CSR management have thus not been very successful amongst SMEs because their complexity precludes adoption by smaller structures.

However, despite the barriers wholesale and retail SMEs face, the idea of implementing CSR measures nonetheless continues to take hold amongst SME directors who are conscious of the many advantages of responsible management. To summarise the facts above, the table below from the Global Entrepreneurship Monitor (GME) report draws out a cross-sectional analysis on the key points.

**Table 2.3: Research in the field of CSR in SMEs**

<b>Definition of CSR in SMEs and practices</b>	CSR has been implemented and practised in different views as a contextualisation effect of the definition adopted. Low perception of CSR in SMEs may be due to the term 'corporate', which alienates smaller organizations.
<b>Determining factors for commitment to responsible practice in SMEs</b>	Academic research reveals several factors which predispose towards a commitment to CSR in an SME. The central role played by the director himself or herself; internal and external proximity of the company; and finally the small size of operation all tend to encourage the development of ethical, rather than economic considerations.
<b>Obstacles to adoption and implementation of CSR in SMEs</b>	SMEs have certain weak spots such as the lack of resources, time and knowledge, particularly of matters pertaining to sustainable growth. In commitments to CSR, an SME faces obstacles linked to the market, particularly the difficulty of applying environmental and/or social regulations. Tools available are also poorly adapted to SMEs.
<b>Positive examples and consequences of CSR in SMEs</b>	There are many advantages for SMEs as a result of implementing a CSR strategy. For instance, reduced costs and increased efficiency bring financial advantage.

Source: Global Entrepreneurship Monitor (2010)

Through Adebajo *et al's* (2013) literature, the researcher found that there is a gap created by researchers on whether wholesale and retail SMEs in EThekweni Municipal region practise CSR or not. Researchers failed to come up with a conclusive point as they hold on to their individual views based on the methodology and results they used to analyse the practise of CSR by wholesale and retail SMEs. Some researchers indicated that there is:

- A lack of structures in the wholesale and retail industry that incorporates or consider all Stakeholders when implementing CSR initiatives, which is against the Stakeholder theory.
- A lack of effective knowledge of modern sustainable growth and competitive techniques like CSR.
- Skepticism amongst owner-managers as to the benefits derived from CSR initiatives.

- Disinclination for SME businesses to go beyond what is strictly required of them legally.
- A lack of concern because SME owner-managers are too busy to be concerned much with issues relating to society at large, which have no immediate return or benefit on their business.
- A cost of implementing judicious measures when implementing CSR.
- A lack of financial resources to spend on CSR initiatives.
- A host of challenges with CSR which affect business operations.

It is from this background that the researcher felt justice was not done to actually ascertain whether wholesale and retail SMEs in EThekweni Municipal region practise CSR. A gap needs to be addressed as researchers failed to conclude, but only highlight, reasons why SMEs find it difficult to practise CSR.

## **2.19 BARRIERS UNDERMINING THE PRACTICE OF CORPORATE SOCIAL RESPONSIBILITY BY WHOLESALE AND RETAIL SMEs IN ETHEKWINI MUNICIPAL REGION.**

### **2.19.1 SMEs' specific opportunities and / or barriers to CSR**

Dillon, Back and Manz (2014) noted that there are arguments that SMEs are likely to have barriers to CSR, like SMEs' perceptions toward CSR that CSR is out of concern with SMEs, and resource constraints (e.g. financial, human and time limitation).

Low perception of CSR in SMEs may be driven by the term 'corporate', which tend to distance smaller firms, thus SMEs tend to define CSR indistinctly (Engle, Ghysels and Sohn 2013). Another reason can be that SMEs are not able to adopt similar CSR agendas to large firms due to suffering from survival and viability of their business (Inoue and Kent 2014).

It is important to note through different authors that a wide array of barriers of resource constriction in the EThekweni Municipal region context is due to a short-term attitude towards CSR and environmental policy, fashioned by a lack of human and financial resources and time limitations. Dillon, Back and Manz (2014) stated that the lack of knowledge and resources (e.g. time and financial resources constraint) are major barriers

in the African context. Nonetheless, in Europe, research shows that the only notable barrier by SMEs is the financial constraint. Even Fatoki (2014b), in his comprehensive qualitative methodology on SMEs in EThekweni Municipal region, agreed with the notion that wholesale and retail SMEs in EThekweni Municipal region suffer from resource constraints and have difficulty in measuring the benefits of CSR. The overriding influence of owner-managers is also pointed out as a disadvantage. On the other hand, there are inconclusive arguments that wholesale and retail SMEs in EThekweni Municipal region may be better placed than large corporates to take advantage of CSR.

However, according to Homburg, Stierl and Bornemann (2013), having a flatter and potentially quicker structure, SMEs can take advantage and handle reputation and risks as they have an exceptionally short decision making process.

Glavas and Godwin (2013) observed that wholesale and retail SMEs in EThekweni Municipal region find themselves failing to benefit from the implementation of CSR because most of them are not ISO compliant, which eliminates them from gains that are realised from environmentally compliant donor complaint institutions. Studies reveal that business systems (e.g. ISO 9001:2000) could work as a CSR integration tool (Glavas and Godwin 2013). However, Farina and Chambel (2014) pointed out that when SMEs implement CSR, efforts to meet Stakeholders' expectations adapted in the CSR agenda could benefit from Stakeholder satisfaction, as well as business improvement and the development of competitive advantage.

Hove, Sibanda and Pooe (2014) produced results parallel to the above researchers as they confirmed that the key barriers were time, resource constraints, getting employees involved and embedding a CSR culture in the company.

Other Scholars, Kaime (2014), Ngugi *et al.* 2012; Newman, Lim and Pineda 2013; Jafri *et al.* 2014; Mchombu and Mchombu (2014) strongly dismissed the use of inappropriate language as it created a barrier to engaging in CSR by wholesale and retail SMEs. Further to the generic barriers, a lack of proper support service for CSR in the community and appropriate information regarding CSR are also concurrent barriers. Usually SMEs want to access a support service or information for CSR but many SMEs feel it is not sufficient or do not know how to access it. SMEs also have a fear of doing CSR wrongly or poorly. Short-term business planning is addressed with time and resource constraints as barriers.

Nevertheless, Omobowale (2014) strongly argued that in supply chain and procurement, SMEs feel CSR as a barrier itself when they compete with other companies. Therefore, Ormiston and Wong (2013) suggested that assistance in setting up and meeting CSR procurement is required in regional CSR in order to spread in SMEs.

**Table 2.4: Opportunities and barriers to CSR in SMEs**

Opportunities	Barriers
<ul style="list-style-type: none"> <li>• Flexibility</li> <li>• Concern for local basis</li> </ul>	<ul style="list-style-type: none"> <li>• Time</li> <li>• Resource constraints (financial, human etc.)</li> <li>• Low perception of CSR due to inappropriate language</li> <li>• Fear of doing wrong</li> <li>• Overriding influence of owner-manager</li> <li>• Lack of proper support and information</li> <li>• Getting employees involved</li> <li>• Embedding CSR culture in the company</li> <li>• Measurement and quantification of the benefits of CSR</li> </ul>

Source: Armiston Publishers (2013)

### **2.19.2 How SMEs can be encouraged to participate in CSR activities**

Rogerson (2014) found that CSR represents an option for further sustainable growth. SMEs need to be taught about CSR and its positive influence in the future. Promotion of the CSR concept amongst SME ‘entrepreneurs’ using the reputation of the International Standard Organisation will make the small and medium enterprises from the industry and services sectors aware and convinced that the investments in measures related to CSR are long-term, profitable investments. It is an investment in sustainability and competitiveness. In addition, Revathy (2012) concurred that the availability of special guidance on social responsibility in the form of an ISO standard would assist in the promotion and implementation of such education and training.

In essence, awareness-raising about the benefits and critical role of CSR in recovering competitiveness and improving the social standards in the economy, a major factor in encouraging the employers to implement CSR in their everyday business operation would obviously be pressure from informed and concerned consumers

However, Urban and Naidoo (2012) postulated that the assistance to encouraging socially responsible consumption might be a strong stimulus to enterprises to pay the necessary attention to improving the social and environmental standards in their everyday management.

Other opportunities can be realised through employee skill and awareness, as an opportunity that can be realised by SMEs Zarook, Rahman and Khanam (2013) shared the view that the training for CSR should be designed not only for the top managers, but also for other employees, providing know-how that is valuable for all members of an organization. Employers have to be stronger involved into CSR discussions as they are relevant agents between a company and its environment. They can also be seen as multipliers for issues from the organization to the public and on the other hand, for public issues to the organization.

In support, Rogerson (2014) and Hsu (2012) and Henry (2013) also presented results noting that one other opportunity was flexibility. Being flexible, SMEs are quick to respond to Stakeholder demands and implement Stakeholder policy. With regard to the advantages and disadvantages of the approach to CSR in SMEs with a resource-based view, SMEs have advantages of concern for local basis and flexibility and SMEs can override profitability to undertake principle-based initiatives.

However, Griffith-Jones and Karwowski (2013) argue that SMEs perceive benefits such as improved image and reputation; larger and more profit; better market position and increased employee motivation. SMEs conduct CSR due to more moral or ethical motives, not only for the benefits. As most benefits are intangible, measuring and quantifying them became one of the challenges to engaging SMEs in CSR. Furthermore, opportunities to such as learning from others, communicating and celebrating best practices, and increasing the evidence base and demonstrating the link between CSR and competitiveness exist.

According to Mara (2014), in line with the varying levels and forms of CSR participation and the paradoxical motivations, challenges and facilitators, recent literature has identified a tendency of SME owner-managers to be members of various associations. In an empirical research analysis of South African SMEs, some organisations and their

owner-managers proactively involve themselves with other institutions beyond regulatory and institutional requirements (Yahaya 2014).

In agreement Battaglia *et al.* (2014) with reference to Tanzanian systems narrated that a chamber of commerce membership helped member firms with a balanced representation of local economic interests and legitimacy as the voice of local businesses. Thus, such engagements by time-poor SME owner-managers provide an institutional framework for representing all SMEs at a local and national level.”

However generally in any SME setup, informal networks are important for gaining access to necessary company information and also scope for word-of-mouth marketing. Further potential benefits identified by Griffith-Jones and Karwowski (2013) which position the SME competitively include an informal sanctioning mechanism that helps to avoid bad practices through informal reputation management. A similar issue is identified by Pedersen and Gwozdz (2014) from the perspective of SMEs’ negotiating power. Inyang (2013a) commented that SMEs, due to their limited individual political significance in terms of job creation and social power, fail to influence political decision-making. Such political power is considered to be important for small businesses if they wish to participate in public policy making. Therefore, small businesses often have to work through organisations or associations that have an institutionalised place in policy decision-making.

In the researcher’s view, whilst this is an area that has gained recent attention, the quantitative and qualitative methodologies that have been implemented by several researchers have failed to reach a conclusive point on which recommendations could be drawn for SMEs in EThekweni Municipal region to practise CSR.

### **2.19.3 How can SMEs in EThekweni Municipal region get motivated to practise CSR?**

Hanlon (2014) stated that it depends on the size of the SME. The smaller the company, the closer it can get to improving the cash flow, the better, as long as the business owner is oriented. In most situations, the language used is jargon as far as SMEs are concerned. Many of the CSR terms are ‘policy terms’ but not business practical. According to Hanlon



(2014), one approach of interest is that developed by the Asian Productivity Organization (APO) which developed 'Green Productivity' as an umbrella approach to sustainability. SMEs have a core need to have things kept simple and practical and to be able to see immediate benefit from their efforts.

According to Nagypal (2014), SMEs in India, unlike in Africa, are awakening to the necessity of adopting a holistic approach to the community. They are realizing that being a good corporate citizen is as essential to their long term well-being as is being a good citizen in their individual lives. Mursitama, Fakhrudin and Hasan (2014) argued that it is no longer a question of small enterprises being able to afford being socially responsible, and more a question of the costs involved of not being a responsible corporate citizen. Lam (2014) suggested that awareness in the form of provision of goods and services where standardization of goods and services makes small companies realize the need for being socially responsible and being able to break into export markets requires even small companies to be ethical and transparent. Sandve, Marnburg and Ogaard (2014) agreed that if SMEs are well supported beyond political rhetoric, they can help not only to release the energies of individuals and groups locally, but also to create a global network to participate in opportunities, goals and a shared vision.

Taking a closer look at the arguments raised in the qualitative research results above by Hanlon (2014), Nagypal (2014) presented results arguing that though there is still a lot of policy frameworks to be crafted in South Africa in an effort to sustain SME development, this can only happen, through better transparency and legal frameworks that are more than symbolic legislation and that ensure fairness, inclusiveness and fight corruption in a society of freedom, democracy and justice. Financial support is the key driver for all CSR initiatives and size of the firm cannot be glorified as the main cause of the failure of wholesale and retail SMEs in EThekweni Municipal region to be socially responsible. Nevertheless, Nagypal's (2014) results were criticised as he failed to be holistic in his approach. Mursitama, Fakhrudin and Hasan (2014) presented arguments focusing much on size of the firm as a core barrier and a demotivating factor. However, as it stands in EThekweni Municipal region, wholesale and retail SMEs can hardly access financial support from private financial institutions, though a little is trickling in from the government. Banks are hesitant to provide discounted interest rates for 'green' loans where there is a clear reduction in the credit risk of the borrower. If SMEs are provided with the incentive of lower interest rates for their financing needs for addressing or

recognising CSR, then surely they would jump at the opportunity.

Arguments, suggestions and contributions have been raised through qualitative and quantitative research methodologies and the results in this study show that conventional western business or SME models, strictly financial parameters of success and even conventional CSR wisdom are not the only relevant models to address African context CSR for wholesale and retail SMEs in EThekweni Municipal region.

A gap in the literature on the barriers to CSR show that researchers have failed to agree on common barriers some indicated:

- Lack of knowledge as the major barrier
- Lack of CSR from all Stakeholders involved, which is a negative effect on the Stakeholder theory that puts more emphasis on involvement of all Stakeholders in business activities;
- Lack of time as a major barrier;
- Difficulties in measuring benefits from CSR;
- CSR as a barrier in supply chain management when it comes to competing with big and well established businesses;
- Need to respond to the demands of all Stakeholders involved which is a principle of the Stakeholder theory; and
- Language used in CSR where most of the terms are policy terms not business practical.

These differences prompted a further study, the aim of which is to address a gap and come up with a conclusive point on the barriers to CSR. This research study's aim is to contribute to the knowledge gap through implementing a mixed methodology and also conclusively adopting a model that can be used by wholesale and retail SMEs in EThekweni Municipal region. Nonetheless, by critiquing the literature above that included Asia, Europe and African context, there has not been a solution or roadmap that will see wholesale and retail SMEs finding reason to be socially responsible. The methodologies that were used by previous researchers failed to provide a roadmap as their arguments contradicted each other on the concept of CSR. Considering the inconclusiveness of previous research and given that under the four objectives a gap is showing due to researchers failing to agree on one issue, this study shall subsequently adopt a mixed

methodology as qualitative and quantitative methodologies will complement each other during qualitative and quantitative data analysis to produce conclusive results. Considering the literature above, most authors identified with Stakeholders (employees, community) as key to practising CSR. Therefore, this study shall discuss a Stakeholder theoretical framework and methodology in subsequent chapters.

## **2.20 CHAPTER SUMMARY**

Literature has shown that CSR is fundamentally about personal attitude and that there should be training in responsible entrepreneurship via local chambers of commerce in order to foster this awareness. Therefore, negative attitudes result in the owner-manager of an SME being passive to CSR issues. Most SMEs as presented by literature need to adopt a positive attitude towards CSR in order to give congruence to economic and social profit that would help businesses embed CSR in their operations. A positive attitude can see the inclusion of CSR as a component of syllabuses in schools in order to educate future leaders, the very people who could drive positive change.

The literature on small and medium enterprise corporate social responsibility is limited, disparate and fragmented. Most of the studies in this field fail to cover all the relevant areas that could assist in the development of a coherent CSR system in SMEs. Furthermore, CSR studies are difficult to collect since most of them are published on a wide range of topics like business ethics, CSR, small business, entrepreneurship and regional development and management issues, as previously noted by some researchers in the literature.

However, there exists a significant commonality in the SME–CSR relationships across researchers, which shows that CSR is not a common practise to SMEs and that SMEs are hesitant to engage in CSR because of the need for survival and general challenges that come with an SME business such as lack of resources, lack of funding, lack of skills, management in competencies, culture and stiff regulations.

There are characteristics of intertwined ownership and management in small businesses. Several academics perceived a negative influence of SME owner-managers on their business activities' including participation in CSR activities, unlike large corporations.

SMEs are not 'little big firms' and therefore such businesses are not always motivated by the same things as their larger counterparts. In addition to size, SMEs differ in their orientation to legal form, sector, national context, historical development and institutional structures. Whilst a common mistake in CSR studies is to compare entrepreneurial small firms with normal large firms, SMEs are not always profit driven like other businesses and as a result find it difficult to invest in CSR.

**Ethical issues such as trust and openness**, selected relationships with suppliers and sincere dealings with clients have been recognised by small firm managers as some of the key drivers of SME development. However, SMEs are excluded from the most profitable supply chain systems.

**Graft and corruption**, together with the question about what chance CSR has in a corrupt state, discourage most SMEs from engaging in CSR activities. And if the big boys were bad, meaning MNCs, what chance could SMEs have in the market?

**Individual responsibility, cost-benefit questions** arise where moral heroism asks who has the time to exert their individual responsibility when the focus is on the short term existence or profitability of one's company. SMEs are frequently only cash flow driven and do not concentrate on a return on investment, which makes any activity that is not profit focussed a side issue. There is a lack of motivation to engage with responsible behaviour when the costs seem to outweigh the benefits.

**Lack of education and information** is also a critical issue where if an SME is interested in a sustainable business, then there is the impact of competitors to consider (the playing field is not level) as well as a lack of education on CSR and a lack of information on how to turn CSR into a competitive advantage.

At the end of it all, there is a strong thread that CSR cannot mean the same thing for all SMEs and that it requires a non-standard form of CSR for SMEs. This difference on the CSR perspective could also lead to a conflict between the values of an SME and the ethics codes of an MNC that buys from it. The common acceptance by most researchers is that SMEs in South Africa are CSR positive, but are not practising it for business reasons or just passivity to CSR concept. It can be promoted. As one commentator put it, CSR is the corporate version of personal integrity. SMEs with a clear mission, CSR and good governance have a much clearer compass for their businesses Preston (1995).

In the researcher's view, literature supports that CSR needs to be more than just compliance, it needs to be adopted as a strategic tool for the sustainable growth of SMEs and profit maximisation and it is better to pursue CSR as a means than not at all. There is no point in binding SMEs in red tape when the thing they least want to deal with are bureaucratic hurdles.

## **CHAPTER THREE**

### **STAKEHOLDER THEORETICAL FRAMEWORK**

#### **3.1 Introduction**

This chapter begins with a brief history of Stakeholder theory, a review of the Stakeholder concept and the application of Stakeholder theory to CSR. This study also documents criticism of the Stakeholder theory. The literature concurs on the need for Stakeholder support to create winning coalitions in SMEs, to ensure the long-term viability of organizations, policies, plans, and programs, as well as communities, and even nations. The study argues that the wise application of Stakeholder theory to CSR in SMEs can help frame problems or issues that are solvable in ways that are technically feasible and politically acceptable, and that advance CSR for the sustainable growth of SMEs. The conclusion presents a number of recommendations for practice, research and management education.

Stakeholder theory is part of a comprehensive project that views the organisation-group relationships as both a foundation and a norm. The word Stakeholder has assumed a prominent place in public and non-profit management theory and practice in the last 20 years, and especially in the last decade. The term refers to persons, groups or organizations that must somehow be taken into account by leaders, managers and front-line staff Preston(2004).

Research and writing on the subject has both contributed to the rise in the use of the term, as well as to knowledge about what it might mean in practice. Ironically, while the term has passed the 'tipping point' into common use and the notion that key Stakeholders must be attended to is an idea 'in good currency', there is remarkably little in the public, private and non-profit literature on exactly how to systematically apply Stakeholder theory to CSR in business. Some apply it without knowledge in their operations with the community.

However, it is important to note that the Stakeholder concept has a long history and broad

applicability. Stakeholder theory has become the focal point of a great many debates. It frequently serves as a point of reference in agents' discourses, in their acts and in a host of 'management science' studies (and even political analyses). Its current tendency is to impose itself as a point of reference as it imitates CSR policies, to such an extent that it has taken on the allures of a dominant discourse and Buchholtz (2014). This explains the proliferation of false arguments currently circulating on this subject.

### **3.2 DEFINITION OF TERMS**

According to Carroll (2014), there are copious definitions of 'Stakeholders' in governance literature, based in part on the economic salience of these Stakeholders.

To start with, Stone *et al.* (2014) suggested that the current papers define Stakeholders broadly as those persons and groups who contribute to the wealth creating potential of the firm and are its potential beneficiaries and/or those who voluntarily or involuntarily become exposed to risk from the activities of a firm. Thus, Stakeholders include shareholders (preferred and common); holders of options issued by the firm; debt holders (banks, secured debt holders, unsecured debt holders); employees (especially those investing firm-specific human capital); local communities (e.g. charities); environment as 'latent' Stakeholders (e.g. pollution); regulatory authorities; the government (as tax collector); inter-organizational alliance partners; customers; and suppliers. These Stakeholders often gain substantially when the firm does well and suffer economic losses when the firm does poorly. However, Mercier (1999) has a different view that Stakeholders are all of the agents for whom the firm's development and good health are of prime concern.

The father of Stakeholder theory also made a precise contribution to the definition. In his strategic management book, Freeman (1984) concluded that Stakeholder is any group or individual that can affect or be affected by the realisation of a company's objectives. Ethical considerations are what have driven Stakeholder theory's rise, having been deployed as a way of constructing its normative aspect (the idea being that we are all Stakeholders).

In agreement with the idea above, Donaldson (1995) point that Stakeholders are defined by their legitimate interest in an organisation. This implies that:

- Claimants are groups or persons with legitimate interests; that they are known; and that they have been identified; and
- All Stakeholder groups' interests have at least a modicum of intrinsic value.

However, Donaldson and Carroll (1989) argued Stakeholders are defined by distinguishing them as:

- Primary Stakeholders, referring to those actors who entertain a direct and contractually determined relationship, as the name indicates, with the company (and who are sometimes still called “contractual” Stakeholders); and
- Secondary Stakeholders, combining actors who are situated at the borders of a firm and who may be impacted by its actions without having any contractual connection to it (a group that is still described as diffuse).

Other distinctions exist as well, including between internal Stakeholders traditional external ones and other external ones with the power to influence matters.

To this effect, a further distinction exists between institutional Stakeholders (those involved in laws, regulations, inter-organisational entities, plus professional organisations that may be specific to a given industry); economic Stakeholders (actors operating in the markets of the company in question); and ethical Stakeholders emanating from ethical and political pressure groups (a group whose figuration may be more difficult to define) (Fernando and Lawrence 2014).

Freeman (1984) maintained that the traditional definition of a Stakeholder is any group or individual who can affect or is affected by the achievement of the organization's objectives. The general idea of the Stakeholder concept is a redefinition of the organization. The concept is about what the organization should be and how it should be conceptualized.

In essence, the firm itself should be regarded as a grouping of Stakeholders and the purpose of the firm should be to manage their interests, needs and viewpoints.



Stakeholder management is fulfilled by the managers of a firm. The managers should manage the corporation for the benefit of its Stakeholders in order to safeguard their rights and their involvement in decision-making. Furthermore, management must act as the stockholders' agent to ensure the survival of the firm in the long term interest of each group.

According to Ferrero, Michael Hoffman (2014), the definition of a Stakeholder, the purpose and the character of the organization and the role of managers are very unclear and contested in literature and was changed over the years. Even the father of the Stakeholder concept changed his definition over time. In one of his latest definition Freeman (2004) defines Stakeholders as those groups who are vital to the survival and success of the corporation.

Freeman (2004) adds a new principle which reflects a new trend in Stakeholder theory. In his opinion, consideration of the perspective of the Stakeholders themselves and their activities is also very important to the management of companies. It is called the principle of Stakeholder recourse. Stakeholders may bring an action against the directors for failure to perform the required duty of care McNulty (2014).

All the mentioned thoughts and principles on the Stakeholder concept are known as 'normative Stakeholder theory' in literature. Normative Stakeholder theory contains theories of how managers or Stakeholders should act and should view the purpose of the organization, based on some ethical principles. Another approach to the Stakeholder concept is the so called 'descriptive Stakeholder theory', which is concerned with how managers and Stakeholders actually behave and how they view their actions and roles (Hörisch, Freeman 2014a).

Some definitions suggest that Stakeholders are those who have the power to impact an organisation or project in some way Schaltegger(2014a). For example, people or small groups with the power to respond to, negotiate with and change the strategic future of the organization (Ackermann *et al.* 2014).

Nevertheless, Crosby and Bryson (2014) argued that this is a somewhat restrictive definition because it excludes those who are affected, but who do not have any power to respond to or negotiate with an organisation.

This study prefers a more inclusive definition which extends to all Stakeholders who are affected by change, and this wider definition is more compatible with notions of democracy and social justice Stakeholder management.

Abreu (2012) agreed that a wider definition is preferable, but not just for ethical reasons. Projects whether small or large will impact people who do not have power during the implementation, but may do so in business as usual.

According to Bridoux and Stoelhorst (2014), Stakeholder theory suggests that the purpose of a business is to create as much value as possible for Stakeholders. Friedman and Miles (2006) explain that in order to succeed and be sustainable over time, executives must keep the interests of customers, suppliers, employees, communities and shareholders aligned and going in the same direction.

However, Strand and Freeman (2013) pointed out that, at least as early as 1708 the term meant 'a person entrusted with the stakes of bettors' who must deliver the stakes to the winner of the contest. The meaning of Stakeholder in this sense carried a fiduciary responsibility. Later, a second meaning was added so that a Stakeholder became one who has a share or an interest, as in an enterprise (Fernando and Lawrence 2014). However, this research study shall adopt the definition by Freeman (1984) which states that a Stakeholder is any group or individual that can affect or be affected by the realisation of a company's objectives.

This study shall further adopt the idea that ethical considerations are what have driven Stakeholder theory's rise, having been deployed as a way of constructing its normative aspect (the idea being that we are all Stakeholders). This research shall critically expound the Stakeholder theory in detail through the headings below.

### **3.3 WHAT IS A STAKEHOLDER?**

Freeman (1984) posits that the earliest definition is often credited to an internal memo report of the Stanford Research Institute (SRI) in 1963. They define Stakeholders as those groups without whose support the organization would cease to exist (Moriarty 2014).

Garrod *et al.* (2013) continued to use his definition in a modified form, those groups who are vital to the survival and success of the organization. This definition is entirely organization orientated so academic circles prefer the definition by Freeman (1984) where he defines Stakeholders as any group or individual who can affect or is affected by the achievement of the organizations objectives. About twenty of the 75 definitions share this definition. Friedman and Miles (2006) shared the argument that this definition was more balanced and much broader than the definition of the SRI. The phrase 'can affect or is affected by' seems to include individuals outside the firm and groups may consider them to be Stakeholders of an organization without the firm considering them to be such.

However, a more detailed distinction and analysis of the different definitions would go far beyond the extent of this paper. Considering Friedman and Miles' (2006) arguments, Stakeholder theory emanates from a Stakeholder framework and from such a view point, one can think of a Stakeholder as a person or organization that can affect or be affected by an organization where Stakeholders come from either inside or outside of the organization. Stakeholder theory then looks at the relationships between an organization and others in its internal and external environment. It also looks at how these relationships affect how the organization conducts its activities.

### **3.3.1 Who are Stakeholders?**

According to Asiyai (2014), a very common way of differentiating the different kinds of Stakeholders is to consider groups of people who have classifiable relationships with the organization. Friedman and Miles (2006) after listing the main groups of Stakeholders stated that there is a clear relationship between definitions of what Stakeholders are and identification of who are the Stakeholders.

In support of the above Beach (2015) pointed out that managers are treated differently in the literature. Some regard them as Stakeholders, others embody them in the organization's actions and responsibilities.

Nonetheless, an interesting view of managers is presented by Aoki (1984) who viewed managers as referees between investors and employees. All categories of Stakeholder groups could be defined more finely. For example, media could be split up into radio, television and print media, or employees as blue-collar and white collar workers, or in

terms of which department they work. An advantage of refined categories of Stakeholders is that by doing a more homogeneous grouping of people is likely. The negative fact about this would be the greater chance of overlap of interests and actions.

### 3.4 THEORIES OF CSR

In view of the fact that there is a great heterogeneity of theories and approaches of CSR, discussion in this research study is based on a comprehensive analysis of views by Secchi (2007) and Garriga and Melé (2004).

According to Ansari (2014), Secchi (2007) came up with a group of theories based on a criterion of what role the theories confer to the corporation and society. The theories are as follows:

- The utilitarian theory;
- The managerial theory; and
- The relational theory (see Table 3.1).

On the other hand, Garriga and Melé (2004) analyse and map CSR into four types of territories, namely:

- Instrumental theories;
- Political theories;
- Integrative theories; and
- Ethical theories. (see Table 3.2)

The tables describe the theories and the relevant approaches. There is no doubt that some similarities do exist in both conceptualizations of CSR and the discussion will be based on emphases and approaches.

**Table 3.1: Utilitarian, managerial and relational theories of CSR.**

Utilitarian Theory	Managerial Theory	Relational Theory
Theories on social costs Functionalism	Corporate social performance Social accountability, auditing and reporting (SAAR) Social responsibility for multinationals	Business and society Stakeholder Approach Corporate global citizenship Social contract theory

Source: Secchi (2007: 350).

**Table 3.2: The CSR theories and their related approaches**

<b>Types of theory</b>	<b>Approaches</b>	<b>Short description</b>
<b>Instrumental theories</b> (Focusing on achieving economic objectives through social activities)	Maximization of shareholder Value	Long term value of maximization
	Strategies for competitive Advantage	<ul style="list-style-type: none"> <li>• Social investment in a competitive context</li> <li>• Firm's view on natural resources and its dynamic capabilities</li> </ul>
	Cause-related marketing	Altruistic activities socially recognized as marketing tool
<b>Political theories</b> (focusing on a responsible use of business power in the political arena)	Corporate constitutionalism	Social responsibilities of businesses arise from the social power the firms have
	Integrative social contract	Assumes that a social contract between business and society exists
	Corporate citizenship	The firm is understood as being like a citizen with certain involvement in the community
<b>Integrative theories</b>	Management issues	Corporate response to social and political issues
	Public responsibility	Law and the existing public policy process are taken as a reference for social performance
	Stakeholder management	Balances the interests of firms' Stakeholders
	Corporate social performance	Searches for social legitimacy and processes to give appropriate responses to social issues
<b>Ethical theories</b> (Focusing on the right thing to achieve a good society)	Stakeholder normative theory	Considers fiduciary duties towards Stakeholders of the firm.
	Universal rights	This requires some moral theories Based on human rights, labour rights and respect for Environment
	Sustainable development	Aimed at achieving human development considering present and future generations
	The common good	Oriented towards the common good of society

Source: Garriga (2004:63).

### 3.4.1 Utilitarian Theories

Mansell (2015) was of the idea that in the utilitarian theories, the corporation serves as a part of the economic system in which the function is mechanical i.e. traditionally known as in profit maximization. CSR ideas emerged after a realization that there is a need for economics of responsibility, embedded in the business ethics of a corporation. Hence, the old idea of laissez-faire business gives way to determinism; individualism to public

control; and personal responsibility to social responsibility. However on the same subject, Mok, Shen and Yang (2015) advanced the idea by proposed that Utilitarian could also be taken synonymous with Instrumental theories in which the corporation is seen as only an instrument for wealth creation, and its social activities are only a means to achieve economic results Garriga and Melé (2004).

Instrumental theories were also based on the basic idea of investment in a local community in which Friedman (1970) stated that the investment will in the long run provide resources and amenities for the livelihoods of the people in the community. Cavusgil and Kim (2014) viewed all this from a different angle by narrating that the Utilitarian theories are related to strategies for competitive advantage. The proponents of these theories are, for instance, Porter and Kramer (2002) and Litz (1996) who viewed the theories as bases for formulating strategies in the dynamic usage of natural resources of the corporation for competitive advantage. The strategies also include altruistic activities that are socially recognized as instruments for marketing.

According to Secchi (2007), the Utilitarian theory is further divided into two groups namely the social costs of the corporation and the idea of functionalism. The Social Cost theory has a basis for CSR in which the socio-economic system in the community is said to be influenced by corporate non-economic forces.

Taylor, Walton and Young (2013) contend that it is also called Instrumental theory because it is understood that CSR is a mere means to the end, which leads to the fact that the social power of the corporation is materialized specifically in its political relationship with society. The Utilitarian theory, therefore, suggests that the corporation needs to accept social duties and rights to participate in social co-operation. Within it, the Functionalist theory specifically advocates that the corporation is seen as a part of the economic system, one of the goals of which is profit making. The firm is viewed as an investment, and investments should be profitable to the investors and Stakeholders (Babalola 2012).

In simpler terms, the researcher is of the opinion that the arguments by Babalola (2012) and Taylor, Walton and Young (2013), was functionalist theory is put from the internal point of view of the firm, CSR is coined as a defence tactic of the industrial system against

external attacks because there is need for a balance between profit making and social objectives for the economic system's equilibrium.

### 3.4.2 Managerial Theory

The logic of Managerial theory that emphasizes corporate management in which CSR is approached by the corporation internally makes the difference between the Utilitarian and Managerial perspectives of CSR. This suggests that everything external to the corporation is taken into account for organizational decision-making. Considering Secchi's (2007) analysis, managerial theories have been divided into four sub- groups:

- Corporate social performance;
- Social accountability;
- Auditing and reporting; and
- Social responsibility for multinationals.

In agreement, Meier, Favero and Zhu (2015) explained that corporate social performance (CSP) aims to measure the contribution the social variable makes to economic performance. Thus, the problem is that of managing the firm considering social and economic factors together and it is based on the assumption that business depends on society for its growth and sustainability. Gander (2014) managed to separate CSP by elaborating that the CSP of a corporation is sub-divided into five dimensions in order to keep detailed information about its existence in the corporate chains, namely:

- *Centrality* measures the way CSR is compatible with mission of the core goals;
- *Specificity* gauges the advantages CSR brings to the corporation;
- *Pro-activity* measures the degree of reaction to external demands;
- *Voluntarism* accounts for the discretion the firm in implementing CSR; and
- *Visibility* refers to the way the responsible behaviour is perceived by the community of Stakeholders.

As a management observation in relation to CSR in an organisation, the managerial theory generates interest in the sense that CSR considers socio-economic variables to measure firms' socio-economic performance, as well as to link social responsibility ideology to business strategy. Nonetheless, according to Rizzi and Frey (2014), social accountability, auditing and reporting (SAAR) are strictly related to social performance contributions

through accounting, auditing and reporting procedures. SAAR means a firm account for its action. By doing so, firms are controlled and regulated in their actions towards performing their core business while responsible to the relevant community. There are three activities that separate managerial activities. However, there are interrelated to each other. All these contribute to the socially responsible behaviour of a firm, which finally measures the corporation's activities that have social impact. Firms are involved in SAAR activities for communication needs, to have better Stakeholder involvement and for disclosure concerns (Casson 2015).

There are several research studies in relations to Managerial theory that look at Managerial theory from a large corporate point of view. Lussier and Achua (2015) commented that CSR for MNCs grows as a result of global competition and challenges they face. This aspect of Managerial theory comes into being as a result of the responsibility the managers have to shoulder by defining useful tools about CSR for the MNCs to survive in foreign countries.

In one of his articles, Donaldson (1989) refers to MNCs as 'moral agents', analysed on the basis of the moral values when managers make decisions in the firms, going beyond profit maximization. Northouse (2012) strongly argued with the view that, the logic of CSR for MNCs is also derived from the fact that cultural clashes become relevant due to events such as protests, demonstrations, boycotts, strikes and other negative actions against the employers. The answer to these actions is the formulation of 'codes of conduct' that should be adopted by MNCs. The success of this initiative, however, depends on client expectation and corporate reputation as well as the level of trust, acceptance and co-operation shown by the Stakeholders and community of workers.

Similarly, Hasnas (2013) argued that Managerial theories are also strongly related to political theories, based on the conceptualization by Garriga and Melé (2004) and supported by Grant *et al.* (2014) as well as Frynas and Stephens (2014).

It will be anti-academic to argue with the researchers above about managerial theories, but in simpler terms considering the applicability of the theories in business, social responsibilities of businesses arise from the amount of social power a corporation has and the corporation is understood as being like a citizen with certain involvement in the



community. The origin of the political power of CSR is based on (Davis 1960) idea who proposed that business is a social institution and it must use power responsibly. Causes that generate the social power are from inside and outside of the corporation.

Furthermore, Smith (2013) highlighted that strategies firms choose to adopt CSR initiatives are conditioned in part upon the domestic political institutional structures present in the home market. Political theories further demonstrate the links between economic globalization pressures felt by companies, domestic political structures where the companies are in CSR policies. Managerial theories are also covered under the integrative theories of (Garriga and Melé 2004), namely the entities of public responsibility and corporate social performance. Public responsibility stresses law and public policy process that are taken as a reference for social performance, while corporate social performance searches for social legitimacy relevant to social issues (Hörisch, Freeman and Schaltegger 2014b).

### **3.4.3 Relational Theory**

Darwen and Lorentzos (2014), Relational theory has a basis in the multifaceted firm-environment relationships. As the term implies, interrelations between the two are the focus of the analysis of CSR. As shown in Table 3.1, relational theory is further divided into four sub-groups of theories:

- business and society;
- Stakeholder approach;
- corporate citizenship; and
- Social contract.

However, Leach (2014) explained business and society as proposed to mean 'business in society', in which CSR emerges as a matter of interaction between the two entities. One of the measures of CSR is the development of economic values in a society. Another is a person's obligation to consider the effects of decisions and actions on the whole social system. Stated in the form of a general relationship, social responsibilities of businessmen need to reflect the amount of social power they have.

In light of statements by Leach (2014), it is important to understand that the Stakeholder approach has been developed as one of the strategies in improving the management of

the firm. It is a way to understand reality in order to manage the socially responsible behaviour of a firm. The Stakeholder approach further considers a firm as an interconnected web of different interests where self-creation and community creation happen interdependently and individuals behave altruistically (Leach 2014).

On the other hand, based on Garriga and Melé (2004) analysis and Freedberg's (2015) contributions, Smith (2013) stated that the Stakeholder approach is both within the integrative and ethical theories, where the former emphasizes the integration of social demands and the latter focuses on the right thing to achieve a good society. These are supported by the work of Mitchell, Agle and Wood (1997) where balances amongst the interests of Stakeholders are the emphases and the work of Freeman and Phillips (2002) that considers fiduciary duties towards Stakeholders of the firms, respectively.

According to Brown and Forster (2013) corporate citizenship of the relational theory stoutly depends on the type of community to which it is referred. It is a conduit that a corporation may take to behave responsibly. Fundamentally, it is about the relationship that a corporation develops with its Stakeholders, and therefore, the former has to incessantly search for engagement and commitment with the latter. Corporate citizenship, based on Garriga and Melé (2004) analysis, is an approach used under the integrative and political theories. This is supported by Swanson (1995) and Logsdon and Wood (2002) respectively.

Finally, Christopher, Hutomo and Monroe (2013) stated that the social contract theory of the relational group refers to the fundamental issue of justifying the morality of economic activities in order to have a theoretical basis for analysing social relations between corporation and society. Hence, CSR is derived from the moral legitimacy the corporation achieves in society and understanding about CSR is contained in the justification of social actions that legitimize the behaviour of the corporation. Garriga and Melé's (2004) analysis puts the Social Contract theory under the group of ethical theories, the approaches of which include universal rights by UN Global Compact 1999 and sustainable development (WCED 1987; Korhonen 2003). Both approaches of CSR are based on human rights, labour rights and respect for the environment.

The researcher's view is that the Utilitarian approach is simplified in its scrutiny by the

individuals and mechanics from the corporation standpoint, the Managerial approach is very organizational oriented and measurable; and the Relational approach is values-based, as well as interdependent between the corporation and society. The allocation of responsibility according to the order of the theories is the economic system, the corporation and the type of the relationship. This conclusion is supplementarily strengthened by another not so distant conceptualization about CSR in that the theories are summed into instrumental, political, integrative and value based. Instrumental theory focuses on achieving economic objectives through social activities; politically focusing on the responsible use of business power in the political arena; integratively concentrating on drawing together management issues, public responsibility, Stakeholder management and corporate social performance; and ethical theory stresses strategies to achieve a good society (Davis 1960; Donaldson 1989; Smith 2013; Hörisch, Freeman and Schaltegger 2014a).

### **3.5 HISTORY OF THE STAKEHOLDER THEORY**

According to Brown and Forster (2013), in the mid-1980s a Stakeholder approach to strategy germinated. One focal point of this revolution was the publications of Richard Edward Freeman. He is generally endorsed and credited with popularizing the Stakeholder concept. In doing so, he indicated that his view of the Stakeholder concept was from the viewpoint of the company. The use of the word Stakeholder came from pioneering work done at Stanford Research Institute (SRI) in the 1960s (Friedman and Miles 2006).

Dodd (1932) stated that already GEC was identifying four main groups with whom they had to consider. Those four groups were defined as shareholders, employees, customers and the general public. Further, Preston and Sapienza (1990) mentioned that Johnson and Johnson identified customers, employees, managers and the general public in 1947. The Sears named four parties to any business in the order of their importance as customers, employees, community and stockholders in 1950.

However Schilling (2000) argued that the start of thinking about the Stakeholder concept was the work of Follet in 1918. Friedman (2006) considered a concern about the corporation, which emerged along with the origins of the corporation as a legal entity, which he called the soulless corporation.

This shows a moral or normative vacuum that has favoured ideas of how this could or should be dealt with. In order to fill this vacuum, the Stakeholder concept has developed to handle this demand. By distinguishing between pre- and post-Freeman 1984, it should be easier to understand why the Stakeholder approach has become so popular over the last twenty years. Important to note is that the Stakeholder approach grew out of management practice (Lussier and Achua 2015). According to Axinn *et al.* (2004) and Ferrero, Michael Hoffman and McNulty (2014), a central issue in CSR is the question of 'to whom a business is primarily responsible'. The Stakeholder theory, a managerial theory which explains the relationship between society and business and connects business and ethics has provided perfect answers (Freeman 1984).

Asiyai (2014) subscribes to the idea that the Stakeholder theory has been designed to solve the following problems:

- That of value creation and trade;
- The ethics of capitalism; and
- The managerial mindset

According to Casson (2015), numerous scholars have made contributions to the development of Stakeholder theory and three types have been widely discussed, namely

- Descriptive or empirical;
- Instrumental; and
- Normative.

Where the descriptive or empirical Stakeholder theory has been used to describe and explain specific corporate characteristics and behaviour, academics such as Brenner, Cochran and Clarkson (1991) have applied this theory in their research. The instrumental Stakeholder theory offers a framework permitting the identification of the connections (or lack of them) between Stakeholder management and the achievement of corporate performance goals. Scholars such as Jones (1995) and Berman *et al.* (1999) and Jones and Wicks (1999) have advanced this approach. Normative Stakeholder theory is an ethics-based theory offering the identification of moral or philosophical guidelines for corporate functions. According to this approach, corporations are morally required to regard the interests of all their Stakeholders. The central idea is that an organization's success is

dependent on how well it manages the relationships with key groups such as customers, employees, suppliers, communities, financiers and others that can affect the realization of its purpose. The manager's job is to keep the support of all of these groups, balancing their interests while making the organization a place where Stakeholder interests can be maximized over time.

### **3.6 THE STAKEHOLDER CONCEPT: POPULAR AND TRENDY**

According to Asiyai (2014), academics wrote a lot about the concept of Stakeholders and Non-governmental organizations (NGOs), regulators, media, business and policymakers are also thinking about the concept and are trying to implement it in some way or other. Most contributions are predominantly about the normative principle. They prop up the vision of the company and the role of managers, whose intent is mainly to maximize shareholder value in order to be sustainable (Ford and Tusting 2013). This perspective, business has huge and broader responsibilities. Those are best defined in terms of the Stakeholder approach. Another reason why this topic is very fashionable and contested amongst theorists is that there is contesting literature around. Along with the popularity has come a profusion of different overlapping approaches to the Stakeholder concept. This has led to a confusing situation in this sector. In order to deal with this conceptual confusion, a number of classification schemes have been developed.

### **3.7 STAKEHOLDER THEORY**

Stakeholder theory is a theory of organisational management and business ethics that deals with principles and values in managing an organisation (Phillips, Freeman and Wicks 2003). According to this theory, Stakeholders are acknowledged as a group of people interested in the company's activities (Freeman and Phillips 2002).

**Table 3.3: Stakeholder expectations**

STAKEHOLDERS	PRIMARY EXPECTATIONS	SECONDARY EXPECTATIONS
Owners	Financial	Added Value
Employees	Pay	Work Satisfaction & Training
Customers	Supply of Goods and Services	Quality
Environment	Safe and health for business and the habitat	Security
Suppliers	Payment	Long Term Relationships
Community	Safety and Security	Contribution to Community
Government	Compliance	Improved Competitiveness

Source: Adapted from Cannon (1994)

Grant *et al.* (2014) stated that according to Stakeholder theory, the company's major objective is to balance the expectations of all Stakeholders through their operating activities. Similarly, Meier, Favero and Zhu (2015) that the way businesses involve shareholders, employees, community, suppliers, governments, environment, international organisations and other Stakeholders is usually a key feature of the CSR concept.

However, Brown and Forster (2013) stated that the fundamental aspect of Stakeholder theory is determined by the Stakeholders of an organisation and reveal the organisation's responsibility for them. In addition, they are important to the organisation because their investment is subject to risk due to the activities of the organisation.

Three Stakeholders affected by companies were identified by the present study, namely employees, customers and communities. An environmental factor was also identified, which was of more concern to organisations than the impact of their social responsibility and which also affected Stakeholders (Crosby and Bryson 2014). From the literature above, this study concludes that Stakeholder theory can be considered a CSR theory because it provides a normative framework for responsible business towards society.

Donaldson and Preston (1995), Northouse (2012) and Melé (2008) discussed Stakeholder theory in that it could be or would have been presented and used in a

number of ways that are quite distinct and involve very different methodologies, types of evidence and criteria of appraisal. Therefore, they categorise three branches of Stakeholder literature, namely descriptive, instrumental and normative approaches. Each branch is discussed in the following sections and the common features of the various conceptions of Stakeholder theory are identified (Jafri *et al.* 2014).

### **3.7.1 Nature and Purpose of Stakeholder Theory**

According to Maier (2015), one of the fundamental problems in the progression of Stakeholder theory has been mystification about its nature and purpose. For example, Stakeholder theory has been used, either explicitly or implicitly, for descriptive purposes. Brenner and Cochran (1991) offered a 'Stakeholder theory of the firm' for two purposes:

- To describe how organizations, operate and
- To help predict organizational behaviour.

However Wood (1991) strongly argued that they contrasted this 'theory', which they developed only in outline form, with other 'theories of the firm', but they did not solicit whether the various theories identified have comparable purposes. In fact, different theories have different purposes and therefore different validity criteria and different implications. For example, according to Cyert and March (1963), the neo-classical theory of the firm attempts to explain the economic principles governing production, investment and pricing decisions of established firms operating in competitive markets.

However, the Behavioural theory of the firm attempts to explain the process of decision making in the modern firm in terms of goals, expectations and choice-making procedures. Aoki's (1984) Cooperative Game theory of the firm attempts to explain internal governance, particularly the balance between owner's and workers' interests. In contrast to all of these contributions. Transaction cost theory attempts to explain why firms exist (i.e. why economic activities are coordinated through formal organizations rather than simply through market contacts). Although all of these theories are forwarded as positive or scientific conceptions, there is a tendency for them to be used for normative purposes as well. Mansell (2015) posed a similar argument when commented on the Stakeholder theory as differing from these and other 'theories of the firm' in fundamental ways. The Stakeholder theory is intended both to explain and to guide the structure and operation

of the established company (the 'going concern' in John R. Commons' famous phrase). To that end, it views the corporation as an organizational entity through which numerous and diverse participants accomplish multiple, and not always entirely congruent, purposes.

In support of Mansell (2015), Moriarty (2014) postulated that the Stakeholder theory is general and comprehensive, but it is not empty; it goes well beyond the descriptive observation that organizations have Stakeholders. Unfortunately, much of what passes for Stakeholder theory in the literature is implicit rather than explicit, which is one reason why diverse and sometimes confusing uses of the Stakeholder concept have not attracted more attention. Donaldson and Preston (1995) and Northouse (2012), like Jafri *et al.* (2014), reiterated the need to understand the three branches under which Stakeholder theory can be used. They shared the view that the Stakeholder theory can be, and has been, presented and used in a number of ways that are quite distinct and involve very different methodologies, types of evidence and criteria of appraisal. The three types of uses critical to the analysis are:

#### **3.7.1.1 Descriptive / Empirical**

This theory aims to understand how managers deal with Stakeholders, how they represent their interests and the impact the Stakeholder approach has on the achievement of various corporate goals. Donaldson and Preston (1995) observed that Descriptive Stakeholder theory has been used to describe the following:

- the nature of the company;
- the way managers think about managing;
- how board members think about the interests of corporate constituencies; and
- how some corporations are actually managed?

#### **3.7.1.2 Instrumental**

This theory has been used to determine where there is a link between Stakeholder management and different corporate objectives such as profitability and growth (Harrison and Wicks 2012).



However, literature has shown that CSR makes explicit or implicit reference to Stakeholder perspectives using conventional statistical methodologies. In the researcher's opinion some studies have used direct observations and interviews to generate implications, suggesting that adherence to Stakeholder principles and practices achieve conventional corporate performance objectives, as well or better than rival approaches. The theory, in conjunction with descriptive or empirical data, is in most cases used to identify the connections, or lack of connections, between Stakeholder management and the achievement of traditional corporate objectives (e.g., profitability and growth). Many recent instrumental studies of CSR, all of which make explicit or implicit reference to Stakeholder perspectives, use conventional statistical methodologies (Friedman 1970; Axinn *et al.* 2004; Date, Darwen and Lorentzos 2014; Ferrero, Michael Hoffman and McNulty 2014; Hörisch, Freeman and Schaltegger 2014a). Other studies are based on direct observation and interviews (Friedman and Miles 2006; Garrod *et al.* 2013).

Conversely, Driessen and Hillebrand (2015) strongly disagreed that whatever their methodologies, these studies have tended to generate 'implications', suggesting that adherence to Stakeholder principles and practices achieves conventional corporate performance objectives as well or better than rival approaches. Heskett and Kotter (1992) supported by Donaldson and Preston (1995) specifically observed that such highly successful companies as Hewlett-Packard, Wal-Mart and Dayton Hudson, although very diverse in other ways, share a Stakeholder perspective. Heskett and Kotter (1992) wrote that 'almost all their' managers care strongly about people who have a stake in the business customers, employees, stockholders, suppliers.

### **3.7.1.3 Normative**

Normative Stakeholder theory identifies the theoretical procedure linked to the activities or the management of corporations (Donaldson and Preston 1995). According to Carroll and Buchholtz (2014), Donaldson and Preston (1995) considered this the core of Stakeholder theory and identified the main objectives of normative theory as the determination of the responsibilities of the company in respect of Stakeholders and the reasons why companies should take care of the Stakeholders' interest rather than shareholder interest. Fernando and Lawrence (2014) commented that the theory is used

to interpret the function of the corporation, including the identification of moral or philosophical guidelines for the operation and management of corporations. Normative concerns dominated the classic Stakeholder theory statements from the beginning (Dodd 1932) and this tradition has been continued in the most recent versions. Even Friedman's (1970) famous attack on the concept of corporate social responsibility was cast in normative terms.

### **3.7.2 Contrasting/Combining Approaches**

Conclusively, Freedberg (2015) pointed out that each of these uses of Stakeholder theory is of some value, but the values differ in each use.

According to Donaldson (1989), Babalola (2012) and Crosby and Bryson (2014), the descriptive aspect of Stakeholder theory reflects and explains past, present and future states of affairs of corporations and their Stakeholders. Simple description is common and desirable in the exploration of new areas and usually expands to generate explanatory and predictive propositions (Brower and Mahajan 2013).

In essence, instrumental uses of Stakeholder theory make a connection between Stakeholder approaches and commonly desired objectives such as profitability. Instrumental uses usually stop short of exploring specific links between cause (i.e. Stakeholder management) and effect (i.e. corporate performance) in detail, but such linkage is certainly implicit. The much quoted Center and Alexander-Frutschi (1963)(SRI) definition of Stakeholders is those groups without whose support the organization would cease to exist and clearly implies that corporate managers must induce constructive contributions from their Stakeholders to accomplish their own desired results (e.g. perpetuation of the organization, profitability, stability, growth).

Christopher, Hutomo and Monroe (2013) contend that in normative uses, the correspondence between the theory and the observed facts of corporate life is not a significant issue, nor is the association between Stakeholder management and conventional performance measures a critical test. Instead, a normative theory attempts to interpret the function of, and offer guidance about, the investor-owned corporation on the basis of some underlying moral or philosophical principles. Although both normative and instrumental analyses may be 'prescriptive' (i.e. they may express or imply more or

less appropriate choices on the part of decision makers), they rest on entirely different bases. Furthermore, Christopher, Hutomo and Monroe (2013) stated that an instrumental approach is essentially hypothetical in that it says, in effect, If one wants to achieve (avoid) results X, Y, or Z, then adopt (do not adopt) principles and practices A, B, or C. According to Christopher, Hutomo and Monroe (2013), the normative approach, in contrast, is not hypothetical but categorical. It says, in effect, do (Do not do) this because it is the right (wrong) thing to do.

Hartono *et al.* (2014) argued that much of the Stakeholder literature, including the contributions of both proponents and critics, is clearly normative, although the fundamental normative principles involved are often unexamined. A striking characteristic of the Stakeholder literature is that diverse theoretical approaches are often combined without acknowledgement.

Furthermore, Adesokan (2014) in line with Etzioni's (2014) work, is of the opinion that the temptation to seek a three-in-one theory or at least to slide easily from one theoretical base to another, is strong. Clarkson (1991), for example, asserted an explicit connection amongst all three when he concluded that his Stakeholder management model represents a new framework for describing, evaluating and managing corporate social performance. All three types of theory are also to be found in the work of Freeman, whom many regard as the leading contributor to the Stakeholder literature. In his original treatise, Freeman (2004) asserted that changing events creates a descriptive fit for the theory. Just as the separation of the owner-manager-employee required a rethinking of the concept of control and private property as analysed by Berle and Means (1932), so does the emergence of numerous Stakeholder groups and new strategic issues require a rethinking of the traditional picture of the firm.

Considering the above arguments, there is need to redraw the picture in a way that accounts for the changes. At the same time, Freeman also endorsed the theory's instrumental basis by noting that one should explore the logic of this concept in practical terms, i.e., in terms of how organizations can succeed in the current and future business environment. Instrumental concerns are also reflected in Freeman's extensive discussion of Stakeholder management implementation techniques, both in his 1984 treatise and in other papers (Freeman and REED 1983; Freeman and Gilbert 1987). In a later work,

however, Evan and Freeman (1988) justified Stakeholder theory on normative grounds, specifically its power to satisfy the moral rights of individuals. They asserted that the theory of the firm must be re-conceptualised along essentially Kantian lines. This means each Stakeholder group has a right to be treated as an end in itself, not as a means to some other end, and therefore must participate in determining the future direction of the firm in which it has a stake (Purnell and Freeman 2012).

Miles (2012) lamented that the muddling of theoretical bases and objectives, although often understandable, has led to less rigorous thinking and analysis than the Stakeholder concept requires. To see the significance of the distinctions among descriptive, instrumental and normative uses of the Stakeholder concept, consider the current controversy over the special privileges of top managers in large corporations, particularly in connection with mergers and acquisitions. According to Miles (2012), there is considerable evidence that in the burst of large corporate takeovers during the 1980s, share values typically rose for acquired firms and fell for acquiring firms.

However, many observers have speculated that self-serving managerial activity accounts for both results. Hasnas (2013) posits that the acquired firms gain in value because prior to the takeover, they were burdened by inefficient, self-serving managers and the acquiring firms lose in value because the impetus for the acquisition was not return on investment for owners but ego gratification and career advancement for their top managers.

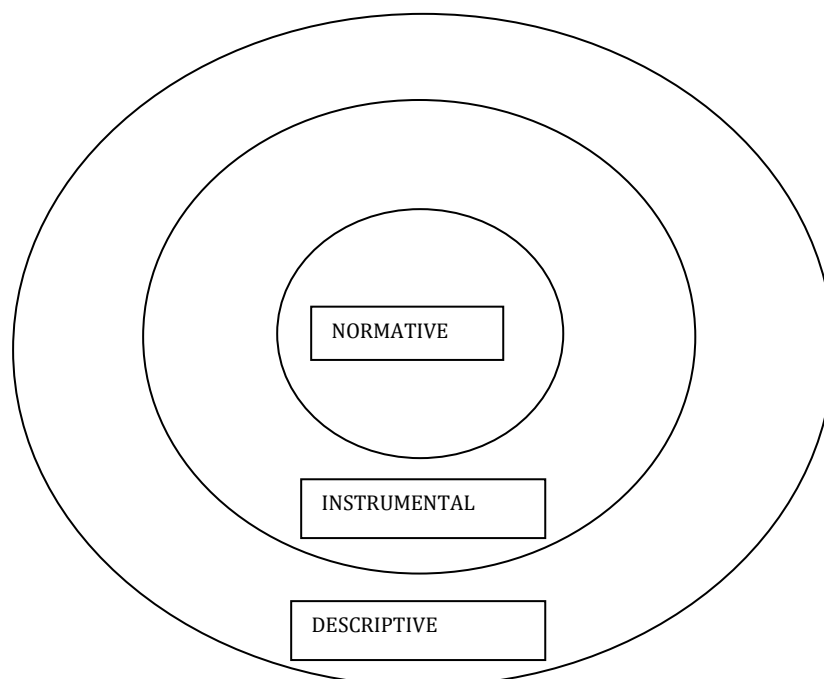
Conclusively, the argument will be if this analysis is accurate and if managers' nests are often feathered in other ways (e.g. salaries, bonuses) at the expense of share owners, then it is descriptively true those managers' interests have priority over those of other Stakeholders, including share owners. However, it is not academic enough to move directly from a claim-the-de facto priority of managers' interests to claim in either instrumental or normative contexts. On the same point, even if it was true that higher paid managers did, in fact, achieve higher levels of profitability thus meeting instrumental criteria, it would still not follow that higher pay or profit results were normatively justifiable.

### 3.8 THE PROBLEM OF JUSTIFYING STAKEHOLDER THEORY

According to Sen and Cowley (2013), the underlying epistemological issue in the Stakeholder literature is the problem of justification: Why should the Stakeholder theory be accepted or preferred over alternative conceptions? Until this question is addressed, the distinctions amongst empirical, instrumental and normative approaches can be papered over. Moreover, the answer to this question must be related to the distinct purpose that the theory is intended to serve. That is, reasons to accept the Stakeholder theory as a descriptive account of how managers behave, or of how the business world is constituted, are different from reasons to accept the Stakeholder theory as a guide for managerial behaviour, and so on. Moriarty (2014) noted that the Stakeholder theory is justified in the literature, explicitly or implicitly, in ways that correspond directly to the three approaches to the theory set out in the previous section: descriptive, instrumental and normative. Descriptive justifications attempt to show that the concepts embedded in the theory correspond to observed reality. Instrumental justifications point to evidence of the connection between Stakeholder management and corporate performance. Normative justifications appeal to underlying concepts such as individual or group 'rights', 'social contract,' or utilitarianism.

Brummer's (2004) survey of this literature ignores descriptive issues but emphasizes 'power and performance' (i.e. instrumental) and 'deontological,' (i.e. normative) arguments. A closer look shows that the three aspects of the Stakeholder theory are nested within each other, as suggested in Figure 3.1 below. The external shell of the theory is its descriptive aspect as the theory presents and explains relationships that are observed in the external world. The theory's descriptive accuracy is supported, at the second level, by its instrumental and predictive value; if certain practices are carried out, then certain results will be obtained. The central core of the theory is, however, normative. The descriptive accuracy of the theory presumes the truth of the core normative conception, in so far as it presumes that managers and other agents act as if all Stakeholders' interests have intrinsic value. In turn, recognition of these ultimate moral values and obligations gives Stakeholder management its fundamental normative base (Brummer 1991). Figure 3.1 gives a brief illustration of the Stakeholder aspects.

**Figure 3.1: Three Aspects of Stakeholder theory**



Source: Adopted from Brummer (1991)

The following survey carries the evidence and argument involved in each of these approaches to the justification of the Stakeholder theory.

### **3.8.1 Descriptive Justifications**

In the aforementioned literature, there is ample descriptive evidence, some of which has previously been cited, that a number of managers have confidence in themselves or are believed by others to be practicing Stakeholder management. Indeed, as early as the mid-1960s, Baumhart's (1968) survey of upper-level managers revealed that about 80 percent regarded it as unethical management behaviour to focus solely in the interest of share owners and not in the interest of employees and customers. Since then, other surveys asking similar questions about the Stakeholder sensitivity of managers have returned similar results. On-going empirical studies by both Halal (1990) and Clarkson (1991) attempt to distinguish firms that practise Stakeholder management from those that do not and both researchers found significant numbers of firms in the first category. Managers may not make explicit reference to 'Stakeholder theory' but the vast majority of them apparently adhere in practice to one of the central tenets of the Stakeholder theory, namely that their role is to satisfy a wider set of Stakeholders, not simply the share-owners (Wang *et al.* 2012).

Slabbert and Barker (2014) agreed that another kind of descriptive justification for the Stakeholder theory stems from the role it plays as the implicit basis for existing practices and institutions, including legal opinion and statutory law. The US where Slabbert and Barker (2014) cite, recent court decisions and new legislation have weakened the so-called business judgment rule, which vests management with exclusive authority over the conduct of a company's affairs only on the condition that the financial welfare of stockholders is single-mindedly pursued. Furthermore, Asiyai (2014) suggests that courts have tended to support these statutes. For example, the well-known Delaware Supreme Court decision in *Unocal*, although requiring corporate directors to show that a 'reasonable' threat exists before fighting hostile takeover offers, nonetheless allowed a number of concerns to affect the determination of such reasonableness, including the impact of the takeover on 'constituencies' other than shareholders (i.e. creditors, customers, employees and perhaps even the community generally).

However, the so-called co-determination laws of Germany require employee representation on second-tier boards of directors. The Companies Act of Great Britain mandates that company directors shall include the interests of employees in their decision-making. The new harmonization laws of the European Community (EC) will, when approved, include provisions permitting corporations to take into account the interests of creditors, customers, potential investors and employees (Jones 1995).

Stone *et al.* (2014) added that the well-known corporate governance model in Japan through both law and custom presumes that Japanese corporations exist within a tightly connected and interrelated set of Stakeholders, including suppliers, customers, lending institutions and friendly corporations. Another series of legal developments in the U.S. asserts the interests of third party Stakeholders, specifically unsuccessful job applicants in business operations. Title VII of the Civil Rights Act of 1964 explicitly makes it a violation of law for an employer 'to fail or refuse to hire any individual' on the basis of discriminatory criteria Stone *et al.* (2014). A considerable group of authors accounted for law in their literature, Friedman and Meiselman (1958), Feng, Spence and Pratt (2007); Cruz (2013) and Bridoux and Stoelhorst (2014) and agreed to the fact that this legislation has become the focus of numerous legal complaints and some substantial settlements.

Ferkins and Shilbury (2015) contend that neither the legal developments nor the

previous management survey results carried by scholars provide definitive epistemological justification for the Stakeholder theory.

Managers adopting the Stakeholder approach may be relieved to learn that they are not alone and indeed that they are conforming to the latest management or legal trends. However, both previous survey results and legal developments are, at bottom, simply facts. In the same vein Mok, Shen and Yang (2015) added to the argument by pointing out that the legal developments and surveys do not constitute the basis for the Stakeholder (or any other) theory of management. Indeed, even if the Stakeholder concept is implicit in current legal trends (a proposition that is not universally accepted), one cannot drive a Stakeholder theory of management from a Stakeholder theory of law any more than one can derive a 'tort' theory of management from the tort theory of law.

Conclusively, in the researcher's opinion, the hazards of using purely descriptive data, whether jurisprudential or otherwise, as justification for a broad theory are well known. There is the problem of the so-called 'naturalistic fallacy', moving from 'is' to 'ought' or from 'describe' to 'evaluate', without the necessary intervening analysis and explanation. Then, again, there is the simple problem of hasty generalization. By the logic of descriptive justification, if new surveys show that managers were abandoning Stakeholder orientations, or if the legal support for broad Stakeholder interests were to weaken, the theory would be invalidated (Foo and Yazdanifard 2014). Nevertheless, this observation offers substantial evidence about the nature of the theory itself, because few, if any, of its supporters would be likely to abandon it, even if present legal or managerial trends were to shift. This suggests that the descriptive support for the Stakeholder theory, as well as the analyses of this support to be found in the literature, are of restricted significance and that the most vital issues for Stakeholder theory lie elsewhere (Ferrero, Michael Hoffman and McNulty 2014).

### **3.8.2 Instrumental justification**

According to Smith (2015), because the descriptive approach to grounding a Stakeholder theory is inadequate, justifications based on a connection between Stakeholder strategies and organizational performance should be examined. Consider, for example, the simple hypothesis that corporations whose managers adopt Stakeholder principles and practices will perform better financially than those that do not. This hypothesis has never



been tested directly and its testing involves some formidable challenges.

A recent effort to introduce practicing managers to the Stakeholder concept and to improve their ability to implement Stakeholder management practices is the work by Blair (1991), Brummer (1991) and Savage (1991) who cited not only Freeman (1989) but also Ackoff (2012) and others in support of Stakeholder theory's instrumental base. Unfortunately, the large body of literature dealing with the connections, if any, between various aspects of corporate social performance or ethics on one hand, and conventional financial and market performance indicators on the other, does not translate easily into a Stakeholder theory context (Etzioni 2014).

Summarily, Castellini (2014) argued that whatever values the social or financial performance studies may have on their own merits, most of them do not include reliable indicators of the Stakeholder management (i.e. the independent variable) side of the relationship. Castellini (2014) posits that there is some evidence, based on analysis of the Fortune corporate reputation surveys, that the satisfaction of multiple Stakeholders need not be a zero sum game (i.e. that benefits to one Stakeholder group need not come entirely at the expense of another). Case studies of a small number of high-performance companies indicated that the managers of those companies tend to emphasize the interests of all major Stakeholder groups in their decision making, states Castellini (2014).

However, there is as yet no compelling empirical evidence that the optimal strategy for maximizing a firm's conventional financial and market performance is Stakeholder management.

### **3.8.3 Analytical arguments**

According to Bridoux and Stoelhorst (2014), even without empirical verification, however, Stakeholder management can be linked to conventional concepts of organizational success through analytical argument. The main focus of this effort in the recent literature builds on established concepts of principal-agent relations and the Firm as a nexus of contracts. Agency theory and Firm-as-contract theory, although arising from different sources, are closely related and share common emphasis efficiency. Harrison

and Wicks (2012) noted that Agency theorists argue that corporations are structured to minimize the costs of getting some participants (the agents) to do what other participants (the principals) desire. Firm-as-contract theorists (Freedberg 2015) argue that participants agree to co-operate with each other within organizations (i.e. through contracts), rather than simply deal with each other through the market, to minimize the costs of search, coordination and insecurity.

Hill, Jones and Schilling (2014) are responsible for the most ambitious attempt to integrate the Stakeholder concept with Agency theory. These authors enlarged the standard principal-agent paradigm of financial economics, which emphasizes the relationship between shareowners and managers, to create "Stakeholder-agency theory," which constitutes, in their view, 'a generalized theory of agency'. According to this conception, managers can be seen as the agents of all other Stakeholders (Verbeke and Tung 2013). Hill, Jones and Schilling (2014) noted that Stakeholders differ amongst themselves with respect to:

- The importance (to them) of their stake in the firm and
- Their power i.e. the managers.

In support of the above, Tullberg (2013) argued that there is considerable friction within the Stakeholder-agent negotiation process, some of it because of some participants' ability to retard equilibrating adjustments that are unfavourable to themselves. Therefore, there is no reason to assume that Stakeholder-agent relationships are in equilibrium at any particular time. According to Tullberg (2013) the process, direction and speed of adaptation in Stakeholder-agent relationships, rather than the equilibrium set of contributions and rewards, should be the primary focus of analysis.

This brief summary cannot do justice to the rich conception, but the key point for current purposes is that the Stakeholders are drawn into relationships with the managers to accomplish organizational tasks as efficiently as possible. Consequently, the Stakeholder model is linked instrumentally to organizational performance. A similar theme emerges from the firm-as-contract analysis of Friedman (1970). Hill, Jones and Schilling (2014) recommended integrating the Stakeholder concept with the Coasian view of the firm-as-contract and a Williamson-style analysis of transaction costs to conceptualize the firm as a set of multilateral contracts over time.

According to Ribeiro Soriano (2011), managers administer contracts amongst employees, owners, suppliers, customers and the community. Since each of these groups can invest in asset specific transactions which affect the other groups, methods of conflict resolution or safeguards must be found.

However, Hill, Jones and Schilling (2014) emphasized that all parties have an equal right to bargain and, therefore, that a minimal condition for the acceptance of such multi-partite arrangements by each contracting party is a notion of 'fair contract', (i.e. governance rules that ensure that the interests of all parties are at least taken into consideration). Once again, the Stakeholder model (and its implementation through a set of acceptable implicit contracts) is seen as essential to successful organizational performance by Hill, Jones and Schilling (2014).

In conclusion, the Stakeholder interpretations of both Agency theory and the Firm-as-contract theory give special attention to the differential position and special role of managers (i.e. all other Stakeholders). The emphasis is on 'information asymmetry' between managers and other Stakeholders and contrasted the concentration of resource control by managers with the diffusion of control within Stakeholder groups in which there may be no mechanism to gain command over a significant portion of the group's total resources (Gander 2014).

Evan and Freeman (1988) asserted that management has a duty of safeguarding the welfare of the abstract entity that is the corporation and of balancing the conflicting claims of multiple Stakeholders to achieve this goal.

According to Hill, Jones and Schilling (2014), a Stakeholder theory of the firm must redefine the purpose of the firm. The very purpose of the firm is to serve as a vehicle for co-ordinating Stakeholder interests.

With this perspective, success is in satisfying multiple Stakeholders' interests rather than in meeting conventional economic and financial criteria which would constitute the ultimate test of corporate performance. However Hasnas (2013) posed a question regarding the above by asking how multiple and diverse Stakeholders will be assured that their interests are being coordinated in ways that lead to the most favourable

possible results for themselves (i.e. the most favourable results consistent with the requirements of other Stakeholders).

In line with the question from Hasnas (2013), researchers Hill, Jones and Schilling (2014) pointed out that civic view to the whole scenario stresses the importance of

- Monitoring devices that have the effect of reducing information asymmetry (e.g. public reporting requirements) and
- Enforcement mechanisms, including law, 'exit' (the possibility, or credible threat, of withdrawal from the relationship), and voice.

Ghosh (2014) stated that Evan and Freeman (1993b), Ghazizadeh *et al.* (2013;) and Go and Peloza (2015) emphasized the notion of fairness as they go beyond the notion of 'fair contracting'. They recommended that the criterion of 'fairness' in Stakeholder theory bargains is a Rawlins veil of ignorance. Under a 'veil of ignorance', parties to a bargain agree upon a set of possible outcomes prior to determining which outcome will be received by which party (e.g. one person cuts the cake, another takes the first slice). Both pairs of analysts, Hill, Jones and Schilling (2014), and Evan and Freeman (1993b), Ghazizadeh *et al.* (2013), and Go and Peloza (2015) placed greater emphasis on the process of multiple-Stakeholder co-ordination than on specific agreements or bargains. Both groups stressed that mutual and voluntary acceptability of bargains by all contracting Stakeholders is the necessary criterion for efficient contracts. Both neglected the roles of potential Stakeholders not conspicuously involved in explicit or implicit contracts with the firm. The two pairs of authors differed slightly in one respect: Hill and Jones saw the network of relationships as consisting of separate implicit contracts between each Stakeholder group and management (as a central node), whereas Evan and Freeman (1993b), Ghazizadeh *et al.* (2013), and Go and Peloza (2015) ultimately viewed the firm as a series of multilateral contracts amongst all Stakeholders.

### **3.8.4 Weaknesses of Instrumental Justifications**

According to Mahoney (2012), perhaps the most important similarity between these two autonomous attempts to justify the Stakeholder model lies in the fact that although they draw primarily on the conceptual apparatus of instrumental or efficiency-based theories (i.e. principal-agent relations and 'firm-as-contract' theory), they eventually rely upon

non instrumental or normative arguments. Garrod *et al.* (2013) asserted that this shift is less conspicuous in the case of Hill and Jones, who implied that monitoring and enforcement mechanisms will be sufficient to curb opportunistic behaviour by managers at the expense of other Stakeholders. The authors would no doubt agree, however, that the ultimate success of Stakeholder-agency theory would require a fundamental shift in managerial objectives away from shareowners and toward the interests of all Stakeholders; such a shift would necessarily involve normative, rather than purely instrumental, considerations.

Brower and Mahajan (2013) added that recourse to a Rawlsian concept of 'fairness' as the ultimate criterion for Stakeholder bargains is an overt elevation of normative criteria over instrumental ones. The statements above were critically opposed by Lussier and Achua (2015) who argued that no theorist, including Rawls, has ever maintained that bargains reached on the basis of a 'veil of ignorance' would maximize efficiency. By elevating the fairness principle to a central role, Freeman and Evan shifted their attention from ordinary economic contracts of the sort envisaged by Coase, Williamson and the mainstream agency theorists, which are governed by individual efficiency considerations. Instead, they emphasized what have been called heuristic or social contracts that rest upon broad normative principles governing human conduct.

Nonetheless, considering the work of Lussier and Achua (2015), it should come as no surprise that Stakeholder theory cannot be fully justified by instrumental considerations. The empirical evidence is inadequate and the analytical arguments, although of considerable substance, ultimately rest on more than purely instrumental grounds. This conclusion carries an important implication: Although those who use the Stakeholder concept often cite its consistency with the pursuit of conventional corporate performance objectives (and there is no notable evidence of its inconsistency), few of them would abandon the concept if it turned out to be only as equally efficacious as other conceptions.

### **3.8.5 Normative justification**

The normative basis for Stakeholder theory involves its correlation with more elementary and better accepted philosophical concepts. The normative assumptions of traditional economic theory are too delicate to support Stakeholder theory, and the concept of a free market populated with free and judicious preference seekers, however

correct and important, is compatible with both Stakeholder and non-Stakeholder perspectives (Ferrero, Michael Hoffman and McNulty 2014).

According to Etzioni (2014), the two normative propositions stated at the beginning of this research that Stakeholders are identified by their interest in the affairs of the corporation and that the interests of all Stakeholders have intrinsic value, can be viewed as axiomatic principles that require no further justification.

However, it is the researcher's contention that this approach provides no basis for responding to critics who reject these propositions out of hand. One way to construct a normative foundation for the Stakeholder model is to examine its principal competitor, the model of management control in the interests of shareowners, as represented by the business judgment rule. Scholars Grant *et al.* (2014), Crosby and Bryson (2014) criticised the approach. There is considerable criticism of this model on descriptive grounds. In the modern corporation, as opposed to the owner-managed company, the rights of shareowners are attenuated by the dispersion of ownership and by high agency costs. The economic system, not the legal system, is responsible for this attenuation of the right of ownership. Many direct observers (Ackoff 2012; Calabrese *et al.* 2013; and Adebisi and Adeola 2014) have questioned managers' devotion to share-owner welfare and survey results such as those of Chawak and Dutta (2014) and Epstein and Buhovac (2014) provide statistical support for these perceptions on management serving the shareowners model (i.e. the principal-agent model in its standard financial economics form) that it is descriptively inaccurate. Leach (2014) commented that careful analysis reveals that it is normatively unacceptable as well. Changes in state incorporation laws to reflect a constituency perspective have been mentioned. The normative basis for these changes in current mainstream legal thinking is articulated in the recent American Law Institute report, Principles of Corporate Governance 1992. Nevertheless, Lam (2014) suggests that corporate decisions are not infrequently made on the basis of ethical consideration, even when doing so would not enhance corporate profit or shareholder gain. Such behaviour is not only appropriate, but desirable. According to Lam (2014), corporate officials are not less morally obliged than any other citizens to take ethical considerations into account, and it would be unwise social policy to preclude them from doing so as it does not impose a legal obligation to take ethical considerations into account.

However, a point to take into consideration on the statement above is that the absence of a legal obligation to follow ethical principles does not mean that corporate decision makers are not subject to the same ethical considerations as other members of society.

### **3.9 CORRELATION BETWEEN FACTS AND CONCEPTUALISATION**

Ansari (2014) stated that Stakeholder theory sprang out of a maelstrom of 'affairs'. In 1967, community groups in the United States invited themselves to an Eastman Kodak AGM against a backdrop of racial tension and mass unemployment amongst Greater Cleveland's black population. Furthermore, in the United States, consumer organisations invited themselves to a General Motors' 1970 AGM to complain about safety defects on the cars being sold, and to ask other questions about Group social practices. The grilling of GM's Board of Directors received a great deal of media airtime. Both of these 'generating facts' attest to the significance that executives in these large companies attached to the 'societal' dimension and to shareholder activism's potential for criticism (Ansari 2014).

Adesokan (2014) added that in Great Britain in 1997, several shareholders began to ask questions about the political nature of Shell's relationships with the Nigerian government of the time, thereby highlighting a whole series of human rights and environmental protection issues. This 'affair' was then regarded as the starting point for Stakeholder governance, i.e. for the emergence of shareholder activism.

### **3.10 STAKEHOLDER AND CORPORATE GOVERNANCE**

Collectively, facts of this class (some of which are still imbued with a symbolic dimension) are the forces that gave rise to the shareholder capitalism- Stakeholder capitalism debate, for which Stakeholder theory has been a bedrock (Adebisi and Adeola 2014).

Previous work by Alessandri, Black and Jackson III (2011) shows that, corporate governance issues highlight any and all relationships that may exist between a firm and its Stakeholders. In other words, these relationships contributed greatly to the development of Stakeholder theory's practical aspects.

### 3.11 HOW TO IDENTIFY STAKEHOLDERS

The Stakeholder issue prompted questions about how such parties can be identified (Dacanay 2012). Cordeiro *et al.* (2014) suggest that classifying them into different categories of actors: shareholders; internal Stakeholders (i.e. employees and labour unions) focused on issues such as employees' direct and indirect participation (via their pension funds) in the firm's capital structure, and on issues pertaining to union representation and /or to a shareholder activism that can be implemented either working alone or else with other investors who also want to get their resolutions adopted; operational partners i.e. customers; suppliers (including subcontractors); banks acting as creditors but also as parties that expect stability and solvency; and insurance companies having to contend with classes of risk currently undergoing a substantive and in-depth renewal, i.e. 'greater' catastrophes related with climatic changes today; the social community (State authorities; specialised organisations like trade unions; Non-Governmental Organisations; and civil society.

Costa and Menichini (2013) critically analysed this latter category, NGO interventions, as the one that first triggered the current debate. One example is the denunciation of the environmental spoliation (air and water pollution, deforestation, toxic waste, etc.) being caused by oil, mineral and chemical companies. Well-publicised trials by media have progressively mutated into greater collaboration with the companies involved. Modern NGOs unite a host of different entities that can be quite disparate in nature, both in terms of their scope and also as regards their geographic reach (with the largest ones being structured into international networks). Moreover, their areas of competency have expanded from green issues in the 1980s to include human rights now, such as conceived of by the 'Stakeholder' concept using the ethical and political precepts it tries to apply.

#### 3.11.1 The ambiguity of 'social community' when seen as something 'singular' or 'plural'

Bondy, Moon and Matten (2012) noted that the American construct of 'community' is often mentioned as one of the Stakeholders in regards to which firms are supposed to behave responsibly. Costa and Menichini (2013) also noted a shift in focus from relationships geared towards a single 'close' community towards more complex relationships with a crowd of communities that can be both close and more distant. From that viewpoint, Costa and Menichini (2013) then posited that this shift has led to greater



reliance on the Stakeholder concept.

Costa and Menichini (2013) failed to identify that the challenge here is how to define the community in its Stakeholder form in such a way as to account for the multiplicity of groups concerned whilst covering whatever they may have in common amongst themselves, as well as the modalities for managing such relationships.

### **3.11.2 Stakeholders' changing action modes**

Sen and Cowley (2013) tried to classify these relationships in 2003 by suggesting that there are facts distinguishing between:

- The shift from dialogue to partnership (i.e. NGO representatives' presence in decision-making processes and/ or the acquisition of shares in order to have the right to question executives at AGMs, all portrayed as shareholder activism in full flow) and
- The proliferation of the sorts of instruments of pressure that can be brought to bear within a conflictual context, including suggesting resolutions at AGMs, hijacking a company's communications resources ('right-wrong' websites, counter-advertising, etc.), opinion-shaping campaigns, organising boycotts and lawsuits.

However, De Roeck and Delobbe (2012) contended that Stakeholder theory is different from a mere classification exercise. Sen and Cowley (2013) concentrated on classification. However, if one brings into the picture an analysis of the texts comprising this school of thought, it is in fact a plan to rearrange the theory of organisations by incorporating ethical perspectives or, if one prefers, by enhancing said theory.

## **3.12 A PANOPTIC ANALYSIS OF STAKEHOLDER THEORY**

According to Govindan, Khodaverdi and Jafarian (2013), before stretching any further or suggesting any investigations of the field under or covered by Stakeholder theory, one should remember its postulates the following

- An organisation will sustain relationships with several groups that are affected or affect its decisions (Freeman 1984);

- The theory will be dependent on the nature of such relationships because of the manner in which the processes involved and the outcomes achieved can affect society and Stakeholders (Friedman 1970);
- Stakeholders' interests have some intrinsic value, but it is absurd to find one interest dominating all of the others (Clarkson 1995; Donaldson and Preston 1995); and
- Generally, the theory is interested in managerial decisions (Donaldson and Preston 1995).

Hond (2014) supplemented the above in view of the concept of CSR, by stating that Stakeholder theory has two variants. The first relates to the empirical nature of responsibility. Theory here is based on the idea that an organisation's interests are the first to be taken into account and that its subsequent efforts are then 'divided' up amongst its various Stakeholders in a way reflecting their respective levels of importance. Here information is seen as a crucial element, allowing the organisation to 'manage' its relationships and at the very least, to avoid Stakeholder opposition, as well as where possible to gain their adherence. The second relates to the organisation-Stakeholder relationship, conceived of here as a social relationship implying the genesis of an organisation's responsibility to its Stakeholders. This is a normative approach to responsibility.

Ayuso *et al.* (2014) also pointed out that the article by T. Donaldson and L.E. Preston (1995) offers taxonomy of the different Stakeholder theories by placing them into three separate categories. Based on the following elements, this taxonomy has served ever since as a benchmark for this field:

- Firms and managers act with moral perspectives in mind (which is normative);
- Achieving results becomes more do-able if managers act with moral perspectives in mind (which is empirical and instrumental); and
- Organisations and managers behave with specifiable moral perspectives in mind (which is empirical and descriptive).

According to Jones and Wicks (1999), this typology assists to outline or define the

cerebral areas that are covered by Stakeholder theory's two founding schools, namely the Empirical Stakeholder theory based on instrumental and descriptive perspectives and the Normative theory based on ethics. Hence their suggestion, above and beyond the aforementioned 'disputes', of a 'convergent' Stakeholder theory border on the following arguments:

- Postulates somehow that businesses operate publicly in an economic marketplace that can be taken as competitive; decisions are made by professional managers; and behaviours are conditional on circumstances and contexts;
- The theory in general focuses on the Manager-Stakeholder relationship, which is believed to possess moral foundations; and
- The theory is collectively empirical and normative, since it offers practical results, for example describable norms.

Reed and Curzon (2015) disagreed that it remains that this perspective by T. Donaldson, (1999) and L. K. Trevino and R. W. Gray (1999) lack the formal construction or empirically testable variables. In agreement, Slabbert and Barker (2014) supported that another distinction traverses this corpus between those who refer to Stakeholders as representatives of a moral or economic interest with 'diffuse' Stakeholders not necessarily entering the equation.

### **3.13 IS STAKEHOLDER THEORY EMPIRICAL IN NATURE?**

The question posed demands lubricate approach which takes in variants. This question requires, first of all, a precise delineation of the framework that surrounds Stakeholder theory in its two variants discussed below (Alessandri, Black and Jackson III 2011; Lam 2014).

#### **3.13.1 Descriptive Stakeholder theory**

Hah and Freeman (2014) observed that this theory considers that organisation is what one finds at the centre of co-operation and competition situations, each of which possesses its own intrinsic value. Here the theory is being used to describe and

sometimes to explain specific characteristics and behaviours, including for example firms' nature; how executives' management of their firms should be conceived how some organisations are actually being managed; the diffusion of societal information; the notion of target Stakeholders; and the significance attributed to each Stakeholder, something that will vary depending on the phase that a firm has reached in its lifecycle.

However, the researcher's view, considering the statements by Hah and Freeman (2014) through Mason and Simmons (2014)'s work, there is need for attention on the view that this descriptive approach only allows for exploratory propositions . It does not enable any connection to be made between Stakeholder management and traditional business objectives, for example, growth, and earnings.

### **3.13.2 Instrumental Stakeholder theory**

Several researchers had conflicting views in trying to relate the theory as instrumental. However, Wirl (2014) pointed out that Instrumental Stakeholder theory was advanced by T. M. Jones in 1995 . O'Riordan and Fairbrass (2014) weighed in by commenting that the main idea here is that everything else being equal, firms that practice Stakeholder management will perform better in profitability, stability, and growth.

In essence, one must accept that certain results can be obtained if 'certain' behaviours are adopted. In other words, the Instrumental theory is a contingent one, meaning that it involves reliance on certain types of behaviour.

### **3.14 IS STAKEHOLDER NORMATIVE IN NATURE?**

Casey and Grenier (2014) emphasised that Stakeholder theory's normative basis, as a perspective is distinct from the functionalism found in empirical theory. Instead of compiling data and using ad hoc quantitative methods to test hypotheses, the focus here is on normative outcomes, hence specifying the moral obligations found beneath Stakeholders' positions. What the various approaches of this kind have in common is the fact that they treat Stakeholders both as an end and also as having interests that possess an intrinsic value (Casey and Grenier 2014).

Caruana and Chatzidakis (2014), Mzembe and Meaton (2014) and Park and Ghauri

(2015) stated that the narrative interpretation also characterises the normative perspective by offering narrative representations of firms' moral behaviour. Here emphasis is placed on the ethical obligations a firm face and on how it can satisfy them without denying its interest in achieving economic success. A further goal is that of explaining how it is that the objectives being pursued by the actors themselves (by the Stakeholders and by the organisation) can be mutually reinforcing.

However, Crifo and Forget (2015) commented on researchers adhering to this school of thought, that they will try to uncover the 'best' alternative in order to steer corporate activities in ethically more constructive directions. They aver that individuals will modify the language they use (expressing conceptual schemes through images and metaphors) depending on how they think and act. In other words, actors' underlying representations will influence the individual conceptions via which 'reasonable' strategic actions are developed. Though researchers made sound suggestions Veríssimo and Lacerda (2015) and other scholars agreed to the notion that such comments like the above entertain close relationships with the search for paradigms found beneath the interpretative theory of organisations, which affirms that individuals will build and maintain their own organisational realities at the social and symbolic levels.

### **13.15 HOW ARE THE DIFFERENT STAKEHOLDER THEORY APPROACHES RELATED?**

El Akremi *et al.* (2015) noted that the typology presented by the researchers above can be criticised as being derived from a positivism whereby it is assumed that descriptive theory will tell how the world really is; that normative theory will prescribe how it should be; and that instrumental theory will indicate the shape one can give to it.

It is held by Chiu and Wang (2014) that Stakeholder theory's descriptive side reflects and explains the past, present and future. It tends to generate exploratory and predictive propositions, whereas Instrumental precepts try to apprehend the connection between Stakeholder approaches and mutually beneficial outcomes such as profitability. The instrumental approach is generally used to explore the relationship between causes (the management of Stakeholders) and effects (organisational performance). Normative theory tries to study these relations based on their ethical aspects and philosophical principles.

In agreement, Khoury, Amer and Khalaf (2014) contributed on the point of divergence by suggesting that depending on the point of reference being used, there may be some disagreement about T. Donaldson and L. E. Preston's (1995) typology. In an interpretative perspective, there is nothing automatic about the empirical-normative distinction (for instance, what interpretation is based on). Furthermore, certain 'normative' studies affirm that moral behaviour has no need of being justified, since morality possesses its own innate merits. Such studies consider that the biggest contribution of the instrumental theory's habitual variant is that it allows for the prediction of certain forms of moral behaviour will be sanctioned in the end, even though this may not occur in the short or medium term.

Chiu and Wang (2014) suggested that Narrative modes seem unable to achieve the status of 'good research'; even if one does accept that it is possible to derive acceptable theory from narrative representations. After all, how does one distinguish between 'good' and 'bad' representations given that theoretical representations of this sort spring from their narrators' own imaginary worlds?

However, Jones and Wicks (1999) emphasised that a 'good' theory must help individuals to lead better lives within organisations. The question here is whether one should in fact validate the idea that narrative representations do actually help people to lead better lives in the absence of any empirical verification for this proposition. In addition, according to Cavusgil and Kim (2014) Stakeholder theory contains ambiguities that an in-depth exam should be able to reveal.

### **3.16 AN IN-DEPTH ANALYSIS OF STAKEHOLDER THEORY**

Johnson and Schaltegger (2015) stated that despite its ostensible facility and 'false' evidences, Stakeholder theory was born in correlation to the 'liberal moment' of the 1980s and is therefore rooted in the developments of the philosophical school of thought that we can be called 'neo-liberal'.

It is with regards to the various categories that collectively build up this particular school that brings up the modalities for a comprehensive and in-depth analysis, once all

necessary precautions have been taken against the exoticism that one needs to mention when referring to this particular body of knowledge. Indeed, it appears to be completely unacceptable for any analyst to suggest remarks whatsoever relating to Stakeholder theory without simultaneously commenting upon its presuppositions, grounded as they are in the pragmatic foundations of this particular school of philosophy (Battaglia *et al.* 2014).

Phillips, Freeman and Wicks (2003) have been forced to dig deeper into expressing themselves on the incorrect application and usages being made of this theory. Amongst other things, they have affirmed that it constitutes an ethical theory of organisations, a point of view to which appears promptly at the end of this argument, albeit in regards to other elements (Phillips 2003). This is because the theory is not actually a contractualist one but is germinated from American 'neo-liberal' philosophical perspectives, whose central purpose and arrow is to develop a theory of justice (Mellahi and Wood 2003). In addition, Kaler (2003) and Harangozó and Zilahy (2015) expressed that the Stakeholder concept can be seen as referring to a communitarian perspective, with the Stakeholder thereby helping to define the contours of a group to which actors can belong on a non-exclusionary basis. Indeed, this is what constitutes the theory's wealth and its ambiguity. According to these researchers, a citizen can simultaneously be a customer, shareholder, employee and a 'diffuse' Stakeholder and the analysis of his or her position should be organised in terms of the category (defined by the particular type of search for fairness involved) that is relevant to the specific Stakeholder role she or he is playing at a given moment in time.

### **3.17 FALSE EVIDENCE IN STAKEHOLDER THEORY**

Hoogendoorn, Guerra and van der Zwan (2014) posited that the first false evidence in Stakeholder theory relates to its ostensibly descriptive status, which may justify using a 'Mintzberg complex' (1999) to qualify this theoretical perspective. In much the same way as organisations that used to live happily before it came along allegedly suddenly turned into adhocracies or professional bureaucracies, now they are deemed to have become the central foci for Stakeholders. It is therefore possible to assert that Stakeholder theory is merely a reformulation of the old introductory lesson in corporations and partners, this time around using an ostensibly more modern discourse. Hoogendoorn *et al* (2014) state that this viewpoint raises questions about the not always very obvious dichotomy that is

said to exist between the theory's descriptive usage (does it create better descriptions?) and its normative usage (are we all Stakeholders or else destined to turn into one?).

As the analysis incorporates invasive scenarios, De Clercq, Thongpapanl and Voronov (2014) expressed the fact that, a further usage is supposedly found in the strategy categories, which involves an intermediary expression that one can apply in its vaguest connotation, with the Stakeholder reference being seen as something enabling a superior formulation of strategy (or strategic discourse). The idea here is that Stakeholder theory serves to re-invigorate functionalism by not answering any questions about what it is that constitutes an organisation's actual foundations. One would then be dealing with an organisational metaphor that is ideological in scope. Simplification and incantation would be some of the traits of this construct, which is capable of specifying 'friendly' or 'enemy' factors at both the conceptual and the real levels.

In their argument, Seow (2014) postulated that the second false evidence pertains to the possible merger between Stakeholder theory and the new theories of the firm. Jones and Wicks (1999) see the former as being generalised throughout the different categories of Agency theory, in the sense that the focus was mainly on the Stakeholder-manager relationship. It is of great importance to note that the theory appears as a substitute in the agency theory. Woo *et al.* (2014) posited that in this sort of forced contractualist perspective, managers are depicted as agents, whereas Stakeholders are distinguished from one another on the basis of their importance and power vis-à-vis managers. Therefore, agency relationship involves, in accord with market mechanisms and the ingredients comprising its logic, a balancing of interests.

Freeman (1994) managed to integrate Stakeholder theory into the transaction cost theory that Coase (1937) and Williamson (1985) developed based on the assertion that managers are there to manage contracts with employees, owners, suppliers, customers, communities, and such with a view towards developing fair contracts that should be analysed as the necessary moral precondition before the different parties can commit themselves (Shapiro *et al.* 2015). Lee, Herold and Yu (2015) noted that since all parties have an equal right to sign contracts, any group is capable of investing in specific transactions that might affect the other groups, but in so doing the goal should remain that of developing a mode that enables conflict resolution and safeguards the rights of all committed parties. Therefore, the concept of fairness becomes a key benchmark since it



is based on the normative perspectives that are inherent to human behaviour.

Similarly, Gander (2014) and Reed and Curzon (2015) observed that Donaldson and Preston in 1995 tried to connect Stakeholder theory to Property Rights theory to justify the idea of getting property rights categories to represent the interests of Stakeholders other than shareholders. The main difficulty here was how to connect different Stakeholders by means of property rights that have been reduced to their formal dimension, and to do this within a distributive justice perspective. Distributive justice is a key concept in modern neo-liberal philosophy.

However, Slabbert and Barker (2014) argued that it remains that these attempts to connect Stakeholder theory to the new theories of the firm have stumbled over several postulates and their underlying hypotheses, including:

- The market efficiency postulate, since the normative foundation of Stakeholders' interests leads to their being recognised as possessing social 'depth', in turn disturbing the 'purity' of the economic signals being diffused; and
- The normative perspective, which is not in tune with the methodological individualism postulate.

(Akeem 2014) stated that the third false evidence relates to the theory's psychological aspect and is part of a drive to refuse egotistical subjects and to accept more reflective ones that are merely expressing a desire that they may have. In referring to a generic subject, however, the theory is seeking less of a footing in neo-liberal perspectives (particularly those found in an ultra-liberalism predicated upon the bestowal of radical primacy upon individuals, and therefore on the proliferation of rights that can be valued in a market). According to Akeem (2014), it is sinking roots into a civic type of republicanism (belief in the existence of a common good that adapts Stakeholder interests so they can encompass civic virtues, plus, a denunciation of deviations like the type of corruption that is caused by a conflict of interests this being the place where we spill over into governance questions).

Several authors supported Akeem (2014) on the fourth point, Davis (1960), Ackoff (2012), Arnold and Valentin (2013) and Akeem (2014) suggested that the fourth false evidence relates to its sociological aspect. Stakeholder theory features subjects that are generic (customers, suppliers, employees, etc.) but which do not constitute social

categories. The authors contend that the discussion is about Stakeholder theory's contribution to the anthropological conception of organisations that benefits from this generosity. The generic subject that is the subject of the organisation still appears here in his or her daily reality, i.e. in the concrete and peculiar form of being in situation. As such, Stakeholder theory paves the way for kinds of categories where subjects can have two reasons for belonging: one as the fully formed human beings they are; and the other as a specific form thereof. By so doing, Stakeholder theory offers a sort of false validation for Cultural Studies that advises rethinking about cultures no longer in terms of any culture nation links but instead in light of the culture social group connection. Cultural Studies of this ilk currently enjoy a great deal of media-driven success in Business School education and research. The masses and the perspectives for understanding them have replaced class-oriented reasoning with Stakeholders constituting the figures used to enhance understanding of these masses based on a complex equality between each of their individual interests Ackoff (2012).

However, with reference to Coppa and Sriramesh (2013) and their reference to a role concept, Stakeholder theory does have something to contribute to the sociology of organisations. Along with M. Crozier and E. Friedberg in 1977, it should be remembered that an actor is someone who plays a role in an organisation based both on his or her imaginary world (possibility of identifying with an ideal person or of masking one's personality) and functional aspect (involvement in a specific situation). As such, the Stakeholder concept offers the socialisation process a comprehensive perspective whereby it becomes possible to design an ideal-type role combining organisational and personal aims. This would also mean being able to imagine Stakeholders being brought back into the old categories, as analysed by Katz and Kahn (2012) when they distinguished amongst varying expectations of role, role transmission, role reception and behaviour within a role.

Further arguments to this effect (Coldwell and Joosub 2014) shared view that it is also by starting out with this role concept that one can move on to a games socialisation power in which case the Stakeholder concept does indeed lie at the heart of the role-game-strategy trilogy and of the influence concept. After all, influence is what creates a perspective that can be both intentional and interactional. It also creates a duality between substantive rationality (values) and procedural rationality (codify-able

behaviours). At the same time, Stakeholders are characterised by an erosion of the Universalist nature of social contracts. They open the door to a cultural relativism that is connected to each and every one of them.

Most researchers are bewildered by assumptions that Stakeholder theory is intertwined to substantive rationality and procedural rationality as Go and Peloza (2015) strongly opposed these assumptions with the support of Park and Ghauri (2015). This justifies the questioning of quality or inversely the relative mediocrity of any references to this theory, particularly given the way its legitimacy has developed over time. Built in opposition to the figure of the shareholder, the Stakeholder first appeared as a means for preventing the merry-go-around of excessive dividend distribution, before being co-opted to such an extent that Stakeholders are now viewed as the expression of a communitarian liberalism that has started to sag due to the spontaneity nature of its occurrence. Of course, its main ambiguity stems from the fact that non-Stakeholders are legitimately excluded raising questions as to what society these excluded parties belong to.

However, Pérez and Elving (2015) concluded that Stakeholder theory is neither economic nor psychological nor sociological nor (and this is crucial for anyone interested in 'the theory of organisations') psycho-sociological. Ultimately, it is ethical, with all the ambiguity and richness that this entails.

### **3.18 THE ETHICAL FOUNDATIONS OF STAKEHOLDER THEORY**

Stakeholder theory poses a number of questions with regard to the actual ethical bases upon which it is based. At the very least, researchers in this field agree that it demands and requires some practical aspects so that it can be oriented in applied ethics from the very outset. On the other hand, this formal perspective does not answer all of the questions in line with the theory's foundations (Coombs and Holladay 2015).

Arguments have also been raised as researchers made efforts analysing and explaining the ethical foundations of the Stakeholder theory. However, serious consideration should be given to the question: Is Stakeholder theory rooted in needs or in desires? This question is a source of ambiguity, finding both aspects with so-called contractual Stakeholders. On the other hand, neither needs nor desires are capable of accounting for

the foundations of the expectations of diffuse Stakeholders working towards developing good lives that they can use as a benchmark. For this group, the goal is to wake up at the right time, that is, whenever their good life starts to be perturbed by the consequences of a firm's actions (Costa, Lages and Hortinha 2015).

To this extent, more generically, above and beyond the duality between needs and desires, considering El Akremi *et al.* (2015) and other scholars, it may prove easy to use the concept of people's interests to ascertain the foundations for Stakeholdership.

Amaladoss and Manohar (2013) suggested that Stakeholders are situated in categories defined by the modern reinterpretation of moral sentiments. There is a simultaneous ontological and normative perspective by which moral sentiments are characterised. In this vision, honesty is construed as a moral sentiment and is connected to the subject at a fundamental level because of the honest subject's presuppositions and because of the way in which she or he normalises his or her behaviour, depending on circumstances.

Consequently, Fooks (2013) pointed out that to a certain extent, moral sentiment is situated between reason and emotion: reason because it provides an axiological foundation for behaviour (which can be either 'good' or 'bad') and emotion because of its deeply subjective underpinnings. Stakeholder theory is therefore a means for narrating one's 'good life' to oneself, against the backdrop of the moral substance of today's economic activities, and from a eudemonistic perspective (based on a conception of happiness) as opposed to a hedonistic one (solely based on desires). In fact, it is at this level that the theory can be truly described as a theory of organisations. It is also here that Stakeholder theory can be linked to countless organisational narratives Fooks (2013).

### **3.19 STRENGTHS OF THE STAKEHOLDER THEORY**

Firstly, the theory seems ethically superior to maximizing shareholder value because it takes into consideration Stakeholder rights and their legitimate interests and not only what is strictly required by law in manager Stakeholder relations (Griffith-Jones and Karwowski 2013). Secondly, Stakeholder theory has dated the theoretical imprecision of CSR by addressing concrete interests and practices and visualising specific

responsibilities to specific groups of people affected by business activity (Chandler and Werther Jr 2013).

Considering researchers Griffith-Jones and Karwowski (2013) and Chandler and Werther Jr's (2013) contributions, in simpler terms, Stakeholder theory is a managerial theory that is related to organisational goals and does not come within reach of business management. The theory ensures long-term rather than short-term success. However, further research will be required to establish sound conclusions about the relationship, profitable linkages between Stakeholder theory and CSR.

Stakeholder theory gives us the correct way to think about entrepreneurial risks (Driessen and Hillebrand 2015). According to Melé (2008), taking a Stakeholder approach enables us to develop a more robust theory of entrepreneurship, one in which the role of entrepreneurial risk is better understood. Taking such an approach would lead to risk avoidance behaviour by managers, because according to them, constituencies except the residual cash flow claimants have incentives to dissuade managers from taking excessive entrepreneurial risks (Baumgartner, Gelbmann and Rauter 2013).

Leaving aside the question of excessive risks and whether avoiding excessive risks is a good or bad thing, this argument shows that Driessen and Hillebrand's (2015) view of Stakeholder theory is one of allocating benefits to other Stakeholders at the expense of shareholders. Of course, it is in each Stakeholder's interest for management to take risks that can lead to increasing the size of the pie for everyone. Indeed, in the real world, as opposed to the world of economics journals, managers often work with Stakeholder groups, such as customers and suppliers, to jointly test new products and services. Often, customers and suppliers will accept some of the risk inherent in developing new ideas, products and programs (Delchet-Cochet and Vo 2012).

It is vital to pay attention to the recent wave of corporate alliances and the emergence of issues such as supply chain management as evidence that Stakeholders can see their interests as joint, not just opposed. By focusing on the allocation aspect of Stakeholder theory, Driessen and Hillebrand (2015) miss the idea of seeing entrepreneurial risk in its richer context of joint Stakeholder relationships.

### 3.20 CRITICISM OF THE STAKEHOLDER THEORY

Why should managers pay attention to Stakeholders? Jia and Zhang (2014) pointed out that the most fundamental challenge to Stakeholder theory is establishing a justification for managerial attention to Stakeholders akin to that justifying maximising shareholder wealth. Any convincing justification for maximising shareholder wealth must, at its core, be a moral argument. However, instead, Wu and Wokutch (2015) proposed value maximisation of Stakeholder theory by, stating that a firm cannot maximise value if it ignores the interests of its Stakeholders. The big challenge facing corporate boards and managements is determining the trade-off between the firm's objectives and the interests of its Stakeholder groups (Dewan, Banerjee and Randolph 2014).

In support of Verbeke and Tung (2013)'s work, managers should make decisions that take the interests of the company's Stakeholders into consideration. Since there is no specific one interest of the Stakeholder groups, it is difficult for managements to determine one Stakeholder interest that will meet the firm's objectives and the interests of all its Stakeholders. Even within the Stakeholder theory, the interests of individual groups compete with each other's interests, leaving managers with a theory that makes it impossible for them to make purposeful decisions. In trying to meet the needs of different Stakeholders' interests, the Stakeholder theory can lead to managers being unaccountable for their actions. Such a theory can be attractive to the self-interest of managers and directors (Urban and Naidoo 2012).

The researcher is of the view that, if the Stakeholder theory is not good for companies why do so many board of directors and management of corporations embrace it? Wymenga, Plaisier and Vermeulen (2013) claimed that one answer lies in directors and managers undercover of Stakeholder theory following policies that meet their personal interests instead of policies that meet the company's long-term objectives and the interests of its Stakeholders. Hamann *et al.* (2015) added that without criteria for performances, the Stakeholder theory allows managers to pursue their own interests at the expense of the firm's financial claimants.

The researcher's argument is based on (Fernando and Lawrence 2014) that the main

debate on Stakeholder theory should be an ethical question namely what are companies for? Do they exist simply to make money for shareholders or do they have a wider role including taking care of Stakeholders needs? There is a need for balance between the needs of both shareholders and Stakeholders within the company.

Some criticisms of Stakeholder theory suggest that it provides unscrupulous directors and managers with a ready excuse to act in their own self-interest (Frynas and Stephens 2014), thus resurrecting the agency problems that the shareholder wealth maximisation imperative was designed to overcome. Opportunistic directors and management could more easily act in their own self-interest by claiming that their actions actually benefit some Stakeholder groups (Date, Darwen and Lorentzos 2014; Freedberg 2015 and Meier, Favero and Zhu 2015).

In as much as the Stakeholder model may be considered moral, in practice there are problems that do not benefit everyone. There are shortcomings in the Stakeholder model, as it creates its own problems for the boards of directors. Finding solutions to the above problems created by the Stakeholder model calls for directors to take ethical and moral issues into considerations when setting their business objectives. It is a balancing act that looks good in theory but is difficult to deal with in practice, as directors are faced with the problems of determining not only who their companies' Stakeholders are but what their interests actually entail.

Mansell (2015) supported Frynas and Stephens' (2014) idea by stating that as global change intensifies, organisation Stakeholders and their interests change more rapidly. For instance, HSBC's movement of a number of jobs from the UK to India explicitly shows some of these difficulties.

### **3.21 STAKEHOLDER THEORY BOUNDARY CONDITIONS**

Stakeholder theory has been used in a variety of different ways by critics and friends alike. The following is a quick overview of what is considered to be some important misapplications and boundary conditions to Stakeholder theory:

- Stakeholder theory is an excuse for managerial opportunism. The root issue is that

by providing more groups who management can argue their actions benefit, Stakeholder theory makes it far easier to engage in self-dealing and defend it (Leach 2014). In contrast, Delchet-Cochet and Vo (2012) argued managers who have a duty only to shareholders are better able to judge their performance and clearly see whether they have done well or not. However, Phillips, Freeman and Wicks (2003) offer two assumptive replies:

- Firstly, much of the current managerial opportunism has been done under the banner of shareholder maximization (e.g. Enron, WorldCom) and they specifically critique the actions of Al Dunlap who grossly mismanaged a number of companies to create his own financial benefit.
- Secondly, this is an issue for any theory of organization and does not put Stakeholder theory in a worse light because of it. Indeed, the authors argue there are good reasons to see Stakeholder theory as creating more accountability from managers as they have more obligations and duties of care to more constituencies and are therefore less likely to engage in self-dealing (Hörisch, Freeman and Schaltegger 2014a).
- Stakeholder theory is primarily concerned with distribution of financial outputs (Moriarty 2014). According to Chandler and Werther Jr (2013), this view provides a picture of Stakeholder theory as primarily about who receives the resources of the organization and fronts a stark and inherent conflict between shareholders and other Stakeholders in terms of who gets what. If one begins with the idea of the firm as having a fixed pie of surplus (i.e. profits) to distribute and views Stakeholder theory as providing different schemes for distributing that wealth, then the contrast between its existence appears to be sharp and stark.

However, Phillips, Freeman and Wicks (2003) claim that distribution is only part of the story, namely that a critical part of Stakeholder theory is about process and procedural justice that Stakeholders deserve a say in how resources are allocated that such involvement affects how they view the distribution of resources and that their



involvement can also create new opportunities for value creation (i.e. enlarging the pie).

In addition, Mutti *et al.* (2012) discovered that research cited in most articles which shows Stakeholders are more accepting of outcomes when they perceive the process as fair, also mentions that distribution involves more than just financial resources that information is something which can be shared amongst Stakeholders and this does not pit shareholders against Stakeholders.

According to Northouse (2012), all Stakeholders must be treated equally although several versions of what it means to treat Stakeholders equally (e.g. egalitarianism; equalitarianism) are offered, the core point is that critics have focused on the notion of treating Stakeholders equally, particularly around the language of balance that has been prominent in discussions of what it means to manage for Stakeholders (Christopher, Hutomo and Monroe 2013). Phillips, Freeman and Wicks (2003) also claim that one can use forms of meritocracy (e.g. using Phillips' notion of fairness in benefits given being in proportion to those received); that meaningful distinctions amongst Stakeholders can be made by theorists; and that each firm may handle this issue differently depending on its own particular version of Stakeholder theory. This criticism also compounds the mistake of confusing Stakeholder theory as primarily or exclusively about distribution of financial outputs rather than as about process and consideration in decision making.

Furthermore, Stakeholder theory requires changes to current law. There have been arguments that the law requires to be altered, either to overcome the concern that doing anything other than shareholder management is illegal or to make it easier to practice Stakeholder theory (i.e. making it more transparent that using Stakeholder theory to manage does not violate core principles of business law). For example, Verbeke and Tung (2013) acknowledge Freeman's view which seems to advocate passage of enabling legislation which will force corporations to be managed in the interests of Stakeholders. The core reply obtainable is that while there may be reasons to consider an assortment of changes to the legal system, Stakeholder theory contains no requirement that the law be changed to allow firms to practice it (Sen and Cowley 2013).

However, Spence (2014) noted that the business judgment rule allows firms to use Stakeholder theory without fear of running afoul of the theory or practice of the law. Enacting specific changes in the law that force management to consider Stakeholders (e.g.

corporate constituency statutes) may prove useful. However, they are not to be confused with the core of what constitutes Stakeholder theory or to be seen as essential concomitants to embracing the theory.

Stakeholder theory is socialism and refers to the entire economy (Miles 2012). In some parts of the United Kingdom and in other parts of the Europe Union, there is talk of a Stakeholder economy (e.g. a term used by British Prime Minister Tony Blair). However, Spence (2014) contributed to the discourse when he highlighted that Stakeholder theory is first and foremost a theory of organizations, not a theory of political economy. In addition, while there may be some merit in drawing from Stakeholder theory to discussions of economies within a political context, doing so makes truly problematic the concerns raised about the breadth of the theory and for what purposes it is being used. Stakeholder theory has been developed as a system of voluntary exchange for individuals within a capitalist economy. It is decidedly not a form of socialism or a set of social policies to be enforced by the state.

- Stakeholder theory is a comprehensive moral doctrine. In debating what constitutes a comprehensive moral doctrine, Lussier and Achua (2015) claims that it is a theory which can address the full array of moral questions that arise without reference to any other theory. However, according to Lam (2014), Stakeholder theory cannot be regarded as a comprehensive doctrine. Rather, it is a theory of organizations that does not even envelop all the moral questions pertinent to a business context, let alone the rest of the moral world.

Urban and Naidoo's (2012) analysis of the boundary conditions to Stakeholder theory, is a tool to better describe and act in a complex world. Tools have better and worse applications. In our view Stakeholder theory is best used to make sense of issues revolving around the three problems outlined in previous research. Scholars from a variety of disciplines have picked up Stakeholder theory to better address the issues that the three problems have created in their respective areas.

### **3.22 LIMITATIONS OF THE STAKEHOLDER THEORY**

The limitations of the Stakeholder theory have been discussed by a number of authors, Shafiq (2014) citing Wang and Bansal (2012) pointed out that Stakeholder theory in all

circumstances fails to address the mute Stakeholders (the natural environment) and the absent Stakeholders (future generations or potential victims). In agreement, Smith (2015) also pointed out that the natural environment should be considered a Stakeholder.

This standpoint received huge criticism since the natural environment cannot be considered a Stakeholder. The term Stakeholder usually refers to groups or individuals and therefore, cannot be considered a Stakeholder. In this case, only humans can be considered as organizational Stakeholders. In the same context, another criticism is that the power of Stakeholder groups is weakened by Stakeholder theory because the theory advocates that corporations should treat all equally. Thus, labour unions could be avoided, grounded or even eliminated. In addition, corporations will become weak because they will obviously attempt to serve all Stakeholders' interests. Naturally, corporations will struggle to cater for all Stakeholders and protect their owners at the same time (Shapiro *et al.* 2015).

Precisely, Stakeholder theory argues that corporations are expected to treat all Stakeholders fairly and by doing so can improve their performance in the marketplace, and thereby securing their future (Meier, Favero and Zhu 2015). However, Freeman (1999) stated that if organisations want to be effective, they will pay attention to all and only those relationships that can affect or be affected by the achievement of the organisation's purposes.

This view suggests some advantages for organisations. For example, if organisations treat their Stakeholders fairly, then the power of Stakeholder groups could be weakened, like, labour unions, that cannot be powerful when eliminated. However, organisations could be weakened when trying to maximise stockholders' wealth (Ferrero, Michael Hoffman and McNulty 2014).

Jones and Wicks (1999); Friedman and Miles (2006); Northouse (2012) and Lam (2014) conclusively stated that Stakeholder theory has changed the long term character of capitalism. Organisations have no legal responsibility to their Stakeholders other than to their shareholders.

For the purposes of this dissertation, the aim is to see how Stakeholder theory is utilised as a theoretical application foundation for CSR. Below is an in-depth look at the link in the application of the theory on the CSR concept

### **3.23 CORPORATE SOCIAL RESPONSIBILITY (CSR)**

In the modern business world, textbooks, research papers, magazines, journals, newspapers, websites and books consistently mention CSR. An emphasis on CSR undoubtedly permeates most, if not all, research and higher education centres. Business textbooks laud the benefits of this exalted concept. CSR has become popular throughout the world with SMEs also coming into play. For instance, the Asia-Pacific CSR group was founded in July 2004 to promote favourable environmental and human resource regulations across the region (Ansari 2014).

According to Delchet-Cochet and Vo (2012), businesses are increasingly implementing CSR policies. For example, many firms notably in the airline industry have incorporated CSR into their business structures. Recently, the airline industry has been aggressively pressured into reducing their negative environmental effects. Subsequently, airlines are focusing on reducing emissions and aircraft noise Hartono (2014). Crosby and Bryson (2014) highlighted reasons for SMEs implementing CSR, including strategy, defence and altruism. Many corporate executives believe that CSR creates a competitive advantage for firms, thus leading to greater market share.

Verbeke and Tung (2013) contend that CSR can differentiate an SME from its competitors by engendering consumer and employee goodwill. CSR may also be used to pre-empt competitors from gaining an advantage. Once an SME in an industry has implemented CSR policies successfully, rival firms may be forced to engage in CSR as well. If SMEs do not exercise CSR, rival firms and large corporations take advantage and SMEs will obviously be in danger of losing consumer loyalty. On the other hand, some firms, especially multinationals, are involved in CSR simply because they believe it is the right thing to do, not making any name or gaining any loyalty. SMEs must take CSR as a first step to branding. Regardless of the underlying reasons, CSR has become a commonly used term in the business arena.

In an effort to find the link between CSR and the Stakeholder theory requires a re-look at the CSR definition in chapter 2 of this dissertation, where Khoury, Amer and Khalaf (2014) stated that CSR is the overall relationship of the corporation with all of its Stakeholders. These include customers, employees, communities, owners or investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.” The following issues need to be addressed:

### **3.24 THE LINK BETWEEN CSR AND STAKEHOLDER THEORY**

The link is established through Stakeholder theory and CSR theories and in this regard, Lacznia and Murphy (2012) stated that Stakeholder theory is managerial (one of the CSR theories) in nature in that it reflects and directs how managers operate rather than primarily addressing management theorists and economists.

In trying to link Stakeholder theory to CSR theories through, Hörisch, Freeman and Schaltegger (2014a) indicated that the focus of Stakeholder theory is articulated in two core questions. Firstly, it asks, what is the purpose of the firm? This encourages managers to articulate the shared sense of the value they create and what brings its core Stakeholders together. This propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and marketplace financial metrics. Secondly, Stakeholder theory asks, what responsibility does management have to Stakeholders? This compels managers to articulate how they want to do business specifically, what kinds of relationships they want and need to create with their Stakeholders to deliver on their purpose (CSR).

A number of researchers made collective contributions towards the same notion that Hörisch, Freeman and Schaltegger (2014a) highlighted. Wu and Wokutch (2015) discovered that today’s economic realities underscore the fundamental reality at the core of Stakeholder theory that economic value is created by people who voluntarily come together and co-operate to improve everyone’s circumstance.

However, considering Hörisch, Freeman and Schaltegger (2014a)’s contributions above,

there is a strongly belief that managers must develop relationships, inspire their Stakeholders and create communities where everyone strives to give their best to deliver the value the firm promises. Certainly shareholders are an important constituent and profits are a critical feature of this activity but concern for profits is the result rather than the driver in the process of value creation. Many firms have developed and run their businesses in terms highly consistent with Stakeholder theory. Firms such as J&J, eBay, Google, Lincoln Electric, AES and the companies featured in 'Built to Last and Good to Great' provide compelling examples of how managers understand the core insights of Stakeholder theory and use them to create outstanding businesses (Wu and Wokutch 2015).

To this end, Stakeholder theory starts with the assumption that values are essentially or unavoidably and explicitly a part of doing business and rejects the separation thesis (Freeman 1994).

Conclusively, Reed and Curzon's (2015) work explained and summarised that whereas all these firms value their shareholders and profitability, none of them make profitability the fundamental driver of what they do. These firms also see the importance of values and relationships with Stakeholders (CSR) as a critical part of their on-going success. They have found compelling answers to the two core questions posed by Stakeholder theory, which underscore the moral pre-suppositions of managing namely that they are about purpose and human relationships.

### **3.25 STAKEHOLDER THEORY AND ITS APPLICATION TO CSR**

On the other side of the argument are those who believe in providing for society's discretionary expectations. In addition to making a profit and obeying the law, a company should attempt to alleviate or solve social problems such as poverty, unemployment and malnutrition as part of their CSR programmes. Such a view is commonly and generally advocated through Stakeholder theory. This theory maintains that businesses should chew over the effects of their actions upon the customers, suppliers, general public, employees and others who have interest or a stake in the company (Freeman 1984; Donaldson and Preston 1995; Phillips, Freeman and Wicks 2003; Hörisch, Freeman and Schaltegger 2014a and Moriarty 2014).

Supporters such as Garriga and Melé (2004); Friedman and Miles (2006) reason that by providing for the needs of Stakeholders through CSR, SMEs ensure a balanced business, continued success and sustainable growth of the whole business.

A renowned company that exhibits the Stakeholder view is Johnson and Johnson. Their doctrine lists the business' responsibilities order as: environment, customers, employees, management, communities and stockholders (Rizzi and Frey 2014).

Advocates of Stakeholder theory maintain that increasing shareholder wealth is too myopic a view. Although profit maximisation for shareowners is core to most wholesale and retail SMEs in EThekweni Municipal region, according to Stakeholder theory, increased CSR makes wholesale and retail SMEs more attractive to consumers. Therefore, CSR should be undertaken by all SMEs, whether large scale or small scale, as this is a modern growth strategy that is applied widely and effectively by large corporations (Freeman 2004; Carroll and Buchholtz 2014; Hörisch, Freeman and Schaltegger 2014b and Moriarty 2014).

Regardless of this diverse discussion on Stakeholder theory and its application on CSR, it is evident that the theory offers a theoretically and practically useful framework for studying and evaluating CSR which meets the needs of this dissertation (Hill, Jones and Schilling 2014). In this context, the definition of 'Stakeholder' is based on the work of Wood (1997) and Freeman (2004) which identifies Stakeholders as having three attributes: power, legitimacy and urgency (Baumgartner, Gelbmann and Rauter 2013).

### **3.25.1 Legitimacy**

In relation with Stakeholders' attributes, Cordeiro *et al.* (2014) noted that in a more extreme version of Stakeholder theory, Legitimacy theory claims that corporations have implicit contracts with Stakeholders to provide for their long-term needs and wants. By providing for the desires of Stakeholders, the corporation legitimizes its existence. Because society provides important benefits to the corporation, the corporation is obligated to promote society's interests in return. The theory in effect claims that because corporations have the resources, they should engage in social ventures.

Nonetheless, the degree to which wholesale and retail SMEs considers each Stakeholder group in the CSR programme depends in practice on the urgency of the claim, the power and the legitimacy of the Stakeholders concerned. Corporations usually prioritize CSR activities to respond to time-sensitive and critical issues raised by particular Stakeholders, such as environmental or product quality disasters. Legitimacy refers to the contribution that Stakeholders make to the company value. If a Stakeholder group is vital for the company's existence, the company will consider more of their interests in the CSR programme. The power dependence relationship indicates that if a Stakeholder group has significant power and influence over the firm, the company may be forced to align their CSR program to the wish of that particular Stakeholder group Mitchell, Agle (2000).

### **3.25.2 Let Business Try**

An argument for Stakeholder theory by Waldman and Balven (2014) argued that society should let firms attempt to solve society's problems because other institutions have clearly failed to do so consequently, in order for business as an institution to retain its social authority, business must meet the needs of society.

However, proponents of the argument, which is also known as the Iron Law of Responsibility (Savage 1991; Mahoney 2012; Sen and Cowley 2013; and Meier, Favero and Zhu 2015) contend that society ultimately acts to reduce the power of those who have not used it responsibly.

Nonetheless, opponents of Stakeholder theory disagree. Chandler and Werther Jr (2013); Grant *et al.* (2014) and Hartono *et al.* (2014) asked how businesses that are not specialized or elected to serve in social areas can do a better job than political institutions.

Hartono *et al.* (2014) in line with Adeniran and Johnston's (2012) work concluded that Stakeholder attributes affect not only wholesale and retail SME involvement of Stakeholders in their CSR programmes for sustainable growth, but also the perceptions of CSR performance by the community in which the SME operates in.

This dissertation discusses CSR on sustainable growth of wholesale and retail SMEs businesses in EThekweni Municipal region. In trying to establish Stakeholder theory as



the appropriate theoretical framework for CSR in wholesale and retail SMEs, a more detailed explanation on the application and link between the theory and CSR is provided below.

### **3.26 STAKEHOLDER THEORY AND CSR**

Fernandez-Feijoo, Romero and Ruiz (2014b) posited it is not enough to focus on *what* the wholesale and retail SMEs are responsible for in CSR, but also to *whom* they are responsible. According to Bowen (1953), who terminologically formalized the CSR concept, CSR is a social obligation and follows the objectives and values of society.

The societal approach to CSR argues that SMEs have not only economic and legal obligations, but also particular responsibilities to society and are responsible to society as a whole (Walmsley and Partington 2014).

However, Casson (2015) specified that corporate responsibility resides in Stakeholder groups instead of society as a whole.

Brown and Forster (2013), Crane and Ruebottom (2011) in their research on CSR, subscribed to the notion that individual businesses can be deemed responsible only to Stakeholders. Stakeholder theory defines the objective of companies as being to satisfy both the economic and non-economic demands of various Stakeholders. In a broad context, Stakeholder theory derives a normative framework to link business and society and can be considered as the CSR theory, normally accepted as the Stakeholder approach to CSR.

The concepts of Stakeholder and CSR are intimately linked to each other (Pirsch, Gupta and Grau 2007).

In this modern era, Stakeholder theory is the most common framework for conceptualizing and understanding issues concerning CSR (Jones and Wicks 1999). In addition to Jones and Wicks' (1999) statements, Costa and Menichini (2013) stated that Stakeholder theory is a complementary rather than conflicting body of literature, which is considered as a necessary process in the operationalization of CSR. Stakeholder theory provide a practical platform for CSR as in essence, CSR reflects the fundamental premises of Stakeholder theory (Knox and Gruar 2007).

The Stakeholder concept has been accepted as an important driver, amplifying corporate involvement in CSR (Maier 2015). In addition, Hartono *et al.* (2014) noted that Stakeholder theory asserts that business can be understood as a set of relationships amongst groups which have a stake in the activities of that business. The Stakeholder theory places more emphasis on the fact that SMEs should be motivated not only to pursue profit maximization, but other multiple objectives as well. In other words, to manage and coordinate the various competitive and co-operative demands of Stakeholders (Chiu and Wang 2014).

Calabrese *et al.* (2013) pointed out that Stakeholder theory and CSR activity have been integrated. Functionally, Stakeholder theory is essentially a way of making capitalism more equitable in serving non-shareholder interests and a way of understanding CSR. For example, Brown and Forster (2013) argue that heterogeneity in the corporate social performance (CSP)-CFP (corporate financial performance) link arises from differences in a firm's Stakeholder influence capacity or its ability to identify, act on and profit from opportunities to improve Stakeholder relationships through CSR.

The manipulative power influence of Stakeholder theory in a CSR programme can be classified according to the three types of Stakeholder theory which have been described in the preceding sections. The Normative Stakeholder theory suggests a comprehensive, multidimensional CSR programme which takes care of all the Stakeholders of the company equally; the instrumental Stakeholder theory leads to a CSR program emphasising the economic performance and benefits of its shareholders and the Descriptive Stakeholder theory emphasizes upholding Stakeholder interests, corporate image and corporate behaviour, thus leading to a CSR programme in accordance with shared Stakeholder expectations (Freedberg 2015).

According to CSR studies, Stakeholder theory offers an important foundation for assembling and analysing CSR data and serves as a framework for empirical studies (Ferrero, Michael Hoffman and McNulty 2014).

Costa and Menichini (2013) stated that Stakeholder theory holds that CSR issues considers all the Stakeholders, managing divergent and conflicting interests among them. Various elements of corporate CSR performances target different Stakeholder groups and the result of their CSR performance is continuously reassessed by various Stakeholders. Thus Stakeholder theory offers a theoretically and practically useful framework for studying and evaluating CSR (Driessen and Hillebrand 2015).

Finally, the researcher would like to use Freeman's (2010) new approach to CSR called 'company Stakeholder responsibility' to explain the relationship between CSR and Stakeholders. Ferkins and Shilbury (2015) citing Freeman *et al.* (2010) advocate for a practical application of CSR through Stakeholder theory. The approach looks at business and society as intertwined and it looks not just at firms, but at many different forms of organizations and promotes a pragmatic focus on managing the relations with all the organization's Stakeholders as a primary task for success. This requires a detailed understanding of to whom exactly a firm is responsible and the nature of those responsibilities. Firms address these questions in a variety of ways, but each time they need the language of Stakeholders to get to a more actionable level of specificity. The primary task of CSR is responsibility for all Stakeholders concerned.

### **3.27 PROBLEMS WITH STAKEHOLDER THEORY IN RELATION TO CSR**

- **Denies Fiduciary Responsibility** (Golob 2013)

Guoyou (2013) proceeded by arguing that Stakeholder theory has some significant disadvantages, like running directly counter to corporate governance. Since shareholders are owners of the firm, the firm should be operated to maximize their returns. Stakeholder theory transfers the firm's focus from shareholders to the needs of Stakeholders but implementing unprofitable CSR programs, firms are denying their fiduciary responsibility to shareholders.

- **Oversimplification** (Torugsa, O'Donohue and Hecker 2013)

A general observation spells out that society has numerous problems that have existed for many years, such as unemployment, poverty and pollution. If these problems were as trouble-free and easy to solve as Stakeholder theory advocates uphold, they would have been addressed by profit-seeking firms focused on benefiting from society (Karnani 2010).

Hasnas (2013) noted that many businesses have discovered, however, that the pursuit of society's welfare often leads to a reduction in profits. If managers pursued CSR activities that hampered profits, they would likely be out of a job. The owners of a firm desire a return on their investment and would likely fire a manager that purposely opposed this

objective.” Social problems are more complex than Stakeholder theorists claim. However, the benefits of Stakeholder theory are long-term and sustain a firm throughout its life rather than at short-term profit level.

- **Over-regulation**

Another critical argument voiced against Stakeholder theory is that of over-regulation (Bridoux and Stoelhorst 2014). In support, El Akremi *et al.* (2015) criticised that this argument maintains that the pursuit of CSR would lead to more rigorous environmental and social regulations for businesses across the world. These regulations would then make it more difficult for developing nations like South Africa to keep pace with developed nations.

Similarly, Rizzi and Frey (2014) lamented that when conditions differ widely between countries, as they do, prescribing and enforcing such common standards restricts the scope for mutually beneficial trade and investment flows, which holds back the development of poor countries by suppressing employment opportunities within them.

The potential for overregulation strikes a formidable blow to Stakeholder theory (Maier 2015).

- **Competing Interests**

One of the mainstay problems of Stakeholder theory is the existence of competing interests in and outside a firm. Advocates of Stakeholder theory advocate a multi-fiduciary relationship between managers of a company and all of a business’ Stakeholders. Therefore, naturally by definition, a fiduciary relationship includes promoting the interests of one group above others. However, the interests of shareholders, communities, employees, customers and suppliers in the management of a business’s assets are conflicting (Cavusgil and Kim 2014).

Mzembe and Meaton (2014) observed that in all circumstances, one finds that shareholders want the highest return possible through capital gains and/or dividends at the lowest possible risk. Customers desire quality products, low prices and excellent service. Employees crave high wages, excellent working conditions and a handsome benefits package. These competing demands from Stakeholders make Stakeholder theory

untenable. It would be difficult to balance these desires in practice. Some Stakeholders would be satisfied while others would be disgruntled. However, it is natural that no business can satisfy all the demands of all Stakeholders at once but it is better to delay than never.

Mok, Shen and Yang (2015) contend that the implementation of CSR would likely cause significant disagreement amongst shareholders as well. Some shareholders would promote CSR. On the other hand, some shareholders would support the sole pursuit of profit. Even if shareholders agree that CSR programs are beneficial, they may differ as to where it should they be directed.

Furthermore, Battaglia *et al.* (2014) postulated that the Stakeholders would be competing for the implementation of various CSR programs. How could a business manager discern which program(s) would be the best to pursue? If it were Shareholder theory, then those weaknesses would be easily overcome since the theory focuses on corporate efforts on a single objective i.e. maximizing shareholder wealth. For example, when a business with a store operating in one region becomes unprofitable, the firm considers closing the store to avoid harming shareholders. Stakeholder theory may suggest that the company leave the store open to continue to provide for the store's employees and community ( Battaglia *et al.* 2014).

Shapiro *et al.* (2015) stated that Shareholder theory proponents would propose that unless leaving the store open would maximize long-term shareholder wealth, it should be closed. In agreement, Tullberg (2013) established that although Stakeholder theory sounds reasonable, it may introduce more problems than it solves because it is practically impossible to serve the interests of each of the Stakeholder groups simultaneously.

- **Competitive Disadvantage**

Another argument arising in recent years against Stakeholder theory is competitive disadvantage (Lee, Herold and Yu 2015). According to Shafiq *et al.* (2014), social action will have a price for the firm and therefore entails a competitive disadvantage.

Verbeke and Tung (2013) agree with the advocates of the argument who believe social actions should not be initiated by businesses. However, the problem with this argument

is that social actions may actually foster public support of a business. The ethical action of Johnson and Johnson executive David Collins serves as a prominent example. In 1982, Collins recalled the entire Tylenol product line after cyanide-laced capsules of the brand had caused several deaths in Chicago. As an article in 'Workforce', a popular human resource magazine, states that, 'To this day, Collins' response is cited as the textbook example of how decisive action, grounded in sound ethical values, can avert a crisis, and even bolster a company's support over the long run'.

Slabbert and Barker (2014) view CSR as a critical strategic tool which may actually provide a competitive advantage, especially for SMEs and new entrants. Even if social responsibility results in short-term losses, it can engender loyal employees and communities and consequently reap long-term dividends. CSR is also proving to benefit companies. The most commonly identified corporate advantages include maintaining and improving reputation or brand image, government relations, brand differentiation, customer loyalty and employee recruitment and retention.

Nevertheless, proponents of Stakeholder theory go too far in their support of discretionary social expenditures, as Coldwell and Joosub (2014) argued that "The benefits of profitable CSR initiatives must be balanced with the fact that unprofitable CSR initiatives may put a firm at a competitive disadvantage."

- **Greenwashing**

Miles (2012) postulated that another problem with Stakeholder theory is that it is reactive instead of proactive. Some companies engage in CSR solely in response to crises. In other cases, the primary CSR action for firms is merely reporting. This reporting is usually in the form of feel-good stories with a lack of concrete social action. According to Miles (2012), the content of CRS is often misleadingly substantial, the reports are thick and seemingly contain much information, but the actual extent of what is done beyond legal requirements remains limited.

In support, Moriarty (2014) postulated that although many companies advocate CSR in theory, they would not in practice increase Stakeholder welfare at the expense of shareholder wealth although these companies may promote their reputation in the community through rhetoric and advertisements related to their CSR efforts, they do this to shift the focus from their flaws or to increase business in practice known as

‘Greenwashing’. These firms are not pursuing CSR to benefit society, but to rather take advantage of consumers who are sold out to the concept of CSR.

- **Destroys Pluralism**

Friedman and Levitt (2012) feared the usurping of the authority of political institutions by businesses as a result of CSR. Such a combination of governmental and corporate authority would result in a fusion of the two institutions into a powerful, unified entity. Friedman and Levitt (2012) were concerned about the potential socialistic consequences of this fusing. They firmly believed in the concept of pluralism, which requires the separation of power between the various institutions of society. Friedman and Levitt did not desire to see an oppressive centralized government (Fernando and Lawrence 2014).

As Friedman and Meiselman (1958) and Levitt (1979) stated in their article that the danger of Social Responsibility is : ‘Government’s job is not business, and business’s job is not government’. Furthermore, unless these functions are absolutely separated in all respects, they are eventually combined in every respect.

However, after raising all the problems of Stakeholder theory in relation to CSR, Stakeholder theory offers a new way to organize thinking about organizational responsibilities. The idea is that the needs of shareholders and SME owner managers cannot be met without satisfying to some degree the needs of other Stakeholders. With all its shortcomings, Stakeholder theory is still an effective CSR framework for wholesale and retail SMEs in EThekweni Municipal region if attention is turned to considerations beyond direct profit maximization. In other words, even when a firm seeks to maximise profits and serve its shareholders as a primary concern, its success in doing so is likely to be affected by other stakeholders. This research study subscribes to an inclusive Stakeholder approach to CSR as it makes commercial sense, allowing the firm to maximize SME-owner wealth, while also increasing the practice of responsible business.

### **3.28 GENERALISATION OF A STAKEHOLDER APPROACH TO CORPORATE SOCIAL RESPONSIBILITY (CSR)**

Some key central concepts associated with what is known today as Stakeholder theory began to gain currency during the mid-1980s (Freeman and Reed (1983) and Freeman

1984). Freeman (1984) and Harrison and Wicks' (2012) work facilitated the reconceptualization of the nature of the firm to persuade a consideration of new external Stakeholders, beyond the traditional pool of Stakeholders, customers, employees and suppliers, legitimizing in turn new forms of managerial understanding and action (Gallardo-Vázquez and Sanchez-Hernandez 2014). Businesses, from this viewpoint, are expected to responsibly manage an extended web of Stakeholder interests across increasingly permeable organizational boundaries, as well as acknowledge a duty of care towards traditional interest groups and silent Stakeholders such as local communities and the environment (Simmons and Elkins 2004).

In the future, many researchers will be using Stakeholder ideas and terminology as several authors have indeed favoured a stake-holder approach when examining CSR (Rizzi and Frey 2014). In their assessment of CSR in the context of SMEs, researchers have identified the demands of key Stakeholders regarding the creation of value by the business and SMEs in their study are considered as socially responsible if they demonstrate social behaviour satisfying the expectations of at least half of the value identified for each Stakeholder (e.g. irrigation projects, school premises and or clinic construction) (Ackermann *et al.* 2014).

The same approach was applied by Abreu, David and Crowther (2005) in their exploration of the CSR experience and practice of SMEs in Portugal, where four key Stakeholders were identified, namely consumers, suppliers, the community and the environment. Within the SME, they also examined workplace practices (i.e. employees). Their research propagates a clear inclination on the part of SMEs operating in Portugal to attend to the external dimension of CSR. Another study was carried out in the Spanish context by Uhlaner, van Goor-Balk and Masurel (2004) who also applied a Stakeholder approach, defining CSR effectiveness as the ability to satisfy a wide range of constituents within and outside the organization. Two categories of Stakeholders, economic and social, were identified and the findings suggest the salience of economic Stakeholders (i.e. clients and employees) over social ones which include sports clubs, the church and the environment. The researchers confirm on the basis of their study the utility of a Stakeholder approach in the context of CSR (Reed and Curzon 2015).

A Stakeholder approach was also utilised by Baetz and Sharp (2004) in the context of EThekweni Municipal region SMEs. Their underlying principle for using a Stakeholder



approach is that Stakeholders habitually affect or are affected by business organizations and therefore can be seen as imposing on them different responsibilities. Their findings suggest that EThekweni Municipal region SMEs award most attention to employees and consumers in their pursuit of CSR; judicious attention to the community Stakeholder; and limited consideration to suppliers, investors and the environment. The bulk of the studies encountered in the literature and outlined above fall within the scope of Descriptive Stakeholder theory, which outlines the views of participants on the mission or objectives of their organizations and its actions (i.e. different Stakeholders). This methodology can yield interesting insights, particularly that organizations are socially constructed and act in accordance with shared perceptions (Casson 2015). Lussier and Achua (2015) added that there are also spicing flavours in the literature of assessments along the lines of Instrumental or Normative Stakeholder theory. Instrumental Stakeholder theory assumes that the business is an apparatus for wealth creation with CSR conceived as a strategic tool to promote economic objectives. According Lussier and Achua (2015), Normative Stakeholder theory on the other hand delineates philosophically based moral obligations towards Stakeholders, focusing on the ethical requirements that cement the relationship between business and society.

Adegoju (2014) explained that while the tenet of Stakeholder theory is that all Stakeholders matter and also, agreeably, SMEs should integrate their responsibilities to the various Stakeholder constituencies, this balancing exercise has proven difficult to enact in practice. Rather than producing every kind of social value for every Stakeholder, SMEs find themselves constrained in practice by limited resources and bounded rationality and thus tend to prioritize their Stakeholders according to instrumental and or normative considerations. Such Stakeholder classification or prioritization usually draws on managerial discretion, their specific instrumental or normative inclinations, as well as their assessment of relational Stakeholder attributes of power, legitimacy and urgency, legitimizing in turn the usefulness of a descriptive Stakeholder theory or methodology (Allen *et al.* 2012).

Conclusively, considering all the arguments, Stakeholder theory in all its three veins or branches brought to the fore a set of new insights for CSR academics and practitioners. It accentuates the notion that business must be viewed as operating at the centre of a 'network of interrelated Stakeholders that create, sustain and enhance value creating capacity' challenging in turn an exclusive focus on shareholders.

### 3.29 CHAPTER SUMMARY

The argument that the Stakeholder theory is 'managerial' and the recommendation of attitudes, structures and practices if taken together, constitute a Stakeholder management philosophy. The theory goes beyond the purely descriptive observation that organizations have Stakeholders, which, although true, carries no direct managerial implications Achua (2015). Furthermore, the notion that Stakeholder management contributes to successful business performance featured prominently in the literature and most researchers agree to a large extent that Stakeholder theory through CSR propels business upwards. This notion, although widely believed (and not patently inaccurate), is insufficient to stand alone as a basis for the Stakeholder theory. Indeed, the most thoughtful analyses of why Stakeholder management might be casually related to SME performance ultimately resort to normative arguments in support of the views ( Rizzi and Frey 2014). For these reasons, the ultimate justification for the Stakeholder theory is to be found in its normative base. According to this perspective, managerial relationships with Stakeholders are based on normative, moral commitments, rather than on a desire to use those Stakeholders solely to maximize profits. In short, an SME is naturally expected to establish certain fundamental moral principles as it grows. These guide how the company does business, in particular with respect to how it treats Stakeholders. The corporation uses those principles as a basis for decision making. One genesis of this normative model is the fact that company decisions affect Stakeholder outcomes Crowther (2005).

The most prominent alternative to the Stakeholder theory (i.e., the management serving the shareowners theory) is morally untenable. The theory of property rights, which is commonly supposed to support the conventional view, in fact in its modern and pluralistic form supports the Stakeholder theory instead (Casson 2015).

In reaction to the results, Stakeholder theory advocates argue that CSR is the right thing to do whether or not it generates a profit. In contrast, proponents of other theories would argue that this lack of CSR awareness impairs the case for CSR. If SME cannot make profits from engaging in a CSR activity, then that activity is detrimental to owner wealth and should not be implemented.

However, a general view that featured promptly in most researchers' work is that wholesale and retail SMEs should maximize long term owner's wealth, but not at the expense of Stakeholders and ethical guidelines. SMEs should not deliberately harm Stakeholders to make a profit, and they should not go out of their way to promote Stakeholders' interests if doing so suck the life out of the business. In reverse, SMEs cannot be profitable in the long term if they have poor relations with their Stakeholders (community). At the same time, firms cannot meet all the needs of their Stakeholders and remain profitable Miles (2012).

Additionally, business decisions should be based on an objective ethical code of conduct. Government officials should not determine ethics. Owners, as individuals, may freely give of their money to benefit society. Similarly, mission-driven SMEs are free to support social actions. However, using the money that owners have invested in a business to support unprofitable causes is clearly wrong. Therefore, businesses should make a profit, obey the law, act according to an ethical standard and only pursue CSR activities that improve the living standards of the communities they operate in, at the end of the day promoting long-term sustainable growth of the business.

It is against this background that this research study is anchored by Stakeholder theory, which directly feeds into the Research Paradigms i.e. **interpretivist** (aligned to a qualitative perspective): promotes self-reflection of Stakeholders and considers that there are multiple realities, since all knowledge is relative to the knower. Interpretivist aim to work alongside others as they make sense of, draw meaning from and create their realities in order to understand their points of view: **Positivist** (aligned to a quantitative perspective): Considering Stakeholders, the positivist position presumes the social world exists objectively and externally and that knowledge is valid only if it is based on observations and consideration of this external reality. The two paradigms build up to post-positivist perspective which is aligned to a Mixed Approach which generate complementary results to this study Moriarty (2014).

## **CHAPTER FOUR**

### **METHODOLOGY**

#### **4.1 INTRODUCTION**

This chapter addresses the research methodology and design employed in this study. Focus is on the research methodology; research approach; target population; sample selection; sample size; distinction between qualitative and quantitative research; questionnaire development; interviews to validate the outcome on questionnaires; ethical issues and how they were addressed; data coding; data processing; and tests to ensure the validity and reliability of the data. Considering the shortcomings of previously quoted researchers in Chapter 2 who, by using different methodologies (qualitative or quantitative) failed to reach agreement, the researcher decided to implement a mixed method approach in this study. Also given the fact that Stakeholder Theoretical Framework determined my research paradigms, I chose to develop the research methodology like below to enhance the ability of the researcher to make quality conclusions from the qualitative and quantitative viewpoints.

#### **4.2 DEVELOPING THE RESEARCH METHODOLOGY**

The key building blocks for this research involved directional relationships between ontology, epistemology and methodology. Inevitably, there is an inter-relationship between what can be researched (the ontological position), what can be known and discovered (the epistemological position), and how to go about acquiring it (the methodological approach). This research design has been structured from key concepts which eventually became variables through the specification of procedures for their measurement.

##### **4.2.1 Ontology**

The root definition of ontology is described by Blaikie (1993) as the science or study of being. He developed this description for the social sciences to incorporate 'claims' about what exists, what it exactly looks like, what are the units that make it up and how these units interact with each other. However, in essence, ontology describes one's view (whether assumptions or claims) on the nature of reality and is specifically used to

answer the question, is this an objective reality that really exists or only a subjective reality created in our minds? (Hussain, Elyas and Nasseef 2013)

In an effort to simplify the whole concept of ontology, Vainio (2013) used both an everyday example and a social science example to demonstrate the point. For the everyday example, he used the workplace report. He took a chance picking one employee to question whether the workplace report describes what is really going on or only what the author thinks is going on. He went on to highlight the complexity that is brought up when considering phenomena such as culture, power or control and whether they indeed exist or are simply an illusion.

Furthermore, extending the discussion as to how individuals and groups determine these realities, Vainio (2013) poses such critical questions as does the reality exist only through experience of it (i.e. subjectivism), or does it exist autonomously of those who live it (i.e. objectivism)? Conclusively, as a result of this exegesis, people have a number of deeply entrenched ontological assumptions which will definitely affect their view on what is real and whether one attributes existence to one set of things over another. Consequently, if these underlying assumptions are not identified and considered, then the researcher obliquely may be blinded to certain aspects of the inquiry or certain phenomena, since these aspects are implicitly assumed, often taken for granted and therefore not opened to interrogation, contemplation or discussion (Holbraad, Pedersen and Viveiros de Castro 2014).

In considering that different views exist on the subject of what constitutes reality, then another question will obviously arise on how that reality is measured and what constitutes knowledge of that reality Epistemology comes into the picture.

#### **4.2.2. Epistemology**

Simon (2015) highlighted that closely coupled with ontology and its consideration of what constitutes reality, epistemology considers views about the most appropriate ways of enquiring into the nature of the world and what is knowledge and what are the sources and limits of knowledge. Questions of epistemology begin to consider the research method Eriksson and Kovalainen (2008) discuss how epistemology defines how knowledge can be fashioned and argued for. With that in mind, Blaikie (2009) describes epistemology as the theory or science of the method or grounds of knowledge. In the process of intensifying this into a set of claims or assumptions about the ways in which it

is probable to gain knowledge of reality, how what exists may be known what can be known, and what criteria must be satisfied in order to be described as knowledge. In his description, Berger (2013) stated that epistemology is how and what it is possible to know and the need to reflect on methods and standards through which reliable and verifiable knowledge is produced. Furthermore, Cant and Wiid (2013) through Blankestijn, Tiggeloo and Snijders (2014) collectively summarize epistemology as knowing how one can know and expand this by asking how is knowledge generated, what criteria discriminate good knowledge from bad knowledge and how reality should be represented or termed.

Beck and Cull (2014) highlighted the interdependent relationship between epistemology and ontology, and how one both informs and depends upon the other. In view of this link, the need to understand the position of the researcher becomes more evident. Johnston (2014) mentioned that if the researcher holds certain ontological positions or assumptions, these may influence the epistemological choices or conclusions drawn. Hence, as with ontology, both objective and subjective epistemological views exist. In the same context Eriksson and Kovalainen (2008) described an objective epistemology as presuming that a world exists that is external and theory neutral, whereas within a subjective epistemological view no access to the external world beyond one's own observations and interpretations is possible.

On Gray's (2013)'s authority, data collected from objects that exist separate to the researcher (an external reality) is less open to bias and therefore more objective and if social phenomena are studied, these must be presented in a statistical rather than narrative form in order to hold any authority a position of course that many researchers would challenge. Blaikie (2009) posits in his view that since social research involves so many choices, the opportunity for researchers' values and preferences to influence the process makes it difficult to ultimately achieve true objectivity.

These debates direct one to the next area for deliberation, which different researchers identify by unique names but are the same thing. Blaikie (2000) describes the subject as the 'research paradigm' and others such as Saunders and Lewis (2012) described it as the 'research philosophy'. Under research, these philosophies are formed from basic ontological and the correlated epistemological positions and have since developed in both contemporary and classical forms in order to meritoriously categorize different research approaches. Other researchers Denzin, Lincoln and Giardina (2006) describe

the research paradigm as an interpretive framework, after borrowing from Guba and Lincoln (1994) who described it as a basic set of beliefs that guides action.

The researcher takes a closer look at three key paradigms, namely positivist, interpretivist / constructivist and realist.

### **4.3 RESEARCH PARADIGMS**

The following is a discussion of the three key paradigms and a simple classification is used to distinguish the key components. These paradigms are chosen not only for their common usage in management research but also primarily because they effectively form the cornerstone from which other paradigms are derived. Habitually, different names tend to be used to simply describe apparently similar paradigms. Generally, this is as a result of similar approaches being developed in parallel across different branches of the social sciences.

#### **4.3.1 Positivist**

Merriam (2014) postulated out that the positivist position is derived from that of natural science and is characterized by the testing of hypotheses developed from existing theory, *hence deductive or theory testing*, through measurement of observable social realities. Mertens (2014) added that this position presumes that the social world exists objectively and externally, that knowledge is valid only if it is based on observations of this external reality and that universal or general laws exist or that theoretical models can be developed that are generalizable, can explain cause and effect relationships and which lend themselves to predicting outcomes.

Blaikie (1993); Evans and Easterby-Smith (2001); Eriksson and Kovalainen (2008); Simpson (2014) and Simon (2015) agreed that Positivism is based upon values of reason, truth and validity and there is a focus purely on facts gathered through direct observation and experience and measured empirically using quantitative methods such as surveys and experiments and statistical analysis. Creswell (2014) relates this to the organizational context by stating that positivists assume that what truly happens in organizations can only be discovered through categorization and scientific measurement of the behavior of people and systems and that language is truly representative of the reality.

### 4.3.2 Interpretivist / Constructivist

Tracy (2010) described the interpretive position as anti-positivist, while Blaikie (2000) described the same position as post-positivist since it is contended that there is a fundamental difference between the subject matters of natural and social sciences. In the social science world, it is argued that individuals and groups make sense of situations based upon their individual experience, memories and expectations. The position is therefore constructed and constantly re-constructed over time through experience, resulting in many differing interpretations that obviously at the end of the day create a social reality in which people act (Obregon 2014).

Furthermore, in line with this paradigm, it is viewed as imperative to discover and understand these meanings and the contextual factors that influence, determine and affect the interpretations reached by different individuals (Hibbert *et al.* 2014).

Arguably, Hassard and Cox (2013) posit that interpretivists consider that there are multiple realities, *since all knowledge is relative to the knower*. Interpretivists aim to work alongside others as they make sense of, draw meaning from and create their realities in order to understand their points of view and to interpret these experiences in the context of the researcher's academic experience. It is hence inductive or theory building. The focus of the researcher is on understanding the meanings and interpretations of *social actors* and on understanding their world from their point of view, is highly contextual and hence is not widely generalizable. Abebrese (2013) added that understanding what people are thinking and feeling, as well as how they communicate, verbally and non-verbally is considered important and given the subjective nature of this paradigm, and the emphasis on language, it is associated with qualitative approaches to data gathering. The researcher also discovered that the close nature of the researcher and the researched in this paradigm and the risk that any interpretation is framed within the mind of the researcher means that steps must be introduced to avoid bias. Therefore, the use of self-reflection is advised (Abdul-Ganiyu 2013).

### 4.3.3 Post-positivist

According to Tubey, Rotich and Bengat (2015) the position originated from the view that positivism was over-deterministic in that there seems to be little room for choice due to the causal nature of universal laws and that constructionism was entirely relativist and



hence highly contextual. Collectively, realism takes aspects from both positivist and interpretivist positions. Realism generally states that real structures exist free of human consciousness but that knowledge is socially created. Saunders and Lewis (2012) contend that our knowledge of reality is a result of social conditioning.

Blaikie (2009) stated that whilst realism is concerned with what kinds of things there are and how these things behave, it accepts that reality may exist despite science or observation. Therefore, there is validity in recognizing realities that are simply claimed to exist or act, whether proven or not.

According to Babbie (2015), in common with interpretivist stand-points, realism identifies that natural and social sciences are diverse and that social reality is pre-interpreted. Nevertheless, realists, in line with the positivist position also embrace the position that science must be empirically-based. Bristowe, Selman and Murtagh (2015) noted that rationality and objectivity argue that social objects may be studied 'scientifically' as social objects, not simply through language and discourse.

While positivists posit that direct causal relationships exist, that these relationships apply universally (*leading to prediction*) and that the underlying mechanisms can be understood through observation, Vaughan (2015) mentions that Realists take the view that the underlying mechanisms are simply the powers or tendencies that things have to act in a certain way and that other factors may moderate these tendencies depending upon circumstances. Hence, the focus is more on understanding and explanation than prediction. Even though Blaikie (2000) describes realism as *ultimately a search for generative mechanisms* he points out that Realists recognize that the underlying mechanisms can act apparently independently or *out of phase* with the observable events and that events can occur independently of them being experienced. This is a view that Parker (2014) called a *stratified* form of reality whereby shallow events are molded by underlying structures and mechanisms, but often what we see is only just a splinter of the picture (Gray 2013).

From an organizational perspective, Spodek and Saracho (2014) generally describe the realist researcher as enquiring into the mechanisms and structures that underlie institutional forms and practices; how these emerge over time; how they might empower and constrain social actors; and how such forms may be critiqued and changed.

In addition, Parker (2014) concurred that Realists take the view that researching from different angles and at multiple levels will all contribute to understanding since reality can exist on multiple levels. Hence, realism may be seen as inductive or theory building.

Therefore, the philosophical paradigm that guides this study is post-positivist, which subsequently recommends a mixed method approach. Also, the problem under study requires the participants' experiences and their quantitative opinions, which justifies a mixed method approach as it enables the researcher to incorporate views and ideas of previous researchers who used other methodologies.

#### **4.4 RESEARCH APPROACH**

This study is guided by a post-positivist position where it takes ideas from both interpretivist and positivist paradigms. This will bring a Mixed Method Approach to the study. Silverman (2013) posits that the positivist research tradition uses quantitative methods of hypothesis-testing as it seeks to test correlations between variables. Holbraad, Pedersen and Viveiros de Castro (2014) discussed the various research traditions suggests that the positivist tradition aligns itself with quantitative research methods in that it holds a view which is objective and based on empirical analysis. Conversely, Holbraad et al (2014) state that the interpretive tradition uses qualitative methods of hypothesis-generation, as it is more concerned with observations and descriptions. Then Gummesson (2000) further argues that the interpretive tradition in its subjective nature aligns itself to qualitative research methods in that the research performed holds the view of only those individuals who are directly involved in the study.

##### **4.4.1 Quantitative and Qualitative?**

Qualitative research, is defined as any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification (Creswell 2012). Quantitative research aims to test the predictive and cause-effect hypotheses about social reality, and it encompasses surveys which are often used for descriptive and explanatory resolutions (Bechhofer and Paterson 2012).

Kratochwill (2013) discovered that descriptive methods seek to answer questions like what, when, where, who and how many. The advantage of using the qualitative approach is that qualitative researchers can formulate and reformulate their work; may be less committed to perspectives which may have been mis-conceptualized at the beginning of

the study; and may modify concepts as the collection and analysis of the data proceeds. The question underlying differences in research paradigms should be their ontological and epistemological assumptions. Hence, specific methods, particularly data gathering methods, are not necessarily linked with one set of assumptions as opposed to another. It has been discovered through research that qualitative research helps the researcher to find meanings, concepts, definitions, characteristics, metaphors and descriptions of issues, as a complementary process. The quantitative approach supplements the process by counting and measuring the variables under the research study (Ritchie et al. 2013).

In agreement with the above, quantitative methodology is often considered more objective and is naturally allied with a positivist perspective, while qualitative methodology is linked with an understanding of uniqueness derived from an interpretative perspective (Silverman 2013).

Summarily, according to Berg and Lune (2013), qualitative data are associated with meanings while quantitative data are related to numbers. However, for this research study both methodologies are adopted as it is generally assumed that qualitative and quantitative approaches are complementary and balancing, to be combined rather than applied as severed competing approaches in their right, as well as a public belief that a combination of approaches can highly improve the validity of the research (Corbin and Strauss 2014).

#### **4.4.2 The Mixed Methods Approach**

The researcher adopted the post-positivist stance that recommends the mixed method approach. Therefore, this section explains the mixed method approach, concurrent triangulation approach and the benefits of these approaches. Considering methodologies used by previous authors described in Chapter 2 where the results failed to present any conclusive positions, but rather point to shortcomings of the results by these authors. The researcher uses a mixed approach in an effort to close the gap created by the shortcomings and concludes with new knowledge about CSR on Sustainable growth of Wholesale and Retail SMEs.

Although the mixed method approach integrates data from qualitative and quantitative methods, it has its own definition. Terrel (2012) defines the mixed method approach as

research which results from a pragmatist view that integrates the qualitative and quantitative approaches within different stages of the study process. This definition emphasise the paradigm stance and the integration of data. From Terrel (2012)'s view, the researcher concludes that this approach combines good qualities of qualitative and quantitative approaches.

Similarly, Bamerger (2012) describes the mixed method approach as a method that combines qualitative and quantitative approaches to theory, data collection, data analysis and interpretation. Supporting Bamerger's (2012) line of thinking, Bulsara (2015) also states that the mixed method approach involves collecting, analysing and integrating qualitative and quantitative information in a single research unit. Unlike Terrel (2012), both Bamerger (2012) and Bulsara (2015) emphasise integration in every stage of the research process. However, all three scholars agree that the mixed method approach makes use of the benefits of both quantitative and qualitative approaches.

Johnson and Onuegbuzie (2012) add that the mixed method approach prescribes the application of many approaches in answering research questions, instead of confining the researcher's choices. These scholars emphasise the legitimacy of combining the qualitative and quantitative approaches.

Supporting the definition of the mixed method approach, Terrel (2012) describes the following features which characterise the mixed method approach:

- employs post-positivism, realism and pragmatic knowledge stances;
- uses sequential, concurrent and transformative inquiry models;
- combines both qualitative and quantitative approaches;
- data can be collected simultaneously or sequentially, depending upon the research design. Priority can be given to either data type or both approaches could be equally considered;
- allows scholars to expand and interchange from one approach to another or converge/confirm results;
- Researcher can draw on the breadth of generalisations offered by both the approaches; and
- designs may or may not be driven by a theoretical perspective.

Leedy and Ormrod (2010) also described the mixed method approach as an approach which believes that the researcher's capacity to interpret and deduce meaning from what

he/she sees may be critical for understanding social phenomenon. He further explained that the researcher becomes an instrument. The researcher interacts with the informants and his skills also help to get rich data.

The mixed method approach bases its philosophical principles on the post-positivism paradigm which states that there is not essentially a single truth to be discovered (Qu, 2011). There are many perspectives held by different people, with each of these views having equal validity or truth. Therefore, according to (Klein and Olbrecht 2011), the purpose of the mixed method approach is to reveal the nature of these multiple perspectives.

After further analysis of the literature, the researcher concluded that the mixed method research is composed of four elements. Firstly, it focuses on research questions that call for real-life contextual understanding, multi-level perspectives and cultural influences. Secondly, it employs qualitative and quantitative approaches for them to complement each other. Thirdly, it makes use of multiple methods. Lastly, it crafts the study within philosophical and theoretical positions.

When using the mixed method approach, many models can be used which vary from integrating at every research stage to interpretation during integration. Bulsara (2015) grouped these models into sequential and concurrent mixed method approaches. Sequential models include instrument design models, data transformation models and explanatory models, whilst the concurrent model only includes the triangulation model. Since the researcher used the explanatory model, he found it imperative to describe the model in detail. However, the other models were explained in passing.

#### **4.4.2.1 Explanatory Model**

In the explanatory model, quantitative research questions or hypotheses address the research question (Bulsara, 2015). Information from the first quantitative stage will be investigated further in a second qualitative stage. The collection of qualitative data collection will be used to explore important quantitative results with a few informants. The researcher collects qualitative data to probe further and to justify quantitative data. The research format for this study was descriptive. It is contended by Holbraad, Pedersen and Viveiros de Castro (2014) that this format is better for a research type such as the current one. The research approach that guides this thesis is a mixed approach; the qualitative approach is there to compliment the quantitative approach. In other words,

the qualitative results are there to strengthen the quantitative results. Hence, research methods will be questionnaire and interviews.

#### **4.5 JUSTIFICATION FOR USING A MIXED METHOD APPROACH**

The aim of this study is to explore Corporate Social Responsibility on Sustainable Growth of wholesale and Retail SMEs. The Researcher decided to use EThekweni Municipal region in KwaZulu Natal region in South Africa as a case study. According to Bamberger (2012), in such a situation the mixed method approach becomes the best approach as qualitative or quantitative approaches failed to provide conclusive results in Chapter two. This method gave the researcher room to explore further where inconsistent information emerged. Since the quantitative approach and the qualitative approach, if used separately, have their weaknesses, the researcher drew from the strength of combining the two approaches. Using the mixed method approach extended the comprehensiveness of the findings (Zohrabi 2013). The researcher analysed the phenomena using numerical data (questionnaire completed by SME owner managers) and complemented it with qualitative data (owner-manager interview data) to get an in-depth understanding of the results. The words, graphs and narratives were used to add meaning to numbers and, conversely, numbers were also used to add precision to the words, graphs and narratives.

The researcher agrees with Bamberger (2012) that the mixed methods approach incorporates a wider diversity of values through the use of various methods that advance different values. This encouraged value consciousness on the part of the researcher.

The mixed method approach enabled the researcher to answer a broader and more complete range of research questions since the researcher was not confined to a single approach (Mertens and Biher 2012). This was made possible through the explanatory model applied by the researcher to integrate the interpretations from both qualitative data and quantitative data. It also added insight the researcher could have missed if he had used one approach. Johnson and Onwuegbuzie (2012) posited the same view that the mixed method approach increases the generalisability of the results. Therefore, the use of both qualitative and quantitative approaches produced the more complete knowledge necessary for theory and practice.

The Researcher also opted for the mixed method approach due to its flexibility and the fact that it effectively permits populations with limited language skills or trust issues to participate (Bulsara 2015).

Conversely, Johnson and Onwueghuzie (2012) refer to the weaknesses of the mixed method approach. They allude to the fact that it is difficult to be conducted by a single researcher and that it is time-consuming. The researcher took time to collect the data and used taxis as a means of transport so that he could reach the Stakeholders better.

#### **4.6 RESEARCH DESIGN**

Research design should be viewed differently. Yin (2003, 2009) views research design as the judgment that associates the information to be collected and the conclusions to be drawn from the original questions of the research. This means research design can be described as a process of designing strategies to gather data which answer research questions. Similarly, Cooper and Schinder (2010) and Mulili (2011) concur that it is a master plan or scaffold which outlines the methods and procedures for collecting and analysing data. These two views differ in that the former emphasises answering research questions and obtaining generalisation from the data, whilst the later views research design as a framework which guides the research process. Other scholars like Yow (2013) describe research design as a plan or proposal to conduct research. However, most recent researchers Yissak (2010); Tan (2012); Putland (2013); Abodeeb (2014) and Rose, Spinks and Canhoto (2015) base their definition of research design on work done by Yin. Therefore, the researcher analyse the definitions of research design proposed by Yin (2009).

Yin (2009) defined research design as a logical plan for getting from here to there, where 'here' may be defined as the initial set of questions to be answered and 'there' is some set of conclusions about these questions. Yin (2009) views research design as reasoned transformation from problem to the answering or finding possible solutions to the problem. (Yin 2000) proposed another definition namely,

*“Research design can be defined as a plan that guides the researcher in the process of collecting, analysing and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences concerning causal relations among variables under investigation”.*

The above definition epitomise the key aspects of research design, namely the collection, analysis and interpretation of data. Collection refers to the process of gathering data from objects. Analysis shows the process of coding and drawing inference from data to become information, whilst interpretation means generalisation of the data in order to come up with a theory or model.

Cooper and Schinder (2010) and Mulili (2011) agree with Yen (2009) on the four issues that the research design addresses. Firstly, it addresses the issue of what questions to study. Secondly, the problems of what data are relevant are addressed. Thirdly, issues of what data must be collected is raised. Lastly, the problem of how to analyse the data and reach a conclusion is explored. Therefore, the main purpose of research design is to help to avoid a situation in which the evidence does not address the initial research question. According to Yen (2009) research design deals with a logical problem and not a logistical problem. Mulili (2011) summarised the description of research design by saying that an appropriate research design gives focus to a study, and ensures the data collection processes are in line with the objectives of the study, considering that accurate data must be collected if the results of a study are to be useful.

There are five types of research designs, namely Experiment, Survey, Archival Analysis, Historical design and Case study (Yen 2003; 2009; Leedy and Ormrod 2010). The researcher selected the case study research design for the reasons explained in the next section. Experiment, Survey, Archival Analysis and Historical designs were not discussed in this report.

#### **4.6.1. Research design that guided the study**

As mentioned in the previous chapters, this research study is descriptive in nature which also reinforced the Researcher's research design choice. The Researcher selected the Case Study research design as a framework for collecting data to answer the research questions. However, the area (EThekwini Municipal region) is made up of different Stakeholders which is in line with the Stakeholder theory. In this section, the researcher defined the case study research design. Secondly, the researcher justified the use of it. And lastly, the Researcher discussed the strengths and limitations of the case study.



#### 4.6.1.1 Definition of a Case Study

Various scholars suggest a number of definitions. The researcher started by analysing the definitions proposed by Schell (1992) and Yin (2009). Instead of giving a definition, (Schell 1992) and (Yin 2009) outline what the case study does. They posit that it is an inquiry that:

- investigates a contemporary phenomenon within its real-life context;
- is used when the boundaries between phenomenon and context are not evidently clear;
- copes with the technically distinctive situation in which there will be many more variables of interest data points, and as one result;
- relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result;
- benefits from prior development of theoretical propositions to guide data collection and analysis; and
- is not merely considered as a data collection tactic, but is a comprehensive research strategy.

The above characteristics emphasise that a case study is suitable where objects are examined in their social settings and where the researcher can use various data collection methods to triangulate data and reach a conclusion.

Yin (2009) further elaborates that it tries to illuminate a decision or set of decisions; why they were taken; how they were implemented and with what result. He adds that it is a strategy to be preferred when circumstances and research problems are appropriate rather than an ideological commitment to be followed whatever the circumstances. Therefore, a case study guides the researcher in the process of solving a research problem using data collected from observing an object, group of objects or an organisation. Similarly, Tan (2012) describes the case study as a research stratagem which implies the usage of both qualitative and quantitative data collection and analysis while using case studies as a platform. The data compilation procedure is usually interactive as the researcher relates to persons implicated in the case under consideration. The case can be an individual person, an event, a group or an institution to which in-depth analysis is applied.

In their study Rose, Spinks and Canhoto (2015) also describe the features of the case study. They outlined five features. Firstly, it is an in-depth study of a small number of cases, often longitudinally (prospectively or retrospectively). Secondly, data is collected and analysed relating to a large number of features for each case. Thirdly, cases are studied in their real-life context, understanding how the case influences and is influenced by its context. Fourthly, cases naturally occur in the sense that they are not manipulated as in an experiment. Lastly, it uses multiple sources of data including interviews, observations, archival documents and even physical artefacts, to allow triangulation of findings. This description concurs with other scholars' views, for example, Yen (2003; 2009); Vissak (2010); Mulili (2011); Putland (2013) and Abodeeb (2014).

#### **4.6.1.2 Justifying the use of the Case Study**

The researcher applied the case study approach as the main technique for this explanatory research for the reasons discussed below. The case study addresses the research problem within the post-positivist paradigm rather than the positivist or interpretive paradigms. In this study, the researcher adopted the post-positivist stance because it suits the research problem.

The case study allows the researcher to use both the qualitative and quantitative research approaches (Yin 2009 and Mulili 2011). The mixed method approach has been chosen and the case study permits the use of multiple methods for collecting data. In this regard, the researcher used questionnaires (quantitative) and interviews (qualitative) to collect data. This gave the researcher leeway to address the shortcomings of methodologies used by previous researchers on CSR as discussed in Chapter two.

In line with Putland's (2013) view that the case study does not require extensive access to or control over the behavioural patterns of the objects, the researcher established that there was no way he could control the behaviour of SME owners. The case study enabled the researcher to collect open-ended emerging data through interviews, which was used to develop themes. The other reason the researcher used case study was its many advantages.

Tan (2012) outlined the many advantages of the case study. Other scholars (Tan 2012; Putland 2013; Yow 2013; Abodeeb 2014; and Rose, Spinks and Canhoto 2015) indicate that there is less bias in the case of summarising and coming up with general propositions based on the work done. The case study enabled the researcher to extract the richest and most significant data, given that objective sampling was applied. The case study also allows one to analyse generalisations.

However, many researchers warn of certain pitfalls inherent in the case study (Vissak 2010; Tan 2012 and Putland 2013). The case study can be time-consuming. To overcome this limitation, the researcher used taxis as a means of transport during the study. The other weakness cited was that it was labour intensive. The researcher allocated more time and resources to concentrate on the data gathering stage.

## **4.7 POPULATION, SAMPLE AND SAMPLING**

### **4.7.1 Targeted Population**

The target population in this research is made up of different Stakeholders according to the Stakeholder Theory. In terms of the definition adopted for this study, an SME is a business with more than 20 employees and any lesser than 20 were classified as micro-enterprises. Those employing more than 200 employees were classified as large corporations/ businesses.

In this study, 'target population' refers to the members or elements of a group under study and the term 'sample' refers to a subgroup chosen from the population to participate in the research (Wegner 2010). There are several business sectors in the South African market. According to Castells and Himanen (2014) cited by Simon (2015), they are Agriculture 2.76 percent; Mining and Quarrying 0.05 percent; Manufacturing 9.43 percent; Electricity, gas and water supply 0.06 percent; Construction 13.83 percent; Wholesale and retail trade 45.61 percent; Transport and storage 6.01 percent; Financial interpretation 10.22 percent; Community, social and personal 11.32 percent; and private household 0.70 percent.

There are thousands of SMEs situated in KZN and some of these SMEs are not members of their local Chamber of Commerce/Business. Therefore, just identifying and locating

them was time-consuming, laborious and an onerous task. Furthermore, there are 13 Chambers of Commerce/Business in KwaZulu-Natal and the membership lists of many of the smaller Chambers do not indicate the number of employees. Hence, it proved problematic to differentiate between micro, small, medium and large enterprises.

However, before considering any target population, the researcher decided to carry out a screening process and is derived from the membership list of the Pietermaritzburg Chamber of Business (PCB), Durban Chamber of Commerce (DCCI) and the Zululand Chamber of Business (ZCB). To be specific, the organisations are located in the largest trade zones in KwaZulu-Natal, namely, Durban, Pietermaritzburg, and Zululand-Richards Bay, respectively. It is noted that membership to the above Chamber bodies is not restricted to businesses situated in these areas. In fact, there are many businesses located outside and on the periphery of these areas that are actually members of the Durban Chamber of Commerce and Industry, the Pietermaritzburg Chamber of Business or the Zululand Chamber of Business. Many decided to be part of larger Chambers of Commerce/Business as they perceive them to be more operative and prominent, as well as to offer greater benefits to their members.

According to the 2013 membership lists, the three Chambers under study had a collective membership of 4 474 organisations of all sizes. According to the definition of an SME in chapter one, members on the list who did not meet that standard definition of SMEs did not constitute the target population and were consequently discarded from the list. This preliminary screening process resulted in a sampling frame of 1 092 SMEs consisting of 701 DCCI members, 300 PCB members and 91 ZCB members.

However, this study concentrates on the wholesale and retail trade SME business sector only. The target population consists of SMEs (i.e. businesses with no fewer than 20 and no more than 200 employees) in the EThekweni Municipal region. The reason this sector is chosen is purely because it forms the largest percentage in the area of study (45.61 percent). This large percentage may provide a fair reflection of corporate social responsibility by wholesale and retail trade business sector SMEs in EThekweni Municipal region.

In respect of the above statements, the target population for this study will be chosen from the membership list of the Durban Chamber of Commerce and Industry (DCCI) in which an examination of the 2013 membership list of the DCC revealed 701 SMEs in the EThekweni Municipal region. Given that this study focuses on SME businesses located in

the central business district (CBD) Durban. With the use of the actual physical addresses of the SME businesses on the membership list, the target population was 400 active SMEs businesses.

#### **4.7.2 Sample size**

Through research, it is not necessary to use a sample size larger than 500 units of analysis, no matter what the size of the population. For this study, the target population of 400 wholesale and retail SMEs was consistently chosen as a sample.

*Therefore, Sample size = Target population = 400 wholesale and retail SMEs*

The 400 wholesale and retail SMEs will be made up of *390 SMEs for survey questionnaires and 10 SMEs for in-depth interviews.*

#### **4.7.3 Sampling method**

The sampling procedure involves drawing a representative sample which includes all the elements of the universe, which can be finite or infinite. Abebrese (2013) stated that a population or universe is the aggregate of all the elements, whilst the survey population is the aggregate of elements from which the sample is selected. According to Abebrese (2013), the target population refers to the group of people or enterprises who form the object of the survey and from which conclusions are drawn. The sampling unit refers to the entity which is the focus of the survey. In order to select sampling units, a sampling frame is required. The sample frame could be obtained from census lists, telephone directories, maps, payrolls and membership lists of organisations. Abebrese (2013) postulated that the sampling frame comprises the complete list of all the units from which the sample is drawn.

Bechhofer and Paterson (2012) pointed out that a sample is a subset of the population. However, not all the elements of the population would form the sample and by studying the sample, the researcher may draw conclusions or make inferences that allow generalizations about the target population. In addition, Creswell (2013) stated that the selection of a sample can be attributed to various factors, the most important being that it is simply not possible to study every unit in the population or to engage in a laborious exercise to collect data from the entire population. Even if it were possible, the financial costs incurred would be massive and unmanageable. Likewise, quantifying the capacious

data would be a tiresome, long and gruelling task. Basically, through research, studying or working on a small sample is likely to yield reliable results and easily facilitate data collection, at the same time reducing the impact of errors (Krysik and Finn 2013).

Conversely, the fundamental premise when choosing a good sample is generally and universally expected that it should be representative of the target population (Thomas, Nelson and Silverman 2011).

However, because of the nature of this study, as the target population of 400 wholesale and retail SMEs is equal to the sample size, it does not actually need a sampling method since it is using the whole population as a sample.

#### **4.8 RESEARCH METHODS**

A literature review using secondary sources of information was embarked upon with the main objective of grouping together and relating the theory with regard to corporate social responsibility and SMEs. In the whole process, non-governmental organisation publications, academic journals, textbooks and Internet articles were referenced. In this research, management theories, principles and benchmark practices were applied in an effort to try to evaluate corporate social responsibility on the sustainable growth of retail SMEs in the EThekweni Municipal region.

Basing on the Stakeholder Theory guiding this study, data is collected by carrying out a survey, where the researcher will pedantically probe participants via the same questions by way of the structured questionnaire. The geographical distribution of the respondents in the region justifies the rationale behind this method (Ford and Tusting 2013). (Pickard 2012) stated that it is essentially a method of obtaining information from a group of respondents by means of direct contact through personal interviews, telephone interviews or self-administered questionnaires.

The primary data in respect of corporate social responsibility on the sustainable growth of wholesale and retail SMEs in EThekweni Municipal region were obtained by means of self-administered questionnaires. Semi-structured interviews follow after the completed questionnaires are returned. This study makes use of the descriptive data analysis method.

#### 4.8.1 Recruitment process

The recruitment process will be based on volunteering. A sample of 400 participants will be selected on a volunteer basis and only wholesale and retail SMEs will be picked to participate in the research. Telephone calls will be used as a recruitment method for those organisations that the researcher manages to get phone numbers for. The rest will be physically visited to make the appointments. Gatekeepers letters (**Annexure B**) are send to the potential participants prior to the telephone call.

#### 4.8.2 Questionnaire

Thomas and Rothman (2013) cited by Khan et al. (2015) pointed out that a questionnaire is a formalized set of questions for eliciting information and is generally associated with survey research to obtain primary data regardless of the form of administration.

A researcher must come up with three parameters before a questionnaire can actually be designed or developed. The three parameters are as follows:

- The first one is to state the problem which initiated the research and to decide on the information necessary to solve it;
- The second one is to define the population to be surveyed; and
- The third one is to pick the best means of collecting the required information (Bechhofer and Paterson 2012).

For this study, in designing the questionnaire (**Annexure C**), the researcher attempted to fulfil the attributes or criteria for good questionnaire design as advanced by Foray et al. (2012) and also cited by Bell (2014): The questionnaire must

- be complete and elicit all the data required;
- ask only pertinent questions;
- start with general questions;
- give clear instructions and;
- Have objective questions with sensitive questions spread at the end (Holbraad, Pedersen and Viveiros de Castro 2014).

Blankestijn, Tiggeleove and Snijders (2014) contended that there are more than a few advantages that come with questionnaires. The self-administered questionnaire was selected because generally through some previous research it proved to be less costly, less time consuming and the self-administration aspect reduces bias from differences in administration. In addition, self-administered questionnaires progressively give participants sufficient time to go through it, review and think about their responses.

On other hand, the questionnaire is naturally susceptible to errors likely caused by respondents' steadily imperfect memory; lack of gestures, visual cues and emotions and respondents' desire to give a socially acceptable generalised view. In addition, when using a questionnaire, the response rate can be very low. Furthermore, with the questionnaire there is limited control as far as exactly how long the respondents will take to reply.

The other major drawback is that, sometimes, the knowledge of what questions follow may incidentally influence answers to earlier ones resulting in continuous changes to the answers by the respondents. Generally, misunderstandings of questions which arise when respondents attempt the questionnaire cannot be corrected (Gruber 1993; Gummesson 2000; Jenkins 2009; Inyang 2013b; and Hibbert *et al.* 2014).

However, all the drawbacks mentioned above and those not mentioned in this study are accepted as part of any study.

In the process of using a self-administered questionnaire as the measurement instrument, the common question often raised is whether the answers given by the respondents mirror social response bias or the real situation. Conversely, as the questionnaire was anonymously completed, respondents had no good reason to show a more positive picture compared to the real situation.

For this study, the questionnaire was made up predominantly of structured closed-ended questions and only one open-ended question. The Likert scale was used as the measurement instrument. The questions were sectioned to focus on specific areas of the study in an effort to generate accurate data that could easily be used to facilitate statistical analysis. The structured closed-ended questions allowed the respondents to simply choose from a number of provided alternatives and in this respect, the Likert scale was used (Kelly and Lesh 2012).



Merriam (2014) explained that the Likert scale consists of statements that express either a favourable or unfavourable attitude towards the object of interest, and is the most frequently used variation of the summated rating scale because it is easy and quick to construct. In this study, respondents were asked to choose between five levels of agreement, ranging from '*strongly disagree*' to '*strongly agree*'. The major advantages in using closed-ended questions are that they reduce the variability of responses; are less costly to administer; and are much easier to code and analyse.

#### **4.8.2.1 Structure of the questionnaire**

The questionnaire except section 1, was divided into the following sections in line with the objectives of this study:

- Section 1 deals with basic personal information (biography) about the respondent and the company
- Section 2 deals with how the respondents perceive the aspect of corporate social responsibility in the organisation.
- Section 3 deals with the practice of corporate social responsibility by the organisation.
- Section 4 deals with the barriers to the effective adoption and implementation of corporate social responsibility.
- Section 5 deals with the values of SME owner-managers that drive the sustainable growth of the SME business.

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*The biographical details include the gender of the respondents, age range and educational level, position in the company, legal status of the business etc. I discovered that this information is very critical since it actually provide knowledge on the respondent's understanding as far as corporate social responsibility as a growth strategy is concerned. A biographical detail is also a measure of the degree to which the respondents perceive CSR in business.*

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**Gender:** The respondent's gender simply refers to being either female or male. In this modern world of research, gender carries a lot of meaning especially in developmental circles, because it is generally perceived that women and children are affected worse by

poverty, wars and natural disasters compared to men. The imbalances that arise from historical times, where women were second to men in most social setups and are sometimes even side-lined, excluded or subjugated in political and economic developments (Bear *et al.* 2014).

**Age range of respondents:** The age range question actually highlights the maturity of the respondents as far as running a business is concerned. The age range also provides a clue on which age group is more involved in SME business in EThekweni Municipal region and this could lead knowledge on the position of wholesale and retail SMEs towards the practice of CSR. These discoveries are important in that they help in unravelling the decision-making process in SMEs. These findings will help to establish whether entrepreneurs in EThekweni Municipal region are aligned to the economically active age range. The knowledge of entrepreneurial alignment to the economically active age group is of great importance as it provides resourceful and critical information for the South African government to make informed decision when planning and resources allocating for SMEs (Polinsky 2011).

**Level of education:** Beach et al. (2012) argue that success of the business is linked with the level of the owner's education. Therefore, education is another factor that influences owner-managers' entrepreneurial success. In addition, Marygold et al. (2013) discovered that education has a positive effect on entrepreneurial success and owner-managers' business experience is an important determinant for business success. Goździak (2015) showed that individuals who finance new ventures weigh the owners' experience significantly when making decisions.

Henderson (2015) constructively argued that owner-managers with education and experience in the managing business are more capable of finding ways to activate business compared to others who do not have experience and education. The impact of education and experience on the business success of an owner- manager has been the subject of much discussion and speculation in both the popular and academic press. The main question is always: could education lead to a higher quality of entrepreneurial performance? In a way, this validates proper investments in education (Murphy *et al.* 2014).

Studies that have been carried out around the world involving entrepreneurs and most of these studies attempted to determine reasons that actually build a successful entrepreneur. One of the research studies was conducted in Singapore in 1996 where it

was been discovered that successful entrepreneurs possess higher education levels, qualifications or exposure as compared to that of unsuccessful entrepreneurs (Shaw, Golden and Buckland 2012). Furthermore, in support of Shaw, Golden and Buckland, Parker (2014) stated that after entering the entrepreneurial world, those with higher levels of education are more successful because a university education provides them with knowledge and modern managerial skills, making them more conscious of the reality of the business world and putting them in a position to use their learning capability to manage business.

McKenny (2014) suggests that managers with less education than college degree holders might be less financially secure and less able to change the fortunes of their businesses, should such businesses run into problems. McKenny (2014) stated that founders of high technology companies in the USA hold at least one college degree and half have at least a Master of Science degree.

However, not all researchers agree that the level of education plays a pivotal role in one's business success. Branch (2014) suggested that those entrepreneurs who are poorly educated, have high instincts of business success, which they demonstrate by running successful businesses. Hence, entrepreneurs with a lower education qualification may hold values that are paradoxically more strongly associated with own business success than those held by entrepreneurs with a higher education qualification.

**Title of the respondents in the business:** This question is just a procedure to confirm whether the respondent is the owner-manager or representative. Though this study is targeting the owner-managers, in most cases there are serious inconsistencies that come with the owner-managed approach in that the owner may not have all the skills (such as; finance, marketing, human resources, etc.) required to run the business smoothly. Owners seem not to have enough time to do everything needed by the business since their time is occupied by issues that affect the business as a whole and usually demand their commitment (Sahut 2014).

**Timeframe since business opened:** The aim of this question is to establish how old the business is since timeframe of the business is a good indicator on growth and survival chances of the business. Cumming (2014) posited that businesses that are more than ten years old, for example, exhibit an ability to survive better than businesses that are not more than five years old. One of the challenges encountered by development agencies relates to the high failure rate of SMEs. From the South African government stand point,

a high failure rate for SMEs is an unwelcome situation as it repudiates the objectives conferred on SMEs in economic circles, such as employment creation, poverty alleviation, etc. (Gartner and Brush 2014).

Focus will be on thorough qualitative open-ended interviews aimed at gathering detailed views from participants as well as in-depth answers on critical questions and issues which might have been left unaddressed by the questionnaire. The researcher schedule interviews with the participants with convenience in mind, taking into consideration the fact that some owner-managers may be occupied with their tight meeting schedules and day-to-day duties.

#### **4.8.2.2 Administration of the Questionnaire**

The questionnaires were physically distributed to the chosen sample between January 2015 and March 2015. To reduce the unnecessary burden to participants while at the same time trying to improve the response rate, reply-paid envelopes were enclosed and some are physically collected after they are completed, depending on the location of the participant. As part of research ethics, participants were assured of the anonymity and confidentiality of their responses.

The researcher allocated enough time for the participants to go through and complete the questionnaire as a period of four weeks was allowed for the completed questionnaires to be returned. Since the responses were anonymous, it was not easy to establish who exactly amongst the respondents answered. Hence, friendly reminder was sent as email provided by the respondents themselves during the scheduling of appointments. The reminder also highlighted that if there was need for another uncompleted questionnaire, the researcher was ready to physically deliver it or if there was need for clarification on the actual questions or any other issue pertaining to this exercise, then he was available. This proved very effective as 390 respondents returned the completed questionnaires, representing a response rate of 97.5 percent. However out of the 390 questionnaires returned, 12 of the questionnaires were incomplete; 3 were blank (no attempt); 10 respondents employed either less than 20 or more than 200 employees, and therefore, realised that they did not qualify; or some were not SMEs anymore according to the definition.

Therefore, only 365 questionnaires, representing a response rate of 91.25 percent were usable in this study. Some of the reasons why the response rate was higher is contributed to by the fact that:

- The questionnaire was clear and in English;
- The Likert scale that provides a range of alternative answers made it simpler for the respondents to easily choose from the list; and
- The average time required to complete the questionnaire was 23 min, which is reasonable considering the respondents' busy work schedules.

The response rate was adequate or even much higher in order to draw meaningful inferences as compared to some other studies on corporate social responsibility and SMEs. As soon as questionnaires were completed, returned and received, the raw data contained in each returned questionnaire were captured on Excel by the researcher. As the questionnaire was pre-coded, only the responses to one open-ended question was manually analysed and coded. The analysis of the data was done by a qualified statistician using descriptive statistics.

#### **4.9 INTERVIEWS**

In addition to the structured questionnaire, in-depth interviews were also conducted. Babbie (2015) stated that an interview is a data-collection encounter in which one person (an interviewer) asks questions of another (a respondent). Interviews are a mainstay of field research used both by participants, observers and by researchers who make no pretence of being a part of what is being studied. Interviews are in most cases divided into three main categories, namely structured, semi-structured and unstructured (Babbie 2015).

Besides the fact that a structured interview is linked to the survey style of research in which a standard interview schedule is framed to answer a face-to-face series of specific questions (Zikmund et al. 2012), it is important to consider structured interviews to compliment surveys. Zhou and Nunes (2015) posit that interviews are constructed less rigidly than questionnaires but nevertheless follow a set pattern in asking questions or raising topics for discussion. Semi-structured interviews, on the other hand, contain

specified questions but allow more probing in order to seek clarification and elaboration. Sarantakos (2012) states that 'unstructured' is a misleading term as no interview can be said to have no structure. The comparison of this method with the other two interviews is that the unstructured interview provides enough freedom for respondents to steer the conversation. For example, to bring in all sorts of tangential matters, which for them have a bearing on the main subject.

This study adopted the semi-structured interview in addition to the above mentioned questionnaires, because at the core of in-depth interviewing is a drive to understand the experience of other people and the meaning they derive from that experience (McGehee 2012). The researcher makes use of the interview schedule (**Annexure D**) as a measuring instrument and the research objectives are used as themes to guide the interview questions. Because of the limited time that the owner managers have to spare for the interviews, the questions are few but address the critical issues that require further clarification/probing and in-depth information that may have been overlooked in the questionnaire.

After receiving the completed questionnaires, the researcher constructed interview questions related to areas that were overlooked by the questionnaire and made the appointments with 10 owner managers for interviews, which were planned in such a way that the time allocations took into consideration the convenience and the busy schedule of the owner-managers. The researcher used an interview schedule as the measuring instrument, which in turn provided guidelines on the whole process.

#### **4.9.1 Semi-structured Interviews**

The semi-structured interview technique has been chosen amongst other methods as it proved to be very supple in its approach. During the interview, new questions came up in the process of the interviewee answering or following the interviewer's objective mediation. The interviews followed after the questionnaires were completed and returned. Interview questions were constructed from areas in the questionnaire that required clarification.

The researcher give credit to the interviewees as they allowed him to cover the length, width and depth of the questions. The interviewing was casual and conversational in style, which permitted the researcher to expand, discover, and examine complexities,

explain subjective interpretations and meanings (Taylor and Bogdan 1998). It also stimulated discussion amongst participants who actually shared views and experiences about the issues of corporate social responsibility, which at the end of the day made interviews a reliable and efficient data-collection tool, especially for the present study.

During the interview, depending on the participant, some questions were added as they arose in the process of interviewing. It was also discovered that a degree of elasticity was crucial in order to fully consume or exploit the evolving issues relevant to the study, especially when the participants themselves showed interest and willingness to explain and elaborate further on the issues. The interview was recorded using an MP3 recorder, then transcribed to paper.

#### **4.10 ANALYSIS OF DATA AND STATISTICAL STRATEGIES DEPLOYED**

This section is concerned with how the collected data was analysed. For this research study, it is not of great importance to look at the types/sources of data collected (primary or secondary), as the researcher concentrated on discussing the kind of data collected and the analysis thereof.

Veal (2005) cited by Neuman (2005); Fellows and Liu (2015) and Tubey, Rotich and Bengat (2015) stated that the fundamentals of the outcome of research should be remembered in all situations, that the essence of any analysis procedures must be to return to the terms of reference, statement of objectives or hypotheses of the research and begin to sort and evaluate the information gathered in relation to the questions posed and the concepts identified. With this in mind, research aims and questions were identified and two analytical tools (i.e. quantitative and qualitative analysis) were discussed.

##### **4.10.1 Quantitative analysis**

For this study, the questionnaire was made up predominantly of structured closed-ended questions, with only one open-ended question. The Likert scale was used as the measurement instrument. The questions were categorised to focus on specific areas of the study in an effort to generate accurate data that could easily be used to facilitate statistical analysis. The structured closed-ended questions allowed the respondents to simply choose from a number of provided alternatives and, in this respect, the Likert scale was used (Kelly and Lesh 2012).

#### 4.10.1.1 The Likert Scale

The Likert Scale was developed by Dr. Rensis Likert in 1932 (Wilkinson 2003 and Bertram 2010). The objective was to develop an instrument measuring psychological attitudes in a scientific way. Likert sought a method that would produce attitude measures that could reasonably be interpreted as measurements on a proper metric scale, in the same sense that one considers grams or degrees Celsius as true measurement scales (Bertram 2010). He developed a 5-point scale (Boone 2012). However, other researchers developed Likert scales which can take points ranging from 4 to 9. However, the commonly used scale remains the 5-point scale (Bertram 2010).

Using the Likert Scale, the respondents were provided with a scale of possible responses to the question. The attitudes ranged from “strongly agree” to the exact opposite measure of “strongly disagree”. The study used a variety of these measures. For Example:

**Domain:** *Agreement*

**Ratings:** Strongly-Disagree      Disagree      Neutral      Agree      Strongly Agree

**Domain:** *Evaluation*

**Ratings:** Least Important      Moderately-Important      Important      Highly Important      Extremely Important

**Domain:** *Knowledge*

**Ratings:** Don't Know      Not at All      Little      Fair      A Great Deal

These different domains of questions were used to check the level of agreement, evaluation and knowledge of SME owner managers towards CSR on Sustainable growth.

The respondents were requested to indicate their level of agreement, evaluation and knowledge for a range of questions. Each level on the scale was assigned a numeric value or coding, starting at one and increased by one for each level. This provided the researcher with quantitative data for analysis.

The researcher opted for the Likert Scale due to the benefits of this scale. It was very simple to construct, saving time for the researcher. The instrument produced a highly reliable scale (Bertram 2010) and it was easy to read and complete for the respondents. However, the Likert Scale has its own drawbacks. Bertram (2010) argued that participants may avoid extreme response categories. The researcher informed the



participants to answer the questions honestly and truthfully according to the best of their knowledge and understanding of the question. The researcher also used other research instruments to collect data to increase the validity and reliability of the findings (Merriam 2014).

#### **4.10.2 Descriptive Statistics**

The questionnaire results were first captured on an Excel Spreadsheet and variables were identified that allow the researcher to categorize the questionnaire responses for analysis. Analysis was done through SPSS to produce descriptive statistical results.

Kruger, Mitchell and Welman (2005) revealed that descriptive statistics is concerned with the description and/or summarization of the data obtained for a group of individual units of. They contended that Descriptive statistics are the most efficient means of summarizing the characteristics of large sets of data. Furthermore, McDaniel and Gates (2010) stated that in a statistical analysis, the analyst calculates one number or a few numbers that reveal something about the characteristics of large sets of data. Often in statistics of quantitative data there are either measures of central tendency (mean, median and mode) or measures of dispersion i.e. *how the data is spread out*. Barcus (2014) explained that the population mean is the average and the median is the middle value when the data is sorted in any order. The mode is defined as the most common value in the data set, while the mean is more commonly used and the median can be a better summary of the data if there are extreme values.

For measures of dispersion Davies and Hughes (2014) stated that the variance is a measure of score dispersion about the mean. If all the scores are identical, the variance is 0. The greater the dispersion of scores, the greater will be the variance. Both the variance and the standard deviation are used with interval and ratio data. The standard deviation summarises how far away from the average the data values typically are. It is an important concept for descriptive statistics because it reveals the amount of variability within the data set and, like the mean, the standard deviation is affected by extreme scores. Together, measures of central tendency and variability enable the researcher to describe and compare distributions more precisely and objectively than can be done by tables and graphs alone. The descriptive statistics made use of the Statistical Package for the Social Sciences (SPSS) version 20 for windows.

#### **4.10.3 Inferential Statistics**

Whilst descriptive statistics facilitate initial data analysis, inferential statistics allow the researcher to draw inferences about the population from the sample (Sekaran 2000). The objective of inferential statistics is to enable the researcher to establish whether or not a difference between two treatment conditions occurred by 'chance' or is a 'true difference' Dunham (1981) as cited by Paul (2004). For this study, ANOVA tests were used to analyse data. Saunders et al. (2003) state that if a quantifiable variable is divided into three or more distinct groups using a descriptive variable, the researcher can assess whether these groups are significantly different using one-way analysis of variance (ANOVA). ANOVA analyses the variations within and between groups of data by comparing the means. These differences are represented by the F ratio. If the means are significantly different between the groups, this difference will be represented by a large F ratio, with a probability of less than 0.05. The t-test determines whether an observed difference in the means of two groups is sufficiently large to be attributed to a change in some variable or if it merely could have taken place according to chance (Struwig and Stead 2001).

#### **4.11 QUALITATIVE ANALYSIS**

In trying to achieve satisfactory results in the study, the researcher tried to follow through the process mentioned below when analysing the qualitative information.

Kitchin and Tate (2013) cited by Hussain, Elyas and Nasseef (2013) and Johnston (2014) explained that qualitative analysis consists of description, classification and making connections between the data and that the process is more iterative than linear. The stages of research analysis can be briefly summarised as follows, according to Hussain et al (2013)

- Description concerns the portrayal of data in a form that can be easily interpreted;
- Classification is when the researcher moves beyond data description and he/she tries to interpret and make sense of data; and
- Connection is concerned with the identification and understanding of the relationships and associations between different classes.

In addition, Kitchin and Tate (2013) explain the process using a building analogy, and noted that our analysis consists of describing the yard's material so that one knows what

one has and why, classifying the various forms into relevant building materials and connecting the classes together to construct a coherent and stable structure. It is important to understand the difference between classification and connection that is the core of the analysis.

Once more using the same analogy, while classification is focused on placing all bricks, frames, glass panes and beams in separate places (i.e. classifying these according to types, size, etc.), creating connections is then focused on how exactly these connections gel together while at the same time relating to one another in a complete structure such as a house (Kitchin and Tate 2013).

This qualitative analysis can be used when working with participant face-to-face interviews and questionnaires. In trying to achieve satisfactory results in a study, the researcher can follow through the above-mentioned process when analysing the qualitative information. The process would go like this: Firstly, the data is described through, for instance, the recording of the interview and representation of data in table or graph form. Secondly, the information is progressively classified, regrouped, depending on the question. Finally, the link between classes is created to assist in the erection or construction of the ultimate results.

#### **4.11.1 Coding of data**

The questions from the interview schedule were coded to facilitate easy classification. The codes or Themes were driven from the objectives. Data coding in this instance encompasses assigning numbers or symbols to answers so as to group responses into a limited number of classes and categories. The classification of data into limited categories is necessary for efficient analysis. Coding assisted the researcher to reduce the large number of qualitative responses into just a few manageable categories that hold critical information vital for analysis. The codes that the researcher is going to use are driven from the research objectives which obviously shaped the questionnaire.

**Table 4.1: Codes to be used for data analysis**

Objective	Code
1. To assess the attitude of wholesale and retail SMEs towards corporate social responsibility	Attitudes
2. To investigate the practice of corporate social responsibility by wholesale and retail SMEs	Practice
3. To analyse barriers undermining the practice of corporate social responsibility by wholesale and retail SMEs	Barriers
4. Explore the SME owner managers' values key to the sustainable growth of the business	Values

In addition, before the coding process, the researcher pre-coded the data as it is helpful for data entry. It is important in that it takes away the burden of completing a coding sheet. Data can be easily retrieved directly from the questionnaire (Corbin and Strauss 2014).

#### **4.12 PROCESSING OF DATA**

The processing of the data was done with the aid of Muhammad Hoque Consultancy Services, using the Statistical Package for the Social Sciences (SPSS) Version 20 for Windows. SPSS is an integrated set of modules used for manipulating, analysing and presenting data. Microsoft Excel, which is a spread-sheet programme, was also used to produce the preliminary analysis, which was made up of bar charts, pie graphs and tables. These programmes relieved the need to come up with the researchers' own program to do analysis. The other notable advantage is that the SPSS program is designed in such a way that its flexible in terms of type of data, minimum or maximum sample size and the number of variables that can be allowed per given time (Cooper and Schindler 2011).

#### **4.13 PILOT TESTING**

van Teijlingen and Hundley (2001) stated that pilot testing is a small-scale trial, where a few examinees take the *test* and comment on the mechanics of the *test*. They point out

any problems with the *test* instructions, instances where items are not clear and formatting and other typographical errors.

A pilot test is intended to scrutinise the design and viability of the proposed research (Ford and Tusting 2013). There are chances that the results of the pilot will be used to adjust the actual research if need be, in order to manage and avoid any negative repercussions of working on an inconclusive research. Martins, Loubser and Van Wyk (1996) stated that a researcher who avoids a questionnaire pre-test is either naive or a fool. In line with the comment above, a pre-test was considered, and carried out within the target population to increase the face validity and reliability of the survey instrument. For the purposes of this study, out of the target population of 164 SMEs in EThekwin Municipality region, a sample of 10 participants selected by volunteering were involved in the pilot testing. An Emotional Intelligence programme will be applied as a pilot to owner-managers. Short open-ended questionnaires on SME perspectives towards CSR will be tested. The questionnaire will be pre-tested in order to identify and remove any ambiguities or superfluous questions.

The purpose of the test is:

- To check the clearness of instructions;
- To check the maximum time taken per questionnaire;
- To check out ambiguities of questions; and
- To confirm questions were not offensive and inappropriate.

For this study, the results of the pilot study showed that there were no anomalies from the questionnaire, hence the survey could safely progress with a larger sample.

#### **4.14 RELIABILITY**

Creswell (2013) postulated that Reliability shows the degree of solidity and consistency of measuring tool, over a number of repeat measurements. Platz et al. (2005) defined reliability as the degree to which the measure would yield the same results on different occasions, or the extent to which similar observations would be made by different researchers on different occasions. Cooper and Schindler (2011) explain that Reliability is concerned with estimates of the degree to which a measurement is free of random or

unstable error, and reliable instruments can be used with confidence that transient and situational factors are not interfering.

In line with Cooper and Schindler, internal consistency was achieved by correlating the questions in the questionnaire to other questions and measuring the consistency between the two.

Coakes and Steed (2009) stated that there are a number of different reliability coefficients. A common coefficient is the Cronbach's alpha, which is based on the average correlation of items within a test if the items are standardised. Where a reliability coefficient of less than 0.50 is considered unacceptable, if it fell between 0.50 and 0.60 it is regarded as significant, and if it is above 0.70, it is regarded as good.

#### **4.15 VALIDITY**

Validity aims to show the degree to which the measurement process is free of both random and systematic errors. Validity refers to how the data measure what it is supposed to measure (Creswell 2013). Saunders et al. (2011) define validity as the extent to which the data collection method and/or related methodologies accurately measure what they are intended to measure, as well as the extent to which the research findings are really about what they profess to be about.

Furthermore, Bless, Higson-Smith and Kagee (2006) expressed that content validity is achieved by referring to the literature relating to the area of study. In this case, to ensure that this research study achieves high validity, the research objectives are practical and clearly defined. The measuring instrument applied in this present research study was carefully linked to the theory that defines the scope of the study and was restricted to the variables that were to be examined in the area of corporate social responsibility and SMEs.

The research variable items were actually picked from the literature review in the previous chapter and a sample review of questionnaires identified from other similar studies in Africa entitled: Impact of Social responsibility on the operations of SMEs in Africa, a case study of South Africa and Zimbabwe. The questionnaire was reviewed by two former PHD students from the department of Management Sciences University of Zimbabwe and DUT respectively; one runs a construction SME business while the other is an independent marketing consultant, as well as a statistician. The exercise was done

before the questionnaire was send out to participants as it is authored that modifying questionnaire after data collection amounts to bias (Babbie 2013).

Building on the feedback from the exercise above, there were a few changes made to the questionnaire (i.e. 5 questions were re-phrased; 2 questions were completely removed as they were considered as not directly relevant, the actual framing or layout of the questionnaire was reviewed and revised to make it objectively simplified but addressing the critical points). The researcher also discovered that further refinement to the questionnaire was not going to change the whole course of the research objectives. Through the pre-test, the average questionnaire completion time was 21 minutes. Therefore, for this study, in line with the exercise above, the design of the questionnaire boasted high content validity and the techniques used were progressively evaluated through pre-testing in an effort to ensure that the instrument was expectedly measuring what it was supposed to measure.

#### **4.15.1 Interview and questionnaire**

Krysik and Finn (2013) noted that the validity of an interview schedule is the extent to which the interview measures what it is supposed to measure, whereas reliability is the consistency with which the interview schedule will yield a certain result if the entity being measured has not changed. Bell and Waters (2014) agrees by explaining that Validity relates to the extent to which the research data and the methods for obtaining the data are accurate, honest and on target.

For this research study, the face validity standard or benchmark was achieved by considering the following issues:

- Avoidance of leading and loaded questions to maintain neutrality;
- Avoiding offensive and ambiguous questions;
- Ensuring that questions were applicable to all respondents;
- Questions were designed to be easy to answer and reduce fatigue;
- The Likert Scale as a measuring instrument was used where respondents had a choice to pick from a number scale ranging from *agree* to *strongly agree* to show their view on the question; and

- Closed questions were used as they are easier and quicker to respond, at the end of the day also allowing ease of comparison when the researcher was analysing results.

It is imperative to test the measurement instrument before it is administered and for this study this was done by means of a pilot study, which involved administering the interview to a limited number of participants. Therefore, the following measures were applied to improve validity and reliability of the research instruments:

- The whole study included a bigger sample the outcome of which is expected to be more accurate compared to the smaller pilot sample.
- There were improvements to the study reliability brought by the pilot study which actually provided many learning points.
- To avoid any misunderstanding or mix-up in collecting data, a brief explanation of both the purpose of the study and the content of the questionnaire by the interviewer was provided before administering the actually questionnaire.
- Questions were shaped in such a way that each question addressed or fulfilled a particular research objective.
- In consideration of the differences in the intellectual capacities of the SME owner managers, the questions were straightforward, clear and easy to comprehend.

#### **4.16 DELIMITATION**

Delimitations are simply the constraints of the study (Thomas, Nelson and Silverman 2011). The scope or parameter of the research will be restricted to the investigation of corporate social responsibility on sustainable growth of SMEs in EThekweni Municipal region, the adoption, implementation and impact on sustainable growth of SMEs in South Africa.

#### **4.17 LIMITATIONS**

Generally, research has limitations. A limitation is defined as an uncontrollable threat to the validity of research and this research study will meet a fair share of its limitations some of which are common disadvantages of mixed research methodology (Berger 2013).



Firstly, the most generally shared limitation that arise from qualitative research methods is that in most cases it relies much on the researcher's opinion, resulting in the methodology becoming subjective rather than objective. Bless, Higson-Smith and Kagee (2006) noted that Qualitative research methods are often seen as less rigorous than quantitative methodologies, which test theory deductively from existing knowledge, through hypothesized relationships and proposed outcomes. According to Rehman, Gollan and Mortimer (2008), this actually shows that qualitative research methods seem to retain a bias towards verification as it is claimed to reflect the researcher predetermined ideas that at the end of the day may affect the reliability of the study, making it possibly unsound for generalization. Conversely, Flyvbjerg (2006) argues that although these limitations are important to keep in mind, this criticism falls short of understanding the knowledge producing process that is gained through the qualitative study, which are about making analytical generalizations rather than statistical interferences.

In respect of the comments made above and the limitations of the method, to avoid those qualitative limitations, the researcher selected the mixed approach because the two methods complement each other where quantitative method describes and the qualitative is there to explain the relationships among the data sets collected understanding of specific context dependent matter where the particular sets of findings can be linked with a proposed theoretical framework and not to produce data that can be scientifically generalized to all contexts.

Secondly, there was a limitation based on the dependency on key participants to get sufficient information to lay the ground for analysis and discussion (McKenny 2014). Initially, the aim was for the data collection to be completed earlier. However, it was very challenging to get through to the owner-managers as their busy schedules were the order of the day. It was also difficult to get information from representative as most of them had no idea of the subject at hand. Some would simply refer back to the owner-manager as the key figure as far as corporate social responsibility in the organisation was concerned. The busy schedules also affected the interview schedule time allocations as most of the owner-managers, though willing, had other commitments for their business.

For these reasons, the research process took longer than anticipated. However, the following are limitations of the findings:

- Since the results were derived from a Case Study in a location (EThekwini Municipal region), the results' national and global application need further study;
- With enough time and resources, the sample could be sampled on a wider area for further studies;
- Compared to other developed countries, there is a dearth of information in respect of small and medium enterprises in South Africa, which is regarded as a developing country. Furthermore, some of the available information, especially the statistical information, is conflicting and/or outdated. Although the state has, since the early 1990s, recognized the importance of SMEs to the economy and has accordingly allocated more resources to promote the growth and development of the SME sector, the published literature in this area remains limited. Hence the need for updated literature for further studies.
- The case study results provided very little basis for scientific generalisation since the researcher used a small sample. The question commonly raised is "How can you generalise from a single case?" (Yin 1984). The study was restricted to SMEs in EThekweni Municipal region in the KwaZulu-Natal region. Ideally, the social responsibility of SMEs throughout South Africa should have been studied. However, due to time and budgetary constraints, this was not feasible. Therefore, the findings of this study cannot be generalized to all SMEs in South Africa, creating areas for further studies.
- Since the operating and financial data of large corporations appear in the public domain, their expenditures on social responsibility programmes can be easily verified. Similar data are extremely difficult to obtain from small and medium-sized business owners/managers due to the perceived confidentiality of the data. In other instances, the data may not be available because of elementary management information and control systems. In addition, large organizations ensure that their activities pertaining to social responsibility are well publicized, while those of SMEs are not that well publicized leaving room for further studies.
- Respondent bias: Respondent bias refers to a gamut of viewpoint bias that avert the response of participants away from providing accurate response (Vithal and Jansen 2012). This limitation is common in studies that involve participant self-administered reporting, such as questionnaires. The questionnaires will be

directed to owner managers and as such, the risk of 'ego' related responses; bias in inexorable; and question misinterpretation or ignorance.

#### **4.18 ETHICAL CONSIDERATIONS/CONFIDENTIALITY AND ANONYMITY**

Cooper, Schindler and Sun (2006) stated that the goal of ethics in research is to ensure that no one is harmed or suffers adverse consequences from research activities. Ethical clearance for the survey instrument was obtained from the Research Administration Office at Durban University of Technology (**Annexure A**). This study is confined to the regulations and principles of the Durban University of Technology's research ethics policy and guidelines. All participants and Stakeholders in this research are provided with information and letter of consent prior to their participation in the research (**Annexure A**). The letter of information contains detailed accounts of the rights of the participant. Efforts will be made to protect the anonymity and confidentiality of respondents. Information used in the research will be disposed after the study. Furthermore, the respondents were not required to write their names and addresses or cell numbers of their organisations, thereby ensuring the anonymity of their responses. Concerning interviews, the researcher, before any interview, spelt out an assurance of anonymity and confidentiality by reading a letter of informed consent.

Babbie (2013) asserts that being formal can greatly assist in ensuring that ethical issues are addressed. Key aspects on ethics are voluntary participation, no harm to the participants and anonymity and confidentiality, *generally no one must be forced to participate*. Consequently, the subject must not be forced to participate in the research by any means.

It is from this background that it was decided not to offer any form of compensation to the individuals who agreed to participate in the project. Through research, it has been discovered that compensation in the form of money or presents may force people to participate in the research against their will. Furthermore, any form of compensation might obviously have a strong bearing towards answers provided by the respondents, thereby jeopardising the purpose of the research

The final critical issue is that of harm. It is of great importance to note that social research should never injure the people being studied, regardless of them volunteering or not (Babbie 1999). When one looks at the definition of 'harm', it does not include not only

physical harm but also includes harm such as for example, psychological harm. This study ensured that the participants were not harmed or exposed to danger because of particular questions that were posed, both in the questionnaire and the interview. Babbie (1999) critically mentioned that the point is that investigation techniques towards people should never ask for information that would embarrass them or endanger their home life, friendships, jobs, and so forth. Everything possible was done to the best of the researcher's experience to avoid danger arising out of the questionnaires and interview questions.

#### **4.19 CHAPTER SUMMARY**

This chapter described the research design, the target population and how the sample was drawn from the target population. In addition, the chapter also explained, inter alia, the questionnaire development, questionnaire administration and data analysis that were performed on the data stemming from the survey. The research design constitutes the basis on which a research question is developed, while research methodology actually relates to the choice of the specific research methods that are available to the researcher for collection and analysis of data. The measuring instruments used in this study were made up of structured questionnaires complemented by semi-structured interviews. All the questions for the study were established directly and squarely from each of the research objectives. In ensuring validity and reliability of results, a pilot study was employed and it provided some learning points that improved reliability. The next chapter will see the results of the survey presented, analysed and discussed.

## **CHAPTER FIVE**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **5.1 INTRODUCTION**

This chapter is generally an output of the preceding chapter four which highlighted the mixed methods approach using an explanatory model where qualitative results strengthen quantitative results to reach a conclusive position. However, this chapter focuses on the analysis and interpretation of results from the measurement instruments. As a recap of the guidelines in this chapter, the codes which were derived from the research objectives influence the structure of sections under which the results are analysed. The sub-headings follow the codes which are discussed in chapter 4 of this research study. The codes are derived from the research objectives and they are as follows: perceptions, practice, barriers and finally, values of SME owner-managers.

Furthermore, because of the mixed approach, the research is going to implement an Explanatory Strategy. Terrell (2012) explained that an explanatory strategy is the collection and analysis of quantitative data followed by the collection and analysis of qualitative data, as follows:

- Equal priority is given to the two phases;
- Data are integrated during interpretation;
- The primary focus is to explain quantitative results by exploring certain results in more detail or helping explain unexpected results (e.g. using follow-up interviews to better understand the results of a quantitative study);
- Strengths: relatively straight forward due to clear, distinct stages and easier to describe than concurrent strategies; and
- Weakness: very time consuming, especially when both phases are given equal consideration and priority.

The researcher used semi-structured interviews as a follow up to further solicit clarification on particular aspects which were not satisfactorily addressed by the questionnaires. Therefore, with respect to the above statement, for the purposes of this study, data are integrated during interpretation.

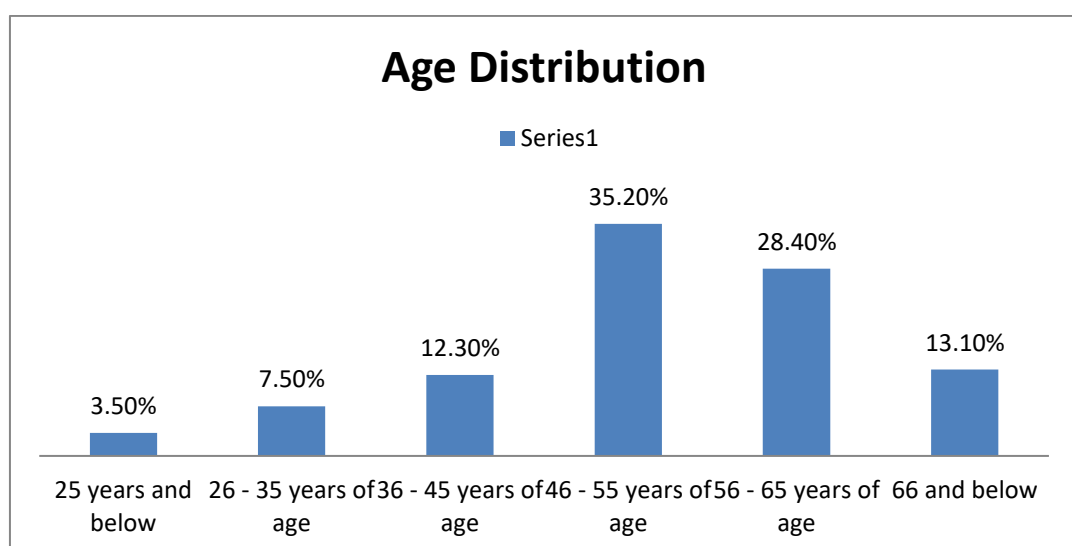
## 5.2 SECTION ONE: BIOGRAPHICAL DETAILS

In an effort to establish these profiles, the demographic characteristics of the owners/Stakeholders of SMEs were ascertained and the findings from specific demographics were corroborated in order to determine if there are any trends that exist.

### The age distribution of the owners of SMEs in EThekweni Municipal region (Q1)

The aim of this question was to establish the age distribution pattern in relation to owner managers. The goal was to make the researcher and the readers clear on the active age group in wholesale and retail SME businesses in EThekweni Municipal region. In essence, age distribution helps in understanding the reason why one age group holds to a particular practice, perception and values to CSR. Through interviews, the researcher established that age groups 26-35 and 36-45 have the energy to drive their businesses to make more profits and there are chances that they do it at the expense of other socially responsible duties. However, according to the results, 35.2 percent as majority respondents fell in the age range 46-55 years. This was followed by 28.4 percent in the range 56-65 years old. Then, 13.1 percent were above 66 years of age; 12.3 percent were between the ages of 36-45 years; 7.5 percent fell within the range 26-35 years of age; and finally 3.5 percent were under 25 years of age. The pie chart in Figure 5 shows the age distribution summary.

**Figure 5: Age Profile of Respondents**



## Gender of Respondents (Q2)

The aim of the question was actually to establish if there is any change in gender patterns as far as business involvement is concerned, especially ownership of companies along gender lines. Gender is a critical factor that has a strong bearing on how an individual perceives CSR (Noronha *et al.* 2013). Further interrogation saw 89 percent of interviewees agreeing that due to government's girl child movement where women are encouraged to take up influential posts or start their own businesses, male business owners feels the pressure of the support. Women entrepreneurs were once an undermined group in most sectors of the economy until such organisations as the Businesswomen's Association of South Africa (BWASA) and South Africa Women Entrepreneurs advocated for policy reforms in the SME business sector of the country, hence this question. The study results showed that 80.54 percent of the respondents (entrepreneurs or small business owners) in EThekweni Municipal region were men and the remaining 19.46 percent were females, as illustrated in Table 5.1

**Table 5.1: Gender distribution**

Age Group	Frequency	%
<b>Male</b>	294	81
<b>Female</b>	71	19
<b>Total</b>	<b>365</b>	<b>100</b>

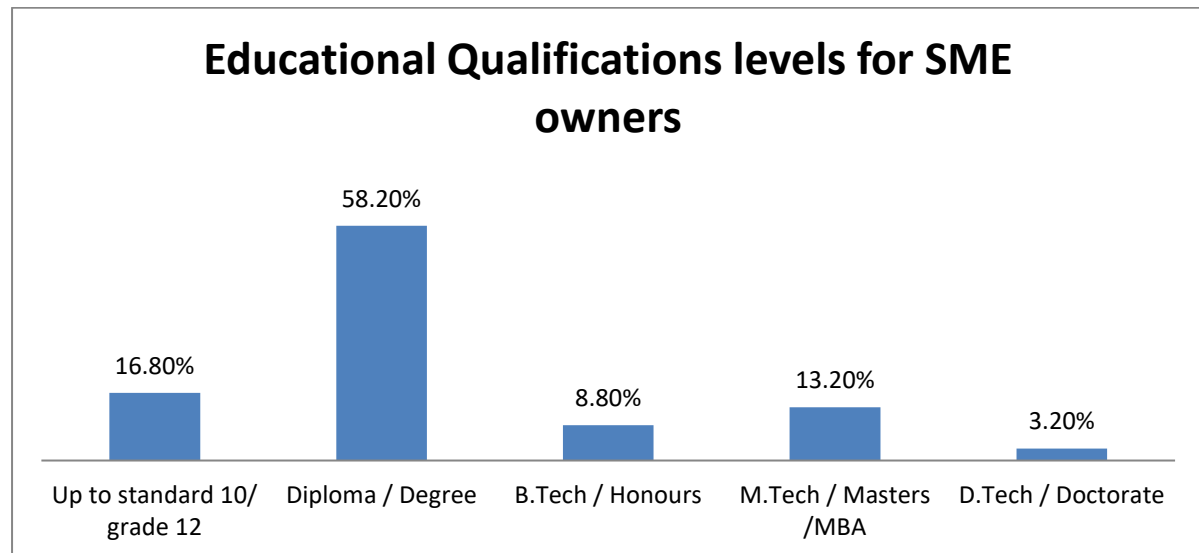
The analysis established that wholesale and retail SMEs business in EThekweni Municipal region are dominated by males, with an 80.54 percent majority.

## Highest Educational Qualification level (Q3)

In the EThekweni Municipal region, the results of the survey disclosed that 16.8 percent of the respondents had no tertiary educational qualifications; whilst a majority of 58.2 percent possessed either a diploma or a degree of some sort; and the remaining 25 percent possessed a post-graduate qualification as shown Figure 5.1 Furthermore, the

result revealed that the majority of the respondents are educated and could easily run a successful business.

**Figure 5.1: Highest Educational qualification for SME owners**



It is not academic to qualify the notion that Education is the answer to everything because in business there are some business owners who are not educated but have done well. However, it is important to note that education has the ability to enlighten an individual to other ways or trending ways of running a successful business, like practising CSR. A number of wholesale and retail SMEs in EThekweni Municipal region either closed business or are struggling due to a lack of management skills by the owner. For example, a question raised in the interview read “How far do you see education playing a role in running your business?” Almost 80 percent of the answers indicated that SME owner-managers viewed education as a critical tool to a successful business in this unstable economy that has seen even MNCs struggling to catch up with the trend. Therefore, this question was aimed at establishing the education status of the participants.

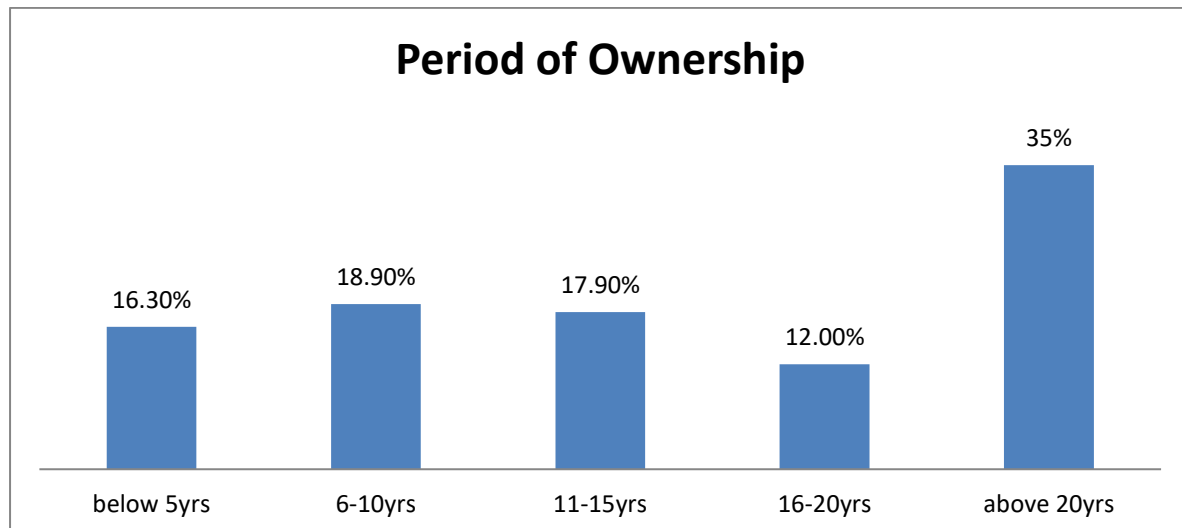
#### **The length of ownership by wholesale and retail SME owners in EThekweni Municipal region (Q4)**

The bar graph in Figure 5.2 reveals that 16.30 percent of the respondents owned their existing businesses for less than 5 years. The chart shows that the remaining 83.7 percent



owned their existing businesses for more than 5 years and the majority falls within the range 6-10 and 11-15 years' period of ownership of their existing businesses.

**Figure 5.2: Length of ownership by wholesale and retail SME owners in EThekwini Municipal region.**

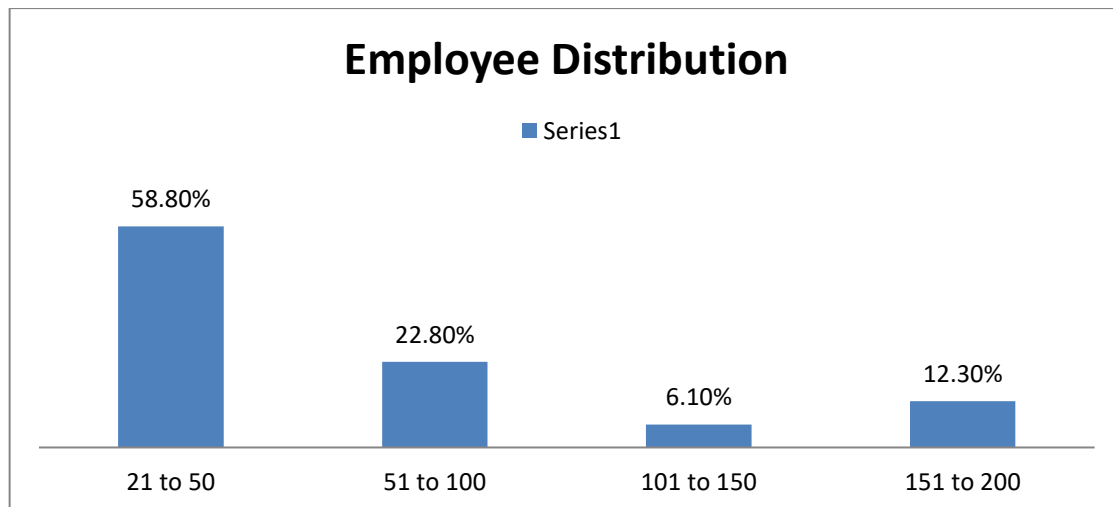


It was established through interviews that 80 percent of wholesale and retail SME owners in EThekwini Municipal region that have owned businesses for over 11 years have confidence they will still make it without CSR. Knowing all the corners in SME business, they have acquired enough experience to apply in an effort to make profit. Ownership of business has the ability to create responsibility in an individual or harden them to a certain system that has taken their businesses to where they are now. New business owners 5 years below and the oldest in business above 20 years seem to accommodate new methods of running the business because either they have tried all and failed or they are in need of help to be achieve their initial goals. Hence the construction of the question.

#### **Number of employees for wholesale and retail SME owners in EThekwini Municipal region (Q5)**

Figure 5.3 reveals that 390 of all the wholesale and retail SMEs in EThekwini Municipal region that were surveyed comprised small businesses, i.e. the largest being 58.80 percent employing 21 to 50 fulltime employees and the remaining 161 SMEs, 22.80 percent employed between 51–100 people. Those employing 101-150 were 6.10 percent and finally, 12.30 percent employed between 151-200 people.

**Figure 5.3: Employee distribution**



The aim of this question was mainly to establish the sizes of SME businesses in EThekweni Municipal region, as this provides an idea on the capacity of the business to practise CSR. Though it cannot be mathematically proven in this research study, the larger the number of employee as Stakeholders may show that they have a role to play in the growth of the business. Also, if the business is growing, there are chances that it becomes socially sensitive due to reviews of growth strategies that may include CSR. However, the researcher also discovered through interviews that SME owner-managers were sensitive to high staff retention as they come with more responsibilities to the employer. Furthermore, most SME owner-managers' experience a challenge in practising CSR towards their employees as it takes a large chunk of their budget to maintain.

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*The above discussion was mainly focused on the Biographical profiles of SME participants. The next section focuses on the attitude of wholesale and retail SMEs in EThekweni Municipal region towards corporate social responsibility (CSR) with respect to Stakeholders primarily the community, employees and the natural environment. For this study, the researcher resorted to adopting the word 'perception' as a way of simplification when soliciting information from respondents regarding their CSR. The next section shall make use of a guided perception by using a Likert scale. If one has a negative perception towards a particular concept, then naturally it translates to their attitude level towards the same concept. Hence the adoption of the word as discussed in chapter one.*

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### **5.3 SECTION TWO: HOW WHOLESALE AND RETAIL SMEs IN ETHEKWINI MUNICIPAL REGION PERCEIVE CORPORATE SOCIAL RESPONSIBILITY**

The main objective of section two was to get the respondents to reveal their perceptions towards CSR, in turn actually establishing the attitude of the respondents towards their businesses' corporate social responsibility involvement in EThekwini Municipal region.

The study made an attempt to measure the perceptions as well as the attitudes of wholesale and retail SMEs towards corporate social responsibility. The questions in the questionnaire were designed to establish the perceptions of SME owners towards corporate social responsibility. The results are analysed, interpreted and discussed below

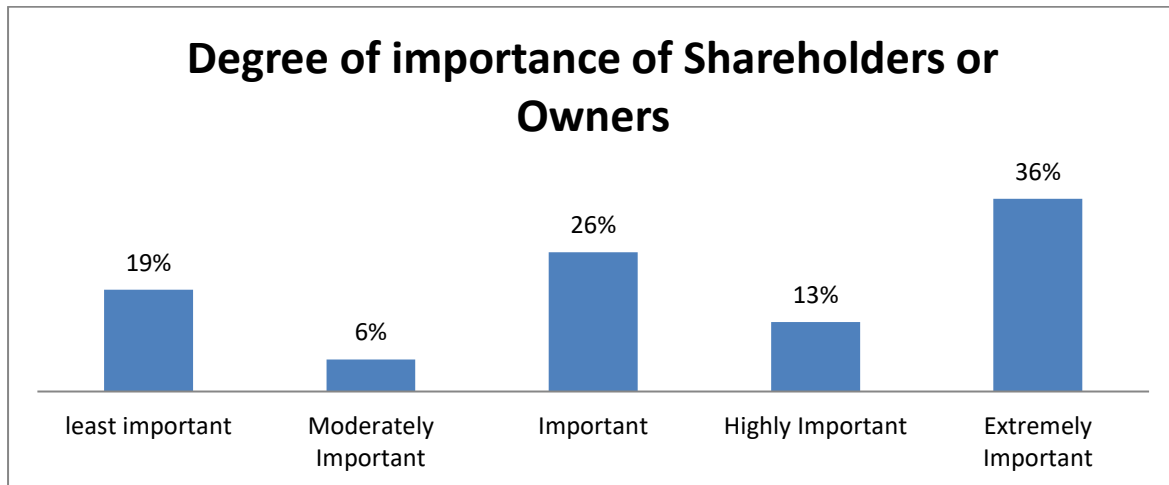
#### **5.3.1 The perceived importance of several Stakeholders that are directly linked to most wholesale and retail SMEs in EThekwini Municipal region**

Chapter One of this research study discussed Stakeholders as a critical issue and, under this section the respondents were expected to rate the perceived degree of importance of the list of Stakeholders: shareholders/owners, community, customers, environment and finally, employees. The researcher used a five-point Likert scale ranging from (1) least important to (5) extremely important and the results from the respondents are discussed below

#### **The Wholesale and Retail SMEs' perceived significance or importance of shareholders/owners (Q6)**

Figure 5.4 shows the degree of importance that wholesale and retail SMEs in EThekwini attach to owners or shareholders. The analysis reveals that 75 percent of the respondents acknowledged that the owners were important to extremely important in their respective organisations.

**Figure 5.4: Perceived degree of importance of shareholders/owners**

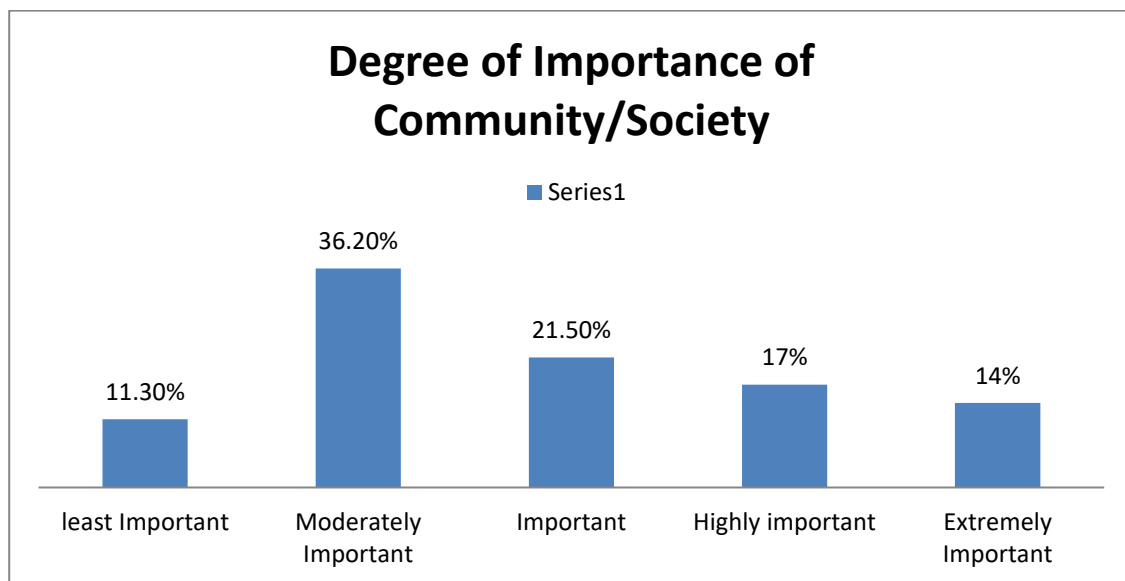


This study discovered that shareholders/owners were both recognized as Stakeholders but, habitually and in principle, the owner-manager is the major shareholder and in most cases SMEs do not progressively have shareholders in terms of investors actually having acquired or bought publicly traded shares of the company.

#### **Wholesale and Retail SMEs' perceived significance or importance of the society/community (Q7)**

The chart in Figure 5.5 shows the percentage of owner-managers who perceived commitment or onus towards the community from the range least important to extremely important. The result showed that nearly 82 percent of the respondents within 56-65 years of age rated the community lowly and this reflected badly on established SMEs owner-managers as they assume that the community is out of the loop when their businesses seem operational in the market. It is a general belief that community loyalty to a business plays a big role in the growth and sustainability of the business and in most cases, communities actually prop up most of the well-established SMEs. Furthermore, the analysis established that approximately 62 percent of the age groups below 25 years of age and 26-35 years of age rated the community as highly important to extremely important.

**Figure 5.5: Perceived degree of importance of society/community**

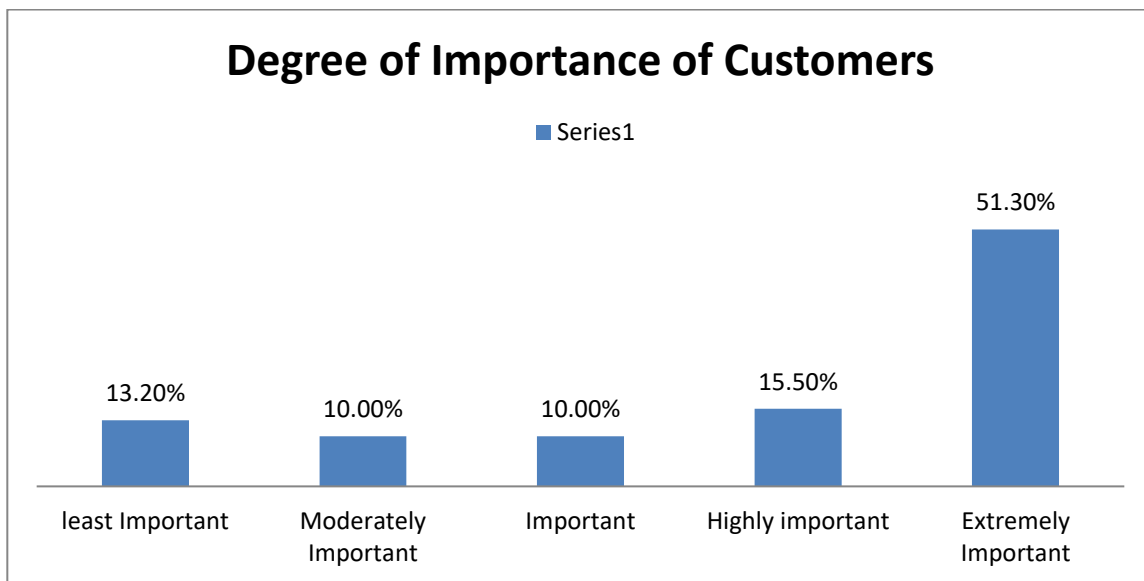


The main reason germinates from the fact that this is the most economically active age group with so much potential and ambitions in whatever they start. In relation to Stakeholder Theory, when one starts a business one would realise that during the infancy stage there is need for mass support from the community and community involvement. This will naturally force one to contribute significantly to the same community as a way of selling the brand and marketing initiatives. It is a bit different from established SMEs which actually consider CSR as charity towards its Stakeholders rather than a growth sustainability strategy.

#### **Wholesale and Retail SMEs' perceived significance or importance of customers (Q8)**

The results in Figure 5.6 show the perceived importance of customers to wholesale and retail SMEs in EThekweni Municipal region. Approximately 76.60 percent of the respondents rated the importance of customers as important to extremely important. The results revealed that the 76.80 percent of the respondents are 36 years of age and above. Furthermore, these respondents are holders of a diploma to a doctorate degree. The remaining group (i.e. 24 percent) rate customers as least important to moderately important and comprises age groups 26-35 years of age, below 25 years of age and are holders of standard 10 / grade12.

**Figure 5.6: Perceived degree of importance of customers**



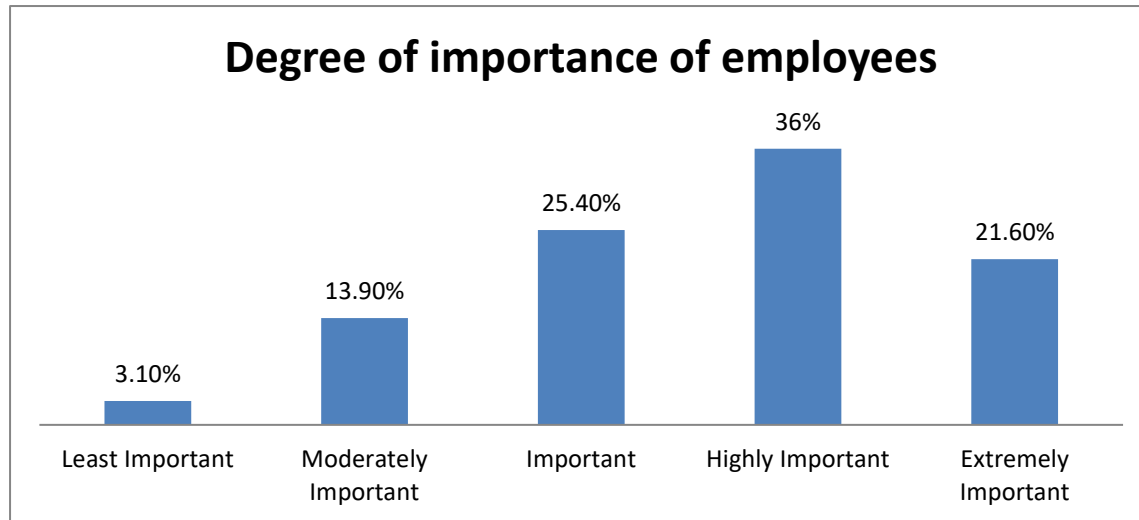
Furthermore, at least 10 percent of the respondents were largely SMEs with between 20 and 50 employees and subsequently had owned their businesses for only 6-10 and 11-15 years. Generally, it is discouraging that there are SME owners who have a negative perception, especially given the fact that it is highly impossible to run any form of business without customers. SME owners who rated customers as least to moderately important are into profit maximisation but with less attention to the same customers who bring business. The remaining 66.6 percent of the SME owners who rated customers as highly important to extremely important. The results revealed that the percentage is made up of largely SME owners who are holders of M-Tech/Masters/MBA to D-Tech/Doctorate and owned their businesses between 16-20 years and above. Interrogation through interviews established that the higher an SME owner is educated, the higher they rate their customers highly in their organisations.

#### **Wholesale and Retail SMEs perceived significance or importance of employees (Q9)**

Figure 5.7 below shows the results of the perceived degree of importance of the obligation of SMEs towards their employees. A total of 83 percent of the surveyed respondents perceived their obligation to employees as important, highly important and

extremely important, while only a small percentage (about 17 percent) perceived them as least to moderately important.

**Figure 5.7: Perceived degree of importance of employees**

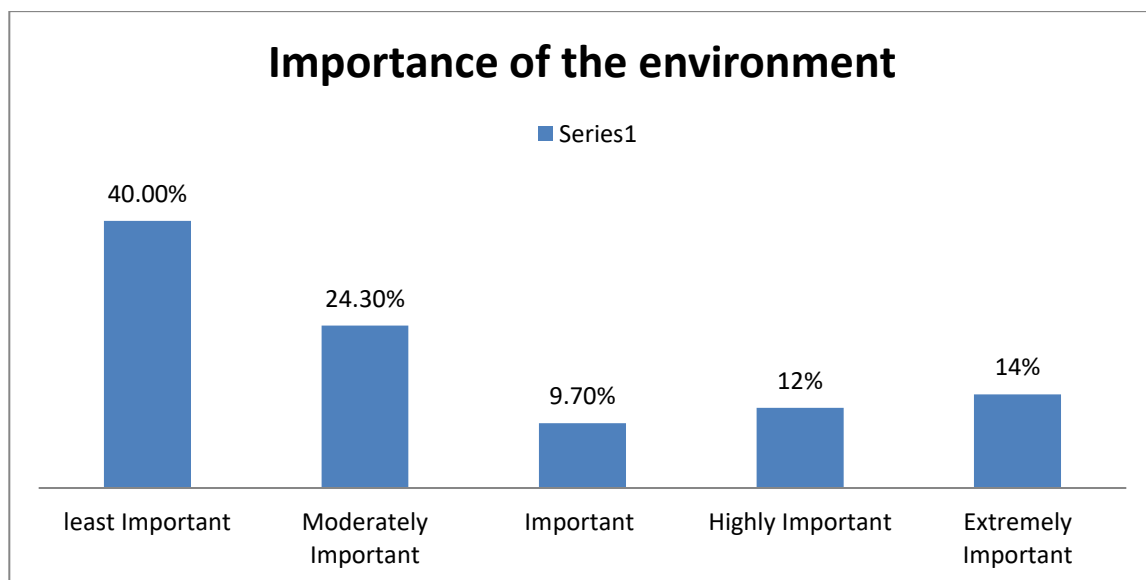


The analysis further revealed that despite the age, period of ownership, educational qualification, the majority of the SME owners (83 percent) indicated that they are obligated to the welfare of their employees. However, this analysis is not complete as it favours a condition that because of multi-tasking, multi-skilling and in some cases employee rights exploitation, owners are bound to compensate the employees with petty cash that is generally meant to address employees' short-term needs instead of long-term benefits like bursaries, housing projects for employees or offers to buy shares. Through analysis, the 17 percent of respondents who rated the employees as least important to moderately important are generally those who owned their businesses for 20 years and more and who also have been in the industry for so many years that they can easily fire and hire new employees. These SMEs have developed their brand to such an extent that labour is searching for them rather than them looking for skill. This scenario is contributed to greatly by the high unemployment rate in the economy, which sees over 64 percent of youth not employed or rather searching for jobs (Blankestijn, Tiggeloove and Snijders 2014).

## **The Wholesale and Retail SMEs perceived significance or importance of the environment (Q10).**

Figure 5.8 shows the results of the perceived importance of the environment by SMEs. Analysis of the surveyed respondents showed that the majority of SME owners hold the view that their organisations completely had no obligation with respect to them protecting and preserving their surroundings, in this case the environment. Approximately 64.30 percent rated the environment as least important, important and moderately important. Just a smaller chunk of about 35.7 percent at least rated the environment as important to extremely important.

**Figure 5.8: Perceived degree of importance of the environment**



Further analysis revealed that the environment is a cause for concern as more than 50 percent of the respondents rated the environment as least important to moderately important due to various reasons that range from tax, council levies, import and export duty and licensing to tollgates. The 64.30 percent was made up of SME owners that have owned their businesses between 6-10 years and those less than 35 years of age. The 12 percent which rated the environment as highly important was mainly between 36-45 years of age. The 12 percent and 14 percent of respondents who cited highly important to extremely important respectively were largely made up of the highly educated group, especially holders of Masters, M-Tech, MBA and D-Tech/Doctorate degrees and owned their businesses for 16 years and above. The rating of the environment as 'least



important' was contributed to by the fact that SME owners feel the government as a Stakeholder and other regulatory bodies are obliged to service the environment in its entirety since they pay a lot of money to the government in the form of tax and other expenses that are directed to government functions. Through interviews, 93 percent concluded that wholesale and retail SME owner-managers see the local Municipal region as more obliged to preserve the environment, since a local authority's obvious prime duties are to manage the habitat. However, SMEs were concerned with the nature of business that they operate, which in this case (wholesale and retail trade) does not actually affect the environment, pointing fingers with a myopic belief that heavy smoking industries are the prime source of environmental pollution and damage. Some were of the belief that SMEs were too small to negatively affect the environment which is against Stakeholder theory, which emphasises inclusivity while disregarding the size of the business. In essence, SMEs subscribe to an approach where they generally concentrate on their day-to-day tight busy business schedules rather than wasting time trying to preserve the environment. However, 26 percent of the respondents comprised the experienced in terms of period of ownership that generally translated to time served in the industry and possessed a high-level education (M-Tech, MBA and Doctorate). During interviews, the researcher established that wholesale and retail SMEs in EThekweni Municipal region had the knowledge of global warming and sustainable development and were of the view that business operates in an environment that, if not preserved, will obviously affect sustainable growth of the business.

### **Comparative importance of different Stakeholders to wholesale and retail SMEs in EThekweni Municipal region (Q11)**

There are numerous different views held by the wholesale and retail SMEs in EThekweni Municipal region with regard to the above Stakeholders. Therefore, there is very good reason to go back and take a look at the theoretical framework and also establish the view that the proponents of the theory have towards the subject. One cannot also ignore the views of the opposition to the theory.

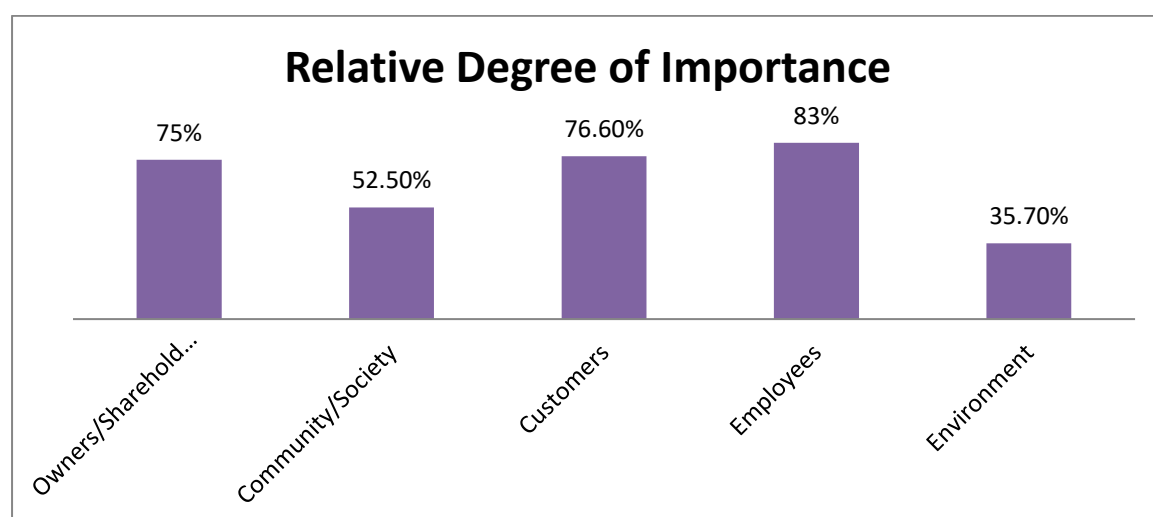
In view of the differences Evan and Freeman (1993a) in their version of the Stakeholder theory stated that "All Stakeholders should be treated as equal, and no one group, such as owners/shareholders should be given preference over the others, such as employees, or the community."

However, Goodpaster (1993) contended while paying loyalty to the expansive doctrines of the theory, he disagreed with the proponents of the theory (i.e. Evan and Freeman 1993a). Goodpaster (1993) argued that by adopting such an approach can be detrimental to both business and society at large, as the demands of the various Stakeholder groups can be contradictory and irreconcilable.

Nonetheless, it is of paramount importance to avoid sacrificing the interests of all other Stakeholders because one particular Stakeholder's interests are way above the capacity of the organisation. When the firm is guided by Stakeholder theory, all Stakeholders are treated equally. Hence, the reason to consider to consider the capacity of the organisation.

This disagreement between views leads to important questions in respect of SMEs' position, such as: Do wholesale and retail SMEs in EThekweni Municipal region perceive their obligation to various Stakeholders as equally important? or Do they perceive their obligation to some Stakeholders as more important than others? Only data analysis can produce an informed decision. Analysis revealed that wholesale and retail SMEs in EThekweni Municipal region rated their obligation to various Stakeholders as follows: In order of importance, the most important are the employees with 83 percent; followed by customers at 76.6 percent; then owners/shareholders come third with 75 percent; community/society is 4<sup>th</sup> with 52 percent; and last is the environment with 35.7 percent. These results are illustrated in Figure 5.9

**Figure 5.9: Relative degree of importance of various Stakeholders to wholesale and retail SMEs in EThekweni Municipal region**



The results revealed that the different perceptions were raised much by male respondents with a frequency percentage of approximately 81 percent against female respondents of about 19 percent. The 81 percent male portion was approximately and slightly higher than the average number of Stakeholders of 64.56 percent.

Therefore, in view of the above and in line with the analysis, the results show that male SME owners dominate the industry in EThekwini Municipal region and this scenario has a strong bearing on how these owners perceive their obligation to some Stakeholders according to the Stakeholder Theory as well as how much importance they attach to various Stakeholders, which translates to whether they are in a position to practise CSR or not.

Given the above background and in view of both the proponents of the Stakeholder Theory and opposition, the researcher concluded that wholesale and retail SMEs in EThekwini Municipal region do not regard all their Stakeholders equally. Therefore in summation, the perceptions of wholesale and retail SME owner-managers in EThekwini Municipal region are in favour or rather positively aligned to Goodpaster's version rather than the one propagated by Evan and Freeman (1993a) that germinated from the Stakeholder Theory.

### **Perceived significance/importance of goodwill, company image and public relations to the growth of an enterprise (Q12)**

Table 5.2 shows a majority 54.79 percent of surveyed respondents strongly agreeing to the view that goodwill, company image and public relations play a vital role in the growth/success of an enterprise. In addition, in total 94.79 percent of surveyed SME owners are of the view that there is a strong relationship between goodwill, company image, public relations and business growth. The 94.79 percent was largely made up of 95 percent male respondents; 20 percent female respondents; most educated (M-Tech, Masters, MBA, D-Tech/Doctorate etc.); age group between 36-45 years of age; 46-55 years of age; 56-65 years of age; and 66 years of age and above, having owned their businesses between 11-15 years, 16-20 years and above. Biographical status had much influence on the behaviour of the respondents.

However, goodwill, company image and public relations are generally part and parcel of CSR, which can be effective if an enterprise adopts, implements and practises CSR. If wholesale and retail SMEs utilise CSR as part of their sustainable growth strategy, goodwill, company image and public relations are easily achievable since there will be that Stakeholder involvement and beneficial relationships lead to sustainable growth of the business.

**Table 5.2: The degree of importance of goodwill, company image and public relations to the growth of an enterprise**

<b>Rating</b>	<b>Frequency (n)</b>	<b>Percentage</b>
Strongly disagree	3	0.82
Disagree	12	3.29
Neutral	4	1.1
Agree	146	40
Strongly agree	200	54.79
<b>TOTAL</b>	<b>365</b>	<b>100</b>

### **Perceived social and environmental responsibilities of wholesale and retail SMEs (Q13)**

The results in Table 5.3 show that 100 wholesale and retail SME owner managers (i.e. 27.40 percent) strongly agreed that it is of vital importance for SME businesses to pay attention to the preservation and protection of the environment. In fact, in total it was 280 respondents, translating to 76.72 percent who actually agreed with the social and environmental responsibilities. The remaining 85 respondents were made up of 6 SMEs (i.e. 1.64 percent) who strongly disagree; 13 SMEs (i.e. 3.56 percent) who disagree; and lastly 18.08 percent (i.e. 66 SMEs) who were neutral. There was not much evidence pointing to the differences in responses which could be influenced by level of education, period of ownership etcetera. However, SME owners from 36 years of age and above held the view that SMEs were actually supposed to pay attention to their social and environmental responsibilities compared to age group 35 and below who are likely to be at the infant stages of their businesses. Wholesale and retail SME businesses that are at infant stages set their priorities on building up sensible processes and functions in their business where the SME owner manager is in charge of almost 90 percent of the functions in the firm. The owner manager as a Stakeholder in most cases is actually expected to possess all the skills required to run the business. The chances of having a positive perception of those who are in age group above 35 are high, given the view that most of

those are expected to have owned their businesses for at least 5 years hence sharing responsibilities with workers, creating a gap for the owner to concentrate on CSR.

**Table 5.3: Perceived environmental and social obligations of wholesale and retail SMEs in EThekweni Municipal region.**

<b>Rating</b>	<b>Frequency (n)</b>	<b>Percentage</b>
Strongly disagree	6	1.64
Disagree	13	3.56
Neutral	66	18.08
Agree	180	49.32
Strongly agree	100	27.40
<b>TOTAL</b>	<b>365</b>	<b>100</b>

The analysis of data revealed an interesting scenario where if one compares the results in the previous question against the present, 94.79 percent of the respondents in the previous question agree to strongly agree that there was a strong relationship between goodwill, company image and public relations and the growth of an enterprise; while a total of 76.72 percent agree to strongly agree that SMEs must pay attention to social and environmental responsibilities. However, comparing the two, the results actually reveal that not all of the respondents who agreed that there is a strong relationship between goodwill, company image and public relations to the growth of an enterprise agreed or had the same view of the fact that SMEs are obligated to social and environmental responsibilities in the present question. According to Katavic (2014), a study conducted in Japan in 2011 revealed that approximately a total of 82 percent agree to strongly agree that SMEs of all kind must pay serious attention to their social and environmental responsibilities, whilst 66 percent generalised their view as that it was just good for business and 25 percent did not agree with both views. There was no significant influence in the responses by SME owners emanating from all biographical factors. One can simply generalise the result as a universal belief enshrined in most wholesale and retail SMEs owners in EThekweni Municipal region.

### **The perceived relationship between environment, social responsibility and growth of the business (Q14).**

The results in Table 5.4 reveal a surprising scenario where a total of 48.22 percent of the respondents agreed that there is a link between social and environmental responsibilities and business growth. However, this is less than the 51.78 percent of respondents who disagreed that there is any link between the factors. Though the 52.78 percent also include neutral respondents who neither agreed or disagreed, the surprise comes from the fact that the study expected a larger percentage considering that 83.7 percent owned their existing businesses for more than 5 years, with the majority falling within the range 6-10 and 11-15 years of ownership of their existing businesses.

Nonetheless, considering the above analysis, the researcher discovered that the results are below expectations as wholesale and retail SMEs in South Africa's EThekweni Municipal region's attention to social and environmental responsibilities is invisible compared to similar municipalities around the world like Canberra Beach City in Australia Preston(2004). Another point to note that 76.72 percent respondents who agreed to strongly agree that wholesale and retail SMEs must pay attention to social and environmental responsibilities in the previous question compared to this low 48.22 percent who agreed that there is a link/connection between social and environmental responsibilities and business growth.

Furthermore, it was established through interviews that there is a contradiction where a large number of SME owner managers agreed to pay attention to social and environmental responsibilities, but on the other hand fail to acknowledge a link between social, environmental responsibilities and business growth, which came as a surprise. However, a further analysis revealed approximately a total of 83.2 percent respondents where a majority of 58.2 percent possessed either a diploma or a degree and the remaining 25 percent possessed a post-graduate qualification as shown in Figure 5.1. The researcher was expecting SME owners to perceive a positive relationship between social and environmental responsibility and business growth.

**Table 5.4: The perceived link between environment, social responsibility and business growth**

<b>Rating</b>	<b>Frequency (n)</b>	<b>Percentage</b>
Strongly disagree	37	10.14
Disagree	86	23.56
Neutral	66	18.08
Agree	96	26.30
Strongly agree	80	21.92
<b>TOTAL</b>	<b>365</b>	<b>100</b>

However, even though the result shows that the majority of respondents are educated and could easily run a successful business with the analysis above the conclusion is otherwise. The results seem not really influenced much by biographical factors because if it was so, then 48.22 percent shows otherwise and is proved true as 48.22 percent of respondents are across the biographical frame.

#### **The perceived relationship between business growth and responsible business practises (Q15)**

An analysis of results in Table 5.5 shows that a majority of 71.51 percent agreed that there is a positive relationship between business growth and responsible business practices. However, considering the analysis of the results in Table 5.4, only 48.22 percent perceived a positive link between environment, social responsibility and enterprise/business growth.

**Table 5.5: Degree of relationship between business growth and responsible business practices**

<b>Rating</b>	<b>Frequency (n)</b>	<b>Percentage</b>
Strongly disagree	7	1.92
Disagree	86	23.56
Neutral	11	30.14
Agree	181	49.59
Strongly agree	80	21.92
<b>TOTAL</b>	<b>365</b>	<b>100</b>

This acute condition seems to reflect that a substantial portion of 49.59 percent are of the view that a business can actually practise responsible business while at the same time

not necessarily consider being socially and environmentally responsible. This view arises as wholesale and retail SME owners in EThekweni Municipal region believe that following responsible business does not actually reflect being socially and environmentally responsible. These SME owners are not satisfying the practices of Stakeholder theory in that the moment one identifies with being a socially responsible business, then automatically the Stakeholder Theory comes into play, which implies that all Stakeholders must be treated equally. It is their view that they can practise CSR selectively and avoid the need to consider other building blocks of CSR, like the environment.

### **Perceptions in relation to the level to which wholesale and retail SMEs in EThekweni Municipal region follow responsible business practises (Q16)**

Table 5.6 shows the analysis of results where only a total of 27.40 percent indicated that they practised responsible business; where 10.96 percent believed that they practised a great deal of responsible business. This portion was made up of a majority of female SME owners, most of whom were educated. The remaining 61.64 percent was made up of respondents who do not know whether they should practise or not and the other 25.48 percent indicated that they have never tried to practise responsible business practises. Those who indicated that they either do not know or have never tried to practise responsible business practise were mainly made up of the age group 35 years and below, with most them having owned their businesses for 5 years and less, with between 20 to 50 employees. Some negativity can be seen when it comes to SMEs actually practising responsible business in their organisations. The results in Table 5.3 indicate that approximately 76.72 percent agreed that they have an obligation to social and environmental responsibilities; Table 5.4 shows that 48.22 percent agreed that there is a link between the environment, social responsibility and business growth. Table 5.5 reveals that 71.51 percent agreed that there is a link between business growth and responsible business practices. However, it is surprising that in Table 5.6 only 38.36 percent of respondents believe that they have been following responsible business practises. During the interviews, 66 percent of the owner-managers understood responsible business as paying tax, paying salaries on time and respecting all the laws of the land for business. This diverted their attention from CSR, though the researcher also



discovered not all who expressed ignorance of this concept, but generally also those who were intentionally evading social responsibility.

**Table 5.6: Degree to which wholesale and retail SMEs in EThekweni Municipal region believe they follow responsible business practises**

<b>Rating</b>	<b>Frequency (n)</b>	<b>Percentage</b>
Don't know	6	1.64
Not at all	93	25.48
Little	126	34.52
Fair	100	27.40
A great deal	40	10.96
<b>TOTAL</b>	<b>365</b>	<b>100</b>

## Wholesale and retail SME perceptions with regard to CSR areas that SMEs should consider taking part in(Q17)

Table 5.7 shows some items to be addressed concerning the perceptions of wholesale and retail SMEs in EThekweni Municipal region towards their CSR involvement.

**Table 5.7: Wholesale and retail SMEs perceptions of responsibility towards society, employees and environment**

No	Item	Yes		No		Don't know	
		Freq	%	Freq	%	Freq	%
1	Reducing operations' impact on the environment	78	21.4	245	67.1	42	11.5
2	Reduction of waste while improving recycling	90	24.7	200	54.8	75	20.5
3	Employees having access to training and development	100	27.4	120	32.9	145	39.7
4	Improving Health life amongst employees	120	32.9	203	55.6	42	11.5
5	Taking care of staff welfare	112	30.9	133	36.4	120	32.9
6	Employment Equity, Affirmative Action, Black Economic Empowerment	265	72.6	62	17	38	10.4
7	Involvement in the local community's standard of living	101	27.7	154	42.2	110	30.1
8	Involvement with Non-profit organisations for the community	296	81.1	60	16.4	9	2.5
9	Involvement in educational institutions (schools, etc.) in the community	165	45.2	150	41.1	50	13.7
10	Operating in deprived parts of the community	53	14.5	200	54.8	112	30.7
11	Involvement with the less privileged and traditionally excluded groups (orphans, unemployed, handicapped, homeless, etc.)	100	27.4	206	56.4	59	16.2
12	Considering mutual benefit between business and society	75	20.4	160	43.8	130	35.6

Numbers 1 and 2 are expected to address the issues of the environment.

- **Environment**

The results revealed that only 21.4 percent of the respondents indicated that wholesale and retail SMEs in EThekweni Municipal region should take part in the preservation of the environment and 67.1 percent indicated 'No', while the remaining 11.5 percent 'Don't

know'. The results confirmed the perceptions of the SMEs as per Figure 5.8 where only 35.7 percent of the respondents rated the environment as important, highly important and extremely important. Even the items on the environment show results that SMEs have a negative attitude towards the environment. The numbers indicated that out of 365 respondents, only 90 respondents (i.e. 24.7 percent) agreed that they should take part in protecting and preserving the environment as part of their CSR.

Considering the analysis and since education at tertiary level is a challenge in EThekweni Municipal region, most college-going potential students struggle to raise enough fees to take matric to a degree level. The level of education on matters like business growth strategies may pose a challenge. CSR comes with direct and indirect, touchable and untouchable benefits which may need an SME owner manager to be aware of the reason why they should practise responsible business towards the environment.

Numbers 3-6 address employee issues.

- ***Employees***

Respondents showed positivity in their obligation towards their employees, results in Figure 5.7 show that 83 percent indicated their obligation to their employees, with only 17 percent showing a negative attitude towards their responsibility. However, the results in the table above show that 72.6 percent of the SME owners indicated 'Yes' on issues to do with Employment Equity, Affirmative Action and Black Economic Empowerment, while they seem to ignore the majority of the items that actually form CSR. The results established that on Item 3 (training and development), 72.6 percent of the respondents indicated a 'No'; on Item 4 which is Health life, 67.1 percent indicated a 'No'; and 69.3 percent indicated that taking care of the staff welfare is never part of their CSR.

However, an encouraging development was noted on SMEs' commitment to uphold Black Economic Empowerment (BEE), Affirmative Action (AA) and Employment Equity (EE) as 72.6 percent of the SME owners agreed; 17 percent disagreed and 10.4 percent were not sure of their position with regard to their obligation towards employees as part of CSR. According to some studies carried out on SMEs (Booyesen 2007 and Fatoki and Chiliya 2012) pointed out that, in the latter half of 2006, the draft BEE codes in operation at that time exempted businesses with a turnover of less than R300 000 per year from drawing

up BEE scorecards. However, according to the revised BEE codes which became law in 2007, businesses with a turnover of less than R5 million a year are exempt from having to draw up a BEE scorecard.

In view of the above, the researcher argues that there was a negative difference between SME owner-managers from 46 years of age upwards and their willingness to implement change in line with BEE, AA and EE. Subsequently, have gone down since the turnover is now pegged at R5 million per year because most wholesale and retail SMEs in EThekweni Municipal region earn less than that value. In addition to this situation, the results reveal that the majority of respondents were White, who were benefactors and a rather favoured group during the previous political era in South Africa.

Lastly, 7-12 is concerned with the community.

- ***Community***

The results revealed mixed feelings amongst wholesale and retail SMEs, as can be seen from the responses on item 8 and 10 with the majority of 81.1 percent and 54.8 percent indicating their commitment to the community on some of the items as part of their CSR. The results show mixed feelings as the majority of the respondents also show their lack of knowledge or a negative attitude to some of the items, with 72.3 percent, 54.8 percent, 79.4 percent of respondents indicating 'No' or 'Don't know'.

Generally, the results in Table 5.7 reveal that wholesale and retail SMEs in EThekweni understand what CSR is all about. Furthermore, they seem to literally support the idea of practising responsible business as indicated by 71.51 percent of respondents in Table 5.5 who agreed to strongly agreed that practising responsible business leads to business growth. However, the result is strongly opposed by a negative attitude exhibited by results in Table 5.7 where a majority of CSR items had a large number of respondents who indicated 'No' (245/365; 200/365; 203/265; 160/365 etc.) and a large number of respondents who indicated that they 'Don't know' (75/365; 145/365; 120/365; 110/365; 112/365; 130/365 etc.)

When wholesale and retail SMEs in EThekweni Municipal region were interrogated through interviews on the issue of investing and operating in less deprived areas of the

community and also whether they consider getting involved with traditionally marginalised groups (i.e. handicapped, unemployed, homeless), the respondents professed negativity since most of them highlighted the fact that government through the Ministry of Social Welfare is primarily responsible for those Stakeholders, which is against Stakeholder Theory which requires all Stakeholders to be involved. However, in support of this idea, the researcher also believes that since most Non-Profit Organisations and churches are exempt from most tax brackets; it is of paramount importance that they concentrate on taking care of the marginalised groups in the country rather than leaving everything to business community. However, on this same issue, analysis further revealed that 14.5 percent and 27.4 percent respectively of the respondents indicated 'Yes', while a 'No' for 54.8 percent and 56.4 percent respectively distanced themselves from extra-curricular responsibilities apart from their core business. Finally, a large number indicated 'Don't know' with 30.7 percent and 16.2 percent of respondents expressing ignorance of their participation to CSR items 10 and 11 respectively. The likely reason of such an attitude could be that most SMEs' perception has been built on the belief that they were too small to engage themselves in such responsibilities and point to the fact that such CSR activities are dominantly for Multinational companies (MNCs).

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*The above discussion was mainly focused on the perceptions of SMEs with regard to their social responsibility, predominantly towards the community, employees and the natural environment. The following section is focused on the extent to which SMEs practise responsible business.*

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#### **5.4: SECTION THREE: THE EXTENT TO WHICH WHOLESALE AND RETAIL SMEs IN ETHEKWIN MUNICIPAL REGION PRACTISE CSR**

A number of questions were asked of the wholesale and retail owner-managers in order to establish the extent to which their socially responsible behaviour is in relation to the following Stakeholders: community/society, employees and environment.

##### **The extent to which wholesale and retail SMEs practise employees oriented CSR (Q18)**

Many benefits can be directed to employees as a form of corporate social responsibility. The list outlined in Table 5.8 is not exhaustive. However, this study made an effort to cover all the areas that concern an employee and under such circumstances, the

assumption is that the list provides a wholesome indication of the way wholesale and retail SMEs behave towards their Stakeholder in the form of employees.

Given the results in Table 5.7 where only 32.9 percent and 30.9 percent of the respondents agreed to Item 4 (Improving Health life of employees) and Item 5 (Taking care of staff welfare) respectively, the results in Table 5.8 appear to show that statistically wholesale and retail SMEs in EThekweni Municipal region do not practise. Rather, it is at an unexpected level as results reveal that only 54.8 percent practised subsidised medical Aid; 56.4 percent subsidised the pension fund; and 52.1 percent subsidised Training and development courses. With respect to benefits, respondents indicated 'No' as they do not practise them, with 56.2 percent for free meals; 54.8 percent for HIV/Aids counselling; 82.7 percent for staff free transport; 69.9 percent fees for staff dependants; 60.5 percent staff study fees; 82.2 percent interest free loans; 53.7 percent reward schemes; and finally 74 percent other benefits.

**Table 5.8: The extent of CSR practise of wholesale and retail SMEs towards their employees**

No	Variable	Yes		No		Don't know	
		Freq	%	Freq	%	Freq	%
1	Free meals for staff	60	16.4	205	56.2	100	27.4
2	Counselling of staff on HIV/AIDs, toxic substances, alcoholism and drug abuse	90	24.7	200	54.8	75	20.5
3	Free transport for staff	50	13.7	302	82.7	13	3.5
4	Free uniform for staff	270	74	65	17.8	30	8.2
5	Paid courses for Training & development	190	52.1	170	46.6	5	1.4
6	Company contributed medical aid	200	54.8	80	21.9	85	23.3
7	Fees for Staff dependants	20	5.5	255	69.9	90	24.7
8	Company contributed pension fund	206	56.4	89	24.4	70	19.2
9	Staff study fees	15	4.1	221	60.5	129	35.3
10	Interest free loans	23	6.3	300	82.2	42	11.5
11	Reward schemes	160	43.8	196	53.7	9	2.5
12	Other benefits	10	2.7	270	74	85	23.3

The researcher considered that there is a reflection of the wholesale and retail SMEs' perceptions as far as their behaviour towards employees is concerned. It seems that these

SME owner-managers who hold a negative view are only much concerned with profits and expect employees to work towards the growth of the business. However, in return the owners do not mind about the welfare of the employees and are only prepared to take responsibility in basic benefits, forgetting the motivating side of the whole deal.

Analytically, most wholesale and retail SMEs surveyed suffer from high staff turnover due to a low or lack of motivational initiatives from owners. A further and rather more disturbing revelation is Item 2 (Counselling of staff on HIV/AIDs, toxic substances, alcoholism and drug abuse) in Table 5.8 where only 24.7 percent of the wholesale and retail SMEs in EThekweni agreed and the rest (54.8 percent) indicated 'No'. A research article by AVERT in KZN recorded a 37.4 percent HIV/AIDs prevalence in 2011 and approximately 40 percent in 2014 as cited by Chazan 92015) who pointed out that given the scourge of HIV/Aids in EThekweni Municipal region, KwaZulu-Natal region is the epicentre of the disease according to previous HIV/AIDs studies. The province stands at an ever-growing peak of approximately 40 percent prevalence as compared to other provinces, like 18 percent in Northern Cape and Western Cape respectively. Therefore, it is of great concern that only 24.7 percent of the wholesale and retail SMEs in EThekweni Municipal region provide education, awareness and counselling to staff (living or not living) with HIV/AIDs, while 54.8 percent disagree and 20.5 percent are not sure.

Through the present and other several previous studies, there is a general belief that SMEs depending on the nature of business they are in, etc. wholesale and retail SMEs are negatively susceptible to high staff turnover mainly due to employees yielding to the HIV/AIDs pandemic. It is also imperative to note that the rate of loss through toxic substances, alcoholism and drug abuse is not as high as that of the pandemic. However, researchers indicate that there are notable losses attributed to such factors as increased absenteeism, reduced productivity and poor staff morale due to the lack of motivation, reward schemes and other benefits, high employee costs, etc. (Kaithuru and Stephen 2015). Therefore, from Table 5.8 on average out of the 12 questions on the benefits towards employees, only 3 (i.e. 25 percent) questions had 50 percent and above respondents who agreed.

This researcher, through data analysis, is willing to highlight appreciation of the fact that wholesale and retail SMEs in EThekweni Municipal region realise the need for skilled

labour and avoid a multi-skilled, multitasking approach to recruitment. SMEs are known for a recruiting system where an individual is expected to be skilled in many fields and is also expected to be able to serve them all while the salary of that individual remains constant. Through analysis, 52.1 percent of respondents agreed to offer employees subsidised Training and Development courses. However, this does not actually correspond to the results in Table 5.7 where 27.4 percent of respondents had a negative perception towards the provision of Training and Development to their employees. In the interviews, 49 percent of participants revealed that such a discrepancy could be due to the fact that wholesale and retail SMEs' perception might be driven from the cost point of view, while in actual fact Training and Development cannot practically be avoided since there are several challenges in how business operates in this modern world. Changes in technology, customer demands, completion and product diversification etcetera. are some of the factors that will eventually force owners to support training and development.

There are several similar research studies carried out around the world in 2012 which produced the same results as the present study, where 76.3 percent of Japanese SMEs were involved in Training and Development despite the fact that most SMEs in all economic sectors around the world and specifically Africa indicate that finance and access to financial assistance is their main barrier to growth; where 82 percent are on record in encouraging their staff to upgrade their skills and education. Furthermore, as a form of support to this initiative, SMEs offer to pay part of the fees or total fees for staff (Nguyen, Mort and D'Souza 2015). Unfortunately, in view of the above statement, analysis of the data reveals that of all wholesale and retail SMEs in EThekweni Municipal region, only a narrow 4.1 percent of the respondents agreed to support their staff with study fees. This is generally discouraging as it paints a picture that EThekweni Municipal region SMEs do not value skill or rather skilled labour which automatically points to the fact that most SMEs who hold such a view go for unskilled labour and in doing so, fail to catch up with world business trends, resulting in these SMEs shutting their doors as competition overtakes them.

However, it appears that there is a loose relationship between the level of Education of SMEs and the willingness of the owner to offer study fees to staff for upgrading. As revealed by the analysis, the 4.1 percent should have been made up of those SMEs who appreciate skill as a necessary tool for growth. In Figure 5.1, only 3 percent of



respondents who possessed D-Tech and PHDs; 13 percent M-Tech/Masters; 8.8 percent B-Techs and a large 58.2 percent had diplomas. Therefore, if there are fewer highly educated owners, there are greater chances that only a small percentage will also encourage their staff to be qualified. This scenario seems to be contributed to by the fact that the research is carried out on wholesale and retail SMEs that in actual fact are into buying and selling as the nature of the business. There is nothing much to do with design, architecture, artistry, programming, etc. Technical skill is not very wide in this nature of business except for supply chain and merchandise skills, which in most cases are dominant at tertiary institutions. Consequently, most of the employees have the skill and will be much in need of the applicability of the skill obviously acquired in a few months of exposure to business.

From Table 5.8 approximately 2.7 percent of the respondents highlighted their involvement in providing other benefits to their employees such as funeral schemes, small interest housing loans and provident funds. There is a positive development in the sense that in the same context a significant 56.4 percent of the SME owner-managers are providing a subsidised pension fund. However, just a paltry 6.3 percent of the respondents provide interest-free or subsidised loans. In such scenarios, the main reason for the failure of wholesale and retail SMEs to provide extra benefits to the basic ones might be that the nature of business demands large amounts of disposable cash. Further probing of the participants established that most of the functions under this sector demand large cash outflows to maintain the supply chain of the business. Though reasonable, staff morale and loyalty is affected in a counter-productive manner, resulting in low productivity. As they fail to acquire or meet their social targets, there are chances that these SME employees will invest their effort in extracurricular activities besides what they are employed for. The hope is to have more wholesale and retail SMEs reserving payable loan amounts from their cash flow to assist their employees to purchase houses, etc.

In conclusion, the reported CSR behaviour by wholesale and retail SMEs in EThekweni Municipal region towards their employees does not correspond with the perception held by the 83 percent majority of SME owner-managers who agreed that employees were their most important Stakeholder. In consideration of the afore-mentioned, a review of the literature reveals a research study in 2010 amongst 780 Japanese retail SMEs in the second capital city Nagoya that established and confirmed that there was notable

adoption and implementation of internal CSR, where high activity is witnessed in areas such as equity, healthy-life for staff, work-family issues, financial support systems etcetera.

Literature reflects that companies with rational and progressive human management (Human Resource Strategies) experience measurable staff loyalty and constant staff morale. According to Armstrong and Taylor (2014), motivation both internally and externally strengthened the workforce and is the most critical element in the growth of any organisation. Therefore, internal CSR translates to a highly motivated workforce, and increased productivity resulting in an ever expanding institutional/organisational and human capital, which at the end of day allows employees to participate more and allows them to realise their full innovative potential.

Mathis and Jackson (2014) contended that CSR in respect of employees improves a company's overall image, which in turn makes it easier to recruit new employees. Employees who perceive their employers as having good corporate social performance, view them more positively and are therefore more committed to them. Furthermore, improved employee satisfaction and loyalty increases employee job performance and retention, resulting in increased customer satisfaction, sales and profitability.

Considering Mathis and Jackson's (2014) contribution on the CSR behaviour of wholesale and retail SMEs in EThekweni Municipal region towards their employees, it is evident that a large portion of SMEs are not practising their perceptions in respect of Stakeholder Theory, which demands equal treatment of all Stakeholders and they seem unaware of the benefits reaped from behaving socially responsible, towards employees. While not taking away anything from the fact that the small percentage that actually practise responsible behaviour is a reflection that these wholesale and retail SMEs are aware of the benefits, the only downfall comes on the grounds that if these SME owner-managers are aware of the benefits, then what lacks is the actual adoption and practise of CSR behaviour. Awareness or perception of any condition or situation is not enough if it is not put into practise, applied or rather if there are no tangible and measurable outcomes from it.

### **The extent to which wholesale and retail SMEs practise environment-oriented CSR (Q19)**

The results in Table 5.9 reveal that only 11 percent of the respondents had measures in place to control and reduce environmental pollution from company operations; 61.6 percent indicated that they had no measures put in place to reduce or control pollution, while 27.4 percent pointed that it was not applicable to their organisation. Regarding environmental laws, a majority of 52.1 percent stated that they comply with the laws; 20.5 percent indicated that they do not comply with the laws and 27.4 percent indicated that complying with laws was not applicable. Only 13.7 percent of the surveyed respondents agreed that there are measures put in place by the company for compliance with national and international environmental standards, while a majority 68.5 percent disagreed and only 17.8 percent reported that it was not applicable in their respective organisations. Probably because of the type of industry of the wholesale and retail SMEs a majority (65.8 percent) disagreed that they use any recycled material. In addition, 6.8 percent indicated that it was not applicable.

Further analysis of the results established that the majority of the respondents (i.e. 190 of 52.1 percent) who agreed that they comply with the laws had grade 12 or a diploma/degree, while 140 (38.3 percent) who indicated that they practise waste management by disposing of waste under environmental friendly methods; 110 were holders of B-Tech/Honours, 90 had M-Tech/Masters and finally, 10 were holders of a D-Tech/Doctorate degree.

**Table 5.9: The extent of practise of wholesale and retail SMEs towards the environment**

No	Variable	Yes		No		N/A	
		Freq	%	Freq	%	Freq	%
1	Does the company have measures in place to reduce pollution from company operations?	40	11	225	61.6	100	27.4
2	Does the company comply with environmental laws?	190	52.1	75	20.5	100	27.4
3	Are there measures put in place by the company for compliance with national and international environmental standards?	50	13.7	250	68.5	65	17.8
4	Does the company utilise recycled material	100	27.4	240	65.8	25	6.8
5	Does the company practise waste management by disposing of waste under environmental friendly methods?	140	38.3	185	50.7	40	11
6	Other practises not listed	30	8.2	200	54.8	135	37

Commenting on the issue, Boiral, Baron and Gunnlaugson (2014) stated that SMEs in Toronto who introduced comprehensive waste management programmes realised remarkable benefits and the majority reported significant savings from 30-70 percent for water, approximately 30 percent for electricity between 20-60 percent for solid waste; approximately 10 percent for raw materials, and from 25 percent to as high as 95 percent for consumables. The objective is committing to the target of increasing terrestrial protected areas to 17 percent of territory and marine protected areas to 10 percent, will also be important in maintaining and increasing ecosystem services that are a foundation for the economy and society, helping in the adaptation to climate change by improving ecosystem resilience.

However, it is important to note that in Africa, the benefits depend consistently on the industry in which the SME is operating. From the above, the level of savings will not be the same if one compares manufacturing SMEs against retail SMEs. Manufacturing SMEs may realise large savings while minimum in the retail, service and tertiary sectors. One cannot dispute the fact that correct environmental management such as waste management will obviously result in the reduction of company overheads, which eventually lead to large profit margins.

With regard to literature from Boiral, Baron and Gunnlaugson (2014), it is discouraging to note that an analysis of the results in Table 5.9 revealed that wholesale and retail SMEs in EThekweni Municipal region had only 140 out of 365 (38.3 percent) SMEs practising correct waste management methods. With all the benefits that can be realised out of the practise, the percentage is too small to convince the existence of such a practise in organisational policies. As highlighted before, the use of recycled material is dependent on the type of business and products that one is dealing with. In most cases, recycled material is used in production. In this research study, only 27.4 percent agreed to using recycled material. The outcome of this analysis with respect to recycled material compares unfavourably to a similar study which was carried out in Brazil where almost 76 percent of wholesale and retail SMEs make use of recycled material.

Further analysis also shows that most respondents who did not use recycled material in the wholesale and retail sector were between the ages of 26 and 45 years, while 15 percent were those between 46 and 55 years old. The older age group of 56 years upwards and the younger age group of 25 and below seemed unaware of the benefits as they indicated 'not applicable' to their organisations. Therefore, from this analysis, the younger and the older the respondents, the less they are in favour of recycling material. The results also showed that only 30 SMEs out of 365 surveyed agreed to be engaging in other environmental practices. The results also established that age groups 56 years of age upwards and the younger age 25 years and below were using other practices which are not listed in the table. These other practices are mainly related to service practice which is performed by municipal authorities like street cleaning, etcetera.

*Below is an in-depth discussion of the extent to which wholesale and retail SMEs in EThekweni Municipal region exhibit socially responsible behaviour towards the environment:*

There are international standards such as ISO 9000, 9001 and 14001. Amongst these standards, ISO 14001 is the standard which actually enforces environmental standards where an organisation is expected to weigh its negative and positive exploits on the environment in line with the standard's procedures of reducing and controlling pollution in the ecosystem. Despite South African SMEs progressively reported by the International Institute for Sustainable Development in 2004 and 2005 to have achieved ISO 14001

certification, a report by the South Africa's Department of Environmental Affairs and Tourism in 2007 brought to light statistics that an insignificant 5.7 percent of those SMEs were from the wholesale and retail sectors. According to the statistical data that drives this research, it was found in the previous chapters that the wholesale and retail sector constitute a majority (45.61 percent) of all the SMEs in South Africa. Therefore, on average approximately 40 percent of the wholesale and retail SMEs in South Africa are not ISO 14001 certified. The EThekweni Municipal region also falls within the circumference of that population. Therefore, generally South African SMEs that have been certified with ISO 9000, 9001 and/or 14001 comply with these standards subject to professional force by their supply chain partners who may refuse to partner or operate with companies that are not certified.

It is surprise that some multinational companies (MNCs) who are naturally the drivers of ISO standards and have been certified with ISO 14001 are found to have been flouting the same environmental laws that they are certified in. As an observation, if there are some multinational companies who can go for so many years with breaking the law without authorities noticing, then surely wholesale and retails SMEs will never be discovered, considering their size (Fatoki and Chiliya 2012).

In an effort to establish the reason why SMEs behave negatively towards the environment, a further literature review reveals some facts. Fatoki and Chiliya (2012) boldly stated that the limited environmental involvement of SMEs has been attributed to attitudinal and behavioural characteristics. In particular, a lack of knowledge about relevant legislation; the assumption that the impact of SMEs on the environment is negligible; and the failure by SME owners to integrate the environment into business activities.

In line with the statements above, participants revealed that it is of paramount importance to note that in EThekweni Municipal region in South Africa, if reliance is put on the pressure from Stakeholders to force SMEs to protect the environment then it will not produce any fruitful results as the majority of the population (especially the age group 25 years of age and below) do not mind giving up the environment for business or employment as long as they benefit from such a move.

The observations are supported by a survey carried out by a marketing research company called ESOMAR World Research in 2006, where it was discovered that generally

in South Africa, approximately 68 percent of the population find it not a bad practice to deprive the environment of its fauna and flora for livelihood. In line with this anomaly, economists added their voices by defending the ESOMAR research outcome, narrating that it was normal to find people sacrificing the environment for livelihood especially in an economy with a high unemployment rate of approximately 26.4 percent. However, if one were to include those between the ages of 16 to 60 and discouraged work seekers, then the unemployment rate is approximately 40 percent. In 2011, 65 percent of children in South Africa lived in households with at least one working adult. The other 33.6 percent (over 6.5 million children) lived in households where no adults were working. There has been only a small decrease in unemployment from 2003 to 2011, with the proportion of children who live in unemployed households hovering around 35 percent (Cant and Wiid 2013).

Subsequently, one could conclude that the wholesale and retail SMEs in EThekweni Municipal region behave negatively towards the environment as results in Table 5.9 correspond well with those in Table 5.4 where only 48.22 percent agreed that there is a link between the environment, social responsibilities and business growth. In addition, an analysis of the results in Table 5.7 revealed that only 21.4 percent of the SME managers agreed that wholesale and retail SMEs in EThekweni should take part in the preservation of the environment and the majority (67.1 percent) disagreed, while the remaining 11.5 percent 'Don't know'. Therefore, wholesale and retail SMEs in EThekweni Municipal region are negligibly not so concerned about protecting and preserving the environment as compared to their counterparts in Asia, Europe, etc. who react to pressure by citizens, NPOs, civic groups, regulatory bodies and the government in general. However, there are a number of shortcomings as far as preservation of the environment is concerned since the majority of wholesale and retail SMEs in EThekweni Municipal region are of the view that preservation of the environment is the duty of large corporations who produce much smoke in the ecosystem and that the SMEs operations effect on the environment are of less than large corporations. Nevertheless, Boiral, Baron and Gunnlaugson (2014) concluded that strengthening the regulatory framework becomes a fundamental requirement for inducing improvements in the environmental behaviour of small and medium enterprises.

## **The extent to which wholesale and retail SMEs practise community/society oriented CSR (Q20)**

The Table 5.10 indicates results of 365 surveyed wholesale and retail SMEs in EThekweni Municipal region. The results reveal that the majority of 270 (73.9 percent) indicated that they had nothing to with the community or rather they were not prepared to participate in any form in the community as they obey all the relevant government laws and pay taxes, which can in turn be used to support the community instead of them forking out extra money from their already shallow pockets. Furthermore, the results reveal that a discouraging scenario of 280 (76.7 percent) of respondents indicated that All of the listed responsibilities were actually not applicable to their respective organisations. The results are comparably the same with a slight difference of 2.8 percent, which actually shows that there were more owner managers who believed that they are detached from community concerns when it comes to responsibilities. The results also surprisingly reveal that there are wholesale and retail SMEs in EThekweni Municipal region who do not believe there is a good reason to join hands in fighting crime. The main reason could be that they had never experienced any crime-related cost or drawback etc. Therefore, it makes no sense to support a cause that seems not affect them.

Commenting on business and literacy in South Africa, Zuze and Reddy (2014) stated that having a literate population and a literate labour-force in the organization should reduce training costs, increase productivity, reduce wastage and increase profit margins. With respect to this statement, given the level and quality of education in South Africa found in Table 5.8, only 5.5 percent of the respondents agreed to pay the fees for their staff's dependants and further, a mere 4.1 percent of respondents agreed to pay fees for their staff, there must be a policy framework that will enforce education support by businesses, whether small or large. When the literacy level of a nation is high, business actually benefit from the system as they can access a pool of qualified potential employees, resulting in reduced unemployment and reduced crime rates. However, it is discouraging to note the results in Table 5.10 which revealed that a majority 295 (80.8 percent) of the respondents believed that they are not supposed to involve themselves with the community in fighting crime.



**Table 5.10: Wholesale and retail SMEs' involvement in the community**

No	Variable	Yes		No		Total
		Freq	%	Freq	%	TOTAL
1	We are involved in improving the standard of living of the community, such as health standards	164	44.9	201	55.1	<b>100</b>
2	We are involved in sponsoring cultural and sporting activities in the communities	75	20.5	290	79.5	<b>100</b>
3	We support the community by providing financial support to educational institutions	150	41.1	215	58.9	<b>100</b>
4	We are involved with charitable organisations by providing financial support or goods	185	50.7	180	49.3	<b>100</b>
5	We do not involve ourselves with communities since we comply with all government laws and pay taxes	270	73.9	95	26	<b>100</b>
6	Our organisation is involved in crime-fighting programmes in the community	70	19.2	295	80.8	<b>100</b>
7	All of the above is not applicable to our organisation	280	76.7	85	23.3	<b>100</b>
8	Other than listed above	162	44.4	203	55.6	<b>100</b>

The analysis further established that only 20.5 percent of the respondents supported the community by sponsoring sports development and cultural activities. In addition, 290 (79.5 percent) of the respondents believed that they cannot involve themselves in the community, sponsoring sports and cultural initiatives. Probing of participants on the same subject through interviews made the researcher understand the reason that is leading to such an unfavourable situation. It emanates from the political landscape conditions where most businesses which include SMEs, were under apartheid white owners who may not recognise African culture and at the same had different sporting taste from the indigenous population, which therefore affected their involvement and support.

The results in Table 5.10 established an interesting scenario where almost an equal percentage of respondents agreed to sponsor the community with cash/goods 185 (50.7 percent) and 180 (49.3 percent) who believe that they cannot support by cash or goods to charities. In addition, through the literature review it appears that the lower the

education level of the SME owner, the more they donate. The results support this as the majority of the respondents who indicated that they involve themselves by donating cash or goods (32 percent) are those with up to standard 10/grade 12 and 18.7 percent (50.7 percent) are holders of a Diploma/Degree. The 49.3 percent of respondents is made up of mainly holders of B-Tech, M-Tech and D-Tech degrees. It seems that the longer one has been in business, the less they donate. The majority of those who believed that they were not involved owned their businesses from 16 years upwards and were of the age group 46 years and above. According to Pastrana and Sriramesh (2014), in developed countries such as Canada and Japan, research showed that approximately 68 percent and 74 percent of wholesale and retail SMEs are involved in donating to charity; while in Latin America, mainly in Colombia, alone studies reveal that approximately 56 percent of wholesale and retail SMEs involve themselves with the community by donating cash or goods to charities.

In cognisance of the analysis, considered Pastrana and Sriramesh (2014) comment on the extent to which wholesale and retail SMEs in developed countries donate to charity. It seems that generally, SMEs in developed countries donate goods or cash to charity organisations for the community more than their counterparts in Africa. In addition, Mazereeuw-van der Duijn Schouten, Graafland and Kaptein (2014) noted that when compared to SMEs, larger businesses are relatively less generous to their Stakeholders than SMEs, perhaps due to the fact that many small business owners pursuing philanthropic causes do not need to be concerned with delivering a tangible return to shareholders as do large business managers. Arguably, those discrepancies arise as most of the CSR-related activities in wholesale and retail SMEs such as donating to charity are generally and primarily made by one person, who in this case is the owner of the company. The decision rarely goes through any line of authority, unlike in a larger organisation where the organisation actually has a department that is designed to deal with CSR decisions as long as the move has a beneficial outcome to the organisation which can be in form of brand loyalty, product sales, recognition by government and marketing mileage.

With regard to improving the standard of living of the community, such as healthy standards, a majority (55.1 percent) believed they are not supposed to be involved in the community through improving living standards such as health standards. The majority of the respondents were between the age group 36-56 years of age and it seems education

level played a pivotal role in how the respondents viewed spending through CSR activities as established by the results in Table 5.10 where the 55.1 percent was made up of holders of B-Tech, M-Tech, Masters and D-Tech/PHD qualifications.

In conclusion, wholesale and retail SMEs in EThekweni Municipal region behave negatively, as the results in Table 5.10 correspond well with results in Figure 5.5, where approximately over 70 percent of the respondents showed a positive perception of the degree of importance of society to business as a Stakeholder. However, negatively, results revealed that wholesale and retail SMEs in EThekweni Municipal region had positive perceptions towards the community but were not actually putting the perceptions into practise for fear of the unknown. The results in Table 5.7 confirmed this as the majority of respondents (42.2 percent) indicated 'No' on whether they were ready to get involved in the local community's standard of living improvement, while only 27.7 percent out of the 365 surveyed respondents positively agreed to get involved with community in improving the standards of living of the people. Furthermore, 54.8 percent of the surveyed respondents did not agree to operate in deprived areas of society and 56.4 percent also did not agree to involving themselves with the less privileged and traditionally excluded groups (orphans, unemployed, handicapped, homeless). Finally, only 20.4 percent of the respondents agreed to consider any mutual benefit between business and society, while 35.6 percent were not sure whether to have such a mutual benefit or not.

### **Variations in how wholesale and retail SMEs describe corporate social responsibility activities (Q21)**

There is much confusion in academic circles around how to name, explain, use or describe corporate social responsibility, led to researchers holding totally different views on the same subject. Therefore, the main objective under this heading was to try and avoid leading questions or show biased questioning which was obviously going to prompt respondents to answer in the way the researcher views CSR. In doing so, the term 'corporate social responsibility' was used interchangeably with terms that respondents view as best describing their CSR activities. Therefore, the respondents were given the chance to state a term/phrase that best describes CSR activities which they are involved in with respect to the community/society, employees and the environment.

It was surprising to note that out of the 365 surveyed respondents; only 160 answered the only qualitative question. This may have been due to the fact that most of SME owner-managers may have convincingly heard or came across the phrase corporate social responsibility in tertiary, workshops, meetings, conferences and research or they may just have decided not to answer as they found the question irrelevant to their level. Given the fact that the results in Figure 5.1 show that 58.20 percent are holders of a Diploma/Degree; 8.80 percent are holders of B-Tech/Honours; 13.20 percent of M-Tech/Masters/MBA; and 3 percent of D-Tech/Doctorates, there are chances that these respondents have enough knowledge of CSR as a concept but, the challenge maybe on application. The researcher through interviews discovered that wholesale and retail SMEs were not comfortable using words such as **corporate social responsibility** to describe their activities towards employees, environment and community. Some preferred the phrase **social responsibility**, some preferring to use **business responsibility**, **corporate social investment** and finally a minority 4 (0.4 percent) of the 10 who were interviewed preferred the phrase **business ethics**.

There are a number of phrases that can be used besides the ones listed above. Because of CSR's wide application in business by different individuals, some respondents suggested phrasing it as 'community responsibility'; some 'business responsible behaviour'; and some just 'ethics'. Furthermore, by looking at the 365 surveyed respondents, 160 (43.8 percent) answered. However, there are chances that those who did not answer are practising 'silent responsibility' without them knowing that they are actually practising CSR towards their employees, community and environment.

Those who did not attempt to answer this qualitative question may have heard or came across the phrase in academic and business circles and given the fact that a majority of the respondents under study are holders of a Diploma/Degree, there are chances that they may be aware of the phrase and therefore felt no need to answer. Nonetheless, there are chances that those who did not answer may also had never heard or came across the phrase, given the fact that from the apartheid era most of SME owners did not actually start their businesses because of academic knowledge but actually the opportunities that the economy presented. In addition to that, CSR is mostly expected to be practised by large corporations as the phrase says '**CORPORATE SOCIAL RESPONSIBILITY**'.

In support, Boonyauva (2014) stated that the term 'corporate social responsibility' is more applicable to large enterprises and the term 'small business social responsibility' is less intimidating and more appropriate for small and medium enterprises. Furthermore, a suggestion was made that the term 'corporate social responsibility' must actually be replaced by 'responsible entrepreneurship' as it carries more weight to the fact that it magnifies the vibrant nature of an entrepreneur who is striving to make an impact and contribute meaningfully to sustainable development (Pelletier *et al.* 2014).

Conversely, Drucker (2014) disagreed by stating that the word 'entrepreneurship' intrinsically carries a range of concepts for different people, such as innovation, risk-taking and opportunity seeking, and could therefore cause further confusion on the whole CSR subject.

Taking all the arguments into consideration, one may conclude that the most suitable phrase that could cover all spheres of the subject is *Social, Community and Environmental Awareness (SCEA)*, as it is the first stage in the process of acquiring knowledge, influencing and stimulating SME involvement in CSR activities.

### **Motivation for wholesale and retail SMEs in EThekweni Municipal region to participate in CSR activities (Q22)**

The results in Table 5.11 reveal a situation where wholesale and retail SMEs seem to be motivated by issues which are mainly to profit their businesses. The analysis established that the 365 SME owner-managers surveyed showed that they were motivated by Increase and maintain brand and customer loyalty (60.8 percent); is actually worthy for company image (84.7 percent); and to meet the demands of business supply chain partners and foreign clients (85.2 percent). These results correspond well with results in Table 5.5 which show that the majority of respondents (71.51 percent) agree to strongly agree that there is a relationship between business growth and responsible business practices. All these variables that motivate wholesale and retail SMEs to engage into CSR activities have a direct impact on the business, though the majority of respondents (56.9 percent) confessed ignorance of whether CSR activities have a positive effect on the general profit of the business. In that regard, it seems respondents were answering from

a view that they will obviously incur a cost if they were to engage in CSR activities. Therefore, to them it was not motivating at all.

After examining the results in the previous questions, one would expect that (at least) the respondents will be motivated with a variable that addresses employees since the majority indicated that employees are their most important element in business. In Figure 5.7, the majority (83 percent) indicated their obligation to their employees with only 17 percent showing a negative attitude. The analysis of the results in Table 5.7 where only 32.9 percent and 30.9 percent of the respondents agreed with a 'Yes' to item 4 (Improving Health life of employees) and 5 (Taking care of staff welfare) respectively. Furthermore, the results in Table 5.8 seem to prove that statistically, wholesale and retail SMEs in EThekweni Municipal region do not practise. Rather, it is at an unexpected level as results reveal that only 54.8 percent practised subsidised medical aid; 56.4 percent subsidised pension fund; and 52.1 percent subsidised Training and development courses. For the remaining benefits, respondents indicated 'No' as they do not practise them with 56.2 percent for free meals; 54.8 percent for HIV/Aids counselling; 82.7 percent for staff free transport; 69.9 percent fees for staff dependants; 60.5 percent staff study fees; 82.2 percent interest free loans; 53.7 percent reward schemes; and finally 74 percent other benefits. Conclusively, considering the above statements, wholesale and retail SMEs in EThekweni Municipal region are not motivated with issues to do with their employees.

**Table 5.11: Motivational factors that drive wholesale and retail SMEs in EThekwini Municipal region to engage in CSR activities**

No	Variable	Yes		No		Total
		Freq	%	Freq	%	TOTAL
1	CSR activities have a positive effect on the general profit of the business	157	43.1	208	56.9	100
2	Increase and maintain brand and customer loyalty	222	60.8	143	39.2	100
3	Certification of the company with ISO standards	90	24.7	275	75.3	100
4	Improve the living standards of everyone building a better future for the society	140	38.4	225	61.6	100
5	Increase employees' self-esteem and maintain high employee satisfaction levels	167	45.8	198	54.2	100
6	Improves the relationship between business and the community in which it operates in	151	41.4	214	58.6	100
7	Is actually worthy for company image and improves brand loyalty	309	84.7	56	15.3	100
8	To meet the demands of business supply chain partners and foreign clients.	311	85.2	54	14.8	100
9	Other (specify)	15	4.1	350	95.9	100

In view of the community/society, the results show that wholesale and retail SMEs in EThekwini Municipal region are not motivated by CSR activities targeted at the community/society. This can be proven by results in Table 5.11 where the majority indicated that they were not motivated by: Improving the living standards of everyone building a better future for the society (61.6 percent) or improving the relationship between business and the community in which it operates (58.6 percent).

An interesting scenario that came out in the analysis has to do with the fact that respondents never contradicted themselves when it comes to company image. Results in Table 5.11 reveal that the majority (84.7 percent) are motivated that CSR activities improve company image. Furthermore, 60.8 percent indicated that they are motivated by the fact that CSR activities increase and maintain brand and customer loyalty. These results correspond well with the analysis and results in Table 5.2 which show that a majority (54.79 percent) of surveyed respondents strongly agreed with the view that goodwill, company image and public relations play a vital role in the success of an enterprise. In total, 94.79 percent of surveyed SME owners are of the view that there is a

strong relationship between goodwill, company image, public relations and business growth. However, it is imperative to note that company image, public relations and goodwill can be boosted but not necessarily by CSR activities, as it is more of a marketing function in most organisations.

Though the analysis revealed positive results about company image, after interviewing the participants, it seemed that the SMEs were positive from the view that it will cost their pockets less but at the same time gaining market share. This may mean that wholesale and retail SMEs were not necessarily practising CSR activities for their Stakeholders but were more concerned with the outcome of every cent from their pockets, which is not in line with Stakeholder Theory. However, in conclusion, wholesale and retail SMEs are motivated by CSR activities that improve their company image.

### **The degree to which wholesale and retail SMEs in EThekweni Municipal region communicate their CSR activities to their Stakeholders (Q23)**

Results in Table 5.12 reveal that a majority (76.4 percent) do not inform the government about their CSR activities. However, also a significant 71.2 percent of the respondents communicate their CSR activities to their employees. Furthermore, a large percentage of respondents (55.1 percent) do not communicate to their supply chain partners; 82.2 percent do not communicate to customers; while 59.5 percent do not inform the community in which they operate about their CSR activities. In addition, a shocking majority of 97 percent indicated that there was no need for them to communicate their involvement in CSR activities to any of their Stakeholders.

Investigation into this issue showed that this negativity is attributed to wholesale and retail SMEs failing to comply with the laws and regulations in the country, like paying tax. Therefore, to these SMEs it is easier not to communicate anything to do with their involvement in CSR activities for fear of becoming visible to government and some arms of government which may demand that they comply with laws that cost them income. The results established that the respondents were more or less divided when it comes to the media as 54.8 percent see it worthwhile to communicate their involvement in CSR activities to the media, while at least 45.2 percent are reluctant to inform their Stakeholders.



**Table 5.12: Wholesale and retail SMEs' communication to Stakeholders about their involvement in social responsibility activities**

No	Variable	Yes		No		Total
		Freq	%	Freq	%	
1	Government (local, national)	86	23.6	279	76.4	<b>100</b>
2	Employees	260	71.2	105	28.8	<b>100</b>
3	Supply chain partners (suppliers etc.)	164	44.9	201	55.1	<b>100</b>
4	Customers	65	17.8	300	82.2	<b>100</b>
5	Community in which they operate in	148	40.5	217	59.5	<b>100</b>
6	Media (TV, press) local, regional, international	200	54.8	165	45.2	<b>100</b>
7	There is no need to inform them about our CSR engagements	11	3	354	97	<b>100</b>

This situation was driven by the educational status of SME owner-managers. The results established that there was a close relationship between education and media involvement. Results showed that 54.8 percent of the respondents who informed the media and make use of the press/TV platform to reach customers through CSR activities were made up of a mixture of academics, 3 percent were holders of D-Tech /Doctorate, 10 percent had Masters/M-Tech, 7 percent had B-tech/Honours and 34.8 percent were holders of Diploma/Degrees. The results show that the educated were concerned about how their social involvement is reported and received and were not concerned about whether what they are representing is a true reflection of their behaviour. In agreement, Beck and Cull (2014) stated that SMEs' priority in CSR is to benefit than to actually convert perceptions into responsible business and acceptable behavioural practices.

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*The above interpretation and discussion were mainly focused on the practise or responsible behaviour of SMEs with regard to social responsibility predominantly towards the community, employees and the natural environment. The following section is focused on the barriers wholesale and retail SMEs face in trying to practise corporate social responsibility and also measures/tools that are required to prop up a positive view for SMEs to practise responsible business.*

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## **5.5: SECTION FOUR: BARRIERS UNDERMINING THE PRACTISE OF CSR BY WHOLSALE AND RETAIL SMEs**

### **Barriers hindering wholesale and retail SMEs in EThekweni Municipal region from engaging in CSR activities (Q24)**

The results in Table 5.13 revealed, in order of importance, the most common and frequently cited barriers hindering wholesale and retail SMEs from further and consistently engaging in CSR, namely: Huge cost to be incurred by the company 301(82.5) followed by lack of time 297 (81.4 percent). Furthermore, 57 percent cited lack of manpower as a barrier to further engage in CSR activities, while a minority of 30.7 percent cited lack of interest, 44.4 percent indicated that there were no benefits in engaging in CSR activities, and 13.7 percent cited other barriers not listed.

Literature state that it is a common condition that in terms of time, SME owner managers have little or no time to spare for activities other than core business operations. If compared to their counterparts in large corporations where managers are normally assigned to a particular department and clearly to achieve a set objective, SME owners carry a vast load. SME owner-managers are supposed to be doing their all for the company to move forward e.g. sourcing finances; attending supply chain partner meetings; sourcing new markets and maintaining existing relationships; and reviewing and complying with key regulations. This is in addition to their primary duty of keeping the company afloat by making and controlling key decisions (Copley 2014; Bager *et al.* 2015).

According to Do *et al.* (2015), the majority of SME owner-managers (93.4 percent) cited costs incurred by the company as the most unfavourable conditional barrier that generally drives SMEs away from engaging in CSR activities. With wholesale and retail SMEs, as they are normally cash businesses in nature they view CSR activities as cost intensive. If they undertake these activities, it leads to depleted company budgets resulting in them operating at a competitive disadvantage compared to those SMEs who may be concentrating on their core businesses. In the researcher's opinion, since some SMEs will be avoiding CSR activities, chances are that the majority of SMEs will completely zero any participation in CSR activities and try to maintain a certain level of competitive advantage in the industry.

However, probing of participants through interviews indicated that to some extent, it is justified for wholesale and retail SMEs to avoid engaging in CSR activities since there are fewer or no chances of them harvesting any measurable economic benefits if compared to large corporations. It is this lack of valuable opportunities and minute benefits of economies of scale for wholesale and retail SMEs in EThekweni Municipal region that naturally increases the cost burden on their businesses, thereby stimulating a negative attitude towards engaging in CSR activities.

**Table 5.13: Wholesale and retail SMEs' barriers to engaging in CSR activities**

No	Variable	Yes		No		Total
		Freq	%	Freq	%	TOTAL %
1	Lack of time	297	81.4	68	18.6	100
2	Huge cost to be incurred by the company	341	93.4	24	6.6	100
3	Lack of interest	112	30.7	253	69.3	100
4	Lack of manpower	208	57	157	43	100
5	There are no benefits from CSR activities	162	44.4	203	55.6	100
6	Other (specify)	50	13.7	315	86.3	100

The results show that 13.7 percent cited 'other'. Some of the barriers that respondents highlighted were lack of support by the government and a lack of less costly media coverage channels, hence the low return on investment, other SMEs not involved therefore saving for growth and gaining competitive advantage. However, the results above correspond to a survey carried out on 445 SMEs' by a research consultancy company called Stratburg in Latin America, where retail sector SMEs cited regulations, costs incurred and time limitations as the major barriers hindering them from further engaging in CSR activities (Hernández and Ramirez 2014 and Amorós *et al.* 2015).

In light of the statements above, the results differ with the outcome of research that carried out on wholesale and retail sector SMEs in Japan's Osaka Municipal region where 23 percent of the wholesale and retail sector SMEs, compared to 93.4 percent of the wholesale and retail SMEs in EThekweni Municipal region, cited costs incurred by the company; while 16 percent of the wholesale and retail sector SMEs, compared to 81.4 percent of the wholesale and retail SMEs in EThekweni Municipal region, cited lack of time.

It was also established through literature that wholesale and retail SMEs in parts of Asia, the EU and America are financed by banks or get financial support from their governments. Therefore, it becomes practicable for them to go out of their budgets to sustain CSR activities. They have a number of listable advantages over African SMEs, whose governments are faced with unemployment, HIV/AIDs, high interest rates, tax, inflation and civil unrest in the form of wars, red tape, anarchy, skewed democracy policies, undemocratic elections, etc. Particularly in the South African context, the apartheid era shaped a white dominated business environment which was obviously financially oiled. Most SME businesses were family owned and the apartheid business policies were mainly set to strengthen, control and keep the grip on the economy in the hands of a few whites.

### **Types of assistance needed by wholesale and retail SMEs in EThekweni Municipal region to progressively engage in CSR activities (Q25)**

The analysis of the results in Table 5.14 established that on average, over 50 percent of the respondents were in need of assistance for them to further engage in CSR. However, the majority (57 percent) indicated that they were not sure whether they needed assistance in the as listed above. After questioning the owner managers/Stakeholders through interviews, 71 percent indicated that the major reasons were that they already knew what was expected and knew the assistance they needed or that they totally had no idea where exactly they should be involved and hence could not understand assistance to go with that involvement or that they once tried to get the assistance to no avail and are discouraged. The main drive for such a negative attitude might be that considering results in Table 5.13, involvement in CSR activities was costly to the companies and rather time-consuming. Furthermore, 54 percent cited that they needed advice on how they can get involved; 52 percent wanted to be advised on specific areas in which wholesale and retail SMEs are fit to participate; and 54 percent cited advice on benefits from involvement in the specific areas.

Further analysis revealed the costs incurred by the SMEs. In Table 5.13, approximately 93.4 percent cited cost as the major barrier to CSR. Therefore, wholesale and retail SMEs expected finance-based assistance to further engage in CSR. To these SMEs, advice or guidance is not enough because they will perceive a costly outcome. However, according to Dincer and Dincer (2013), knowledge on CSR is more valuable than financial assistance

that is invested in an unknowledgeable group of managers. That is the reason why most SMEs generally fail to effectively practicing and implement CSR as a sustainable growth strategy. The 'know how' is non-critical. It is important to change that profit-making mindset and attach value on knowledge, which in most cases translates to profit and successful business strategies, especially considering the Stakeholder Theory which emphasises on attaching value on the business Stakeholder.

**Table 5.14: Tools required for stimulating the involvement of wholesale and retail SMEs in CSR.**

No	Variable	Yes		No		Total
		Freq	%	Freq	%	TOTAL %
1	Advice on benefits from involvement in specific areas	197	54	168	46	100
2	Advice on specific areas in which wholesale and retail SMEs can participate	190	52	175	48	100
3	Advice on how to get involved	197	54	168	46	100
4	Not sure	208	57	157	43	100
5	Other (specify)	192	52.6	173	47.4	100

In the researcher's opinion, it is the duty of the Durban Chamber of Commerce, besides just registering and taking subscriptions, to assist with advice for wholesale and retail SMEs. The Chamber of Commerce must be a house of business experts who play a role in moulding managers and equipping SME owner-managers with general managerial skills and information that may be required for them to further their engagement in CSR activities and anything else that is required to run a successful business.

Besides the Chambers of Commerce's assistance, Cant, Erdis and Sephapo (2014) pointed out that is estimated that SMEs employ 22 percent of the adult population in developing countries. The United Nations Industrial Development Organisation (UNIDO) estimates that SMEs represent over 90 percent of private business and contribute to more than 50 percent of employment and gross domestic product (GDP) in most African countries. A recent study conducted by Abor and Quartey (2010) estimates that 91 percent of formal business entities in South Africa are SMEs and that these SMEs contribute between 52 to 57 percent to GDP and provide about 61 percent of employment.

Padmanabhan (2015) agree the democratically elected Government of South Africa (SA) realised as early as 1995, the importance of SMEs to the economy. The White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (1995) highlighted the fact that “*small, medium and micro enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country.*” Despite their significance importance and contribution to economic growth, SMEs across the whole world and in SA in particular are still faced with numerous challenges that inhibit entrepreneurial growth. Apart from SME funding and access to finance, the Global Entrepreneurship Monitor (GEM) Reports of 2001-2010 revealed that SA SMEs also suffer from poor management skills which is a result of the lack of adequate training and education. This results in high rates of business failure (SA has one of the lowest SMEs survival rates in the world).”

The researcher suggest that currently, the Chamber of Commerce is not actually playing its role and that the majority of wholesale and retail SMEs in EThekweni Municipal region are not furthering their engagement in CSR activities because the assistance they desperately need is not readily available. In addition, there is a significant amount of assistance that the government of the Republic of South Africa has given to SMEs, though it may not have been generally directed to CSR issues. However, it is also important to note that assistance from the government to SMEs may have been targeted assistance for a particular sector such as manufacturing, which in turn discourage SMEs in other sectors (i.e wholesale and retail SMEs in Ethekewin Municipal region) from engaging in CSR.

### **Issues affecting the growth of wholesale and retail SMEs in EThekweni Municipal region (Q26)**

The results in Table 5.15 reveal that the majority of wholesale and retail SMEs (93.2 percent) cited accessibility to financial support as the major barrier affecting success. Other barriers cited as affecting the growth of these SMEs by order of frequency were: High levels of Competition (from large corporations and small entrepreneurs in the same industry and substitute products from foreign owned Chinese low price charging companies)-84.1 percent; shortage of skilled labour-82.2 percent; High crime rate and corruption-81.4 percent; and High level of HIV/AIDS infection on employees-57.3 percent.

Because SME financing received the highest frequency of 340 (93.2 percent), there is good reason to explore at this factor in depth. Park, Lim and Koo (2008) stated that the financing gap, often defined as the difference between the demand for funds by SMEs and the supply of funds, occurs for various reasons.

**Table 5.15: Factors threatening the growth of wholesale and retail SMEs in EThekweni Municipal region**

No	Variable	Yes		No		Total
		Freq	%	Freq	%	TOTAL %
1	High level of HIV/AIDS infection on employees	209	57.3	156	42.7	<b>100</b>
2	High crime rate & corruption	297	81.4	68	18.6	<b>100</b>
3	High levels of Competition (from large corporations & small entrepreneurs in the same industry and substitute products from foreign owned Chinese low price charging companies)	307	84.1	58	15.9	<b>100</b>
4	Accessibility to financial support (High interest rates for loans from banks etc.)	340	93.2	25	6.8	<b>100</b>
5	Shortage of skilled labour	300	82.2	65	17.8	<b>100</b>
6	Increased shortage and rising prices of energy	150	41.1	215	58.8	<b>100</b>
7.	Increased shortage of raw materials	67	18.4	298	81.6	<b>100</b>
8	Other (specify)	34	9.3	331	90.7	<b>100</b>

The researcher argues from the view that the fundamental reasons behind SMEs' lack of access to funds can be found in their peculiar characteristics, while others would argue that SMEs suffer from financing gaps because of market imperfections on the supply side. Park, Lim and Koo (2008) is also against the same condition as they argued that wholesale and retail SMEs face financing gaps probably because of a combination of reasons originating from both the supply and demand sides. The supply side refers to providers of finance (financial institutions and investors), while the demand side is composed of SMEs who require financing from financial institutions and other providers of finance. The financing gap for SMEs is most prominent in capital market financing. Most countries, including the developed ones, have problems in SME financing through capital markets (Park et al 2008).

However, Mutezo (2013) pointed out that the challenge of access to finance has been thought of in terms of credit rationing behaviours of financial institutions which according to several authors have an adverse impact on previously disadvantaged groups who have limited access to resources. Nonetheless, an important discussion on the financing of Black Economic Empowerment entities surfaced where BEE entities are taken into consideration because most of the entities under this bracket fall into the SME category. In South Africa, BEE was framed to actually redress such imbalances in the economy. Correa and Girón (2013) progressively argued that limited access to finance by BEE entities has created challenges for the restructuring of ownership of companies. It was propounded that the result was complex with highly leveraged financing structures, some of which have failed and others of which have become highly successful as equity markets have rebounded.

However, some authors have a different view Stieglitz and Weiss' (1981) Credit Rationing theory provided two most important gaps as the major reasons why SMEs in general encounter hardships in accessing financial support, namely, the information asymmetry gap and agency problems. There are a considerable number of authors who attempted assumptions and conclusions around the credit rationing conducts of financial institutions. A distinguished contribution was made by Honohan (2010) who argued that limited access of small enterprises to formal credit in developing and emerging economies is largely due to the relatively under-developed nature of the financial system; the lack of liquidity; and inexperience in small-scale lending in many of these countries. Honohan (2010) also postulated that bank branches outside capital cities frequently provide only cash and do not have the authority to make loans, leaving small enterprises in rural areas disproportionately disadvantaged. Consequently, if commercial banks do extend credit to small firms, it may take up to several months to process applications.

Authors differ in their approaches and views to this barrier. Malhotra (2007) narrated that banks advance four main reasons for their reluctance to extend credit to small enterprises, namely the high administrative costs of small-scale lending; asymmetric information; high-risk perception; and lack of collateral. Although the reasons apply to industrial as well as developing and emerging economies, they tend to be more significant in the latter. SMEs typically require relatively small loans compared with large firms (Malhotra 2007).



It is the researcher's opinion that the transaction costs associated with processing and administering loans are, however, fixed and banks often find that processing small SME loans is inefficient. They lack the techniques, such as credit scoring, to increase volume and lower costs. Since most of the administrative costs of lending are fixed, that is, they are independent of the size of the administered loan, economies of scale arise where the larger the loan, the lower the per unit costs of extending credit.

Furthermore, in addition to the administrative costs that have been mentioned and which include such costs as gathering of information, the cost spread to such areas as for example, the visiting of borrowers, carry out an analysis of their credit application and actually monitoring the loan. These costs tend to be higher for SMEs as compared to large corporations. The majority of SMEs are located a distance from the city centre and their accounting level skills and standards are questionable. In turn, banks find it difficult or, rather, lack the experience to manage/service their loan applications. Therefore, considering developing and emerging economies, the costs are mountainously multiplied (Dauda and Nyarko 2014).

In a study, Dauda and Nyarko (2014) concluded that amongst all SME loan requests, banks preferred smaller firms that requested smaller loans. The results suggest that individual banks differ in their criteria and in their loan-size preferences and that there is no positive correlation between the bank's size and its loan-size preference.

Ayob and Freixanet (2014) posits that a critical element of credit rationing is asymmetric information where a pre-requisite for the efficient allocation of resources by market forces is that all participants share the same relevant information. This is not the case in financial markets. Borrowers will always know more about the viability of their projects and their ability and willingness to repay than lenders. The lenders are thus faced with uncertainty, both with respect to the expected rates of return of the project they are financing and with respect to the integrity of the borrower. This uncertainty increases with the length of the loan. Borrowers face difficulties in transmitting information about their projects to lenders, as lenders will suspect them of underestimating the risks of failure. The problem of asymmetric information will be more acute for small businesses than for larger ones because of lower information standards and the greater variability

of risk. Small, privately owned firms face no legal reporting requirements and are more vulnerable than large firms (Ayob and Freixanet 2014).

Ayob, Ramlee and Rahman (2015) postulate that higher interest rates will attract risky borrowers and drive out good borrowers for two reasons. Firstly, worse risks are willing to borrow at higher interest rates, because they know that their repayment probability is low. Secondly, if riskier projects are associated with higher returns, a rise in the interest rate will drive out low-risk projects as borrowers try to compensate for the higher cost of the loan by earning a higher return with a risky project. (Ayob et al 2015) maintain that an optimal interest rate may therefore exist, beyond which additional loans are not made available despite excess demand. Consequently, a backward-bending credit supply curve and equilibrium credit rationing will exist because raising the interest rate above the optimal level would lower banks' profits as the amount of risky projects in their portfolio rises. However, from such a background, wholesale and retail SMEs are more likely to be rationed because they are seen as particularly risky. Although they might be willing to pay more to compensate for this additional risk, banks will refuse to raise the interest rate sufficiently to equate supply and demand.

Looking at it from another view point, Ayob, Gudmundsson and Yaacob (2015) agreed that financial institutions are more likely to approve loans to firms that are able to provide collateral and to those firms that have established long-term relationships with lenders. Due to the existence of asymmetric information, banks base their lending decisions on the amount of collateral available. Collateral acts as a screening device and reduces the risk of lending for commercial banks. Therefore, by pledging his assets, a borrower signals the quality of his project and his intention to repay and in the case of default, collateral serves to put the lender into a privileged position with regard to other creditors.

The statements above simply show that wholesale and retail SMEs are disadvantaged in this regard due to the fact that they lack collateral security and also lack a proven credit track record. Therefore, start-up firms with new innovative products may be constrained access to finance due to the fact that they may fail to furnish collateral security and also due to information asymmetries, financial institutions may fail to see the profitability and viability of the proposals. More intensively, collateral requirements militate against

technology based firms. This is mainly because many technology-based small firms usually begin as small conceptions and may not yet have developed relationships with providers of financial services.

Finally, a considerable number of researchers who carried out studies on SMEs in South Africa, confirmed that wholesale and retail SMEs are struggling to get financing. Hence, cited by respondents as a major barrier to the growth and success of their businesses. Herrington, Kew and Kew (2008); Mazanai and Fatoki (2011); St-Pierre and Bahri (2011); Hansen *et al.* (2012); Kew *et al.* (2013) and Fatoki (2014c) agreed that growth may be another dimension that forms a basis for a gap based on capital rationing and for which a gap may be claimed. There is controversy about the growth of SMEs in South Africa because the survival rate of SMEs is significantly low at less than 20 percent. Therefore, due to doubts about the possibility of growth in SMEs, financial institutions are inclined to tighten their requirement to approve a loan and may require a lot of information about the investment. It was established through literature that the information may not be furnished clearly. Therefore, potentially successful business ideas may fall into the credit rationing trap. High growth and innovative firms may be more informationally opaque and may face a greater degree of difficulty obtaining financing.

The second factor frequently cited by respondents as a barrier was: High levels of Competition (from large corporations and small entrepreneurs in the same industry, as well as substitute products from foreign-owned, low price charging Chinese companies (84.1 percent). The influx of cheap Chinese products has forced local companies to bet over their pricing in-order to remain relevant. Another issue to note is the ever-increasing number of hi-tech export and import Chinese companies that have taken the wholesale and retail sector part by surprise. The main reason these companies quickly gain market share is because of their well-oiled and connected supply chain which starts from China as is known for mass production. Locals, because of lack of adequate financial support, involve themselves with these high-demand supply chain partners, resulting in them pricing higher than their counterparts as a way to compensate the supply gap created by high costs of supply.

With regard to shortages of labour, 82.2 percent cited it as the third main barrier. Given the potential and optimism of the South African economy, the skills deficiency becomes a

threat to businesses. Because of the skills shortage, large corporations who actually offer attractive packages tend to benefit from the drained skills pool. Given that only a minority 41.1 percent of SME managers in Table 5.10 indicated that they supported the community by providing financial support to educational institutions, SMEs are bound to suffer. SMEs are bound to offer salary packages that they cannot manage in the long run in order to also attract skilled labour. Unemployment may be approximately 25 percent or above but the skilled labour out of that unemployed population is scarce. In consideration of the above and with respect to the Stakeholder Theory, it demands wholesale and retail SMEs in EThekweni Municipal region to be proactive (in this case they are not pro-active) by involving themselves in the community as a Stakeholder engagement program and to develop relationships with institutions of higher education (e.g. Durban University of Technology and UKZN) so that when there are vacancies, they can simply approach the authorities for labour without actually competing with international companies in the same industry. If SMEs invest in the community through CSR activities, they are actually educating their future employees and they must take it as an investment rather than a cost.

The fourth factor cited as one of the main barriers is the unmanageable/ ever-increasing crime rate. Leibold, Mengistu and Pindur (2015) stated that business robberies increased by 2.7 percent to 16 377 incidents. This crime type has consistently increased in the past eight years so it is 345 percent higher than in 2004/05. There were an additional 426 armed attacks on businesses in 2012/13 as compared to the previous year. In cognisance of this high crime rate and in line with Stakeholder Theory, wholesale and retail SMEs must work hand-in-hand with the community as a Stakeholder to try and curb or reduce crime in the communities they operate. Given that only 19.2 percent in Table 5.10 indicated their involvement in crime-fighting programmes in the communities, wholesale and retail SMEs in EThekweni Municipal region are bound to suffer. It is unfortunate they are not involved in fighting crime to protect their businesses.

High levels of HIV/AIDs have naturally wreaked havoc in most developing and emerging economies though a number of interventions have already been implemented by the South African government to manage the marauding effect of the pandemic. Results from Table 5.15 reveal that 57.3 percent of respondents cited the high level of HIV/AIDs as a barrier to the growth and success of the business. Simbayi *et al.* (2014) surveyed stated that the 2007 UNAIDS report estimated that 5,700,000 South Africans had HIV/AIDs, or

just under 12 percent of South Africa's population of 48 million. In the adult population the rate is 18.5 percent. The number of infected is larger than in any other single country in the world.

However, SMEs are not expected to carry out costly activities such as state-supplied condoms and free Anti-retroviral drugs as compared to large corporations. However, SMEs are expected to provide less costly services such as counselling and coordinating workshops where nurses provide lessons on HIV/AIDs. Given that only 24.7 percent behave responsibly by providing less costly counselling services as part of their CSR activities towards their employees, chances are that these SMEs find themselves with a 'sick' manpower and a number of employees will take leave days and off days, sick leave which results in reduced production.

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*The above interpretation and discussion were mainly focused on the barriers that wholesale and retail SMEs face in trying to practise corporate social responsibility. It also described measures/tools that are required to prop up a positive view for wholesale and retail SMEs to practise responsible business. The following section focused on the values of SME owner-managers as an influence on the success of their businesses.*

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## **5.6 SECTION FIVE: PERSONAL VALUES INFLUENCING THE OWNER MANAGER'S WAY OF RUNNING THE BUSINESS**

### **Personal values that influence the way SMEs owner managers in EThekwin Municipality manage their businesses (Q27)**

Results in Table 5.16 reveal that a prodigious majority of SME owner-managers in the wholesale and retail sector in EThekwin Municipality region cited personal beliefs (99.7 percent), the law of right and wrong (98.1 percent) and the outcome / consequences of my actions on my business (98.6 percent) as important to very important in influencing the way they manage their businesses. From the analysis of the information in the table below, at least above average 52 percent of the owner-managers cited that their religious

beliefs had no impact or, rather, are not important in influencing the way they run their businesses. This answer may be attributed to the fact that most of the SME owner-managers are holders of grade 10/12, diplomas, degrees, masters and PHDs in various fields of expertise. However, from the analysis it is also important to note that a significant 98.1 percent cited laws that defined right or wrong as a strong influence in how they manage their empires. In this regard, the majority of wholesale and retail SME owner-managers, after questioning through interviews, revealed that they expected their employees and company as a whole to take strong recognition of the law, but it is not a mark as in whether they practise responsible business or not. The laws that govern right or wrong is always a framework that any normal business owner would want to see correctly adhered to.

**Table 5.16: Values that drive the way SME owner-managers run their businesses**

No	Variable	Not Important		Important		Very Important		Total
		Freq	%	Freq	%	Freq	%	Total %
1	Religious beliefs	190	52	90	24.7	85	23.3	100
2	The outcome / consequences of my actions on my business	5	1.4	160	43.8	200	54.8	100
3	My personal beliefs	1	0.3	20	5.5	344	94.2	100
4	The law of right and wrong	7	1.9	153	41.9	205	56.2	100

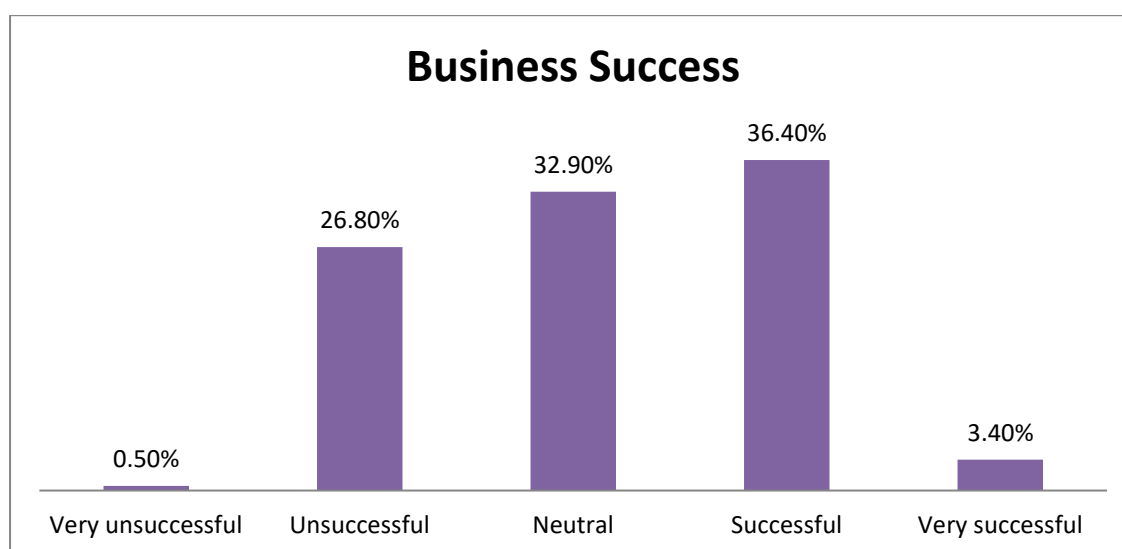
Lepoutre and Heene (2006), in their research on the role of personal beliefs on culture driven business, pointed out that SME owners' personal values, character, attitudes, education, background and their preferences have a direct impact on the nature and extent of the enterprise's social responsibility.

In conclusion, the statement above agrees/corresponds with the fact that personal belief actually translates to the owner-manager's approach to CSR. This notion is a general analysis which is positive or negative. However, for this research, the data shows that the same SME owner-managers who identify or manage their businesses with a strong personal value approach lack in practising responsible business through such avenues as CSR activities in their businesses. The analysis revealed that there was no properly defined trend in the behaviours of the wholesale and retail SME owner-managers which can be linked to the age groups of the respondents and also had no link to the number of employees that the company has in its ranks.

### **The wholesale and retail SMEs' perceived rating of the success of their businesses (Q28)**

The results shown in Figure 5.10 are a graphical illustration of ratings from respondents which ranged from 1 to 5 on the scale, where 1 represented very unsuccessful and 5 being very successful. The ratings are basically the SME owner-managers' independent evaluation of his/her business. The main reason this method of evaluation was implemented was that it is a subjective evaluation practice, as business success and financial performance are naturally not the same even if the companies are in the same industry, same size or same product line (Ayob, Ramlee and Rahman 2015).

**Figure 5.10: Wholesale and Retail SME owner-managers' business success grading.**



Considering Ayob, Ramlee and Rahman's (2015) comments on subjective evaluation by SME owner-managers, Ayob, Gudmundsson and Yaacob (2015) agreed that entrepreneurs become business owners for different reasons and their views, evaluations or judgement about the success of their businesses may be related to any of these reasons. In support of the above, Brenner and Schimke (2015) commented that given the overlapping motives for business ownership, a subjective evaluation of business success by the owner has the advantage of capturing all the dimensions of business that are important to the owner and does not introduce non-response bias into the analysis as subjective measures are acceptable indicators when other kinds of

measures are unavailable, or when there are concerns about the validity of other measures.

An analysis of results in Figure 5.10 shows that approximately 39.80 percent of the respondents cited that their businesses were successful to very successful and a majority (32.90 percent) were neither positive nor negative, as they cited 'neutral'. In addition, 26.85 percent chose 'very unsuccessful to unsuccessful'. The reason for a small percentage of respondents who indicated 'successful to very successful' may have been the fact that self-evaluation can only produce fair results if there is a certified list or outline of standards or factors that are used to measure what is termed 'business success'. Besides financial performance, there are a number of factors that can be used to rate business success, such as employee satisfaction, client/customer retention or growth, market share, growth and efficiency of production/consultancy processes, innovation and in the case of struggling environments, just the case of continued existence and goodwill (customer and supplier approval of product). Some owner-managers may become subjective to this personal evaluation to an extent that there are chances for one to overrate or underrate the business, leading to biased results. Generally, financial performance is the common factor used to rate success, so SME owner-managers may actually underrate themselves.

In cognisance of the above and considering the low percentages, this study concluded that SME owner-managers were being truthful in their ratings, though the factors used by different owner-managers may vary as long as they show honest evaluation on whatever factor they used to measure business success. The results also showed that there was a strong relationship between period of ownership, age group and business success. The 39.80 percent was mainly made up of age groups 46-55, 56-65 and above 66 years of age. In addition, the ages were of wholesale and retail SME owner managers who owned their business for 16 years and more.

Unpredictably, the analysis of the results showed there was no relationship between business success and financial rewards to employees. However, literature has it on record that business success is gradually achieved when a business has provided incentives and rewards to motivate employees. Do *et al.* (2015) stated that highly motivated employees are usually more productive and higher productivity ultimately results in higher profits,



leading to business success. Unfortunately, the wholesale and retail SMEs in EThekwini Municipal region thought employees are the most important asset in their businesses but results in the previous questions show that they are not being socially responsible towards their employees, which is against the Stakeholder Theory.

Concerning the environment, the results above are totally different from a similar survey which was carried out in Kyoto, Japan. The survey revealed that wholesale SMEs practising responsible business towards the environment were more successful than the ones which do not practise. It is on record also that SME in South Africa are not really under pressure of minimising the impact of operations on the environment, unlike their counterparts in Europe (Nguyen, Mort and D'Souza 2015).

Considering Stakeholder Theory, Ng and Kee (2012) stated that accountability to all Stakeholders:- communities, employees, investors etc. -through engagement, disclosure and constructive responses is a precursor to business success. There is clear evidence of positive links between social and financial performance, especially when considering the increased relevance of intangible assets such as reputation and knowledge networks. The writers viewed community as a source of market and therefore should be treated with care in order to maximise the competitive advantage that comes with loyalty and reputation. Notwithstanding the comments above, the results of this study indicated that wholesale and retail SMEs in EThekwini Municipal region were enjoying minimal/ trifling business success while at the same time not paying enough attention to the community and CSR.

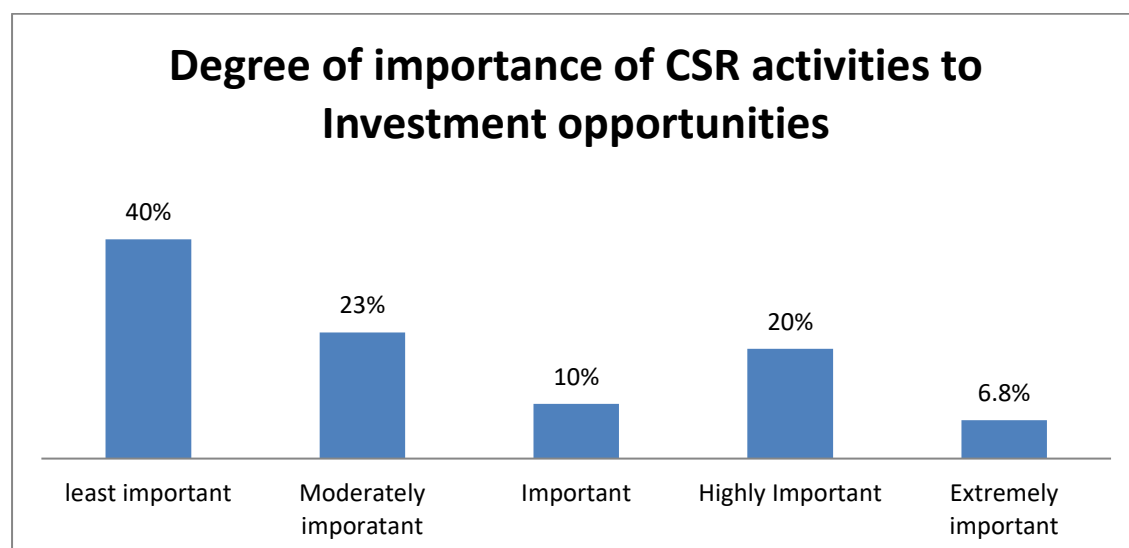
Therefore, because of the outcome of the analysis of the results, wholesale and retail SMEs in EThekwini Municipal region seem to be unsuccessful since approximately 39.80 percent of the respondents (which is actually below average) indicated that their businesses are successful, the remainder indicated unsuccessful or neutral.

### **The perceived degree of importance of owner-manager values in attracting investment opportunities for wholesale and retail SMEs in EThekwini Municipal region (Q29)**

The results in Figure 5.11 below revealed that a majority (40 percent) of respondents regarded owner-manager values as least important in creating/attracting investment

opportunities, followed by 23 percent of the respondents who cited values as moderately important. Only 36.8 percent of the respondents cited owner manager values to be important in an effort to attract investment opportunities. The main reason why SME owner manager regard their values as not important in attracting investment is because of the conclusion given above where the outcome of analysis of the results of wholesale and retail SMEs in EThekweni Municipal region seemed to be unsuccessful, since approximately 39.80 percent of the respondents (which is actually below average) indicated that their businesses are successful, the remainder indicating they were unsuccessful and neutral. When further interrogated through interviews, the SME owner managers of wholesale and retail SMEs in EThekweni Municipal region highlighted the fact that because of the nature of their industry, which naturally operates in a volatile market with unpredictable clientele tastes, profit margins and competition levels, there is slim or no chances of investment opportunities coming their way, even if their values as owner are highly maintained.

**Figure 5.11: Degree of Importance of owner manager values to the creation/attraction of investment opportunities**



Furthermore, the results showed that the 40 percent who cited owner-manager values as least important was mainly made up of SME owner-managers who owned their business for 11-15 years, 16-20 years and 20 years and above. It was established that the same 40 percent was made up of 32 percent of the age group between 46-55 years and also 5 percent of the age group 66 years and above. This scenario simply showed experience at play as most of these SME owner-managers had gone through all the ups and downs of

business and learnt that it was wiser in most cases to 'go it alone' than waiting and expecting a helping hand from the government, venture capitalists, banks and/or individuals.

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*The above discussion mainly focused on the relationship between the values of the owner-managers of SMEs and investment opportunities for the business. The following section focuses on the analysis of the descriptive statistics.*

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## **5.7: SECTION SIX: DISCUSSION OF DESCRIPTIVE STATISTICS**

### **Descriptive statistics with regard to age of the participants**

The overall scores for attitudes, practices, barriers and values were compared with socio-demographic variables. For this, all the statement scores were added. Table 5.17 shows the descriptive statistics for attitudes, practices, barriers and values with regards to participants' age. It could be seen that participants who were 36-45 years old had high mean scores for attitudes compared to other age groups. The same age group also had high mean scores for practice as well as barriers. However, they had the lowest mean score for values (Table 5.17).

**Table 5.17: Descriptive statistics with regard to age of the participants**

		<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Minimum</b>	<b>Maximum</b>
Attitudes	25 years or below	13	38.1538	2.60916	34.00	44.00
	26 - 35 yrs	28	37.6071	4.02160	31.00	45.00
	36-45 yrs	45	39.2000	3.62190	29.00	47.00
	46-55 yrs	128	38.8281	3.68891	30.00	49.00
	56-65 yrs	103	39.0194	3.60278	26.00	49.00
	66 yrs or above	48	39.1250	4.20043	30.00	47.00
	Total	365	38.8493	3.72057	26.00	49.00
Practice	25 years or below	13	14.4615	2.78733	9.00	18.00
	26 - 35 yrs	28	15.8929	2.98564	12.00	24.00
	36-45 yrs	45	16.4444	2.65908	10.00	21.00
	46-55 yrs	128	15.4922	2.78917	9.00	24.00
	56-65 yrs	103	15.4660	2.25708	10.00	22.00
	66 yrs or above	48	15.5625	2.65704	10.00	22.00
	Total	365	15.6055	2.64117	9.00	24.00
Barrier	25 years or below	13	11.1538	1.81871	8.00	14.00
	26 - 35 yrs	28	10.1786	1.49204	8.00	13.00
	36-45 yrs	45	11.2222	1.82020	7.00	15.00
	46-55 yrs	128	10.5156	1.89065	6.00	15.00
	56-65 yrs	103	10.3592	1.75373	7.00	14.00
	66 yrs or above	48	10.6250	1.63245	7.00	14.00
	Total	365	10.5699	1.79397	6.00	15.00
Values	25 years or below	13	15.0769	2.56455	10.00	18.00
	26 - 35 yrs	28	15.2143	1.81265	11.00	19.00
	36-45 yrs	45	14.9778	1.98275	11.00	19.00
	46-55 yrs	128	15.3281	1.84480	11.00	20.00
	56-65 yrs	103	15.1942	1.83676	11.00	20.00
	66 yrs or above	48	15.0000	2.05250	12.00	19.00
	Total	365	15.1863	1.90526	10.00	20.00

In the researcher's view, the descriptive statistics established the fact that the age group 36-45 years had a better perception of CSR. This analysis is a reflection of the effects of period of ownership and also education. It is naturally expected that age group 36-45 is an active group and in most cases most of the SME owners would have owned their businesses over 10 years and are likely to possess tertiary qualifications. This group is expected to have been involved, learnt or heard of CSR and there are chances that their perception is based on experience, as compared to age group 35 years and below.

## ANOVA test outputs

The ANOVA test did not find any significant difference of mean scores for attitudes, practice, barriers and values with regards to participants' age ( $p>0.05$ ). This meant that age did not play any significant role with regards to attitudes, practice, barriers and values (Table 5.18).

**Table 5.18: ANOVA test outputs for participants' age**

		Sum of Squares	df	Mean Square	F	Sig.
Attitudes	Between Groups	61.712	5	12.342	.890	.488
	Within Groups	4977.001	359	13.864		
	Total	5038.712	364			
Practice	Between Groups	54.733	5	10.947	1.582	.164
	Within Groups	2484.456	359	6.920		
	Total	2539.189	364			
Barrier	Between Groups	32.964	5	6.593	2.079	.067
	Within Groups	1138.505	359	3.171		
	Total	1171.468	364			
Values	Between Groups	6.381	5	1.276	.348	.883
	Within Groups	1314.950	359	3.663		
	Total	1321.332	364			

The ANOVA results show that age played a role, but at a minimum level. It is important to note that a positive or negative perception towards CSR is also determined by other factors such as knowledge, experience in business and exposure to modern growth strategy. Therefore, the view that age does not play a role is moderate as it is also influenced by other factors. Over the years, research has shown that there are SME owners who have managed to maintain their businesses successfully, applying concepts that they have learnt from others, college and in business circles. Hence, age in this case has a moderate influence.

### Descriptive statistics with regard to gender

Table 5.19 shows the descriptive statistics for attitudes, practices, barriers and values with regard to participants' gender. Results showed that females had a higher mean score for attitudes, practice, barriers and values (Table 5.19).

**Table 5.19: Descriptive statistics with regard to gender**

	Gender	N	Mean	Std. Deviation	Std. Error Mean
Attitudes	Male	294	38.7585	3.73885	.21805
	Female	71	39.2254	3.64573	.43267
Practice	Male	294	15.5850	2.69076	.15693
	Female	71	15.6901	2.44126	.28972
Barrier	Male	294	10.5238	1.75002	.10206
	Female	71	10.7606	1.96734	.23348
Values	Male	294	15.1701	1.87447	.10932
	Female	71	15.2535	2.04044	.24216

To reiterate, gender of the participants plays a critical role in determining which group between female and male participants appreciate that CSR plays an important role in the sustainable growth of the SME business. It was also highlighted in the sections above that the government of South Africa through the ministry of small businesses, pledged support for female entrepreneurs. EThekweni Municipal region experienced a large increase in female-owned SME businesses. Most of these female owner-managers went through training on how to run successful businesses and, in the process, learnt the benefits of responsible business, hence higher mean score for attitudes, practice, barriers and values.

### Descriptive statistics with regards to level of education

Table 5.20 shows the descriptive statistics for attitudes, practices, barriers and values with regard to participants' level of education. It was found that those having low qualification had the highest mean scores for attitudes; having a Master's qualification had a higher practice score; having a doctoral qualification had the lowest barriers; and having a grade 12 qualification had the highest mean score for values (Table 5.20).

**Table 5.20: Descriptive statistics with regard to level of education**

	N	Mean	Std. Deviation	Std. Error	Minimum	Maximum
Grade12	61	40.6721	3.34027	.42768	33.00	49.00
Dip/Degree	212	37.8113	3.73561	.25656	26.00	49.00
B.Tech/Honours	32	40.0313	3.44996	.60987	33.00	45.00
M.Tech/Masters/ MBA	48	40.2500	2.86208	.41311	35.00	46.00
D.Tech/Doctorate	12	39.1667	3.01008	.86894	32.00	42.00
Total	365	38.8493	3.72057	.19474	26.00	49.00
Grade12	61	15.1311	2.64244	.33833	9.00	22.00
Dip/Degree	212	15.5566	2.63437	.18093	9.00	22.00
B.Tech/Honours	32	15.8438	2.64098	.46686	11.00	22.00
M.Tech/Masters/ MBA	48	16.2500	2.74831	.39668	11.00	24.00
D.Tech/Doctorate	12	15.6667	2.10339	.60720	13.00	20.00
Total	365	15.6055	2.64117	.13825	9.00	24.00
Grade12	61	10.7541	1.93783	.24811	7.00	14.00
Dip/Degree	212	10.4481	1.82197	.12513	6.00	15.00
B.Tech/Honours	32	10.1875	1.57475	.27838	6.00	13.00
M.Tech/Masters/ MBA	48	11.2708	1.55385	.22428	8.00	15.00
D.Tech/Doctorate	12	10.0000	1.27920	.36927	8.00	13.00
Total	365	10.5699	1.79397	.09390	6.00	15.00
Grade12	61	15.5410	1.67903	.21498	11.00	19.00
Dip/Degree	212	15.3208	1.91302	.13139	10.00	20.00
B.Tech/Honours	32	14.2188	1.69885	.30032	11.00	19.00
M.Tech/Masters/ MBA	48	14.8542	1.90173	.27449	11.00	19.00
D.Tech/Doctorate	12	14.9167	2.57464	.74324	11.00	19.00
Total	365	15.1863	1.90526	.09973	10.00	20.00

The above analysis show that an attitude is strongly driven by morals. The Stakeholder Theory identifies the fact that social responsibility is anchored on morals. The researcher is not disputing the fact that education can easily induce a strong attitude towards something, however, the results show that it is not about education. EThekwini Municipal region is the business centre of KZN which is known of its rich cultural orientation, it is

the researcher's expectation that entrepreneurs increase in the practise of CSR to compliment the cultural status of the region.

### ANOVA test output for level of education

The ANOVA test showed that the mean scores for attitudes, barriers and values were significantly different among different level of education groups ( $p < 0.05$ ).

**Table 5.21: ANOVA test output for level of education**

		Sum of Squares	df	Mean Square	F	Sig.
Attitudes	Between Groups	571.181	4	142.795	11.507	.000
	Within Groups	4467.531	360	12.410		
	Total	5038.712	364			
Practice	Between Groups	36.032	4	9.008	1.296	.271
	Within Groups	2503.157	360	6.953		
	Total	2539.189	364			
Barrier	Between Groups	37.374	4	9.343	2.966	.020
	Within Groups	1134.095	360	3.150		
	Total	1171.468	364			
Values	Between Groups	47.631	4	11.908	3.366	.010
	Within Groups	1273.701	360	3.538		
	Total	1321.332	364			

A multiple comparison test showed that having grade 12 qualification had significantly higher mean attitude score compared to those having diploma/degree qualification ( $p < 0.05$ ). Also, participants having diploma/degree qualifications had significantly lower mean scores compared to those having B.Tech/Honours degrees or M.Tech/Masters/MBA qualification ( $p < 0.05$ ).

When these entrepreneurs start their wholesale and retail SME business for example with a grade 12 qualification, they come in with a positive attitude to business and in a way accommodate every idea or strategy (CSR) that make profit for the business. However, as they gain experience, which may be in the form of business acumen or they advance their education to for example a diploma/degree, there are chances that they will start to scrutinise and criticise most of the initial business strategies that may seem costly. CSR has long-term benefits, but this may not go down well with their vision which is driven by profit maximisation.



## 5.8: CHAPTER SUMMARY

Conclusively, chapter five's result analysis revealed that wholesale and retail SMEs in EThekweni Municipal region are progressively/gradually becoming sensitive to social responsibility involving employees but are generally passive to CSR relating to their external Stakeholders from the community and the natural environment. The results of the data from the survey relates to chapter six which is a review that highlights important findings of the study; provides recommendations; and proposes a model based on the Stakeholder Theory for CSR to wholesale and retail SMEs in EThekweni Municipal region. To this end, all the questions posed in the survey were addressed in **Chapter five**.

## **CHAPTER SIX**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

The aim of this research study was to establish CSR on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region. The journey involved a brief look at the attitudes of wholesale and retail SMEs towards CSR. Furthermore, this chapter through review, attempts to ascertain the extent to which the study questions were addressed. Given the findings from the study, conclusions and recommendations are provided in line with CSR on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region. As stated in the abstract of this research study, a five-step model based on the Stakeholder Theory is proposed to promote CSR on Sustainable Growth of wholesale and retail SMEs. The chapter will finally conclude by narrating the limitations of the research study and subsequently describing directions for future research.

#### **6.2 REVIEW OF THE MAJOR FINDINGS OF THE STUDY**

This section summarises the major findings of the research study in line with the research objectives. However, a relook at the key research questions is inevitable and guides and regulates the flow of this chapter.

#### **KEY RESEARCH QUESTIONS**

- What are the attitudes of owner managers of wholesale and retail SMEs in EThekweni Municipal region in respect of their social responsibility towards the community, employees and environment?
- To what extent do wholesale and retail SMEs in EThekweni Municipal region practise corporate social responsibility?
- What are the barriers undermining the practise of corporate social responsibility by wholesale and retail SMEs in EThekweni Municipal region?
- What are the key owner-manager's personal values for the sustainable growth of wholesale and retail SME businesses in EThekweni Municipal region?

## **6.3 SUMMARY OF THE MAJOR FINDINGS REGARDING THE KEY RESEARCH QUESTIONS**

### **6.3.1 What are the perceptions of wholesale and retail SME owner managers in EThekwini Municipal region in respect of their responsibility towards their employees, community and environment?**

Wholesale and retail SMEs are not supportive of the Stakeholder Theory, which states that all Stakeholders must be treated equally. SME owner-managers hold the idea that they pay salaries therefore taking care of employee welfare is never part of their CSR. With regard to community, wholesale and retail SMEs in EThekwini Municipal region understand what CSR is all about and more so seem to literally support the idea of practising responsible business. However, wholesale and retail SMEs in EThekwini Municipal region regrettably distanced themselves from extra-curricular responsibilities, apart from their core business. With respect to the environment, SMEs are aware of the need to take part in protecting and preserving the environment as part of their CSR. However, most of their views point to large corporates as the major culprits. Once they pay tax, SMEs expect the government to take care of the environment.

### **6.3.2 To what extent do wholesale and retail SMEs in EThekwini Municipal region practise CSR?**

Wholesale and retail SMEs in EThekwini Municipal region are not behaving in a socially responsible manner towards their employees. They are attending to part of employee CSR but the negativity on the majority of employee-oriented CSR activities outweigh what they are practising. Furthermore, with respect to environment-oriented CSR, the wholesale and retail SME owner managers do not act socially responsible with the assumption that government, Municipal region and the large companies especially in manufacturing who emit gas into the environment should take care of the environment. With respect to the community, the majority of wholesale and retail SMEs in EThekwini Municipal region indicated that they had nothing to do with the community or rather, they were not prepared to participate in any form in the community as they obey all the relevant laws and pay taxes, which can in turn be used to support the needs of communities. Nonetheless, this is against the philosophical approach of the Stakeholder Theory which actually promotes total consideration of all Stakeholders by the business.

### **6.3.3 What are the barriers undermining the practise of CSR by wholesale and retail SMEs in EThekwini Municipal region?**

In order of importance, the most common and frequent barriers hindering wholesale and retail SMEs from further and consistently engaging in CSR are: Huge costs incurred by the company; lack of time, lack of manpower; and a lack of interest. Wholesale and retail SMEs in EThekwini Municipal region, besides the barriers they come across in practising CSR, see no benefits in engaging in CSR activities. Due to barriers, these SME businesses choose not to consider any of the Stakeholders as spelt out by the Stakeholder theory and stick to the core business.

### **6.3.4 What Assistance is needed by wholesale and retail SMEs to further engage in CSR activities?**

Wholesale and retail SMEs in EThekwini Municipal region are deterred from practising CSR due to the costs incurred in meeting the requirements and expenses of CSR. Therefore, most of these SMEs businesses expect finance-based assistance to further engage in CSR. Some of the wholesale and retail SMEs are not interested in assistance in the form of advice or guidance on CSR as they always perceive a costly outcome. That is the reason why most SMEs generally fail in effectively practising and implementing CSR as a sustainable growth strategy, since the 'know how' is non-critical to them.

### **6.3.5 What are the personal values that influence the way SME owner-managers in EThekwini Municipal region manage their businesses (Q27).**

According to Stakeholder Theory, morals play an important role in the applicability of the philosophical principles. Most wholesale and retail SME managers in EThekwini Municipal region see their businesses driven by morals. However, the SME managers indicate that laws that set right or wrong had a strong influence in how they manage their empires. In this regard a majority of wholesale and retail SME owner-managers were not clear whether their personal values had influence over the way they run their companies. By not considering morals as a major driving force behind their businesses, wholesale and retail SMEs showed that they did not equally consider all Stakeholders in CSR.

### **6.3.6 Perceived degree of importance of owner-manager values in attracting investment opportunities for wholesale and retail SMEs in EThekweni Municipal region?**

SME owner-managers of wholesale and retail SMEs in EThekweni Municipal region believe that there is slim or no chance of investment opportunities coming their way even if their values as owner are highly maintained. The concern was based on the reason that, because of the nature of their industry which naturally operates in a volatile market with unpredictable clientele tastes, profit margins and competition levels, investors fear that their efforts may go down the drain. Therefore, it never mattered whether to uphold personal values or not because to the wholesale and retail SMEs, it brought no revenue other than just principled staff. In simpler terms Stakeholder Theory does not apply to their businesses since the values enshrined in responsible business do not bring any investment to their businesses.

## **6.4 OTHER MAJOR FINDINGS RELATED TO THE SOCIAL RESPONSIBILITY OF WHOLESALE AND RETAIL SMEs IN ETHEKWINI MUNICIPAL REGION**

- An encouraging development was noted on SMEs' commitment to uphold Black Economic Empowerment (BEE), Affirmative Action (AA), and Employment Equity (EE). A significant out 72.6 percent of SME owners agreed. However, according to the revised BEE codes which became law in 2007, businesses with a turnover of less than R5 million a year are exempted from having to draw up a BEE scorecard. In view of the above, further interrogation revealed that there was a negative difference between SME owner-managers from 46 years of age upwards and their willingness to implement changes in line with BEE, AA and EE. Subsequently, in relation to that sudden development, one would find out that the 72.6 percent has undoubtedly decreased since the turnover is now pegged at R5 million per year and most wholesale and retail SMEs in EThekweni Municipal region are way less than that value. In addition to this situation, the results reveal that the majority of respondents in that area were pre-colonial masters, who obviously were benefactors and rather a favoured group during that political era in South Africa. Therefore, the 72.6 percent was a reflection of the attitude of a minority of SME owner-managers, rather than the majority.

- Wholesale and retail SME owner managers that held higher qualifications had knowledge of global warming and sustainable development and were of the view that business operates in an environment and that the environment, if not preserved, will obviously affect sustainable growth of the business. However, there is a concern based on SMEs viewing themselves as relatively too small to negatively affect the environment. Furthermore, some of these SMEs undermine Stakeholder Theory as they concentrate on making a profit and sticking to their day-to-day busy business, neglecting the preservation of the environment.

## 6.5 CONCLUSIONS

The findings of this research study show that wholesale and retail SMEs in EThekweni Municipal region have a positive attitude and are sensitive to CSR. However, a positive attitude without practical results in this research will not hold water given the fact that there is severe unemployment in the South African economy.

Despite their significance and contribution to economic growth, SMEs in South Africa are still faced with numerous challenges that inhibit Entrepreneurial growth. Apart from SME funding and access to finance (which is a major reason for the high growth failure rate), EThekweni Municipal region SMEs fail to adopt, implement and practise sustainable growth strategies like CSR, which is a result of lack of adequate training and education. Consequently, the high rate of wholesale and retail SME business failures result in business closures and generally high unemployment rates in the economy.

Given the above, the findings of the study show that wholesale and retail SMEs in EThekweni Municipal region practise partial CSR with regard to employees and completely do not practise community and environmental oriented CSR. SMEs are sensitive to and have a positive attitude towards the concept but fail to implement it fully in their organisations. These SMEs are selective regarding which CSR activities to practise towards their employees. The main reasons for such an approach are as follows:

- Unlike large corporations, wholesale and retail SMEs are owned privately and therefore experience less pressure from labour regulatory institutes and less risk to brand image or reputation when flouting labour laws and employee well-being.

Very few of these private owners take a strong stance in upholding the needs of employees since the major issue to private owners is to make a profit in all circumstances, despite unfashionable labour exploitative methods. Private owners apply a partial approach to employee oriented CSR where they target revenue generation activities. Any other employee-oriented CSR activity that comes with a cost to their pockets is considered less relevant. The idea with wholesale and retail SMEs is that since they operate in a cash business environment, the strategy is that the lower the use of money in non-revenue generation activities, the higher the revenue for transactions. Hence 95 percent of their employees are on short contracts in order to avoid such cost-intensive employee oriented activities. If every wholesale and retail SME in EThekweni in South Africa considered employees as number one Stakeholders, then the economy will be filled with a skilled, motivated labour force.

With regard to the environment, the findings revealed that the majority of owner managers for wholesale and retail SMEs in EThekweni Municipal region are not interested in the environmental performance of their businesses, ostensibly because they think that the impact of their operations is not significant and that their operations have less or nothing to do with the environment. Wholesale and retail SMEs presume that government, local authorities and large corporations are solely responsible for caring and rehabilitating the environment. SMEs have a strong belief that since they obey all government laws by paying tax, annual licencing fees, healthy certification and rates to the Municipal region, they expect those funds to be used to maintain the environment. A huge environmental burden is set on the shoulders of large corporations whom retail and wholesale SMEs believe the impact of their operations harm, exploit and weigh heavily on the environment and hence must face the financial care and payback to the environment. In addition, society has little or no expectation of wholesale and retail SMEs taking care of the environment. Therefore, there is pressure to practise environmentally-oriented CSR.

Regarding community/society-oriented CSR, wholesale and retail SMEs in EThekweni Municipal region professed negativity towards such activities such as investing and operating in less deprived areas of the community or getting involved with traditionally marginalised groups (i.e. handicapped, unemployed, homeless). Regrettably, SMEs

distanced themselves from extra-curricular responsibilities apart from their core business which goes against the Stakeholder Theory. It is likely that such an attitude is because most SMEs' perception has been built on the belief that they were too small to engage themselves in such responsibilities and point out the fact that such CSR activities are predominantly for Multinational companies (MNCs).

Though it is a common belief that community loyalty to a business plays a big role in the sustainable growth of the SME businesses and that in most cases it is community support that actually props up the business, wholesale and retail SME owner managers focus on profit making activities, neglecting non-revenue generating social responsibility like Stakeholder-related activities. Furthermore, the findings revealed that the majority of wholesale and retail owner-managers indicated that community-oriented CSR responsibilities were actually not applicable to their respective organisations given that their business rely not only on the community they operate in but collectively on the general public. With particular reference to wholesale businesses, owner-managers believe that 90 percent of their business transactions are with fellow businesses and 10 percent is towards the general public. The results also (surprisingly) reveal that there are wholesale and retail SMEs in EThekwinini who do not believe that there is a good reason to join hands in fighting crime. The main reason could be that they have never experienced any crime-related cost or drawback. Therefore, it makes no meaning to support a cause that seem not to have an effect on them.

Nonetheless, unlike their counterparts in Europe, SME owner managers are highly concerned about their businesses' environmental performance. Similar research conducted in Europe revealed that, wholesale and retail SMEs in developed countries such as the United Kingdom uphold the principles of Stakeholder Theory and are more environmentally responsible in the communities in which they operated, than the wholesale and retail SMEs in EThekwinini Municipal region (Mullerat 2013).

Regrettably, the South African government considers the sustainable growth of SMEs as a critically important strategy to alleviate and fight the soaring levels of unemployment by progressively empowering previously disadvantaged citizens of the country simultaneously forgetting to enforce mandatory policies for SMEs to fully commit and engage in CSR. Likewise, since the governing authorities in South Africa at all levels are generally shallow-resourced, incapable and/or inept when it comes to policy



enforcement, SMEs are not a priority even if the impact of their operations is bigger. It is utmost importance to note that besides all the gains that are expected by wholesale and retail SMEs from CSR, if all businesses large or small were socially responsible then the standard of living for all will be high. Proof is, in developed countries such as Australia, Japan, Germany. Their cultures taught them to be responsible organisations no matter the size, industry is highly socially responsible and evidently, unemployment rates are relatively low with crime levels at insignificant levels.

Finally, while the wholesale and retail SMEs in EThekwini Municipal region are a small part of the economy, if they increase their commitment, uphold and apply Stakeholder Theory then they can change the negative approach to CSR by SME businesses in EThekwini Municipal region. The state may not have enough resources to address the ever-changing demands and socio-economic problems (particularly unemployment) but it should be in the interest of every individual and business (large or small) to collaboratively team up with the state in an effort to address the problems. SMEs in general are vital to society, employees, the environment and they need each other for sustenance. Hence, owner-managers for wholesale and retail SMEs in EThekwini Municipal region should acknowledge the fact that sustainable growth and survival of their businesses is based on CSR (i.e. strength, cohesiveness and life of their relationship with the society, employees, environment and any other Stakeholders).

## **6.6 RECOMMENDATIONS**

According to the definition of an SME provided in chapter two, what is naturally driven from the characteristics of an SME business, which include management structures and style, size, resources etc. Given the characteristics, it has proved difficult for SMEs (especially wholesale and retail SMEs) to engage in the type of CSR practised by large corporations by the mere fact that they refer to themselves as small. Furthermore, it is of great importance to note that there is a thin line between the social responsibilities of an SME owner-manager and the business itself and they are inseparable compared to that of large corporations. Hence the approach 'Corporate Social Responsibility'. It is therefore recommended that the approach used to stimulate and encourage wholesale and retail SMEs in EThekwini Municipal region cannot be adopted uniformly and should be distinct from the one used by corporates. Given the above statements, the approaches used by

large corporations are likely to ignite moral and business strife on the part of SMEs to embrace CSR initiatives and policies.

Furthermore, it is recommended that the phrase 'Corporate Social Responsibility' should be rephrased as 'Small Business Responsibility' or generally 'Business Responsibility' as a way of contextualising the whole responsible business idea and to promote and refer to the social responsibility of SMEs. The phrase simply drives SMEs to think that they are excluded from the practise because of their size. The concept 'Corporate Social Responsibility' imposes a mountainous journey on SMEs and is psychologically intimidating to SMEs, hence the resistance to the practise of CSR.

There are innumerable gains that can be realised from practising CSR, as discussed in the previous chapters. However, contrary to the aforementioned, the wholesale and retail SMEs in EThekwini Municipal region are not aware of these potential benefits, thus failing to adopt and utilise the strategy fully. Given this background, it is recommended that business forums, respective ministries and the responsible chamber of commerce in EThekwini Municipal region carry the responsibility of creating awareness and educating SMEs on the benefits realised from being a responsible business. There are a number of platforms and business institutions locally or internationally (e.g. Honolulu Japanese Chamber of Commerce) that advocate and forward CSR ideas local Chambers of Commerce and the responsible government ministry can simply attach themselves to these networks in order to accrue free updated information that will assist in educating the wholesale and retail SMEs in EThekwini on CSR.

Furthermore, it is recommended that the responsible government ministry and local Chamber of Commerce, in their effort to educate SMEs to engage in CSR, must encourage them through expanded CSR awareness campaigns to registering as active members with the local Chambers of Commerce, highlighting the need and benefits of being a member. The geographical spacing of SME businesses in EThekwini Municipal region and the country at large poses numerous challenges to the local chambers in their efforts to educate SMEs on CSR, as most of them are not registered or have since revoked their membership from the chamber, citing that the institution does not assist them with anything.

Recently, South Africa has experienced vertical unemployment levels coupled with higher SME failure rates. SMEs are a large contributor to the reduction of unemployment in the South African economy. However, there are so many reasons that SME businesses fail before they reach half-life. One of the reasons is regarding SMEs failing to attract skilled personnel that can drive such strategies as CSR. Skilled personnel obviously settle for attractive packages offered by large corporations and at the end of the day, SMEs struggle to manage that expert skills gap. Therefore, it is recommended that SMEs invest in higher education through scholarships for particular courses (e.g. strategic management, marketing) that will in future benefit the company given that when the students finish, the company can simply provide employment to these knowledgeable individuals. The SME business will be exposed to a literate community which in turn reduces training costs, increases productivity, reduces wastage and increases profits. It is to the advantage of the SME business in that the company will actually create a skills database that grows year to year. The SME business will also be creating a brand name within the community that it operates in. Consequently, there are chances that the community becomes loyal to the business and create that willingness for every scholarship product to join and progress the business.

In an effort for wholesale and retail SMEs in EThekweni Municipal region in KZN to safeguard the health and welfare of all employees, there is need to tackle the impact of HIV in their organisations and the country as a whole. In South Africa, KZN proved to be the most affected, to such an extent that SMEs also lost innumerable skilled personnel through this pandemic (Fatoki and Garwe 2010). Given the afore-mentioned, SMEs by virtue of their size, and financial capacity cannot cope with the erosive impact of the disease. However large or small wholesale and retail SMEs can play a significant role especially with regard to their workforce. Therefore, it is recommended that wholesale and retail SMEs adopt a cost serving approach to tackling HIV/AIDS by implementing and practising the following:

- Provide state sponsored condoms;
- Encourage employees to go for HIV/AIDS testing;
- Invite nurses from local clinics to provide awareness workshops;
- Provide statistical information to employees on risky sexual behaviour; and
- Provide moral support for infected employees and do away with stigmatisation and discrimination in all spheres of the organisation (Fatoki and Garwe 2010).

Furthermore, it is recommended that wholesale and retail SMEs in EThekweni as a way of promoting the welfare of employees do the following:

- Craft and implement training and development policies;
- Engage in non-discriminatory employment policies;
- Provide subsidised staff meals;
- Support by providing a subsidised gym fund;
- Encourage employees to upgrade their qualifications through in-house training or provide education development employee support funds for external part-time/fulltime studies;
- Adopt and mandate a subsidised medical aid fund as a priority so as to maintain a healthy workforce;
- Empower employees by involving them in critical decision-making, especially in area that concern their existence in the organisation; and
- Facilitate and encourage employees to attend and participate in environmental, HIV/AIDS and business workshops.

According to the definition for sustainable growth in Chapter One, the business must maintain a growth rate without disadvantaging or creating other significant economic problems, especially for future generations. Future generations is when a business considers the effects of its growth on its employees, community and the environment. Therefore, it is highly recommended that wholesale and retail SMEs be involved in all programmes meant to stabilise, maintain and conserve the environment (e.g. the yearly Durban Climate Change Conference). In South Africa, SMEs' environmental impact cannot be ignored since they constitute a significant percentage in the economy. Wholesale and retail SMEs in EThekweni Municipal region have the obligation to support environmental initiatives and improve their environmental performance. Therefore, it is recommended that to achieve sustainable growth, wholesale and retail SMEs in EThekweni Municipal region must balance their growth with environmental obligations. Therefore, it is recommended that South Africa's environmental policy framework should be galvanised / strengthened to enforce SME participation and support by cultivating a positive attitude and behaviour towards environmental issues.

Furthermore, it is recommended that the environmental regulatory authorities improve their monitoring on SMEs and make sure environmental laws are adhered to. The regulatory authorities should create policies that will treat businesses the same, in line with the laws of the country and SMEs must be encouraged to regard themselves as fully fledged businesses required to carry the responsibility according to Stakeholder Theory and to move away from the belief that environmental responsibilities are for large corporations because of the assumed impact of their operations. Not forgetting the challenges that wholesale and retail SMEs in EThekweni Municipal region go through in terms of their balance sheets, it is worth considering the adoption of the following low-cost environmental conservation approaches Park and Ghauri (2015) :

- Send used plastic and waste paper to recycling companies rather than dumping or littering or leaving them to fly in the streets.
- Progressively moving to paperless offices by fully utilising modern technology such as electronic filing.
- Avoiding sending notices or memos to individuals rather use emails or notice boards;
- Use of energy saving lights in their company premises, for example compact fluorescent lamps use less energy as compared to ordinary lights;
- Support street clean up campaigns;
- Donate ageing equipment to communities, clinics or old age's homes;
- Make use of recycled material like printer cartridges, toilet papers, etc.;
- Print back to back for all internal communication purposes; and
- Save energy by switching off all computers, lights, warehouse machinery by the end of the day.

The findings in this study strongly indicated that wholesale and retail SMEs in EThekweni Municipal region neglected community-oriented CSR. Therefore, it is recommended that in an effort to encourage them to practise responsible business within the communities they operate in, some of the following practical approaches regardless of their shallow balance sheets can be taken:

- Develop a policy framework that will accommodate internship programmes in the company as a way of creating employment for the community;
- Assist the less privileged with school fees;

- Support community-based humanitarian programmes to alleviate poverty by providing expertise and donations in the form of ageing but useable machines;
- Give first preference to potential employees from the communities that they operate from;
- Support crime reduction programmes by local authorities, police and the community at large by arranging crime awareness and prevention programmes for employees;
- Create employment by outsourcing labour or expertise and give more business contracts to suppliers and service providers in the community in which they operate;
- Offer business shares to the potential community business person; and
- Offer subsidised or free services or products to disadvantaged individuals, charity homes and the handicapped.

Conclusively, it is relevant and important to note that according to Stakeholder Theory, wholesale and retail SMEs in EThekweni Municipal region cannot 'go it alone' as they need collective support from all Stakeholders, and encouragement so that they can achieve the desired business sustainable growth while at the same time being CSR proactive.

## **6.7 CONTRIBUTION TO NEW KNOWLEDGE**

Provided below is the proposed model based on the Stakeholder Theory for wholesale and retail SMEs in EThekweni Municipal region to practise corporate social responsibility.

The model was developed as a guideline for wholesale and retail SMEs in EThekweni to adopt and implement in their quest to be socially responsible. According to the results of this study, it is clear that over 50 percent of wholesale and retail SMEs are willing to practise CSR if they are provided with support in the form of information on the benefits of practising CSR and guidelines on how to go about CSR. Hence the model, which progressively will be titled *Corporate Social Responsibility: a simplified practical approach*. Experience over the years has taught researchers that human beings normally avoid information, especially on aspects that they have no or less interest in. Therefore, the model, which will be formatted in to a portable handbook, shall be accessed through offices of the Ministry of Small Business Development South Africa and the Durban

Chamber of Commerce. The aim of the word '*simplified*' is to try and induce a positive attitude in the minds of wholesale and retail SME owner managers in EThekweni Municipal region and change the general view of SMEs that CSR is for large corporations and to rather view it as simplified and achievable, unlike before. To avoid reinventing the wheel on a subject that is common in business circles, this study shall adopt a model titled: *Corporate Social Responsibility for SMEs: A Smarter Business Guide*, published and presented by the Ireland Chamber of Commerce ([www.chambers.ie](http://www.chambers.ie)).

**Table 6.1: PROPOSED MODEL TO GUIDE WHOLESALE AND RETAIL SMEs IN ETHEKWINI MUNICIPAL REGION TO INCREASE THEIR PRACTISE IN CORPORATE SOCIAL RESPONSIBILITY**

### HOW TO MAKE THE BUSINESS PRACTICALLY MORE SOCIALLY RESPONSIBLE

First Stage
<p><i>It is possible that your business has a positive perception towards Corporate Social Responsibility but has struggled to put the concept into practise. To assist, the process has been formalised and it is therefore recommended that you and your employees answer the following questions, which will be facilitated through a questionnaire. The process demands that if a respondent provides a negative answer then equally, the respondent is required to provide a suggestion on what he/she believes is a solution. To solicit objectivity and credible answers, the responses from all respondents will be anonymous.</i></p> <ol style="list-style-type: none"> <li><i>1. Do you think we have a strong relationship with our employees and community?</i></li> <li><i>2. In your view are we socially responsible?</i></li> <li><i>3. What are the community's expectations of us?</i></li> <li><i>4. What are the employees' expectations of the business?</i></li> <li><i>5. What is expected of us towards the environment?</i></li> <li><i>6. Do you think we are considerate of the natural environment?</i></li> <li><i>7. Do our operations have any impact on the environment, local community and employees?</i></li> <li><i>8. Do we sell products that are good for people?</i></li> <li><i>9. Are we ethical and fair in our responsibilities towards our employees, society and the environment?</i></li> <li><i>10. Do you think our packaging material is harmful to the natural environment?</i></li> <li><i>11. Do you think we are playing a role in uplifting the living standards of society?</i></li> </ol> <p><i>It is expected that answers may vary and may seem contradictory, with emotions unavoidable.</i></p>
Second Stage
<p><i>All the responses provided above in Stage One should then go through an analysis where the suggestions from the respondents are grouped into short, medium and long-term</i></p>

*implementable sets. However, it is not a hard and fast rule where the business is under pressure to implement or prioritise the suggestions even though the suggestions may be exhibiting some negative effect on the business. Corporate Social Responsibility is a process and therefore cannot be a reaction as it demands intensive planning and resource mobilisation. This booklet provides some practical examples of corporate social responsibility areas of practise. Therefore, it can be aligned to the suggestions that come out of the responses. In an effort to encourage speedy implementation of some of the suggestions, the end of the booklet provides a summary list of benefits that can be realised by being a responsible business, though they vary and can only be realised in line with the type of business. In addition, it is your duty (or CSR department/expert) to align the suggestions and implementation with the benefits, bearing in mind that the business may not instantly realise all of the benefits as some are intangible and hence difficult to measure.*

### **Stage Three**

*Naturally, the vision of most SME businesses is enshrined in the mind of the owner-manager. After accumulating all the information about the benefits of being a responsible business and at the same time aligning them to prioritised area of intended practise, it is recommended that the wholesale and retail owner-managers in EThekweni Municipal region take it upon themselves to champion responsible business practises in their businesses. Note, it is important that the idea, approach, benefits and strategy about responsible business should be made known to all the functional departments in the company. The owner-manager must make it a point that there is buy-in on CSR as a strategy and create a universally accepted positive perception by all employees in the organisation.*

### **Stage Four**

*Besides yourself, you can identify an individual employee /expert/team that will drive all responsible business initiatives in the organisation. The individual employee /expert/team will need to establish a two-way communication channel between the company and all the Stakeholders of the business (e.g. community). Making use of the intranet, website, newsletters, meetings and the media, you / individual employee/expert/team should communicate to internal and external Stakeholders of the business on all the responsible business initiatives, activities and practises underway in the business. It is also recommended that all responsible business should take off after extensive consultation with Stakeholders in order to avoid surprises and on the same note, the two ways communication must be used to gain support and buy-in to the idea.*

### **Stage Five**

*Responsible business is not a once-off activity. Rather it is a process. Therefore, it is advisable that a review of the activities should be carried out after an approximate period of 6 months, depending on the duration of the involvement in that activity. During the review, attention must be given to the benefits accrued. The review should determine and measure all the benefits accrued during each activity. Besides measuring the tangible and intangible benefits, the reason for carrying out such a process is to motivate you/ individual employee/expert/team, employees and the business as a whole on the advantages of adopting responsible business practices and create a positive attitude towards CSR resulting in responsible business practices becoming permanent behaviour in the enterprise.*



**EXAMPLES OF AREAS OF ENGAGEMENT IN RESPONSIBLE BUSINESS  
PRACTICES FOR THE ENTERPRISE**

<b>COMMUNITY</b>	<b>EMPLOYEES</b>	<b>ENVIRONMENT</b>
<ul style="list-style-type: none"> <li>• During recruitment, give priority to disadvantaged communities and consider potential employees from diverse backgrounds.</li> <li>• Consider giving charities, old age homes and orphanages free products or at cost or subsidised.</li> <li>• Support the community you operate in by employing locals and at the same time supporting local suppliers by giving them business</li> <li>• Offer and provide internships to students from colleges and universities in your local community.</li> <li>• Support upcoming entrepreneurs through expertise and business acumen in your organisation.</li> <li>• Support local schools and upcoming business individuals by donating things like second hand machines, equipment, materials and books, etc.</li> <li>• Allow humanitarian community</li> </ul>	<ul style="list-style-type: none"> <li>• Support, improve standard of living and safeguard the health of all employees.</li> <li>• Invest and empower employees by involving them in decision-making, particularly on issues that concerns them.</li> <li>• Offer educational support to your employees.</li> <li>• Promote gender equality in the organisation.</li> <li>• Ensure a balanced work and life for your employees (e.g. rotational shifts that allow leave days for employees).</li> <li>• Provide Health-lifestyle support to employees through subsidised exercise facilities (e.g. gym, sporting clubs).</li> <li>• Provide support, awareness to affected HIV/AIDS employees and counselling to alcoholic employees.</li> <li>• Prioritise and offer Training and development opportunities for all employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Promote and enforce the use of recycled material (e.g. paper, toner cartridges)</li> <li>• Completely switch off all electrical gadgets and appliances when not being used during weekends, public holidays, shutdown and/or after work (e.g. lights, computers).</li> <li>• Make use of energy saving appliances (e.g. energy saving light bulbs).</li> <li>• Avoid paper cheques and make use of Electronic Funds Transfer (EFT) facilities when paying creditors and employee salaries.</li> <li>• Adopt and implement effective management system, like ISO 14001.</li> <li>• Trade in/with environmentally friendly products</li> <li>• Implement environmentally friendly operations processes.</li> <li>• Practise the conservation of natural resources by participating in tree planting, gullies and dongas refilling.</li> </ul>

<p><i>development, volunteering by your employees even during working time. But tie the activity hours to the employee's training and development.</i></p> <ul style="list-style-type: none"> <li><i>• Provide support to the local community when affected by natural disasters like floods, drought, veld fires, etc.</i></li> </ul>	<ul style="list-style-type: none"> <li><i>• Eradicate and avoid any discriminatory tendencies with respect to gender, race, age, ethnicity, disability, sexual orientation or religion in the workplace.</i></li> <li><i>• Practice equitable remuneration to all employees according to position and practise fair financial support for employees (e.g. pension systems, medical aid).</i></li> </ul>	<ul style="list-style-type: none"> <li><i>• Effectively enforce and reduce emissions of hazardous substances into the atmosphere.</i></li> <li><i>• Avoid and reduce pollution and dispose of waste in an environmentally friendly way.</i></li> <li><i>• Print and copy on both sides of paper, at the same time reuse material like envelopes, paper clips, etc.</i></li> </ul>
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## **WHAT ARE THE BENEFITS OF ENGAGING IN RESPONSIBLE BUSINESS PRACTICES FOR YOUR ENTERPRISE?**

*Below is a summary list of some of the benefits that will be realised in practising responsible business:*

- The company will boast of the gained reputation and competitive advantage when tendering for contracts.*
- The company is bound to accumulate significant cost savings because of utilising recycled material; minimising waste and packaging; and the reuse of paper.*
- Through its reliability to the community, the company improves relations and maintains its operating licence from the local community.*
- The company's business improves gradually because of the positive publicity in and around the community.*
- By practising responsible business, the company will realise sustainable growth of the business simultaneously engaging in environmentally-friendly practices your company will be contributing to the sustainable development of the entire economy.*
- Trust between company, management and employees will be improved resulting in loyal, more committed and dedicated employees.*
- As a result of improved employee skills and motivation, the enterprise's productivity will improve resulting in sustainable growth.*

- *As the staff is involved in decision making, the staff will be highly motivated, absenteeism and staff turnover decreases, resulting in lower recruitment and training costs.*
- *The enterprise will easily attract skilled and retain a staff.*
- *Your enterprise will maintain and retain reliable suppliers, business partners, and customers because of its environmentally friendly practices*

## **6.8 DIRECTIONS FOR FUTURE RESEARCH**

As the research title states (Investigation into CSR on Sustainable Growth of wholesale and retail SMEs in EThekweni Municipal region), the study focused on the attitude/perceptions and practises of wholesale and retail SMEs in EThekweni Municipal region with respect to CSR. This researcher was motivated by the fact that KwaZulu-Natal is the researcher's province of residence. At the same time, consideration of the logistical and financial issues come into play. However, future research studies could investigate social responsibility amongst SMEs in other provinces in South Africa with the aim of setting and undertaking a comparative analysis research study. Furthermore, future research can be undertaken where the results of social responsibility of South African SMEs can be compared with other countries, both developed and non-developed. Future research can also be a comparative study between SME businesses from various sectors of the South African economy, establishing the nature and level of differences if any.

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## ANNEXURES

### ANNEXURE A: Ethical clearance



#### MANAGEMENT SCIENCES: FACULTY RESEARCH ETHICS COMMITTEE (FREC)

22 August 2014  
Student No: 21451440  
FREC No: 46/14FREC

Dear Mr B Chazireni

#### DOCTORATE DEGREE IN TECHNOLOGY: BUSINESS ADMINISTRATION

**TITLE: Role of corporate social responsibility on sustainable growth of SMEs in the Wholesale and Retail Trade sector in the eThekweni region.**

Please be advised that the FREC Committee has reviewed your proposal and the following decision was made: Ethical Level 1 -Full Approval

Approval has been granted for a period of one year, after which you are required to apply for safety monitoring and annual recertification. Please use the form located at the Faculty. This form must be submitted to the FREC at least 3 months before the ethics approval for the study expires.

Any adverse events [serious or minor] which occur in connection with this study and/or which may alter its ethical consideration must be reported to the FREC according to the FREC SOP's.  
Please note that ANY amendments in the approved proposal require the approval of the FREC as outlined in the FREC SOP's.

Yours Sincerely,



Prof N Dorasamy  
FREC: Chairperson

## ANNEXURE B: Gatekeepers letter accompanying questionnaires



### CONSENT

#### Statement of Agreement to Participate in the Research Study:

- I hereby confirm that I have been informed by the researcher, **Bobo Chazireni**, about the nature, conduct, benefits and risks of this study - Research Ethics Clearance Number: **46/14FREC**,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

_____	_____	_____	
<b>Full Name of Participant</b>	<b>Date</b>	<b>Time</b>	<b>Signature / Right</b>
<b>Thumbprint</b>			

I Bobo Chazireni (name of researcher) herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

Bobo Chazireni	26/05/2014
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<b>Full Name of Researcher</b>	<b>Date</b>	<b>Signature</b>
_____	_____	_____
<b>Full Name of Witness (If applicable)</b>	<b>Date</b>	<b>Signature</b>
_____	_____	_____
<b>Full Name of Legal Guardian (If applicable)</b>	<b>Date</b>	<b>Signature</b>



**Title:** Corporate Social Responsibility on Sustainable Growth of wholesale and retail SMEs: A case study of EThekweni Municipal region in South Africa

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**This questionnaire is divided into 5 sections:**

1. Section 1 deals with basic personal information about yourself and your company
2. Section 2 deals with the attitude of wholesale and retail SMEs in EThekweni Municipal region towards corporate social responsibility as strategic tool for sustainable growth.
3. Section 3 deals with practise of corporate social responsibility in your organisation
4. Section 4 deals with barriers affecting the successful adoption and implementation of corporate social responsibility (practise).
5. Section 5 deals with your personal values key to the successful running of your business.

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***Please be assured that your responses are confidential and will only be used for research purposes.***

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**Please indicate in your response (in all sections) by marking the appropriate box with a cross “X”**

### **Section 1**

***The following questions relate to your biographic profile and also involve questions to do with relationship between yourself and the business.***

**Q1.** Please indicate the age group to which you belong in?

1.1	25 years and below	
1.2	26 to 35 years	
1.3	36 to 45 years	
1.4	46 to 55 years	
1.5	56 to 65 years	
1.6	66 years and above	

**Q2.** Please indicate your gender

2.1	Male	
2.2	Female	

**Q3.** Please indicate your highest qualification

3.1	Up to standard 10/grade 12	
3.2	Diploma/Degree	
3.4	B-Tech/Honours	
3.5	M-tech/Masters/MBA	
3.6	D-Tech/Doctorate	

**Q4.** Please indicate how long you owned/managed your present business?

4.1	Less than 5 years	
4.2	6 to 10 years	
4.3	11 to 15 years	
4.4	16 to 20 years	
4.5	21 and above	

**Q5.** Please indicate how many people are employed as full-time employees in your organisation?

5.1	Less than 20	1
5.2	21-50	2
5.3	51-100	3
5.4	101-150	4
5.5	151-200	5

## **SECTION TWO:**

*This section carries questions that focus on your attitude/perception towards corporate social responsibility (CSR) with respect to Stakeholders primarily the community, employees and the natural environment.*

**Q6.** Please indicate how important owners/shareholders are in your business?

6.1	Least important	
6.2	Moderately important	
6.3	Important	
6.4	Highly important	
6.5	Extremely important	

**Q7.** Please indicate how important community/society is in your business?

7.1	Least important	
7.2	Moderately important	
7.3	Important	
7.4	Highly important	
7.5	Extremely important	

**Q8.** Please indicate how important are customers in your business?

8.1	Least important	
8.2	Moderately important	
8.3	Important	
8.4	Highly important	
8.5	Extremely important	

**Q9.** Please indicate how important are employees in your business?

9.1	Least important	
9.2	Moderately important	
9.3	Important	
9.4	Highly important	
9.5	Extremely important	

**Q10.** Please indicate how important the natural environment is in your business?

10.1	Least important	
10.2	Moderately important	
10.3	Important	
10.4	Highly important	
10.5	Extremely important	

**Q11.** If you are to compare the importance of the following Stakeholders in your business by ranking them from 1 to 5, (with 1 being the least important, 2 moderately important, 3 important, 4 highly important and 5 being extremely important) which one is most important in your business?

11.1	Employees	
11.2	Customers	
11.3	Community/society	
11.4	Environment	
11.5	Owners/shareholders	

**Q12.** How much do you agree or disagree on the importance of goodwill, company image and public relations to the growth of the business?

12.1	Strongly disagree	
12.2	Disagree	
12.3	Neutral	
12.4	Agree	
12.5	Strongly agree	

**Q13.** Rank, from 1 to 5, (with 1 being strongly disagree and 5 strongly agree), whether your business is obliged to social and environmental responsibilities?

13.1	Strongly disagree	
13.2	Disagree	
13.3	Neutral	
13.4	Agree	
13.5	Strongly agree	

**Q14.** In your view, ranking from 1 to 5, (with 1 being strongly disagree and 5 strongly agree), whether there is a relationship between environment, social responsibility and growth of the business?

14.1	Strongly disagree	
14.2	disagree	
14.3	neutral	
14.4	agree	
14.5	Strongly agree	

**Q15.** In your view, ranking from 1 to 5, (with 1 being strongly disagree and 5 strongly agree), whether there is a relationship between business growth and responsible business practises?

15.1	Strongly disagree	
15.2	disagree	



15.3	neutral	
15.4	agree	
15.5	Strongly agree	

**Q16.** In your view, rating from 1 to 5, (with 1 being Don't know, 2 Not at all, 3 Little, 4 Fair, 5 A great deal), at what level could your business be following responsible business practises?

16.1	Don't know	
16.2	Not at all	
16.3	Little	
16.4	fair	
16.5	A great deal	

**Q17.** In your view, on which of the areas of society, employees and environment oriented CSR is your business involved/taking part in?

	Item	Yes	No	Don't know
17.1	Reducing operations' impact on the environment	1	2	3
17.2	Reduction of waste while improving recycling	1	2	3
17.3	Employees having access to Training and development	1	2	3
17.4	Improving Health life among employees	1	2	3
17.5	Taking care of staff welfare	1	2	3
17.6	Employment equity, Affirmative action, Black economic empowerment	1	2	3
17.7	Involvement in the local community standard of living	1	2	3
17.8	Involvement with the Non-profit organisations for the community	1	2	3
17.9	Involvement in educational institutions (schools etc.) in the community	1	2	3
17.10	Operating in deprived parts of the community	1	2	3
17.11	Involvement with the less privileged and traditionally excluded groups (orphans, unemployed, handicapped, homeless etc.)	1	2	3
17.12	Considering mutual benefit between business and society	1	2	3

### SECTION THREE

*The following questions discuss the extent to which your organisation practises responsible business.*

**Q18.** With respect to your employees, please indicate by means of (X) which of the following is offered by your organisation?

18.1	Free meals for staff	
18.2	Counselling of staff on HIV/AIDs, toxic substances, alcoholism and drug abuse	
18.3	Free transport for staff	
18.4	Free uniform for staff	
18.5	Paid courses for Training & development	
18.6	Company contributed medical aid	
18.7	Fees for Staff dependants	
18.8	Company contributed pension fund	
18.9	Staff study fees	
18.10	Interest free loans	
18.11	Reward schemes	
18.12	Other benefits offered but not specified above: (please specify below)	

**OTHER SPECIFY:**

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**Q19.** With respect to the environment, please indicate by means of (X) which of the following applies to your organisation?

		Yes	No	N/A
19.1	Does the company have measures in place to reduce pollution from company operations	1	2	3
19.2	Does the company comply with environmental laws	1	2	3

19.3	Are there measures put in place by the company for compliance with national and international environmental standards	1	2	3
19.4	Does the company utilise recycled material	1	2	3
19.5	Does the company practise waste management by disposing waste under environmental friendly methods	1	2	3
19.6	Other practises not listed ( <b>specify below</b> )	1	2	3

**OTHER SPECIFY:**

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**Q20.** With respect to the community, please indicate by means of (X) which of the following applies to your organisation?

20.1	We are involved in improving standard of life of the community such as healthy standards.	
20.2	We are involved in sponsoring culture and sporting activities in the communities.	
20.3	We support the community by providing financial support to educational institutions.	
20.4	We are involved with charity organisations by providing financial support or goods	
20.5	We don't involve ourselves with communities since we comply with all government laws and pay taxes	
20.6	Our organisation is involved in crime-fighting programmes in the community	
20.7	All of the above is not applicable to our organisation	
20.8	Other than listed above ( <b>please specify below</b> )	

**OTHER**

**SPECIFY:** \_\_\_\_\_

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**Q21.** Corporate Social Responsibility (CSR) is referenced in different phrases by different people to collectively describe the activities (relating to employees, the environment and the community/society) mentioned in the questions above. In your opinion what phrase would you use to best describe this?

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**Q22.** Please indicate by means of (X) what motivates your organisation's involvement in the areas outlined by you in Q18 - Q20 above?

22.1	CSR activities have a positive effect on the general profit of the business	
22.2	Increase and maintain brand and customer loyalty	
22.3	Certification of the company with ISO standards	
22.4	Improve the living standards of everyone building a better future for the society.	
22.5	Increase employees' self-esteem and maintain high employee satisfaction levels.	
22.6	Improves the relationship between business and the community in which it operates in.	
22.7	Is actually worthy for company image and improves brand loyalty	
22.8	To meet the demands of business supply chain partners and foreign clients.	
22.9	Other factors not listed above <b>(please specify)</b>	

**OTHER SPECIFY:**

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**Q23.** In terms of the level of engagement between your business and its Stakeholders (employees, the environment, and/or the community as reflected by your responses to Q18-Q20), please indicate by means of (X) which of the following Stakeholders does your business communicate responsible business involvement?

23.1	Government (local, national)	
23.2	Employees	
23.3	Supply chain partners (suppliers etc.)	
23.4	Customers	
23.5	Community in which they operate in	

23.6	Media (TV, press) local, regional, international	
23.7	There is no need to inform them about our CSR engagements	

## SECTION FOUR

*The following questions requires you to focus your responses on the barriers your organisation face in trying to practise corporate social responsibility.*

**Q24.** In the areas that you previously listed in Q17 above, in your view, please indicate by means of (X) what are the barriers prohibiting your organisation from practising responsible business in the areas you listed as important for wholesale and retail SMEs to be involved in?

24.1	Lack of time	
24.2	Huge cost to be incurred by the company	
24.3	Lack of interest	
24.4	Lack of manpower	
24.5	There are no benefits from CSR activities	
24.6	Other barriers not listed above <b>(please specify below)</b>	

### OTHER SPECIFY:

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**Q25.** In your opinion, which of the following do you think would be most useful in assisting wholesale and retail SMEs to further engage in corporate social responsibility in the areas indicated in Q17?

25.1	Advice on benefits from involvement in specific areas	
25.2	Advice on specific areas in which wholesale and retail SMEs can participate	
25.3	Advice on how to get involved	
25.4	Not sure	
25.5	Other tools not listed above <b>(please specify below)</b>	

**OTHER SPECIFY:**

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Q26. If you take an analysis of your business, besides failure to practise responsible business, please indicate by means of (X), which of the following factors likely threatens the growth of your business?

	High level of HIV/AIDS infection on employees	
	High crime rate & corruption	
	High levels of Competition ( from large corporations & small entrepreneurs in the same industry and substitute products from foreign owned Chinese low price charging companies)	
	Accessibility to financial support (High interest rates for loans from banks etc.)	
	Shortage of skilled labour	
	Increased shortage and rising prices of energy	
	Increased shortage of raw materials	
	Other factors not listed above but threatens the growth of your business <b>(please specify below)</b>	

**OTHER SPECIFY:**

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**SECTION FIVE**

*The following questions focus on your personal values that influence the way you run your business*

**Q27.**In your opinion, how important is each of the following in influencing the way you run your business?

		<b>Not Important</b>	<b>Important</b>	<b>Very Important</b>
27.1	Religious beliefs	1	2	3
27.2	The outcome / consequences of my actions on my business	1	2	3
27.3	My personal beliefs	1	2	3
27.4	The law of right and wrong	1	2	3

**Q28.** Taking a look at your current business, how would you rate the success of your business?

1	2	3	4	5
Very unsuccessful	Unsuccessful	Neither successful nor unsuccessful	Successful	Very successful

**Q29.** In your opinion, how would you rate the importance your personal values in creating and or attracting investment opportunities for your organisation?

1	2	3	4	5
Least important	Moderately important	important unsuccessful	Highly important	Extremely important

***Thank you very much for sacrificing your valuable time to complete this questionnaire. It is greatly appreciated.***

***PLEASE DETACH THE COVERING LETTER AND MAIL YOUR COMPLETED QUESTIONNAIRE IN THE ENCLOSED REPLY- PAID ENVELOPE***

## ANNEXURE D: INTERVIEW SCHEDULE



### INTERVIEW SCHEDULE

**Title:** Corporate Social Responsibility on Sustainable Growth of wholesale and Retail SMEs: A Case study of EThekweni Municipal region in South Africa.

#### A. PRE-INTERVIEW ACTIVITIES

**Participant consent:** The researcher introduces himself and explains the purpose of both the study and interview. The participant is informed of her/his rights to withdraw from the study at any point due to any reason he/she seems deem fit. There are no consequences for withdrawing from the interview.

**Setting the Voice Recorder:** The researcher informs the participant that the interview will be recorded. The interviewer requests the consent of the interviewee to be recorded and promise to make him/her the recorded interview. During the setting of the recorder, the researcher discusses general issues with the participant in order to make him/her feel comfortable.

#### B. INTERVIEW

**Questions:** These are guiding questions; however, the researcher will probe further for deeper explanations.



**Q1.** Can you explain how the wholesale and retail SME business relate to the natural environment given the fact that most of these business are situated in the CBD and do not emit toxic substances in the atmosphere.

**Q2.** Can you explain the extent to which your business has practically involved itself in the affairs of its employees?

**Q3.** How does your business react to the needs of natural since its part and parcel of the business's corporate social responsibility?

**Q4.** Since your business operates in a community which has vast and various needs, to what extent and what areas do your business serves the community as part of corporate social responsibility.

**Q5.** What type of motivation do you think can drive you and your business to further participate in corporate social responsibility?

**Q6.** As a business you have a number of Stakeholders, how efficient and frequently you communicate your corporate social responsibility activities to these various Stakeholders?

**Q7.** Can you explain the barriers to your business participating corporate social responsibility activities?

**Q8.** Can you explain the type of assistance that you may require to fully engage in corporate social responsibility activities?

**Q9.** How far do you think your personal values influence the way you run your business?

**Q10.** Can you explain to what extent your personal values play a role in attracting investment opportunities to your business?

### **C. POST-INTERVIEW ACTIVITIES**

**Playing the recorded Interview:** Interview recorded will be played while both researcher and participant listening. The researcher will ask for the interviewee's consent to use the data he/she provided in the interview.

**Conclusion:** The researcher will summarise what the participant has said. The interviewee will be thanked and promised to be given the findings of the study if she/he so wish.