

**DURBAN UNIVERSITY OF TECHNOLOGY**

**EVALUATING THE INFLUENCE OF SOCIAL  
RESPONSIBILITY PRACTICES ON THE PERFORMANCE  
OF SMALL AND MEDIUM AUTOMOTIVE  
MANUFACTURERS IN THE ETHEKWINI METROPOLITAN  
MUNICIPALITY**

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**MARCH 2023**



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THE PERFORMANCE OF SMALL AND MEDIUM AUTOMOTIVE  
MANUFACTURERS IN THE ETHEKWINI METROPOLITAN MUNICIPALITY**

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degree of Master of Management Sciences  
Specialising in  
Business Administration  
in the  
Faculty of Management Sciences  
at the Durban University of Technology

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**MARCH 2023**

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## ABSTRACT

Small and medium enterprises (SMEs) are an important business sector in South Africa, while also contributing to new job opportunities and development all over the world. It is assumed the implementation of a strategic philosophy such as Corporate Social Responsibility (CSR) can enhance performance of SMEs, as it involves organisations acting responsibly and ethically towards society, the environment and other stakeholders to maximise positive impact, not merely increase profit.

CSR has received much attention in the business world, nevertheless, several SMEs in the manufacturing sector do not recognise how their practice closely affects employees, society, and the environment. Studies show manufacturers deposit their waste into some of the country's main rivers, which affects individuals in the surroundings, demonstrating the lack of business manufacturers involvement in CSR practices. Hence, the purpose of this study is to evaluate the extent to which CSR practices influence SME performance in the automotive manufacturing sector of the eThekweni Metropolitan Municipality. The study objective is thus to evaluate the influence of environmental CSR practices, ethical CSR labour practices, and the public good of CSR, on SME performance. Being quantitative in nature, structured questionnaires were employed to gather data from the targeted population of 120 SME owners in the automotive manufacturing sector, with the sampling size of 110 SME owners and 10 SME owners for pilot study.

The study reveals the demographic variables that have a relationship with CSR practices, as well as variables that do not. This includes environmental, ethical labour and public good CSR practices and their relationship with demographic variables. Ethical CSR labour practices showed no relationship with any demographic variable when using ANOVA technique. All statistical results are achieved with Statistical Package for Social Sciences (SPSS) techniques, including descriptive statistics, chi-square, Pearson correlation co-efficient and ANOVA techniques. The study is limited to automotive manufacturing SMEs and CSR practices.

**Key words:** corporate social responsibility, small and medium enterprises, business performance.

## DECLARATION

I, the undersigned, Miss N.B Mvakwendlu hereby declare the dissertation is my own original work and it has not been submitted, and will not be presented at any other University for a similar or any other degree award. Where other authors' work has been used, this is indicated with full acknowledgement.

Signature

Date 9 March 2023

Miss N.B Mvakwendlu

## DEDICATION

This dissertation is dedicated to my mother. Thank you MaZengele for your love and prayers in this journey. I will always remember how you fought for me to be in this position, how much you have sacrificed for me to obtain this degree. You are the reminder of God's love in my life. To my late father, Mzimasi Tyelinzima Mvakwendlu, you always reminded me that ndiyi Nkosazana yase MaZizini and iinkosazana carry their clan with pride. I am trying everyday tata and I feel your spirit trying with me. Thank you for looking over me.

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## TABLE OF CONTENTS

ABSTRACT .....	iii
DECLARATION .....	iv
DEDICATION .....	v
ACKNOWLEDGEMENTS.....	vi
TABLE OF CONTENTS.....	viii
LIST OF TABLES .....	xvi
LIST OF FIGURES .....	xviii
LIST OF ACCRONYMS.....	xix
CHAPTER 1 .....	1
INTRODUCTION AND BACKGROUND OF THE STUDY .....	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND OF THE RESEARCH .....	2
1.3 PROBLEM STATEMENT .....	4
1.4 PURPOSE OF THE STUDY .....	5
1.4.1 Research objectives .....	5
1.5 RESEARCH METHODOLOGY .....	6
1.6 TARGET POPULATION AND SAMPLING .....	6
1.7 PILOT STUDY.....	7
1.8 DATA COLLECTION AND ANALYSIS.....	7
1.9 VALIDITY AND RELIABILITY .....	8
1.10 STUDY SIGNIFICANCE .....	9
1.11 STUDY LIMITATIONS .....	10
1.12 DIVISION OF CHAPTERS.....	10



1.13	CONCLUSION .....	10
CHAPTER 2 .....		12
LITERATURE REVIEW .....		12
2.1	INTRODUCTION.....	12
2.2	AN OVERVIEW OF CSR .....	13
2.2.1	Economic responsibilities .....	14
2.2.2	Legal responsibility.....	15
2.2.3	Ethical responsibilities .....	15
2.2.4	Philanthropic responsibilities .....	16
2.3	BACKGROUND OF CSR PRACTICES IMPACT ON SME PERFORMANCE .....	17
2.4	SME ATTITUDE TOWARDS IMPLEMENTING CSR.....	19
2.5	CONTRIBUTION OF ENVIRONMENTAL CSR PRACTICES ON SME PERFORMANCE .....	21
2.5.1	Tangible variables (Financial performance): .....	22
2.5.2	Intangibles variables .....	26
2.6	SME CHALLENGES IN IMPLEMENTING ENVIRONMENTAL CSR PRACTICES.....	28
2.6.1	Management barriers .....	30
2.6.2	Awareness .....	30
2.6.3	Regulations .....	32
2.7	BUSINESS CONTRIBUTIONS TO ENVIRONMENTAL ISSUES.....	33
2.8	ENVIRONMENTAL TECHNIQUES OF CSR THAT INFLUENCE SME PERFORMANCE .....	35
2.9	CSR ETHICAL WORKFORCE ORIENTATED PRACTICES AND SME PERFORMANCE .....	39
2.10	CSR WORKFORCE PRACTICES AND SMEs .....	42

2.11	INFLUENCE OF ETHICAL CSR WORKFORCE PRACTICES ON SME PERFORMANCE .....	44
2.12	SOCIETY DIMENSION CSR PRACTICES AND SME PERFORMANCE .....	49
2.13	APPROACHES TO SUCCESSFULLY IMPLEMENT CSR PRACTICES TO IMPROVE PERFORMANCE .....	51
2.13.1	The Shareholders approach.....	51
2.13.2	The Stakeholders approach .....	53
2.14	EFFECTS OF IMPROPER IMPLEMENTATION OF SOCIETY DIMENSION PRACTICES OF CSR ON SME PERFORMANCE .....	56
2.15	CSR OUTCOMES ON SMEs.....	57
2.15.1	Positive outcomes of CSR in SMEs .....	59
2.15.2	Negative CSR outcome in SMEs .....	60
2.16	CONCLUSION .....	61
CHAPTER 3 .....		63
RESEARCH METHODOLOGY .....		63
3.1	INTRODUCTION.....	63
3.2	OVERVIEW OF THE METHODOLOGY .....	63
3.3	RESEARCH SITE .....	65
3.4	TARGET POPULATION .....	67
3.5	SAMPLING FRAME .....	67
3.6	DATA COLLECTION.....	70
3.6.1	Data collection instrument.....	72
3.6.2	Drafting of the questionnaire .....	73
3.6.3	Pilot study.....	73
3.7	DATA ANALYSIS .....	74
3.7.1	Techniques used to analyse data.....	75
3.8	STEPS TAKEN TO AVOID BIAS .....	77

3.9 CONCLUSION .....	80
CHAPTER 4 .....	82
DATA ANALYSIS .....	82
4.1 INTRODUCTION.....	82
4.1.1 Reliability .....	83
4.2 PROFILE OF PARTICIPANTS.....	83
4.2.1 Gender .....	84
4.2.2 Age.....	85
4.2.3 Number of years in the business sector .....	85
4.2.4 Qualification .....	85
4.2.5 Location.....	85
4.2.6 Number of employees in the business .....	85
4.2.7 Business registration.....	86
4.3 DESCRIPTIVE ANALYSIS.....	86
4.3.1 Waste practices need employee commitment for a business to experience favourable business performance .....	87
4.3.2 Waste disposal in the natural environment affects the performance of the business .....	88
4.3.3 Businesses that do not pollute are likely to perform equally with those that pollute the environment .....	88
4.3.4 Waste practices are a financial cost that hinder business performance...	88
4.3.5 Implementation of waste practices are likely to grow a business even bigger .....	89
4.3.6 The way a business treats its employees affects business performance .	90
4.3.7 Working conditions of employees affect their productivity .....	90
4.3.8 Business awareness on ethical practices influences business performance .....	91

4.3.9 Businesses with ethical managers likely to grow their business even bigger .....	91
4.3.10 Ethical labour practices are likely to improve efficiency of employees ...	91
4.3.11 Businesses whose labour practices are fair, attract skilled employees that may improve business performance.....	92
4.3.12 The first customers to initiate support in the business is the community where a business operates.....	93
4.3.13 Businesses giving back to the community are likely to improve performance .....	94
4.3.14 Businesses that provide false information about their product are likely to gain customers more than those who provide accurate information.....	94
4.3.15 Government is the only institution responsible to deal with environmental issues caused by businesses .....	95
4.3.16 Sponsoring a community is likely to reduce business profit .....	95
4.3.17 Allowing employees to volunteer in community services enhances customer loyalty .....	95
4.3.18 General CSR practices by SMEs in the automotive sector .....	96
4.3.19 A business has environmental practices .....	97
4.3.20 A business provides a safe working environment for every employee ...	97
4.3.21 CSR practices are necessary for SMEs .....	98
4.3.22 A business fairly and equally treats employees if it wants to improve business performance .....	98
4.4 INFERENTIAL STATISTICS: CHI-SQUARE .....	98
4.4.1 Waste practices need employee commitment for a business to experience favourable business performance and location .....	100
4.4.2 Waste practices need employee commitment for a business to experience favourable business performance and business registration.....	100

4.4.3 Waste disposal in a natural environment affects the performance of the business and location .....	101
4.4.4 Environmental CSR practices and gender .....	101
4.4.5 Businesses that pollute the environment are likely to perform equally with those that do not and qualification .....	101
4.4.6 Environmental CSR practices and age .....	102
4.4.7 Implementation of waste practices likely to grow a business even bigger and qualification .....	102
4.4.8 Environmental CSR practices and number of years in a business .....	102
4.4.9 The way a business treats its employees affects business performance and age .....	103
4.4.10 Ethical labour practices are likely to improve efficiency of employees and business registration .....	104
4.4.11 Ethical CSR labour practices of and location .....	104
4.4.12 Ethical CSR labour practices and number of years in a business .....	104
4.4.13 Businesses whose labour practices are fair attract skilled employees that may improve business performance and gender .....	104
4.4.14 Ethical labour practices of CSR and qualification .....	105
4.4.15 Ethical labour practices of CSR and number of employees .....	105
4.4.16 First customers to initiate support in the business is a community where a business is located and location .....	107
4.4.17 Businesses giving back to the community likely to improve performance and location .....	107
4.4.18 Businesses that provide false information about their product are likely to gain more customers than those who provide accurate information and age .....	107
4.4.19 Sponsoring a community is likely to reduce profit of the business and gender .....	108

4.4.20	Allowing employees to volunteer in community services enhances customer loyalty and gender .....	108
4.4.21	CSR Public good and number of employees.....	108
4.4.22	CSR Public good practices and business registration .....	109
4.4.23	Customers expect businesses to be responsible citizens and age .....	110
4.4.24	Community view on influence of business image how the business performs and gender, location and business registration .....	110
4.4.25	Competitive SMEs are implementing CSR practices and location .....	110
4.4.26	CSR practices attract loyal customers and gender .....	111
4.4.27	Basic CSR practices and gender .....	112
4.4.28	Basic CSR practices and age.....	112
4.4.29	Basic CSR practices and number of years in a business .....	112
4.4.30	Basic CSR practices and qualification.....	112
4.4.31	Basic CSR practices and location .....	113
4.4.32	Basic CSR practices and number of employees in a business .....	113
4.4.33	A business provides a safe working environment for every employee and business registration .....	113
4.5	INFERENTIAL STATISTICS: PEARSON'S CORRELATION STATISTIC (INVESTIGATING STRENGTHS OF SIGNIFICANT ASSOCIATIONS)....	113
4.5.1	Environmental CSR Practices .....	115
4.5.2	Ethical CSR Labour Practices .....	118
4.5.3	CSR Public Good .....	120
4.5.4	General CSR Practices .....	124
4.5.5	Basic CSR Practices .....	127
4.6	INFERENTIAL STATISTICS: ANOVA.....	128
4.6.1	Environmental CSR Practices impact on SMEs .....	129
4.6.2	Ethical CSR Labour Practices impact on SMEs .....	130

4.6.3 Public Good CSR Practices of SMEs.....	130
4.6.4 General CSR Practices and SMEs.....	133
4.7 CONCLUSION .....	133
CHAPTER 5 .....	135
CONCLUSION AND RECOMMENDATIONS .....	135
5.1 INTRODUCTION.....	135
5.2 THEORETICAL PERSPECTIVE OF THE STUDY .....	135
5.3 EMPIRICAL STUDY.....	136
5.4 ACHIEVEMENT OF RESEARCH OBJECTIVES.....	137
5.4.1 To establish the extent of environmental practices as a construct of CSR that influences SME performance .....	137
5.4.2 Ethical labour practices as a construct of CSR that influence SME performance .....	138
5.4.3 Contribution of CSR practices for public good used by SMEs for performance .....	138
5.5 LIMITATIONS OF THE STUDY .....	139
5.6 RECOMMENDATIONS FOR FUTURE STUDY .....	140
5.7 CONCLUSION .....	141
LIST OF REFERENCES.....	142
APPENDICES .....	166
APPENDIX A: Respondent Agreement .....	166
APPENDIX B: Research Questionnaire.....	167
APPENDIX C: Turnitin Report .....	172
APPENDIX D: Editor's Letter.....	194
APPENDIX E: Ethical clearance letter .....	196

## LIST OF TABLES

Table 1.1: Classification of SMEs in South Africa .....	2
Table 3.1: Environmental CSR practices and 3Ps .....	35
Table 4.1: Response rate .....	81
Table 4.2: Cronbach's Alpha .....	82
Table 4.3: Demographics of the participants .....	82
Table 4.4: Environmental CSR practices.....	85
Table 4.5: Ethical CSR labour practices.....	88
Table 4.6: Public good CSR practices.....	91
Table 4.7: General CSR practices by SMEs in the automotive sector .....	95
Table 4.8: Basic CSR practices by SMEs in the automotive sector .....	96
Table 4.9: Significance between demographics and environmental CSR practices.....	98
Table 4.10: Significance between demographics and ethical CSR labour practices.....	102
Table 4.11: Significance between demographics and public good CSR .....	106
Table 4.12: Significance between demographics and general CSR practices .....	108
Table 4.13: Significance between demographics and basic CSR practices .....	110
Table 4.14: Direction and strength between demographics and environmental CSR practices .....	114
Table 4.15: Direction and strength between demographics and ethical CSR labour practices.....	117
Table 4.16: Direction and strength between demographics and public good CSR practices .....	119
Table 4.17: Direction and strength between demographics and General CSR practices .....	123
Table 4.18: Testing the direction and strength between demographics and basic CSR practices .....	126
Table 4.19: ANOVA results from Environmental practices of CSR and significant	



demographic variables .....	128
Table 4.20: Ethical labour practices of CSR and significant demographic variables .....	128
Table 4.21: Public good practices of CSR and the significant demographic variables .....	131
Table 4.22: General CSR practices of SMEs in the automotive sector and the significant variables .....	132

## LIST OF FIGURES

Figure 2.1: Carrol's CSR Pyramid .....	14
Figure 2.2: Stakeholders approach diagram .....	54
Figure 2.3: The inter-relationship between stakeholders' approach and CSR.....	55
Figure 3.1: Map of eThekwin Metropolitan Municipality .....	66
Figure 3.2: Sampling method .....	68
Figure 3.3: Types of Sampling .....	69

## LIST OF ACCRONYMS

ANOVA	:	Analysis of Variances
CBD	:	Central Business District
CSR	:	Corporate Social Responsibility
GDP	:	Gross Domestic Product
HR	:	Human Resources
HRM	:	Human Resource Management
KZN	:	Kwa-Zulu Natal
SA	:	South Africa
SMEs	:	Small and Medium Enterprises
SPSS	:	Statistical Package for Social Sciences
UK	:	United Kingdom
US	:	United States
USA	:	United States of America

# **CHAPTER 1**

## **INTRODUCTION AND BACKGROUND OF THE STUDY**

### **1.1 INTRODUCTION**

This chapter serves as introduction to the entire study, outlining the importance of corporate social responsibility (CSR) on businesses, specifically small and medium enterprises (SMEs) in the eThekweni Metropolitan Municipality automotive manufacturing sector.

The study interest is the influence of CSR on the performance of automotive manufacturing SMEs, where SME performance is a dependent variable and CSR is an independent variable. CSR is largely defined as the general contribution of a business to sustainable development and should, as a result, be equally valid for large businesses and SMEs (Xinwa 2018: 17). However, when CSR is discussed in policy circles, by scholars, the public, and communities at large, the focus tends to be on large corporate businesses, with SMEs often ignored (Makhanya 2019: 6). Thus, the study examines the influence of CSR on eThekweni Metropolitan Municipality automotive manufacturing SMEs.

According to the Small Business Act (Act No 102 of 1996) of SA, small businesses are those enterprises employing more than 20 but no more than 50 people or with a total annual turnover of less than R50 million. Medium enterprises are classified as ventures employing between 50 to 200 people, or those with a total annual turnover of less than R100 million (Statistics South Africa 2020:4). "The manufacturing sector involves formations and engagement in the mechanical, physical, or chemical transformation of materials, substances, or components into new products" (William 2018: 6). This includes the systems combined in assembly of manufactured product component parts (Levinson 2017: 1). Usually, manufacturing businesses are referred to as plants, factories, or firms. This definition is, however, narrowed down to understanding the usefulness of how manufacturing owners and employees create economic value in the country. Levinson (2017: 3) adds that the economic value of a manufactured good, and the employment related to the production of that good, may

result from a wide variety of specific activities, in addition to physical transformation. Therefore, automotive manufacturing SMEs are defined as those businesses that produce or form vehicle parts that employ 20-200 people (William 2018: 4).

## 1.2 BACKGROUND OF THE RESEARCH

“The definition of SMEs differs and is dependent on countries, regions, and the economic sector” (Makhaye 2017: 13). Dlamini (2017: 16) acknowledged that wealthy and developing countries have a different definition of SMEs. The definition is the main concern in the research because numerous authors and researchers have given diverse definitions. Some authors consider the turnover level, the number of employees and size, as well as the GDP contribution among businesses (Mohoma 2018: 14). Nevertheless, in SA, SMEs are those enterprises employing more than 20 to 200 people or turnover of not more than 100 million, as tabled below.

**Table 1.1: Classification of SMEs in South Africa**

TYPE OF ENTERPRISE	NO. OF EMPLOYEES	ANNUAL TURNOVER (ZAR)	GROSS ASSETS (excl. fixed assets)
<b>Medium Enterprise</b>	Fewer than 100 to 200	Less than R4m to R50m	Less R2m to R18m
<b>Small Enterprise</b>	Fewer than 50	Less than R2m to R25m	Less than R2m to R4.5m
<b>Very Small Enterprise</b>	Fewer than 10 to 20	Less than R200 000 to R500 000	Less than R150 000 to R500 000
<b>Micro Enterprise</b>	Fewer than 5	Less than R150 000	Less than R100 000

Source: Statistics South Africa (2020)

Table 1.1 shows the classification of SMEs in SA, based on the number of employees in a business, total turnover and gross assets.

According to Chiloane-Tsoka *et al.* (2014: 276), CSR implementation has contributed to growth maximising profit for SMEs in the country. SMEs are important catalyst of economic development and contribute significantly to the opportunities of employment, due to practices such as CSR. In SA, 20 percent of the country’s annual economic growth rate is contributed by two million of the country’s SMEs percent (Bhasin 2021: 3). In addition, SMEs supply goods and services to consumers and provide proper employment (Sammut-Bonnici 2015: 34). “Evidence is observed in the

rapid transformation of high-performing Asian countries such as Taiwan, Malaysia, India, Hong Kong and Indonesia, where SMEs are the main catalysts in economic development (Xinwa 2018: 44). Whereas in SA, SMEs contribute with the highest employment rate due to CSR practices that assist some South African legislative acts by government, such as equity legislation, from a formal economy perspective (Bhasin 2021: 5).

This makes CSR an important tool for the South African economy and SME performance, because for a business to improve performance and grow, they need to implement CSR practices, which include environmental, ethical labour, and public good practices of CSR (Fue 2020: 40). According to Latter (2017: 2), workers in the 21<sup>st</sup> century want to feel proud of the business they work for, work in an ethical and safe workplace, and want to contribute with innovative ideas, as opposed to merely balancing the business spread sheets (Middleton 2022: 3). Due to CSR, a number of businesses had achieved these, thus enhancing performance and profits (Wood 2016: 43). Moreover, SMEs with strong CSR practices improve performance and boost retention and recruitment rates. Latter (2017: 3) claimed that a strong CSR initiative is a key component to improve businesses reputation and help position a business as an ethical and responsible alternative to its competitors, thus maintaining the competitive advantage, which serves to create and sustain trust between business and stakeholders (Latter 2017: 4). In turn, this attracts new business ventures, partnerships, and investors, reinforcing existing relationships, and increasing market share, hence, sustaining long-term business performance (Xinwa 2018: 65).

SMEs contribute significantly to the South African economy (Ncube 2016: 7), with the sector enabling business development opportunities that create jobs for people and reduce poverty all over the world. Liedtke (2019: 4) asserts the SME sector provides 47 percent of the South African workforce, and 25 percent of the country's GDP. Although SMEs are important to the economy, they have shown a seven percent decrease in growth in the period between 2015 and 2019, which is of major concern (Dludla 2019: 4). Among the reasons for the decrease in SME growth rate is ignorance to strategic tools such as CSR (Dludla 2019: 5), where SMEs identify CSR implementation as a waste of time and money. Many businesses introduce CSR to increase relationship and communication channels with their stakeholders, while also

improving financial performance, as well as market value, which enables competitive advantage and growth.

When manufacturing sector SMEs operate, they create issues within the business and in the environment (Liedtke 2019: 8). These issues include problems of waste production that affect the environment and people in the communities, as well as challenges in ensuring employees are treated fairly and work under safe conditions in the business. As Joyner (2018: 18) highlights, these problems need to be addressed, because not only can they affect the well-being of the people but also the performance of the business. In addition, these problems also encounter socio-economic and global issues, such as occupation, education, global warming, and climate change.

Masheal (2018: 3) indicated that waste generated by the manufacturing sector is an ever-growing issue all over the world. Businesses in the manufacturing sector do not have waste management practices in place to deposit their harmful waste away from the community where it cannot harm the environment. In the KwaZulu-Natal (KZN) province of SA, manufacturers deposit their waste in the rivers, with this action affecting individuals in the surroundings (Magubane 2018: 5). Furthermore, Joyner (2018: 21) asserts that employees at lower-level management in the automotive manufacturing sector are working under unsafe conditions. They are exposed to injuries such as burns, bruises and cuts caused by lifting heavy tools, from touching hot and sharp parts, and welding. Such problems need to be addressed and investigated to find possible solutions. Thus the study chose automotive manufacturing for this research.

However, the purpose of the study is to evaluate the extent to which CSR practices influence the performance of SMEs in the automotive manufacturing sector in the eThekweni Metropolitan Municipality. Having discussed the background for this study, the next section briefly elaborates on the problem statement.

### **1.3 PROBLEM STATEMENT**

Chazireni (2017: 23) mentioned that CSR is a known tool in the world of business and has proven to enhance sustainable growth for businesses globally. However, there is a need to explore and reconsider the way CSR can influence SME performance and overall long-term growth (Chazireni 2017: 19). For example, SMEs in the

manufacturing sector neglect responsibility for environmental issues they cause when manufacturing products, which is confirmed by Liedtke (2019: 9), who states 70 percent of SMEs do not take responsibility, transparency and accountability for the environment, communities and employees. This demonstrates that manufacturers produce waste that affects the environment, society, and other stakeholders. In addition, there have been reports of employees in the manufacturing sector becoming ill and sustaining injuries due to unfair treatment and working under unsafe conditions in their workplaces (Joyner 2018: 19). These problems need to be addressed because of their level of harm to the environment and communities; when such issues affect the environment and stakeholders, performance of the business may also be affected (Masheal 2018: 5). Businesses are supported by stakeholders in the communities for their success, therefore, should these businesses produce waste that affect the same people that support them, such an act can lead to loss in opportunities for growth, customer-base and investors (DeFoe 2015: 2).

Furthermore, manufacturers only focus on producing goods and providing services, subsequently claiming it is the government's job to take responsibility for the environment and communities (DeFoe 2015: 2), as their core focus is to generate profit and maximise share value (Mas 2016: 91). This can lead to a bad reputation for the business, influencing loss of consumers, as well as decreased sales and profit that can affect SME performance (DeFoe 2015: 4). Thus, the study aims to evaluate the extent to which CSR practices influence SME performance in the automotive manufacturing sector of the eThekweni Metropolitan Municipality.

The next section thus investigates the study purpose and objectives that guide this study.

## **1.4 PURPOSE OF THE STUDY**

This study evaluates the extent to which CSR practices influence the performance of SMEs in the automotive manufacturing sector of the eThekweni Metropolitan Municipality, in the KZN province, to achieve the following objectives:

### **1.4.1 Research objectives**

- To establish the extent environmental CSR practices influence performance of automotive manufacturing SME in the eThekweni Metropolitan Municipality.



- To evaluate ethical labour practices' influence on performance of automotive manufacturing SME in the eThekweni Metropolitan Municipality.
- To determine the contribution to performance of CSR practices for public good employed by automotive manufacturing SME in the eThekweni Metropolitan Municipality.

Having discussed the background for this study, as well as its purpose, the next section briefly elaborates on the study methodology considered.

## **1.5 RESEARCH METHODOLOGY**

This section presents a snap-shot of the methodology covered in chapter 3. The research method used in the study, target population, sampling, and pilot study, as well as data collection, data analysis, validity, and reliability, in addition to study limitations are discussed.

The study is quantitative in nature as it intends to measure the influence of CSR practices in the performance of SMEs. Regoniel (2015: 3) explains a quantitative research method is a phenomenon of collecting numerical data, analysed using mathematically based techniques such as questionnaires and surveys. The study intends to explore, determine and, thereafter, conclude the influence of CSR on automotive manufacturing SME performance. The research paradigm of the study is positivism. Thompson (2015: 4) explains a positivism research paradigm is a research model preferred when using a quantitative methodology. The study intends to employ positivism in the structured questionnaire, because they are suitable in providing reliable, as well as valid and representative statistics. Responses to the closed-ended questions will offer participants alternatives to select from where demographics are concerned, with a 5-point Likert scale, ranging from strongly disagree, disagree, and neutral, to agree and strongly agree, allowing for response selection for the main part of the study.

## **1.6 TARGET POPULATION AND SAMPLING**

According to Creswell, Ebersohn and Ferreira (2007: 57), a target population is a group of people that possesses specific characteristics needed for a study and can be the participants of a study. The targeted population of this study is 120 SME owners

in the automotive sector of the eThekweni Metropolitan Municipality, in the province of KZN, SA.

The sampling method refers to how study participants will be selected in a valid and reliable manner (Taherdoost 2016:17). The study used a survey in which 110 of the target population of SME owners in the automotive manufacturing sector were approached to participate, while 10 SME owners from the target population (who were not included in the main study) took part in the pilot study. The study used cluster sampling, which falls under the probability sampling method. Thus, the targeted population were divided according to their geographical area of the eThekweni Metropolitan Municipality and data collected from participants in each geographical area. These areas were divided into four sections of the eThekweni Metropolitan Municipality, namely south, north, east, and west. Probability sampling means every member within the sample size has a chance of being selected to participate in the research study with this sampling type mainly used in quantitative research, to produce results that are representative of the whole population (McCombes 2019: 2).

## **1.7 PILOT STUDY**

The researcher conducted a pilot experiment prior to conducting data collection at full scale. This will test the costs, duration, feasibility and improve study design or errors. The questionnaire was distributed to 10 SME owners to answer, which provided direction whether to correct errors or not. The analysis of the research project did not employ the questionnaire from the pilot research.

## **1.8 DATA COLLECTION AND ANALYSIS**

“Data collection is defined as the process of gathering and measuring information on variables of interest, in an established, systematic way that enables one to answer research questions and evaluate outcomes” (Jovancic 2019: 3). The study used a structured questionnaire with closed-ended questions to collect data. Jovancic (2019: 5) asserts that data collection works properly when closed-ended questions are used in the questionnaire, and when created in accordance with the research goals, thus allowing the answers to be easily transformed into numbers, charts, graphs, and tables.

A questionnaire was used as measurement instrument to collect data, with the aim to collect and summarise data into meaningful information to measure the variables. The questionnaire contains closed-ended questions as these take less time to answer (Regoniel 2015: 6). In addition, a questionnaire provides distinct responses that can be allocated a value, allowing for easy response comparisons of different individuals, which enables meaningful statistical data. The sections that make-up the questionnaire include: demographic information, environmental practices of CSR on SMEs performance, ethical labour practices of CSR, and CSR practices of public good on SME performance.

“The study used a quantitative data analysis, which is expected to turn raw numbers into meaningful data, through the application of rational and critical thinking” (Smith 2019: 15). The computation of frequency on variables and differences between variables is completed by quantitative data analysis. Typically, a quantitative technique is used to gather data to address research concerns. (Jovancic 2019: 19). The study used the Statistical Package for Social Sciences (SPSS) as an application to convert numbers into meaningful data. “SPSS is a set of software programs combined into a single package, where the basic application of this program is to analyse scientific data related to social science” (Jovancic 2019: 22). Descriptive and inferential statistics were used to analyse data through SPSS, with descriptive statistics making use of percentages and mean values to analyse participant responses and demographic information, while inferential statistics used techniques such as Chi-square, Pearson’s correlation co-efficient and analyses of variances (ANOVA) techniques on the research objectives.

## **1.9 VALIDITY AND RELIABILITY**

Validity is the extent to which a research study measures what it was intended to measure (Miller 2017: 98). It tests how truthfully accurate the results from the data are. Construct validity was suitable for this study, as it allowed questions relevant to the literature review, which provided accurate content of results, while the researcher ensured validity by gathering data specifically with regard to the impact of CSR on SME performance.

According to Miller (2017: 98), reliability refers to the extent to which study results are consistent, stable, and free from random error. The study used Cronbach's coefficient alpha, which is a statistical measure that provides an indication of the average correlation among all items that make up the scale in the instrument (Brynard, Hanekom and Brynard 2014: 8). Cronbach's coefficient alpha allows testing of data and study results for its accuracy level and exact quality of reliability. It is a measure of consistency to demonstrate that the tests and scales constructed for research projects are fit for purpose (Taber 2017: 99).

### **1.10 STUDY SIGNIFICANCE**

SME development has been identified by the South African government as a priority for job creation and economic growth (Sint 2020: 2). In a 2018 study conducted by the Global Entrepreneurship Monitor (GEM), it was discovered that the rate at which people start SMEs or entrepreneurial enterprises (entrepreneurship) is gradually declining. One of the reasons for the decline is highlighted as a lack of entrepreneurial education (Agudelo, Jóhannsdóttir & Davídsdóttir 2019: 2), whereas a vital area of study for SME owners lies in determining the influence of CSR practices on the performance of their enterprises. This driver - the implementation of CSR - directs a further inquiry on the possible factors that lead to the success of a business (Mueller-Hirth 2016: 52). Thus, the study significance is that the findings will provide the necessary literature, with information useful to SMEs, while adding to existing knowledge in the field. The study hopes to also enable diverse ideas on the effective implementation of CSR practices, as the consolidation of these ideas can be considered for practical application in business.

The study summarises international academic research to date and makes it locally applicable and available in SA. In doing so, this research has the potential to be used as a benchmark or standard. In addition, the study will benefit potential entrepreneurs and researchers, providing a wider and in-depth understanding of CSR practices for performance. It will also contribute new knowledge to SMEs in the automotive manufacturing sector and South African literature on CSR practices. The topic chosen further aims to increase understanding in relation to why some businesses are growing, whereas others are stagnating, and whether the reason can be associated with CSR implementation. The results might assist SME owners to determine the best

CSR practices that can influence their business' performance. Similarly, the findings will not only benefit current, but also future SME owners. For instance, the results can be presented to start-up businesses to minimise possible difficulties due to the lack of entrepreneurial characteristics.

### **1.11 STUDY LIMITATIONS**

Considering the broadness of the manufacturing sector, the study limited its investigation to the automotive manufacturing sector in the eThekweni Metropolitan Municipality. Moreover, the study was limited to CSR practices, not policies, outcomes, and others.

### **1.12 DIVISION OF CHAPTERS**

The remainder of this study is structured as follows:

Chapter two: Literature review

This chapter outlines the theories relating to the study to bridge the research gap on CSR. Findings by other authors who have examined the influence of CSR practices on the performance of SMEs are also discussed.

Chapter three: Research methodology

Chapter three highlights, among other matters, the research methods used to conduct the study, the research site, targeted population, and research instrument used, as well as the questionnaire drafting, pilot study, procedure followed in data collection, and steps taken to avoid bias.

Chapter four: Data analysis and interpretation of results

Analyses and interpretation of results were performed, after employing the SPSS techniques, including descriptive statistics, chi-square, Pearson correlation co-efficient and ANOVA.

Chapter five: Conclusions and recommendations

Chapter five will discuss the study summary, achievement of the research objectives, as well as conclusions and recommendations for future research.

### **1.13 CONCLUSION**

The chapter outlined the research background, along with the researcher's awareness about the problem, the study aims and objectives, and an overview of the research

methodology used, as well as the significance of the study and division of chapters.  
The next chapter offers a review of literature

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

The first chapter highlighted the importance of SMEs to the sustainability of economic development, job creation and lessening poverty in SA. The chapter also discussed the research problem and presented the formulated research objectives and questions. Therefore, as the next part of writing up the research process, a summary of the review of literature is presented, to allow a discussion of all the theories and conceptual tools that underpin CSR practices and SME performance. The chapter will, furthermore, identify the gap in current literature that this study addresses, as well as the necessary terminologies, prior to their use.

Building a research study on existing knowledge is a basic building block of all academic research (Snyder 2019: 333). Therefore, to do so successfully, a review of relevant literature must be a priority for all academics and is considered a significant and effective method in research (McCombes 2019: 2). Arshed and Danson (2015: 33) describe a literature review as “the systematic approach of collecting and blending previous research for a single project”. The purpose is to “educate oneself in the topic area and to understand the literature before shaping an argument or justification” (Arshed & Danson 2015 31). A review of literature assists the researcher in developing theory, while permitting the closing of gaps in areas lacking existing knowledge, thus, it exposes areas of research (Snyder 2019: 336).

In this chapter, the theory associated with CSR and its outcomes on SME performance is discussed. The aim of this study is to contribute to existing knowledge and contribute as a useful tool in SMEs, especially in the manufacturing sector. The study will enable a greater understanding of CSR and aspects of its importance for business performance. A detailed analysis of CSR and its outcomes, theories around the aspect of CSR towards SMEs, manufacturing, and performance will be reviewed, including an analysis of CSR, its drivers and dimensions, as well as strategies to improve performance, and the relationship between CSR and the performance of manufacturing SMEs.

Having introduced the chapter, the following section will discuss the overview of CSR.

## **2.2 AN OVERVIEW OF CSR**

This section highlights the general aspects of CSR, the definitions and background of CSR, as well as the theoretical layout of the structures involved. The purpose is to provide a basic understanding of CSR prior to evaluating the complex CSR factors and practices. In addition, this section elaborates the importance of CSR as the dependent variable in this study. Furthermore, CSR practices will be discussed in-depth, relative to the research objectives, with the assistance of a theoretical framework, in order to determine the research gap.

Agudelo *et al.* (2019: 2) argue that the traditional opinion of CSR was only limitedly known to the concept of philanthropy in the 19<sup>th</sup> century. It then became broadly known for business-society relations, particularly referring to the contribution of a corporation and good citizenship, by providing solutions to social and environmental issues (Wang 2017: 4). While CSR was first introduced in Great Britain in the 19<sup>th</sup> century, the United States of America (USA) was the first to experience growth and interest in CSR in the 1970s, by the Committee for Development (Shahzad *et al.* 2020: 3).

The chief architect of the neo-liberal economic model provided the practice of responsibility, by delivering social services such as pensions and medical services to communities (Chazireni 2017: 21). Christian (2018: 4) asserts that historical developments in the scope of CSR saw it broadened in the 1980s, which included corporate initiatives and social responsibility. The purpose was to foster businesses responsibility to sustain the environment, treat employees fairly and provide safe working conditions, while making a good profit. However, globalisation of economies further emphasised the significance of CSR in other developing countries of the world (Christian 2018: 7).

Wang (2017: 4) claims several authors broadcasted CSR in the 1990s as part of corporate strategy that can improve business performance. Carrol (2016: 2) asserts this was achieved by models designed by authors for CSR, such as the CSR Pyramid that Carrol first introduced in 1979. The pyramid presents a more logical and organised sequence to implement CSR in a form of a pyramid model (Fig. 2.1). The pyramid demonstrates that all these responsibilities have always existed to some degree, with



indigenous and philanthropic dimensions only recently emerging as a very fundamental portion of business (Carrol 2016: 9).



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

Source: Masoud (2017: 6)

The elements of Carroll's CSR Pyramid include economic, legal, ethical and philanthropic responsibility.

### 2.2.1 Economic responsibilities

"It is an essential obligation of existence that a business has an economic responsibility to the society that permitted them to be established and sustained" (Carroll 2016: 3). Researchers have identified that it may seem unusual to think about an economic expectation as a social responsibility (Hossain 2017: 4), however, the business exists and grows due to the presence of society. In addition, the only way a business can sustain itself, is "by being profitable and able to incentivize shareholders to invest and have enough resources to continue in operation" (Widjaya 2016: 1). Initially, a society views a business as an organisation that will produce and sell the goods and services it needs and desires. As an incentive, society allows businesses to make profits and businesses create profits when they add value, therefore, by doing this, they benefit all stakeholders of the business (Carroll 2016: 3).

Profits are necessary to reward investors and for business growth when these profits are reinvested in the business, with studies confirming the importance for a business to have and maintain business profitability and return on investment as motivators for

business success (Xinwa 2018: 25). Business economies all over the world support the importance of financial business performance, profitability and the necessity of considering CSR. Where economic responsibilities are concerned, businesses employ many business concepts directed towards financial effectiveness – attention to revenues, marketing strategies, investments, and cost savings; this host of professional concepts focus on enhancing long-term financial success of a business (Sharma *et al.* 2020: 140). Thus, this economic responsibility is a baseline requirement inherent to a competitive business world.

### **2.2.2 Legal responsibility**

Businesses are considered as a corporate citizen that obeys the acts and set of laws stated by central officials and local governments (Hossain 2017: 7). Legal responsibilities are the activities demarcated by the authorities that businesses are required to abide by, in a strict and disciplined manner. These laws and regulations set out the principles and way a business must operate (Baden 2016: 5). Vital concepts of “fair operations as established by our lawmakers” are embodied in legal responsibilities (Chiloane-Tsoka *et al.* 2014: 26). In other words, it is maximising businesses profit and shares, while obeying the policy and agreement set by the government. Legal responsibilities are important because: (a) It is necessary for a business to comply with various national, status and local regulations; (b) It is vital to make goods and services available that at least meet minimum legal requirements; and (c) It is very important a competitive business be defined as one that fulfils its legal obligations.

### **2.2.3 Ethical responsibilities**

Expectations of most societies embrace laws as an essential guide for every business. In addition to that required by laws and regulations, society expects businesses to operate and conduct their affairs in an ethical manner. Ethical responsibilities imply businesses will embrace ethical norms, practices, activities and standards, even though they are not codified into law or government, as these are, nonetheless, expected to be obeyed (Masoud 2017: 15). Part of the ethical expectation is that businesses will be responsive to the essence, not just the letter of the law enforced by government (Turyakira 2018: 258). In other words, the ethical responsibility aspect of the expectation is that businesses will conduct their affairs in a fair and objective

manner, even in those cases when laws do not provide guidance or dictate a course of action (Carrol 2016: 5).

The goal of ethical expectations is that businesses will be responsible for and responsive to the full range of values, norms, principles, standards and expectations that reflect and honour what employees, owners, the community, and consumers regard as consistent, with respect to the protection of stakeholders' moral rights (Hossain 2017: 7). The difference between legal and ethical expectations can often be complicated to distinguish. Whereas legal expectations are founded on ethical premises, based and set by government officials to govern businesses, ethical expectations carry these further; it is the essence of businesses to act ethically, even when government does not foster rules and laws. Both legal and ethical expectations contain a strong ethical dimension or character, with the difference hinging upon the mandate society has given business through legal codification (Carrol 2016: 6).

#### **2.2.4. Philanthropic responsibilities**

Corporate philanthropy includes all forms of business giving back to the community (Ginting *et al.* 2019: 15), which incorporates embracing voluntarily activities of businesses to develop the community, without focusing on any tangible return. Philanthropy may not be referred to as a responsibility in an accurate reasoning, nevertheless, it is expected that businesses implement philanthropic activities by the public and its stakeholders (Carrol 2016: 6). Initially, the nature of philanthropic activities is voluntary and optional, guided by a business' wish to participate in social activities neither authorised nor required by law (Hwang, Kim & Lee 2020: 3). The public expect any business to give back to the community, creating the expectation aspect of responsibility by the business, enabling them to develop philanthropic activities as a result of shareholder expectations for survival purposes. When a business is not giving back to the community while other competitors are, there is a tendency to lose customers and competitive edge.

Stakeholders may also pressure the businesses to give back to the community, which makes denial of implementing philanthropic activities a competitive disadvantage that can affect business performance and survival. When researchers today examine the social contract between a business and society, it is usually found that the community

expects businesses to be good corporate citizens, the same as individuals (Ginting *et al.* 2019: 15). To achieve this, businesses invest in philanthropic responsibility activities, such as engaging in various forms of giving, including product and service donations, volunteerism by employees, and management donations of monetary and other resources. Further to this, they also involve community development and any other discretionary contribution to the community or stakeholder groups that make up the community (Carrol 2016: 7).

The CSR Pyramid is a simple framework that maintains the aspect and aim of why businesses should meet their CSR, developed by Archie Carrol in 1979, and highlights the four main CSR responsibilities for businesses namely, economic, legal, responsibility, and philanthropic responsibility (Masoud 2017: 6). The first element of the pyramid is economic responsibility; that is to generate profits for the business. The second element is legal responsibility, for adherence to the laws and compliances set by society and other stakeholders. Ethical responsibility is closely linked to the legal responsibility, dealing with enforcing righteous business practices, even when not compelled by the law. Philanthropic responsibility involves serving society by contributing towards social, cultural, recreational, and educational purposes (Carrol 2016). The next section discusses all important CSR practices that influence SME performance. The discussion provides an in-depth look at the background of the main three CSR practices namely, environmental, social and employee dimensions.

Having presented an overview of CSR, the relevant theory and CSR practices, the next section will discuss the background of the impact CSR practices have on the performance of SMEs.

### **2.3 BACKGROUND OF CSR PRACTICES IMPACT ON SME PERFORMANCE**

All fundamental activities of the CSR environmental dimension involved when businesses need an impact on their performances, are discussed in this section. For better understanding, all three CSR practices are highlighted, thereafter the focus is on areas of environmental practices. This includes discussions of all important business performance aspects and how they are influenced by implementation of environmental CSR practices. In addition, the challenges faced by SMEs when

attempting to invest in CSR environmental practices are discussed, as well as SME activities that are worsening environmental issues.

According to Xinwa (2018: 26) the CSR dimensions acknowledge community involvement, environmental sustainability and employee relations and as the core dimensions, which also include their significance to stakeholders in the long-term. Community involvement is mentioned as the first dimension, together with philanthropic support for society problems, and funds spent on social development and enhancement. The second dimension is environmental, this includes taking responsibility of the environment, through reuse, reduction and recycling; this comprises the use of resources that will not cause issues to the habitat and nature of the environment. It also means considering the importance of honesty and dignity of a business lies in their CSR initiatives.

These dimensions have been identified as crucial, according to Xinwa (2018) “when seeking to attract and retain a great deal of customer loyalty, which is quite significant in the success of small businesses”. Employee relations is the third dimension, which deals with determining the level of consistent communication of SMEs business with their employees. This includes working standards and a healthy work environment for every employee as a crucial workforce issue. Valdez (2017: 75) adds that the employee dimension outlines provisions for child labour, employee inducements and healthcare that are sometimes referred to as benefits, along with the freedom to determine the amount of overtime employees should take, as well as treating every employee fairly and enforcing ethical acts and behaviour (Xinwa 2018: 27).

Environmental CSR activities are gradually contributing to the improvement and encouragement of a sustainable environment through the conservation and protection of nature (Shahzad *et al.* 2020: 3). The authors highlight increasing pressure from government regulation programmes and policies on business to observe environment standards and implement the triple bottom line for development of environmental sustainability. In addition, businesses are obligated to adopt environmental standards such as ISO 14000, 14001, 14006, and OHSAS18000, thus taking positive measures for reduction in ecologically hazardous pollution (Valdez 2017: 77).

Researchers have found businesses are dynamically laying emphasis on the significance of nourishing the natural environment and implementation of management practices to minimise their effect on the environment (Turyakira 2018: 258). Furthermore, environmental concerns have been one of the vital factors stakeholders focus on when looking into business CSR efforts. Latter (2017: 3) illustrates that perceived environmental CSR initiatives provide an opportunity for businesses, especially SMEs, to maximise competitiveness, and likely cause environmental preservation. In addition, Xinwa (2018: 40) acknowledged environmental CSR practices have an extensive impact on economic and environmental performance in developing countries such as SA. Nevertheless, many studies only emphasize the economic benefits of CSR, neglecting the environmental perspective (Shahzad *et al.* 2020: 3).

Examples of environment-oriented CSR activities include packaging, eco-friendly production, and environmentally friendly distribution processes, reduce, re-use and recycling, as well as water and saving processes, in addition to the provision of sufficient environmental information on manufacturing of services, processes and products.

## **2.4 SME ATTITUDE TOWARDS IMPLEMENTING CSR**

Arsić *et al.* (2016: 60) assert the perspective of SMEs towards CSR presents different challenges. Considering the factors of limited management capabilities, time, as well as financial and labour resources, SMEs are overwhelmed in their approach to implementing CSR practices (Lezenby 2015: 29). The link essentially arises to management efficiency concerns, such as raising employee motivation, reduction in energy consumption, or improved client relationships, with regard to SMEs' attitude towards CSR. SMEs are both the main driving force in South African economic growth and a key element in reducing the unemployment rate of the country. Nevertheless, researchers usually focus on large multinational corporates when it comes to CSR, neglecting SMEs in their space of research (Arsić *et al.* 2016 60).

Norbit (2017: 21) claims SMEs are reluctant to invest in CSR because of limited capital available, which is valuable and important when a business wants to invest and outperform their business rivals. Since large business has power and strength in their

financial reserves, they can invest in CSR easier than small businesses. The author extends the discussion by identifying products and services based on CSR orientation, for example, where large scale implementing of CSR practices will increase reputation, customer loyalty is leveraged to generate more sales, thus, directly increasing the performance of the business.

CSR is known to be an essential tool for growth and is heavily invested in by well-known big corporate businesses to further increase their public image (Xinwa 2018: 36). Subsequently, as small businesses, any CSR activity embarked on by SMEs will scale down to fit their capability. For example, large corporations may be more interested to participate in country-wide CSR activities that comprise thousands of the community and top-level government officers, such as the offices of the Presidency and Ministers. However, SMEs may only be able to participate in CSR conducted in its local community with smaller community member numbers and include only lower-level municipal and regional government officers.

Numerous academics have studied the variances in CSR engagement levels, with some writers, such as Chazireni (2017: 54), demonstrate that the level of CSR participation can vary depending on a number of variables, including political and industry circumstances, the personalities of owner-managers, and other pertinent considerations. Political circumstances, however, have a significant impact on CSR participation through legislation that frequently takes a severe turn and adversely affects small enterprises. Furthermore, Arsić *et al.* (2016: 61) assert that SMEs, such as manufacturers, are more committed to community matters, since customers, employees and neighbours are the community members closest to these SMEs with regard to digital marketing and IT, yet show little to no interest in the CSR practices (Chazireni 2017: 54). Norbit (2017: 21) maintains this is because on the one hand, businesses such as manufacturing and engineering firms have a substantial effect on the environment and are more likely to have a strategic approach to environmental management. On the other hand, service firms such as digital marketing SMEs are more likely to have CSR practices based more on a corporate citizenship concept.

Arsić *et al.* (2016 60) claim the efforts of wholesale and retail SMEs that started with CSR practices did not receive recognition and market rewards. Moreover, codes of

good citizenship and black economic empowerment (BEE) additionally excluded them from receiving any rewards for contributing to CSR practices. The entire effort by SMEs to initiate and participate effectively in CSR activities has gone unnoticed, which discourages the spirit and good hopes of CSR, resulting in other SMEs not bothering to implement CSR. When a business plans and invests in business strategies known to improve organisational performance and growth, and that strategic tool is not recognised by stakeholders, with no possible reward, a business will develop a negative attitude against it (Charizeni 2017: 55).

Charizeni (2017: 56) identifies the negative attitude of SMEs towards CSR is due to crime, especially xenophobia, and increased violent protests in SA. The violent protests are mostly due to socio-economic issues such as racism and police brutality. In addition, xenophobia is not only directed at employment of foreigners but also at those who have started their own businesses. This can chase away investors all over the world and decrease the economic state, which will perpetuate other issues of unemployment, increasing the level of unsuccessful businesses in SA. The impact on the attitude of immigrant entrepreneurs towards CSR is due to the lack of a sense of belonging in the country (Chazireni 2017: 55).

Arsić *et al.* (2016: 60) also indicate that culture affects how the people within the business perceive ethical issues that affect their attitude towards CSR practices. Chazireni (2017: 56), "SMEs develop a negative attitude toward CSR as a result of the challenging and unstable economy, a lack of credit facilities, improper financing, and a lack of managerial skills, including financial management, tax, marketing, and human managerial skills, as well as competition and the principle of survival of the fittest in markets both within and outside of South Africa".

## **2.5 CONTRIBUTION OF ENVIRONMENTAL CSR PRACTICES ON SME PERORMANCE**

The CSR of environmental practice is a concept whereby business activities are conducted in strict compliance with the environmental laws, while still being profitable (Xinwa 2018: 28). This means voluntarily considering the ways business operations impact the environment when making decisions (Zelazna *et al.* 2020: 44). Such approaches contribute on improving the quality of life and implementing the concept



of sustainable development. Martos-Pedrero, Cortés-García and Jiménez-Castillo (2019: 2) explain that most “socially responsible businesses practice environmental responsibility for ecological life, strive to eliminate pollutions and emissions of toxic substances, and attempt to increase the efficient use of natural resources”. Thus, lessening their ecological footprint and the related impacts to the environment.

The environmental dimension under CSR thus deals with responsible decision-making that will reduce the negative impact by business on the environment. It not only concerns reducing the amount of waste a business can produce or using less energy, but is concerned with developing processes that will lead to businesses becoming completely sustainable in the future (Martos-Pedrero *et al.* 2019: 2).

Business performance has been shown in most empirical studies to have a relationship with varied topics, such as financial performance in terms of sales, profitability, productivity and market share. Nevertheless, considering the business world is a complex and competitive environment (Zelazna *et al.* 2020: 45), business performance goes beyond financial performance, and businesses must consider other intangible assets vital to survival and development of the business account, such as image and reputation and the level of stakeholder satisfaction (Martos-Pedrero *et al.* 2019: 2).

Certain intangible assets are thus included when considering the relationship between the CSR environmental-dimension and business performance, such as customer satisfaction and investment opportunities. However, there are limited analyses of the specific environmental CSR impact on SME business performance, while the majority focused on big businesses. Five types of business performance influenced by environmental CSR among SMEs are discussed below. The tangible variables of financial performance include productivity, sales and profitability, while intangible variables include image and reputation, and stakeholder satisfaction.

### **2.5.1 Tangible variables (Financial performance):**

The tangible variable, or financial performance variable is a complete evaluation of a business’s overall financial position in categories such as management of assets, liabilities, equity, and expenses, as well as overall profitability. It is measured through various business-related activities such as productivity, sales and relationships with

other stakeholders also discussed below. All the satisfactory financial positions such stable assets, equity, and management of expenses can be achieved by variables that include sales, productivity and management of profitability. Subsequently, all these variables can be influenced by environmental CSR practices.

### **(i) Productivity**

According to Ma, Zhang and Yin (2020:1) environmental management can effectively improve businesses productivity performance. This requires an additional investment from a business as well, which will inevitably affect the production and operation of a business. It is a complex process that requires cross-departmental coordination and major changes in operational processes (Ma *et al.* 2020: 2). Labour productivity is an economic performance that is often analysed by researchers. Nevertheless, the literature has not yet reached a consistent conclusion regarding the relationship between environmental practices and business productivity. Nonetheless, Koźluk and Zipperer (2015: 156) find the majority of researchers believe environmental practices can improve working conditions and employee health, enhance employee satisfaction, and thus promote businesses labour productivity.

Implementation of environmental practices requires a complex procedure, comprised of many aspects, such as designing environmental management procedures, improving production equipment, provision of employee training and development, and enabling employee involvement in decision-making. Some of these changes allow employees self-development opportunities, which will make them feel a sense of belonging and recognition, thus, improving productivity (Koźluk and Zipperer 2015: 156).

Lannelongue, Gonzalez-Benito and Quiroz (2017: 159) stated that, “environmental management can improve employee’s satisfaction, and good environmental management can make employees feel proud of their companies and perform better”. Environmental practices can also reduce labour costs, as far as pollution emissions not only being harmful to communities but also harmful to employee health, therefore, better environmental practices can reduce employee sick leave and absenteeism,

consequently reducing the need to recruit new employees, thereby reducing labour costs (Lannelongue *et al.* 2017:159).

However, Ma *et al.* (2020: 1) argue environmental practices generate non-core business activities such as system design, environmental consulting, environmental auditing, and process documentation, in addition to employee training, which may adversely affect business focus and productivity. These non-core business tasks require resources, including funds, with the majority of SMEs struggling with resources, especially financial resources, ultimately affecting business performance (Ma *et al.* 2020: 4). Strict environmental management can reduce SME flexibility to deal with environmental issues. For example, environmental management often requires significant changes in production systems, requiring the business to change production processes and use more environmentally friendly technologies that are expensive; subsequently, this can hinder business performance, because SMEs, unlike big corporate businesses, are not financially stable. Moreover, some researchers have discovered that environmental practices have a negative impact on productivity and business performance (Ma *et al.* 2020: 2).

## **(ii) Sales**

Sales are influenced by customers and with the evolution of business world concepts such as the environmental dimension under CSR, customers are becoming knowledgeable and aware of what businesses must do to protect and find solutions to society's issues (Joyner 2018: 53). People are mindful of environmental issues and need businesses to protect the environment at all costs, as some environmental issues are perpetuated by businesses. Furthermore, businesses must be aware that people need them to be environmentally responsible and responsive. Therefore, in order for SMEs to improve their sales as part of business performance, they need to be responsive to the needs of their customers, because customers directly influence business sales (Kegeyama 2017: 8).

A study conducted in the US in 2017 revealed customer responses to a business that supports social or environmental issues (Butler 2018: 2), as follows:

- 68 percent of millennials bought a product with a social or environmental benefit in the past 12 months.
- 87 percent of consumers will have a more positive image of a business that supports environmental issues.
- 88 percent will be more loyal to a company that supports social or environmental issues.
- 87 percent would buy a product with an environmental benefit given the opportunity.
- 92 percent will be more likely to trust a business that supports social or environmental issues.

Butler's (2018: 2) study and that of Joyner (2018: 53) confirm people expect businesses to engage in the process of making an impact when it comes to environmental matters. People are concerned with the future and recognise their finances are only valuable to businesses that influence change.

### **(iii) Profitability**

From the perspective of SME managers, the relationship between environmental practices and profitability is not straightforward (Song, Zhao & Zeng 2017: 1052). Nonetheless, environmental practices include significant investment and are a vital innovation motivator of manufacturing procedures and tasks to reduce pollution, energy consumption and the use of renewable sources of energy, instead of fossil fuels (Brulhart, Gherra & Quelin 2017: 26). Mahindra (2020: 4) asserts these environmental investments increase production costs that cannot be recorded in the selling price, thus negatively affecting business profitability.

Environmental practices thus do not show a positive relationship to the profitability of the business (Gunawardana & Pushpakumari 2015: 3). Furthermore, although good environmental practice benefits businesses in the long-term, it takes time to experience the exponential results, which increases the many uncertainties and doubts regarding the outcomes of implementing environmental practices (Brulhart *et al.* 2017: 26). However, Mahindra (2020: 4) determines that building a profitable

business is a challenge and controlling a sustainable business can be even more difficult; nonetheless, when businesses rethink and analyse the situation, the possibilities are endless and those possibilities do not just benefit these businesses over a short period of time, they reap the rewards in the long-term (Gunawardana & Pushpakumari 2015: 4)

Song *et al.* (2017: 1053) identify environmental practices are considered as a way of increasing business profitability. Since pollution and energy consumption are regarded as indicators of a potential incomplete and ineffective use of resources, a business able to control and prevent pollution and other environmental issues can avoid much unnecessary costs (cost-saving), including insurance of employees and fines from polluting. This means a business can be profitable and experience other positive benefits through implementing environmental practices (Jayeola 2018: 217). Mahindra (2020: 5) adds that in using environmental technologies and procedures, multinational corporations have already transformed their profitability. This points to the need for SMEs to translate their traditional strategy of business profitability and consider CSR environmental practices as potential solution to long-term and consistent business profitability.

Koźluk and Zipperer (2015: 166,167) determine that majority of researchers have discovered that environmental practices under CSR can be able to improve profitability for SMEs. The authors assert that today's managers and leaders are faced with an unbelievable opportunity to change their processes for the future of their businesses, by adapting the principles of environmental sustainability into their strategy. Changes in the business world show a growing focus on people, planet, and profits (3Ps). Nevertheless, the responsibility lies with SME leaders and owners to be adaptive and responsive to discover the right balance between short- and long-term priorities to enhance profitability consistently (Mahindra 2020: 5).

### **2.5.2 Intangibles variables**

These variables are classified as all perceptions held by stakeholders with regard to businesses actions. In summary, intangible variables are all non-materialistic characteristics of a business that influence business performance. The impact of CSR

environmental practices on the image and reputation of SMEs as intangible variables are thus discussed below:

### **Image and reputation**

Customers purchase from businesses they like, trust and respect, preferring a business that is responsible and invests in deliberate actions that can improve the community and environmental well-being (Dewi 2019: 2). Every interaction between a business and customers, whether on the business website or in physical form, contributes towards how customers feel about a business (Cooper 2018: 2)

In today's modern, interconnected world, these interactions are also extended to customer reviews, feedback and media stories from around the globe; thus, every problem a business causes in the environment is reported, hence, affecting business reputation (Horn *et al.* 2020: 2). Given the constant increasing competition for customer attention and reduced margins on many goods and services, business reputation is an important point of competitive differentiation (González-Rodríguez *et al.* 2019: 399). Embedding environmental practices throughout the business can, therefore, enhance promotion of positive news and stories to customers, employees and investors. This will enable a business to improve its performance through reputation (Cooper 2018: 3). A business focused on environmental sustainability can minimise the risk of negative social, environmental, or economic impacts that might otherwise have serious consequences for the business image, thereafter affecting business performance (Dewi 2019: 3).

González-Rodríguez *et al.* (2019: 401) highlight research conducted in the US that shows more than half of US consumers consider the business environmental impact, with customers more likely to buy goods and services from businesses that practice sustainability. Other researchers have also discovered that people prefer businesses that actively support their local community and provide solutions to environmental issues (Mikušová 2017: 1319). Cooper (2018: 4) finds businesses with an available carbon reduction strategy that regularly report their progress towards carbon reduction goals, can clearly determine their contribution to minimise the risk of dangerous environmental problems and climate change. Therefore, business performance can be enhanced by the good reputation and image of the business. In addition, when

good reports are published about the business, it not only results in an increase in customers but also widens the opportunity of attracting investors (González-Rodríguez *et al.* 2019: 401).

Conversely, businesses responsible for environmental damage, such as oil spills, chemical leaks, pollution or habitat destruction, can find themselves subject to boycotts and public demonstrations (Cooper 2018: 4). Negative media coverage can severely impact the business image, resulting in decreased sales figures, profitability and overall business performance (Kumlin & Svallfors 2016: 28). The path towards building a sustainable business image is different for every business, depending on the industry sectors, locations and value chains involved. Nonetheless, whatever a business chooses to eliminate, be it waste, pollution or cutting carbon emissions, this can form an important part of any corporate sustainability strategy that can improve business performance.

## **2.6 SME CHALLENGES IN IMPLEMENTING ENVIRONMENTAL CSR PRACTICES**

Having discussed the importance of CSR environmental practices, related to improving business performance, both tangible (financial performance) and intangible variables were described. It should be considered that SMEs, especially in the manufacturing sector, are willing to invest and implement environmental CSR practices; however, they face challenges that make this problematic.

CSR has a significant role to play in the reformation of SMEs, in fact, it is an essential component of business strategy for today's SMEs (Kegeyama 2017: 2). In some ways, SMEs are in a better position than large corporations to reap tangible benefits from CSR practices (Valdez 2017: 74). However, SMEs are faced with unique challenges in local conditions, in addition to the major constraints surrounding small businesses (Kegeyama 2017: 3). This echoes findings by Naoyuki and Farhad (2016: 5), who showed SMEs in Japan are facing tighter financial constraints than large businesses. Furthermore, SMEs often find it difficult to undertake CSR practices, as the finances they have focus on developing core business activity initiatives (Haron, Ismail & Oda 2015: 75). The CSR efforts tend to focus on primary goals that are likely to impact the business's bottom line.

In Japan, SMEs are also trying to avoid incurring additional costs through bias towards advanced initiatives proven to enhance business performance, such environmental CSR practices. While SMEs prefer using traditional strategies of improving business performance, they forget the business world is changing, and that change is inevitable (Haron *et al.* 2015: 75).

In SA, SMEs play an essential role in the development of the country's economy and have become the primary source of job creation, with innovation, leadership and entrepreneurship driven by SMEs (EDGE eThekweni Municipality 2020). Nevertheless, SMEs in SA are faced with difficult issues that challenge the overall success and survival of their businesses. Challenges of minimal to no resources, especially in the form of finance, are found to be the primary problem according to Mahohoma (2018: 22), who states financing is specifically needed for SMEs to start and expand operations, develop new products, or provide old and advanced services. Investment of staff training, while developing production facilities or machines also requires extensive financial resources.

Another financial aspect, the supposed financial support from government, is perceived as hard for SMEs to obtain, therefore, external financial support must be considered as non-existent (Fuentes 2019: 2). However, eThekweni Municipality EDGE (2019) argues the South African government is committed to an extensive effort to support entrepreneurship, especially the newest entrepreneurs, so they may have the necessary capital to establish their businesses.

While government support is crucial to every entrepreneur, when funding demand is greater than that of supply, the results will lead to minimal funding, blocking several entrepreneurs from establishing their businesses. This highlights another issue, with some entrepreneurs unaware of these government programmes, specifically designed to help them, attributed to limited information available to entrepreneurs on the types of financial products they could qualify for, as well as the procedure to apply for these products (Kunz 2020: 158). Other challenges for SMEs that restrict investing in environmental CSR practices are the high crime rate, inaccessible markets, inability to maintain competitiveness leading to negative business performance, and low survival rate of SMEs (Mahohoma 2018: 26).



### **2.6.1 Management barriers**

Lack of Resources: insufficient or unavailable resources, including finances, human capital, knowledge, and expertise, have been reported as a common barrier to SME management with CSR implementation. Yuen and Lim (2016: 50) illustrate that for effective CSR implementation by SMEs, numerous resources are also required. However, when budgets for implementing CSR are often inadequate and outcompeted by other projects that guarantee higher return on investments, the chances of investing in CSR are slim. In addition, several SMEs do not have a dedicated department that manages the CSR implementation (Yuen & Lim 2016: 50). In many cases, the responsibility to manage CSR is assigned to other departments, whose performances are appraised based on their original scope of duties. Finally, a profession in CSR is new to the SME sector and requires its practitioners to be multi-disciplinary, where the shortage of qualified employees with the relevant knowledge and experience adds to the problem of implementing CSR in the SME sector.

### **2.6.2 Awareness**

- i. Lack of customer awareness: “Customers who were more likely to go for economical profit, and other societal parameters motivated a company to focus on its profits only” (Luo, Huang & Lam 2019: 533). One of the important reasons for businesses to implement and achieve CSR is to draw more customers to the business to grow the enterprise. When customers are not aware of CSR initiatives, using CSR as a marketing strategy would be ineffective (Naik and Chetty 2021: 7).
- ii. Lack of other stakeholder awareness: less well-established CSR and a lack of ethical responsiveness keeps stakeholders uninformed, with regard to the CSR. Stakeholders other than the business play a crucial part in the implementation of CSR initiatives and activities through their preference for SME involvement, over those situated elsewhere, either nationally or internationally.
- iii. Lack of Measurement Systems: these systems are required to ensure the outcomes and benefits of implementing CSR are useful and worthwhile for the business (Yuen & Lim 2016: 50). Consequently, measurement systems serve as a useful tool for the appraisal and control of CSR performance, and as a basis for

rewards (Cavazotte & Chang 2016: 6). Nevertheless, CSR is an uncertain technique and assumed by managers to contain different meaning (Luo *et al.* 2019: 533). It is often used interchangeably with concepts concerning environmental sustainability, corporate governance, responsible citizenship and business ethics. Different views on CSR may thus present challenges for managers to derive concrete management actions on its implementation (Yuen & Lim 2016: 50). Initially, there are limited social and environmental perimeters a business needs to focus on that are universally accepted or recognised by business organisations. SMEs that have no actual measurement or appraisal techniques have struggled to maintain the motivation and encouragement of CSR, because they see minimal to no positive outcomes of CSR.

- iv. The lack of strategic vision and management commitment: the absence of strategic vision is often attributed to the lack of leadership and determination of top management. Tilt (2016: 4) claims CSR must be initiated, organised and controlled by the top management of the business. One way to express commitment towards CSR is that dedication must initially start from the top and flow from there to lower management. This can be achieved by aligning the business vision, mission and objectives with its goals and principles of CSR, involving employees in that decision-making (Luo *et al.* 2019: 534). Nevertheless, it has been found that SME top managers and owners only address CSR at operational level and do not incorporate it in their vision and strategic business objectives (Xinwa 2018: 54). Another cause for the lack of strategic vision by SMEs is their short-term goals and profit, whereas the goals of CSR improve a business' performance in the long-term (Aseghehey 2018: 10) Ultimately, CSR often entails short-term costs and only pays-off in the long-run, as a result, CSR may be ignored by top management, whose goal is to maximise short-term profits.
- v. Lack of knowledge: Tilt (2016: 3) asserts that it was possibly difficult to define CSR in the past, where obtaining relevant information concerning CSR is a challenge for SME managers. However, manager's personal values and leadership contribute as an important motivator to initiate and manage CSR implementation (Luo *et al.* 2019: 535). Without sufficient or related government training programmes for SME managers and owners and large corporate collaborative

efforts with government entities to foster businesses to pledge to CSR, it would have been difficult fostering CSR in some SMEs already knowledgeable in successfully implementing CSR (Aseghehey 2018: 13).

- vi. Lack of Willingness to financially invest in CSR: Even though several studies have been published regarding increased customers and society's interest in businesses that implement CSR, some SMEs are still not adequately investing their money in proper CSR. Butler (2018) discussed that customers are not willing to compromise when buying from businesses that do not implement CSR. Furthermore, the SME sector is facing increasing pressure from suppliers and other intermediaries to be cost-efficient when it comes packaging, their production processes and transport, as these are one of the aspects present in practising CSR, with other stakeholders partnered with SMEs practicing CSR (Xinwa 2018: 46).

### **2.6.3 Regulations**

- i. High Regulatory Standards: As Yuen and Lim (2016: 52) explain, SMEs, specifically in the manufacturing sector, are under pressure to obey laws and regulations by government concerning CSR practices. It is the most highly-regulated industry that fosters businesses to address the issues of all stakeholders, including conservation of the environment, employee safety, and being a corporate citizen to society. Government enforces environmental security and sustainability regulations, as well as safety performances within the workplace, thereby compelling the industry to cope with these new standards (Xinwa 2018: 47).
- ii. Implementation problems: "A lack of coordination and communication among the institutions was shown and the non-existence of CSR departments was highlighted" (Piasecki & Gudowski 2017: 145). Normative influences were identified from a variety of sources, including standard operating procedures, educational activities, industry standards, and best practice suggestions. The rules and regulations are not very well-established in developing countries, where businesses could face having to obtain foreign permission in another country. However, researchers found many businesses only implement those CSR

practices necessary to fulfil the rules and regulations and nothing more (Luo *et al.* 2019: 535).

According to Xinwa (2018: 46), when CSR is implemented properly and accordingly, the outcomes can assist a business by improving its performance due to enhance employee optimism, and minimise employee turnover. In addition, improved effectiveness and efficiency by employees can result in job satisfaction and increase customer sales and loyalty. The planned CSR practices increases the number of sales and profit, with the total sum capitalised in CSR practices measured as a profit before tax.

Msosa (2019: 16) asserts CSR interventions generally reduce unemployment, improve quality of life of people in society, as well as improve the social and commercial image of the enterprise. This further increases social consistency in job satisfaction, skills development, customer satisfaction and job satisfaction, as well as employability, and maintenance of work-life balance for employees. Thus, all these outcomes can improve and maintain consistent, long-term, suitable performance for businesses such as SMEs.

Vital stakeholders in the business, including customers, employees, and society, are faced with socio-economic problems and other crises such as climate change and drought, with these problems affecting their everyday lives. Managers and owners need to recognise these key problems, normally important to stakeholders, and allocate resources and practices to assist in solving or lessening these problems. It is expected all stakeholders who benefit from CSR practices must increase their commitment to implement CSR practices, therefore, all stakeholders will benefit from CSR outcomes, including the owners who will increase their growth through profit and share maximisation.

## **2.7 BUSINESS CONTRIBUTIONS TO ENVIRONMENTAL ISSUES**

Today, enterprises are increasingly contributing to the progressive degradation of existing ecosystems by emitting huge amounts of hazardous pollutants and through excessive use of available natural resources, causing a serious threat to our planet's biodiversity (Fuentes 2019: 2). Hence, there is a need to take varied measures to stop the degradation of the environment by business activities. Initiatives aimed at simply

neutralising the produced pollutants are no longer sufficient and significant currently, because of the extent businesses have gone to in causing environmental issues (Zelazna *et al.* 2020: 50). This makes it necessary to search for solutions that can reduce the environmental burden caused by business activities at all phases of the production process, from the design and production planning stages, to every part of the manufacturing process (Axford 2018: 4)

Zelazna *et al.* (2020: 45) assert that “the fast economic growth is directly linked with the intense exploitation of natural resources and the denial of the need to preserve natural resources for future generations”. While every nation can use available natural resources to benefit people of that nation, these nations are also responsible for the protection and preservation of natural resources for generations to come. In the past, most businesses acted with little regard or concern for the negative impact they have on the environment (Fuentes 2019: 2). Many large and small organizations are, nonetheless, guilty of significantly polluting the environment and engaging in practices that are simply not sustainable. However, there are now an increasing number of large businesses committed to reducing their damaging impact and even working towards having a positive influence on environmental sustainability.

As for SMEs, the majority remain resistant to taking measures in the prevention of environmental issues (Zelazna *et al.* 2020: 46). Pollution is one of the world’s biggest environmental issues (Fuentes 2019: 1), with the business impact on pollution affecting not only the health of people but also business performance and employee productivity (Newman *et al.* 2020: 1456). Heavily polluted areas, for example, face difficulties in hiring and retaining workers. In addition, waste disposal is another issue that makes it difficult for businesses to retain and attract employees, as improper disposal results in foul smells, leaching into water supplies, and air pollution (Fuentes 2019: 1).

The environmental dimension of CSR forces businesses to look beyond making short-term gains, instead, exploring their long-term impact on the natural world. There is a need to consider not only the immediate impact of business actions on the environment, but the long-term implications as well (Newman *et al.* 2020: 1458). Moreover, when considering environmental sustainability for businesses,

implementing environmental practices does not negatively impact on a business' ability to generate a profit (Zelazna *et al.* 2020: 48). In fact, in the long-term, environmental practices are considered to improve profitability through reduction of expenses and increased competitiveness (Newman *et al.* 2020: 1461).

Environmental issues affecting businesses will continue to affect business performance and the economy at large (Kegeyam 2017: 8), with issues such as major storms, loss of resources, inflation, and scarcity of food and water creating serious damage (Fuentes 2019: 1). However, solving these complex issues require the cooperation and intervention by businesses and government. The global environmental crisis appeals to all business leaders and owners to consider the environmental impact their businesses have on the environment, with a call to business leaders to take control, ensuring they comply and obey regulations (Newman *et al.* 2020: 1458).

## 2.8 ENVIRONMENTAL TECHNIQUES OF CSR THAT INFLUENCE SME PERFORMANCE

The following is one of the important environmental practices under CSR aspects that businesses implement to improve performance, while sustaining the environment, and invest to achieve 3Ps technique (People, Planet, Profit):

**Table 3.1: Environmental CSR practices and 3Ps**

ENVIRONMENTAL PRACTICES	DESCRIPTION
<b>1. Enhance Supply Chain Efficiency</b>	There are several steps involved in improving the environmental performance of supply networks. It necessitates recognizing waste in all manufacturing sectors. These measures include reducing waste production, promoting the use of renewable resources, and using less energy. Businesses may cut their carbon footprints by improving their supplier chains.
<b>2. The renewable Energy</b>	Natural resource depletion brought on by industrial growth is escalating. Corporate entities are responsible for the 6.3 billion tons of carbon dioxide that are released into the atmosphere each year on a worldwide scale. As a result, there have been rigorous government interventions to address business

	responses to the climate problem, global warming, and ozone layer depletion. As a result, companies like Microsoft are starting to work toward becoming carbon neutral by 2030.
<b>3. Reducing Packaging Waste</b>	Businesses should improve the packaging they use and their CSR environmental practices, especially in the industrial sector. Plastic-using businesses are experimenting with novel uses for paper, recyclable plastic, and glass. Eco-friendly packaging CSR activities are already being used by businesses like Woolworths and Dischem. Specialized certificates acknowledge companies based on a number of environmental activities, including resource usage, water use, renewable energy use, and market social responsibility.
<b>4. Water Depletion</b>	Large businesses, such as Johnson & Johnson, have taken initiatives towards measuring their water footprint. According South African Environmental Affairs (2019), businesses use more necessary water for human use. Therefore, measuring water consumption is the first initiative to waste management. This can also improve cost savings.
<b>5. Reconsidering Lighting</b>	Regardless of the architecture, lighting has a significant impact on the entire environmental footprint of CSR operations. LEDs and other energy-efficient lighting systems are used in several new buildings around the US to undertake CSR activities for environmental sustainability. The worldwide objective of renewable energy may also be advanced by investing in more environmentally friendly options.
<b>6. Environmentally Conscious Construction</b>	By paying attention to how businesses construct their infrastructure for businesses, corporations are actively working to lessen their environmental impact. The Excellence in Power generation and Environmental Engineering accreditation, a third-party verification that increases water use, energy efficiency, emission reduction, and attention to the total ecological effect, is a well-known example in which many firms are investing.
<b>7. Waste Removal</b>	All business, including SMEs should reduce waste. Improving business carbon footprint requires more than just reducing

	waste production. Another crucial factor is how waste is handled and disposed of. Setting goals is essential when adopting a new waste removal strategy so that the business can run improvements as it moves forward. When workers are personally involved and feel accountable for their part, waste disposal is most successful.
<b>8. Efficient Logistics</b>	From modifying employee commuter transportation to and from work to modifying product logistics to and from clients in a corporation. Social responsibility measures include putting a lot of emphasis on ecologically sustainable transportation options. For instance, companies may lower their carbon footprint by using electric vehicles and the charging facilities that come with them. It might also save money for a firm to take these factors into account.
<b>9. Innovative Technology</b>	No matter what size or sector a firm is in, technology has a significant impact on how a firm runs. Innovation that is environmentally sustainable involves using technology responsibly. This is crucial for finding environmentally sustainable energy sources. According to the United Nations Environment Programme, eco-innovation will be the decisive factor in developing instruments that do not currently exist to solve complicated environmental concerns.

Source: Folk (2020)

According to Turyakira (2018: 260), environmentally-oriented CSR initiatives refer to policies, production management and recording associated with the environmental impact of all activities businesses initiate to address environmental sustainability. This includes policies, procedures and regulations for operational management. The most important environmental dimension of CSR practices concern the depletion of power and natural resources, management of waste and pollution in the best level of environmental concern (Xinwa 2018: 34).

Shahzad *et al.* (2020: 3) identifies SMEs that attempt to minimise damage to the environment will benefit through new business opportunities. “For example, businesses that show high concern for environmental issues and provide solutions to those issues, tend to stand a good chance of obtaining large corporate business”



(Xinwa 2018: 34). This includes obtaining contracts with large businesses, as well as with the public sector, thereby increasing the opportunities of attracting new customers and eventually increasing the performance of the business (Shahzad *et al.* 2020: 3).

Academically, it has been revealed that a positive association exists that links environmental practices of CSR, customer loyalty and business performance. In this regard, business performance and profitability related to environmentally-oriented CSR practices result in saving resources, minimising costs, improve innovation and eco-innovations, improving customer loyalty, and enhanced employee optimism (Xinwa 2018: 35)

Shahzad *et al.* (2020: 7) claim SMEs have started to shift their attention to the environment by manufacturing eco-friendly products, environmentally friendly packaging and processes, such as using less energy, water and recycling because of the benefits discussed above. In addition, more SMEs are to be expected to continue considering the environmental sustainability by tackling large-scale ventures of environmental responsible practices. Nevertheless, Xinwa (2018: 35) argues SMEs are basically ignorant and do not pay attention to assessments and involvement of environmental CSR practices.

In the past, these enterprises have been perceived as not interested in CSR practices related to the environmental sustainability (Xinwa 2018: 35). “However, the major issue for many SMEs has never been indifference and cost to invest in environmental practices, but that they do not focus on what they are expected to do to achieve greater environmental outcomes concerning waste pollution and other environmental practices” (Choongo 2017: 4). Although SMEs have perceived major issues such as global warming and climate change as a reality, they consider these problems the responsibility of large businesses. Nevertheless, Forbes (2017: 4) reveals that small businesses, particularly SMEs, revealed a significant proactive approach to address the environmental problems; taking action to limit environmental issues.

Shahzad *et al.* (2020: 6) suggest SMEs need to develop strategic plans and methods that will fit in and chain their commitments and predictable results regarding key stakeholders. In addition, SMEs need to monitor and manage the execution of customers, the supply chain, employees and customer, employee. The authors add

that SMEs should comprise CSR practices in their vision and mission as one of the key components, in order to maintain the support of employees and society at large. Moreover, businesses should involve every employees in the decision-making, brainstorming and planning when determining strategies, as well as the vision and mission to achieve the businesses goals and objectives.

Findings from Xinwa (2018: 43), therefore, confirm a positive relationship between CSR environmental practise implementation and the competitiveness that results in greater business performance and value maximisation in the business market of SMEs. SME practices related to the CSR environmental aspect can potentially impact the business internally and externally, according to society, customers and employees.

Having discussed the background of CSR and SMEs, along with the attitude of SMEs to CSR and environmental practices, the next section will discuss ethical labour practices of CSR and SME performance.

## **2.9 CSR ETHICAL WORKFORCE ORIENTATED PRACTICES AND SME PERFORMANCE**

According to Widjaya (2016: 2), CSR practice represents a business's responsibility towards its employees as well as to society at large in terms of social and environmental issues. Axford (2018: 5) stated employees are recognised to be the most valuable assets of an organization, with even the advanced technologies and finest of infrastructures not of much use and not serving an effective purpose when employees do not perform at their level best. A business has a duty towards its working employees in keeping with their desires and interests to ensure job satisfaction (Widjaya 2016: 2). Good CSR practice by management and overall business strategies to employees will serve as an example. As a result, the employees will realise the essence of being socially responsible to society without the influence of business pressure (Xinwa 2018: 28).

An effective strategy implemented by many businesses in order to understand their goals and at the same time encourage employees to contribute to meeting the needs of society, is through employee volunteer programmes (Widjaya 2016: 2). Employee engagement has gained popularity with several SMEs; to improve involvement of employees in CSR initiatives, the business must enable employee volunteerism and

involve employees in the planning stage. In addition, several successful SMEs owe part of their success to the commitment and application of employee volunteer programmes, which are now used to monitor and assess their impact on CSR for business performance and growth (Widjaya 2016: 3).

Xinwa (2018: 29) asserts, business must categorise its core practices in order to motivate employee to engage in charitable activities and other volunteer programs. One of these is having employees participate in decision-making at all levels and take the lead in the business's CSR initiatives. Since the majority of people mainly involved and who contribute their efforts in CSR implementation are the employees, it is in the best interest of a business to include employees from the first phase of planning CSR initiatives, to the end. Their opinion on the overall results of a particular CSR initiative may assist the business in achieving its corporate objectives (Widjaya 2016: 3).

“Another important practice under the employee dimension of CSR, is to empower the skills, competencies, and innovation of employees in order to contribute positive outcomes to CSR initiatives” (Axford 2018: 6). Good CSR practice includes providing opportunity for employees to advance their skills. When invited to take on jobs beyond the purview of their current responsibilities and participate in CSR activities, employees gain new skills and information that they can share and contribute to the company.

As explained by Xinwa (2018: 27), through corporate volunteering, CSR improves employee engagement. By cooperating on tasks and doing activities both within and outside the office, getting to know one another better, and paying close attention to skills that have not yet been proved as part of the job specification, employees may build their relationships. Relationships within and outside of the workplace are strengthened as a result. Employee performance and work ethic are improved by taking part in CSR programs. Employee attitudes and awareness levels are impacted by CSR, which also enhances employees' sense of purpose and integrity and develops positive self- and company-images. (Axford 2018: 6). Employees who take part in CSR initiatives get a greater understanding of how they can contribute to improving society and the environment, which makes them more devoted to their profession. When employees understand the significance of their job, they frequently

adopt the same values. Actively engaging in CSR may improve work satisfaction, which motivates companies to maintain a positive employee perception of CSR.

SMEs are highly encouraged to constantly enhance employees skills by initiating staff developing programmes and training, for means of retention, providing them with fair and reasonable salaries, flexible working hours and a safe and favourable work environment (Xinwa 2018: 28). This will increase employees' morale, thus ensuring the maximum level of job satisfaction. In this mode, employees can be adequately productive and efficient for the business to maintain and possibly gain competitive advantage (Shahzad *et al.* 2020: 4). "Effectively, SME executive management and owners need to maintain significant social commitment to their labour force". Shahzad *et al.* (2020: 4) claim the major concerns of modern employees and potential employees are: wages; health and safety, such as first aid kits; along with training; organisational learning and corporate development; and other employee benefits such as bonuses and flexible working hours.

From the above discussions, it is established SMEs must focus and commit to these and other factors, for the encouragement and betterment of employees. The factors also include staff training, fair and reasonable wages, employee health and safety in the workplace, as well as day-care facilities for children of working parents (Xinwa 2018: 29). Use of the well-known African philosophy of "Ubuntu", meaning "humanity towards others" or to be the caretaker of others, highlights the significance of employees in SMEs are, in most cases, likely to be related or from the same societies. Hence, local societies appear as important SME stakeholders through CSR (Xinwa 2018: 29).

The main issue identified with SMEs is the sector being generally recognised for employing highly skilled labourers with the relevant skills needed (Shahzad *et al.* 2020: 4). Age, disability, gender and race are irrelevant when hiring new employees in SMEs, what matters is the essential skills needed for the vacancy (Xinwa 2018: 30). However, the problems involved in hiring skilled employees influence SMEs when attempting to retain staff.

Despite the number of people with different backgrounds and abilities working in different businesses, over 60 percent of them believe that staff development is very

important for their company's success. They also noted that more than half of these establishments participated in family-friendly activities. Most of the respondents also noted that their companies' efforts to promote employee well-being and support community events were very important. This is because, as a result, they believe that these activities can help improve the performance of their businesses. It is very important for small and medium-sized enterprises (SMEs) to maintain the effective and efficient workforces.

Shahzad *et al.* (2020: 5) agree that employees are very significant contributors in and throughout the CSR initiative; in considering this, SMEs have to maintain an appropriate relationship with their workers. Majority of employees noted that their business's efforts to promote employee well-being and support community events were very important. They additionally believe that these activities can help improve the performance within the businesses. The main concerns of their employees are the availability of training and education, as well as the reasonable and fair wages (Lezenby 2015: 31). These elements can improve job satisfaction and encourage employees to be more committed and determined, making it crucial for SMEs to provide employment in society, as this is another social responsibility practice that not only improves reputation and competitiveness, but also leads to exceptional performance.

## **2.10 CSR WORKFORCE PRACTICES AND SMEs**

The impact of CSR on business performance is an important issue in the business world and research, having been discussed and analysed for decades, with scholars focusing their attention on aspects of CSR importance concerning the employee dimension (Kunz 2020: 159-160). Most researchers agreed CSR activities shape business outcomes and those outcomes benefit the employees, while also enhancing business performance. With the growing demand for significant business involvement in many initiatives, SMEs now view CSR as an important tool to enhance employee development. With this, SMEs have found the importance of investing and implementing a workforce dimension under CSR for business performance purposes. This includes employee engagement, job satisfaction and cost-saving.

- (i) Employee engagement

Considering the benefits from business experiences that have higher employee engagement when implementing CSR. According to Kweyama *et al.* (2015: 810), SMEs with advanced levels of employee engagement outperformed other competitors in the market by nearly 20 percent. CSR has proved its importance to SMEs by improving employee engagement in four ways.

- (a) Analytical engagement: when employees appreciate CSR practices by a business, whether through charity, sponsoring or recycling. These employees will want to know what makes the company better in all aspects.
- (b) Social engagement: when employees are pleased the workforce dimension is being considered. Should a business involve its employees in the first phase of planning, such employees are likely to have many good ideas about the business that could benefit from company CSR efforts.
- (c) Conceptual engagement: CSR allows employees who want to discuss the context of the business mission and are likely to have interesting ideas for how the company can impact society and the rest of the stakeholders.

(ii) Job satisfaction

Job satisfaction is a general expression of positive employee attitudes towards their jobs, and is described as “pleasurable or a positive emotional state” because of assessment of the job (Omer 2018: 59). Satisfaction with a job is also explained as “when employees have an agreeable emotional state”, consequent to job experience appraisal, as well as the point to which the employees express a positive affective positioning towards a job (Omer 2018: 40). There are several factors that influence the satisfaction level of employees in their jobs; such factors are the CSR initiatives by a business, and it has positive outcomes. Omer (2018: 61) asserts a strong correlation exists between CSR and job satisfaction. Furthermore, the physical work environment has a great impact on employees’ satisfaction level, with CSR practices encouraging safety and health of employees; which results in enhanced job satisfaction. This also involves “the association of comfort, efficient communication, access and functional efficiency”.

## **2.11 INFLUENCE OF ETHICAL CSR WORKFORCE PRACTICES ON SME PERFORMANCE**

It is important that businesses set ethical standards for their employees and management, along with providing a harmonic environment that fosters trust and commitment, provides adequate leadership, and creates a high-quality workforce, to improve business performance (Sabharwal & Berman 2020: 1). Several scholars have researched the importance of ethics for both business performance and employees as a vital factor that contributes to the well-being of employees and how that can influence SME performance (Choongo 2017: 5). Although there are several studies that emphasise the effect of ethics on improving business performance, in this study, the focus is on business performance, particularly SMEs.

Singh *et al.* (2019: 206) defines ethical business as “an environment of harmony, trust and integrity, where ethical values, codes, and standards are well articulated and shared among employees of the business”. DeFoe (2015: 11) asserts the ethical CSR workforce refers to where employees are hired and promoted based on their capabilities, not on favouritism. When a SME employs CSR in terms of its workforce dimension, it fosters individuals to be appreciated, trusted, and fairly treated (Sabharwal & Berman 2020: 6). Furthermore, Singh *et al.* (2019: 206) determines an ethical environment is where the opinion of every employee is considered, and employees are free to provide complaints without fear of risking their jobs. According to Cherian and Pech (2017: 10), SME performance can be influenced by ethical CSR practices; this includes providing “adequate senior management and leadership, continuous improvement, and a high quality workforce”, as all these are factors that improve business performance.

Many researchers agree business performance is a complex phenomenon and a difficult concept to measure, particularly in the SME sector. Even so, Singh *et al.* (2019: 207) claims business performance can be achieved by means of the workforce dimension through CSR implementation. The workforce dimension generally enhances and develops employees in a workplace, whereafter business performance is achieved, because efficiency and effectiveness of employees are increased, as are employee satisfaction and job security, with “achieved managerial expectations and the use of appropriate performance appraisal” (Sabharwal & Berman 2020: 6).

The CSR workforce dimension directly impacts the performance of individual employees who support the business in their initiatives, with Cherian and Pech (2017: 4) further indicating that when employees understand that their organizations are socially responsible which have an impact on employee trust in their organization (. According to Cavazotte and Chang (2016: 5), trust is a “mental state” comprising “positive expectations and intentional positive behaviour of others”, as trust in an organization is an asset, because when employees have trust in a business, they perform better knowing they have job security and safe environment. Moreover, CSR workforce practices have a significant direct impact on employee welfare and business performance and businesses must develop advanced CSR strategies to improve employee welfare for the goal of business performance to be achieved (Cavazotte & Chang 2016 5).

Cycyota, Ferrante and Schroeder (2016: 122) identify employees have a role in CSR initiatives and play a key role in shaping business performance. furthermore, highlighting why these initiatives are implemented within the business to enhance and develop employees. In addition, CSR workforce initiatives increase trust and develop further relationships between employees and employers (Cherian & Pech 2017: 6), which shows the importance of employee reactions to CSR and related business activities; for example, employees tend to associate with businesses that practice current business trends such as CSR. Sabharwal and Berman (2020: 6) concur that CSR practices initiated by a business have an impact on employee reactions and inspire employees and their positive perceptions, thus improving employee commitment.

The impact of CSR practices offers social exchanges between the business and its employees, which means CSR practices influence positive attitudes and behaviours of employees, including trust in leadership styles. Trust between employees and leaders “shows the relationship of social exchanges that have an influence on behaviour and harmonies in a workplace which enable productivity of employees to increases due to a sense of belonging” (Brower *et al.* 2016: 6). Thus, trust in employees results in higher work performance, with Yasir *et al.* (2016: 2) stating it “raises a sense of organizational ownership” and business performance improves



more when employees are committed and believe in the leadership styles of the business.

Therefore, investing in CSR encourages competent and innovative employees to stay with the company enabling the retention of knowledge that is relevant to the business and reducing turnover costs (Cavazotte & Chang 2016: 9). However, Yasir *et al.* (2016: 3) determine that there is a positive relationship between CSR and employee commitment. Furthermore, some researchers have revealed that when employees believe the organization they work for is committed to them, it guarantees their rights as workers, protecting their health and safety, and investing in their professional development and emotional ties, strengthening their desire to remain where a positive influence is provided; thus, business performance is constantly improving.

Sabharwal and Berman (2020: 6) identify the use of CSR in businesses achieves a variety of factors that improves the overall business performance of SMEs, namely (a) ethical environment, (b) continuous improvement and renewal, (c) senior management and leadership, and (d) organizational performance and workforce quality.

(a) Ethical environment:

Business performance goes together with the ethical environment, because, without ethical practices and behaviours in an organisation's environment, business performance can never be achieved (Sabharwal & Berman 2020: 8). The literature on ethics research in a business has reached consensus on what establishes an ethical environment and the strategies associated with it, for a business to be sustainable in its performance. This growing interest has not only been the result of an increase in incidents of wrongdoing, it has also reflected the growing recognition by scholars of the understanding that building ethical workplaces contributes to more productive and better performing businesses (Sharma *et al.* 2020: 139). The positive effects of an ethical atmosphere on business performance-related values, such as effectiveness, efficiency, teamwork, and quality, all these codes of ethics, were ranked by employees as the furthestmost powerful and effective way to prevent corruption and unethical behaviours in SMEs (Cycyota *et al.* 2016: 122).

(b) Continuous improvement and renewal:

Cavazotte and Chang (2016: 13) state that continuous improvement and renewal are known for business survival and success, as they “support and prevent organizational conformity in the appearance of a volatile and ever-changing business environment”. Considering the importance of continuous improvement and renewal, Sabharwal and Berman (2020: 14) view an adaptable business as an organisation “more likely to survive and succeed than their competitors” in the market. In the business world, continuous improvement and renewal are revealed through adoption of “the latest advanced technology, the re-engineering of organizational structure and processes, and the continuous evaluation of organizational capacities and managerial skills” (Singh *et al.* 2019: 207). Essential to the continuous improvement and renewal of the organization is the concept of innovation, which implies not only the invention and adoption of different ideas, practices, processes, and services by an organization, but also the implementation of proper and effective use to improve performance.

(c) Senior management and leadership:

Several studies highlight the significance of effective leadership and senior management to SME business performance (Sharma *et al.* 2020: 139). Management does indeed matter in leading a business towards high performance; this means SMEs must be able to link managerial and leadership skills with improved outcomes (Cavazotte & Chang 2016: 13). Sabharwal & Berman (2020: 8) assert failure of most SMEs is as the result of a lack of effective leadership, rather than a weakness in organizational structure and processes. Thus, it is important for SMEs to have solid managerial and consolidative leadership skills to enhance business performance through and assembling of management capacities, descriptive organizational goals, and proper facilitation of achievement (Cavazotte & Chang 2016: 13). Other researchers have shown a positive correlation between transformational leadership and business performance meaning, with transformational leadership such as pleasing employees, which stimulates followers (employees) to perform beyond the level of expectations (Singh *et al.* 2019: 207).

(d) Organizational performance and quality of workforce:

Human resource management (HRM) research has widely emphasised employees within the business are the furthestmost important resource of any business (Sabharwal & Berman 2020: 14); they are the key to outstanding and consistent business

performance. A study by Omer (2018: 61) suggests certain HRM practices, such as hiring a flexible workforce and providing employees with extensive training and development for knowledge and skills, showed a positive correlation with obtaining high business performance (Kunz 2020: 159). The quality of workforce achieved by CSR implementation delivers outstanding outcomes, such as business efficiency, customer satisfaction and service quality. Thus, exposing employees to a broader aspect of innovative ideas and skills, thereby increasing their flexibility and improves their ability to effectively diagnose and solve businesses problems, therefore, overall business performance is achieved (Cavazotte & Chang 2016: 13).

Superior business performance and competitive advantage is accomplished when a business own or control assets that are rare and valuable, particularly when they are difficult to be copied and moved to other business location (Cavazotte & Chang 2016: 13). Intangible assets, such as capabilities, skills and knowledge are more relevant especially when developing performance and competitive advantage (Sharma *et al.* 2020: 139). Singh *et al.* (2019: 209) asserts competencies are grounded on processes that mainly consist of activities developed, approved, and traded by the business human capital at all levels of the business. Then, when focusing on the tangible assets, Singh *et al.* (2019: 209) suggests hiring and retaining competent employees can offer a strategic advantage for a business that wants to improve its performance. Several studies have shown that HRM policies, many of which are now scheduled as CSR standards, enhance high performance, and bring about improved results for SMEs (Kunz 2020: 161). Omer (2018: 62) emphasises that under the workforce dimension, CSR can favour the business reputation and promote a positive image as an employer, thereby increasing the business's chances to attract the best talent available in labour markets. This can be a strategic aspect for SMEs, since ability to retain employees and attract a talented pool of employees can increase productivity and reduce replacement or turnover cost (Singh *et al.* 2019: 212). It also becomes more important for SMEs to adapt to such strategies, because the expectations of the new generation are that businesses allow them a flexible lifestyle, such as the ability to have work-life balance, personal development programmes and career growth opportunities (Sharma *et al.* 2020: 139).

CSR workforce practices can also affect the performance of workers in a more direct way, by promoting greater levels of efficiency over learning and development of new skills (Singh *et al.* 2019: 213). Research shows a positive relationship between employee training and business performance, especially in SMEs (Omer 2018: 62). At the present time, providing consistent training for employees is no longer an option, but rather a need for every business, especially SMEs. This includes providing organisational learning for development of employee skills, knowledge and competencies. Sharma *et al.* (2020: 141) state that investment in training and education can foster immediate, non-financial gains, such as greater quality and improved operational efficiency which should, in the long-term, have a positive impact on business results. CSR under workforce practices, including focus on employee education and development, have been associated with positive business outcomes such as overall performance (Sharma *et al.* (2020: 141).

Having discussed the impact of ethical labour CSR practices on the performance of SMEs, the next section sets out the public good of the society dimension CSR practices on SME performance.

## **2.12 SOCIETY DIMENSION CSR PRACTICES AND SME PERFORMANCE**

One of the purpose of CSR is to cultivating social harmony in the largest sense in the local society where the business operates (Turyakira 2018: 257). This includes the social incorporation at community level and employment opportunities, charity or sponsoring to the society, as well as infrastructure development (Xinwa 2018: 30). Choongo (2017: 3) maintains the characteristics of a society-oriented corporate social responsibility (CSR) engagement program are focused on addressing the various needs of communities. These include providing financial assistance to families in need, encouraging community involvement, and promoting healthy lifestyles.

Xinwa (2018: 30) determines the following CSR activities as important for SMEs, namely: “financial and in-kind (material) donations, volunteerism, education of the public, support of various kinds for the local quality of life (eg. sports, culture, etc.) and collaboration with local schools, authorities and various organisations”. Businesses rely on the well-being, wealth and power of the local communities in which they operate their business. Turyakira (2018: 257) confirms businesses that have a preference to

employ people from the same community they operate in, as well as providing generous donations and sponsors, and support to society events such as sport, cultural or social activities; these businesses must expect outperforming their competitors and obtaining improved business performance. In addition, when SMEs are involved in environmental safety and security, they are practising society-oriented CSR activities that improve the long-term growth of the business.

Xinwa (2018: 31) also mentions that the practical characteristics of SMEs enable the local community to know the employees and owners of SMEs, because these enterprises have made a name for themselves in the community, by being socially responsible, serving as a major external driver. Thus, it is important for SMEs to become involved in society-related CSR activities such as recreation, fitness and health, career and education, and other philanthropic programmes. By successfully doing so, a business improves its image in the eyes of the community. The image of the business in the local society and its reputation as an employer and a provider of goods and services, as well as an active organ of the community, improves its competitiveness in the business market which, in turn, improves chances of maintaining suitable business performance (Choongo 2017: 3).

Businesses are flexible enough to adapt to business strategies such as CSR, where activities offer mutual benefits to all stakeholders and the performance of the business (Turyakira 2018: 258). SMEs should thus participate in the entire well-being of society by involving themselves in uplifting and betterment of society. This can be done by philanthropic initiatives such as, providing funding for educational scholarships and learnerships to youths who are academically deserving and financially disadvantaged. Helping society to generally develop and invest in refining their future and well-being of the community will enable positive results that can develop businesses relationship with society and enhance a positive public image that increases competitive advantage for the SMEs. Moreover, Xinwa (2018: 32) adds CSR programs need to be viewed as a business strategy as well. In order to improve their public image in the community and with their customers, shareholders, and suppliers, enterprises must be perceived as socially responsible, which will in the future assist in attracting a talented and innovative pool of employees.

SMEs frequently concentrate on workers, consumers, and community-intensive engagements. Bearing in mind the environmental issues worldwide, it becomes obvious a background that reports these main elements, while recognising the necessary practices significant to SMEs to impact communities and the environment in their long-term survival. Communities where businesses operate are a part of the social and natural environment. As a result, society cannot exist without a healthy environment, and without society, a company cannot fulfil its goals of increasing profits and share value. This idea emphasizes the critical significance of CSR activity as a means of social investment to preserve the environment in which business is conducted. (Choongo 2017: 5).

## **2.13 APPROACHES TO SUCCESSFULLY IMPLEMENT CSR PRACTICES TO IMPROVE PERFORMANCE**

There are two approaches under CSR discussed below. According to Palmer (2020: 1), both the shareholder and stakeholder approaches play fundamental roles in the business world, however, their aims and interests are very different. A shareholder's perspective differs from that of a stakeholder, in that shareholder interests are related to profitability, dividend distribution and people of interest (Palmer 2020: 1), whereas stakeholder interests concern those who actively participate in and contribute to business decisions and are more long-term oriented (Smith 2019: 2).

### **2.13.1 The Shareholders approach**

Palmer (2020: 2) defines shareholders as equity owners in a business through the purchase of shares. They are not directly involved in running the business but may have rights depending on the class of share purchased. The company's articles of association lay out the rules of how the company will be run, including any rights held by shareholders (Riley 2020: 2). Shareholders who have voting rights may have authorisation in certain matters at an Annual General Meeting (AGM), which public companies must hold every six months. These include directors' remuneration and dividend distribution (Brandt 2016: 5).

Lezenby (2015: 26) maintains the shareholder concept approach is when a business is primarily responsible to act in its owners' interest only - the shareholders. Therefore, the decisions, the vision and the objectives of the business are developed based on

shareholder interests, rather than the wider stakeholder groups (Brandt 2016: 6). Benefit will as Riley (2020: 3) explains, “purposely and directly increase the value of the business only”. Shareholders usually focus on business performance, profitability, share maximisation, and inclining towards expansion as a business strategy (Sawayda 2018: 1). Palmer (2020: 3) extends the discussion by explaining the interests of shareholders may be short-term when compared with stakeholder interests.

The philosophy of the shareholder approach attempts to increase the organization's value by enhancing firm earnings, increasing the market value of the corporation's shares and by increasing the frequency or amount of dividend paid (Abu 2021: 93). Furthermore, according to many business analysts, a shareholder value approach provides managers with a clear mission and facilitates decision-making. Whether it is reasonable for the managers and the overall welfare of the organization is not the main concern in this type of an approach (Brandt 2016: 5). All these objectives that businesses strive to achieve, make this value analysis a traditional business measurement used in the business world today. Abu (2021: 94) claims the idea is that shareholders' money should be used to earn a higher return than it could by investing in other assets with the same amount of money and risk.

For successful implementation of a shareholder approach, managers should first understand and calculate the organization's shareholder value, gain and top management commitment (Greenway 2019: 4). A shareholders' approach trusts to measure business performance through maximisation of shareholder value as an objective and to be acknowledged and liked by the executive management. When the approach is achieved it becomes the essence of the organization (Abu 2021: 95).

Managers should, furthermore, classify the fundamental and main drivers of the business and set performance targets, providing a framework by assigning responsibilities to individual managers and supervisors (Ranängen 2017: 15). Reviewing the financial performance of the business and developing strategic plans is the responsibility of the top management of the business. To continue with the implementation of the approach, the strategy, mission and objectives of the approach should be communicated throughout all management levels in the business hierarchy. Greenway (2019: 5) claims staff and employees in the lower level of the management

hierarchy are those mainly involved in the implementation or action part of the approach. Therefore, staff should be trained to be productive enough to produce less waste and, eventually, achieve the goal of top management (Greenway 2019: 6).

Abu (2021: 95) illustrates that, in many cases, to effectively utilise the shareholder's approach, businesses may even attempt to change the business information systems to monitor and measure performance from staff. It is important to also mention that the creation of sustained value will require permanent monitoring of employee performance, which is the main reason for managers to monitor and review progress and refine targets. However, there is an important and main disadvantage with the shareholder model. Due to the pressures to meet performance expectations, managers are often tempted to take a short-term perspective of the business (Sawayda 2019: 2).

In other words, as Lazenby (2015: 27) explains, managers might focus on maximising value in the short-term, rather than in the long-term, which can have negative consequences for the firm. For instance, when the manager acts unethically to achieve superior results of exceptional performance in the short-term, the organization may end up facing fines and reputational harm in the long-term. Ranängen (2017: 17) notes studies have supported the idea that a short-term emphasis on a shareholder approach harms long-term growth creation. Critics of the shareholder model claim ethical conduct is placed on hold, as managers are more concerned with increasing market share and profitability than anything else, which affects long-term business growth and suitable performance. Businesses should, instead, implement a stakeholder's approach to maintain long-term, suitable business performance and growth (Sawayda 2019: 5).

### **2.13.2 The Stakeholders approach**

Whereas businesses have internal and external stakeholders, the interests of both groups are longer-term, when compared with shareholders (Landau 2019: 1). On the one hand, internal stakeholders have a more direct relationship with a business, typically being members of the business as staff and managers (Xinwa 2018: 44). External stakeholders, on the other hand, usually include customers, creditors and



suppliers, however, the term can also refer to larger groups such as trade unions, government regulators and society groups (Landau 2019: 1).

Smith (2019: 2) defines stakeholders as people who actively participate in and contribute to business decisions, as they are affected by the results of business accomplishment. They have their influence over the success and survival of the business, making their participation crucial for successful and consistent business performance. A stakeholders' approach is used to identify stakeholders and analyse their needs, in order to develop quality strategies that cater for everyone who contributes to the success of the business (Naik & Chetty 2021:8). In the first attempt, it includes collecting qualitative information to determine which stakeholder interest should be examined and helps business to assess risks and requirements needed in the implementation. (Sawayda 2019:5). The purpose of employing a stakeholder approach is to have a strategic view of various possible stakeholder issues (Smith 2019: 4).

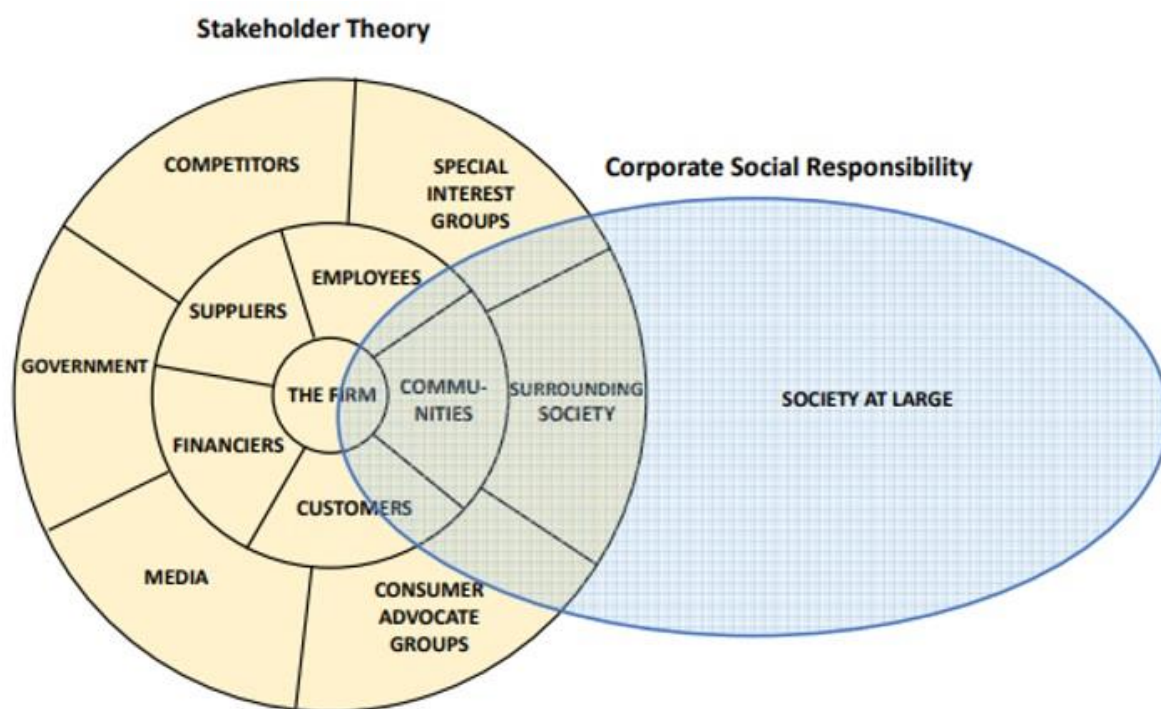


**Figure 2.2: Stakeholders approach diagram**

*Source: CARDET, Cyprus (2020)*

Naik & Chetty (2021: 3) acknowledges the stakeholder approach stresses a business should create value for its various stakeholders affected by business actions and decisions, and not only its shareholders. In addition, Naik & Chetty (2021: 4) adds the approach acknowledges the necessity of managers being held liable to the various stakeholders, for protection and stakeholder interests. This works from the point of three perspectives for a business:

- stakeholders who have an impact on the business operations of the enterprise;
- how such CSR interconnections impact key stakeholders and the organisation; and
- how key stakeholder viewpoints impact the success of the business's strategic measures and how the business invests in CSR to impact on stakeholders.



**Figure 2.3: The interrelationship between stakeholders' approach and CSR**

*Source: Naik and Chetty (2021: 5)*

Naik and Chetty (2021: 5) discuss similarities between CSR and a shareholders' approach, stating that CSR emphasises the benefit to the stakeholders, whereas stakeholder theory works on building relationships and values the relationship between the business and its various stakeholders. Although there are certain

differences between the two concepts, they can be aligned to work for the advancement and long-term performance of the business, the company and society.

## **2.14 EFFECTS OF IMPROPER IMPLEMENTATION OF SOCIETY DIMENSION PRACTICES OF CSR ON SME PERFORMANCE**

Becoming involved with community support as a business is an excellent strategy to build relationships, increasing performance and brand awareness, whether by donating, community support programmes or enabling employee volunteerism (Forbes Human Resources Council 2017: 2). Businesses that encourage CSR practices are proved to be more competitive than their competitors and see other benefits, such as a happier workforce and an increased loyal customer base (Forbes Human Resources Council 2017: 3).

Approximately 86 percent of US consumers claimed they value businesses involved in social responsibility, while consumers claimed they also consider CSR when deciding on where to purchase goods and services (Joyner 2018: 53). This means businesses need to be responsive to customer preferences, which can improve performance of the business, as customers are the only key to increasing sales and profit for a business. However, DeFoe (2015: 3) determines some SMEs have argued the purpose of a business is to make a profit and to leave the government and non-profit organizations to focus on social and environmental issues. Their perspective is that businesses are meant to create products or services and not deal with welfare activities.

Lazenby (2015: 29) adds to the discussion by emphasising managers do not have the necessary expertise and knowledge to handle CSR practices, furthermore, were businesses to focus on CSR, they would not perform their core activities to their full capacity (DeFoe 2015: 8). The lack of resources, including finances, knowledge, expertise and human capital, has been reported as the main reason SMEs do not properly implement CSR practices (Yuen & Lim 2016: 50). For effective implementation of CSR on SMEs many resources are required; for example, budgets to implement CSR are often limited for SMEs, which discourages the business to properly implement CSR practices, instead, investing in other projects that will guarantee higher return on investments (Yuen & Lim 2016: 51). Xinwa (2018: 16)

asserts other SME manufacturers do not want to engage with society practices or any other environmental welfare, as this may be too costly.

DeFoe (2015: 8) determines that businesses operate in a competitive environment, with some implementing strategies such as CSR to increase their competitive advantage. SMEs must want to be adaptive and responsive, or they will be unable to maintain competitive advantage and eventually, performance will be affected. (DeFoe 2015: 10). Some of society's issues, such as pollution and poverty, are created by businesses that are not socially responsible, thus, forcing government to develop new regulations and fines to protect society and the environment. Nonetheless, when businesses govern themselves in an ethical manner, they can avoid government interventions, be profitable, and perform well consistently (Šontaitė-Petkevičienė 2015: 62). Therefore, business performance can be improved, such as increased shareholder value, attracting top talent in the industry, building positive public relations, and increasing a loyal customer base by being responsible to society (Lenzenby 2015:30).

## **2.15 CSR OUTCOMES ON SMEs**

CSR has gained a reputation in the business industry, notwithstanding its growing focus of encouraging and enhancing sustainable and responsible environmental management practices (Sucheran 2016: 1). It is, furthermore, defined as a concept that businesses use to integrate environmental orientated and society orientated concerns in their business techniques and the relationship with stakeholders, on a intentional basis (Xinwa 2018: 7). Lenzenby (2015: 83) discusses CSR as the ability by businesses to act ethically, responsibly, transparently and accountable in all aspects of the environment, society and overall well-being of employees within the business. Lenzenby (2015: 84) continued stating that CSR is “the ongoing commitment by business to act ethically and contribute to economic development and improve life of the employees and their families together with that of the local society and other living organisms in the environment at large”.

CSR is well defined as an approach, according to Modimoeng (2016: 40), who asserts that this is the point where corporations consistently apply their commitment to morality and openness with all of their stakeholders. This entails developing a company vision,

mission, and objectives that are in line with advancing society, protecting the environment and cultural resources for future generations, respecting diversity, upholding employment fairness, and encouraging the amelioration of social issues. (Modimoeng 2016: 41).

Sucheran (2016: 5) claims CSR has been divided and defined into various mechanisms by many authors and researchers, where each has its own purpose, significance and intention. "These consist of concepts of corporate responsibility, sustainability, corporate citizenship, and corporate social performance, as well as business social responsibility" (Xinwa 2018: 8).

- (i) Corporate responsibility is commonly known as business sustainability, deals with the ethics that drive an organisation's activities and how a business can maintain its financial state, sustained in the long-term (Scott 2019 2).
- (ii) Xinwa (2018: 34) states CR starts in recognising organisations' activities impact society, the environment and the economy, as well as their own workforce. Value creation is not just a matter of profit maximisation (shareholders approach) but about a stakeholder's approach that includes the workplace, marketplace, society and the environment.
- (iii) Sustainability: Pettinger (2018: 2, 6) explains environmental sustainability as the ability by a business to maintain protection of environmental resources for future generations. This concept involves limiting consumption of non-renewable resources, protecting the health of ecosystems, and avoiding excess pollution that can be harmful to the environment and species living in it.
- (iv) Corporate citizenship: Logan (2019: 4, 5) states corporate citizenship is broadly known as the business' ability to empower and give back to communities without expecting any monetary gain in return. This includes being a good and considerate business on all levels namely, home/employment, schools, city, state and nation. The motive behind this concept is to create a good reputation and image for a business.
- (v) Corporate social performance: Wood (2016 1) asserts that corporate social performance refers to "the principles, practices, and outcomes of business's

relationships with people, organizations, institutions, communities and societies. In terms of the deliberate actions and activities of businesses toward these stakeholders". This is the business configuration of social responsiveness, which includes observation and results from investing in corporate citizenship. Corporate social performance includes principles of control and feedback on the investment made to empower citizens (Wood 2016 2).

- (vi) Business Social responsibility: A business also has its own social environment, referred to as its internal social environment (Duro 2018: 6). Business is thus the society itself, as it contains people; employees and managers, with customs, beliefs, practices, and behaviours within the confines of the business (Duro 2018: 5). The ability of a business to maintain ethical acts and behaviours, being transparent, and honest with employees within the workplace, is defined as business social responsibility (Wood 2016 6).

All the above are important CSR concepts under the umbrellas of environmental, societal and workplace (CSR) practices (Modimoeng 2016: 46). Businesses need to be consistent with implementing these CSR practices, because business does not operate in isolation, therefore, having to continuously adapt to principles and concepts of the business world to maintain competitive advantage (Xinwa 2018:14).

Chazireni (2017: 31, 32) illustrates that since CSR was first implemented by big corporate businesses, SMEs were misled to think implementing CSR is extremely time-consuming and requires numerous resources to be successful. Xinwa (2018: 22) further asserts SMEs are not financially stable like big corporate businesses are. Nevertheless, in order for a business to implement and benefit from CSR, they need to invest in it. This means SMEs have the ability to improve their performance, if they can properly invest in CSR practices.

### **2.15.1 Positive outcomes of CSR in SMEs**

SMEs need to properly implement and show commitment and consistency in order to benefit from the positive outcomes of CSR (Xinwa 2018: 17). Njapha (2017: 14) determines, workplace CSR initiatives promote safer working conditions, lower the chance of accidents, and increase employee rights awareness. Along with improving employee engagement and compensation, it promotes better communication between

management and staff (Xinwa 2018: 17). One of the reasons businesses participate in CSR is to enhance the image in the community it operates in (Xinwa 2018: 30). With regard to external society, CSR initiatives bring about numerous positive outcomes for SMEs, such as improving a suitable business image, increasing competitive advantage, and reducing costs and expenses, as well as improving sales (Njapha 2017: 15). Through CSR, SMEs can gain reliable partners, decrease staff turnover and attract a talented pool of employees in the market (Sila and Cek 2017: 799).

Sila and Cek (2017: 792) states the escalating attention CSR has received is focused on how it can affect how well a firm performs. Numerous experts have noted how CSR results may provide firms with ongoing benefits. Researchers have, for instance, looked at purchase objectives, higher revenue, enhanced reputation, and increased profit, along with improved employee productivity, as value-creation CSR characteristics (Fernández-Guadaño & Sarria-Pedroz 2018: 3). Bahta *et al.* (2020: 3) emphasise that where SME are concerned, CSR has the power to aid its business performance, even when it involves ethical business practice. Furthermore, Bahta *et al.* (2020: 7) assert when CSR practices are applied in SMEs, it may enhance their competitiveness, therefore, helping the community where the business is located to reduce poverty.

### **2.15.2 Negative CSR outcome in SMEs**

According to Wood (2016: 7), the need to focus on CSR has become increasingly popular in recent decades. In dealing with environmental disasters, poor labour standards, and the type of reckless lending that caused a global financial crisis, businesses are now required to be part of the solution (Wood 2016: 8). Moreover, in the context of globalisation, the knowledge economy, as well as creative and innovative enterprises, CSR implementation in businesses is becoming increasingly more commanding (Doumagay & Moskolai 2016: 6). The authors further note CSR formalisation and conceptualisation have taken place in the context of western managerial businesses, without considering disadvantaged businesses, especially SMEs in the Southern hemisphere in general and Africa to be specific (Doumagay & Moskolai 2016: 7).

Business size and resource capabilities have become the main limitations to embrace, develop and implement CSR in SMEs (Doumagay & Moskolai 2016: 8). This has resulted in an inability to contain positive CSR outcomes, causing negative outcomes due to improper implementation, as SMEs lack resources and have little to no abilities to carry on the tasks of CSR practices (Harness *et al.* 2018: 17). When CSR is not implemented well, the outcomes will not be satisfactory for the SMEs, as it will create a loop-hole preventing full CSR uptake (Harness *et al.* 2018: 18).

Bocquet *et al.* (2019: 10) claims CSR is meant to improve a business' state, in terms of performance, because when a business properly implements CSR, there will be outcomes such as employee satisfaction, increased productivity and effectiveness of all employees, with the business improving its image due to investments of giving back to the community and taking responsibility of the environment and employees. This also attracts investors, which Bocquet *et al.* (2019: 12) acknowledges includes a talented pool of employees, as well as increased loyal customers; the outcomes thus improve business performance. Nonetheless, when CRS is not implemented appropriately, SMEs will not experience this kind of outcomes. Instead, they will experience employee dissatisfaction and complaints, losing talented employees, decreased productivity, and a chaotic work environment due to unethical acts and behaviour by management. Harness *et al.* (2018: 20) asserts such acts affect the image of the SME to the public, resulting in loss of customer base to other competitors (competitive disadvantage), with overall business performance also potentially affected.

## **2.16 CONCLUSION**

This chapter effectively summarized the body of research on how CSR practices affect SME performance while also offering an analysis of how CSR operates internationally and in the South African setting. This chapter's goals were to evaluate the research, look into CSR implementation, and examine how its practices improve SA SME performance. According to the research assessment, CSR significantly affects SME performance and increases their viability and competitiveness. The chapter also highlighted SME CSR methods, which have led to superior performance levels than those of SMEs who do not use CSR. The research also showed a direct link between



putting CSR practices into practice and corporate performance, particularly long-term business performance.

This chapter also discussed SME challenges and barriers of applying CSR practices to their business. CSR implementation, in the context of SMEs, was also outlined since the study particularly reviewed literature based on SMEs. The need for businesses to maintain consistent relationships with every stakeholder in the business world was discussed, along with the capability of businesses, especially SMEs, to play a significant role in creating a sustainable business environment, wherein good citizenship has been identified.

The next chapter discusses all the aspects of research methodology, the target population, site where study will be conducted, as well as sampling techniques, while also detailing the techniques applied while collecting the data.

## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

#### **3.1 INTRODUCTION**

The literature review was the primary source of information to complete the framework of the areas of research and an essential part to bridge the gap addressed by the research objectives. It outlined theories relating to the study, in addition to discussing the findings by other authors who have investigated the influence of CSR practices on SME performance.

However, the purpose of this chapter is to outline the methodology used in this study. This includes the research site, population of participants targeted, participant details, and the method on how they were sampled during data collection. The chapter describes the research design employed for this study, elaborating how the study is linked with the stated objectives. An outline of data collection techniques, drafting of the questionnaire, and the pilot study are included, along with the research limitations and techniques employed to avoid bias. Furthermore, this chapter discusses the methods used to analyse the collected data, reliability, validity, and ethics, as well as participant confidentiality.

#### **3.2 OVERVIEW OF THE METHODOLOGY**

Research methodology refers to the procedure followed in collecting and examining information about a specific subject (Patel & Patel 2019: 48). The methodology section explains the systematic or theoretical way in which the data were gathered and examined during a research project. Research methodology is the “science of studying how research is done scientifically, ethically and guided by the same approach to every participant” (Pandey & Pandey 2015: 9). The aim of the methodology is to systematically solve the research problem by logically adopting various techniques. Methodology assists in understanding not only the products of scientific inquiry but the process itself (Ngozwana 2019: 19). Typically, it encompasses concepts such as the paradigms, theoretical models, as well as the quantitative, qualitative and mixed method designs (Patel & Patel 2019: 48).

This study is quantitative in nature. Quantitative research is defined by Rutberg & Bouikidis (2018: 209) as a study where numbers are used to describe the findings from the data collected. According to Buthelezi (2020: 39) quantitative research generates results that can be presented in numbers from large-scale surveys using methods such as structured questionnaires or studies that involve the collection of numerical data, such as experimental studies. Quantitative design is primarily appropriate for this study, because it is suitable when the study targets a large number of participants; more than 50 (Streefkerk 2022: 3). Used to test or confirm theories and assumptions, this type of design can be used to establish or generalise facts about the variables in the topic (Farnsworth 2019: 2).

In quantitative research there are five main types of designs, namely:

- **Experimental:** Bloomfield and Fisher (2019: 28) state this type of design is referred to as true experimentation, which uses “scientific techniques to establish the cause-effect relationship among a set of variables” that comprise a research project.
- **Correlational:** The use of this type of design aims to establish a relationship between two variables and to determine how one impacts the other. For this, researchers usually require at least two separate groups (Pendamkar 2019: 3).
- **Quasi-experimental:** Similar to experimental research design, the aim of quasi-experimental design is to identify a cause-and-effect relationship between an independent and a dependent variable (Maciejewski 2020: 38).
- **Descriptive:** According to Doyle *et al.* (2020: 444), descriptive research design is used to analyse a situation, a population or a phenomenon being studied. This research design is used when trying to identify characteristics, categories, and trends (Sahin & Mete 2021: 24).
- **Survey:** This is the primary measurement instrument for most quantitative research studies (Aquino *et al.* 2018: 26). Surveys are used to ask questions to a sample of respondents, using various types of instruments, such as online polls, paper questionnaires, and online or web surveys. The aim of survey research design is to understand what the respondents think about the research variables and how the two variables influence or relate to each other (McCombes 2021: 2).

This study used a survey research design, in a systematic method, to gather specific information from a particular, targeted population. To achieve this, the study first developed clear research objectives, used to construct a suitable questionnaire. The aim was to produce reliable and valid findings to enable the conclusion and understanding of the research problem. Once the questions were set, the type of survey appropriate for the study was decided, considering concepts of validity, reliability and ethics.

There are several ways to conduct a survey, however, the direct form of survey in the quantitative method is where a questionnaire is sent or handed to individuals, known as a traditional survey technique. This is the survey type employed in this study. When using a traditional survey, the researcher typically approaches a sample in the target group and may interview these people or ask them to complete a questionnaire. The researcher used a hardcopy questionnaire with clear instructions on its completion and return to the researcher. Only fully completed, questionnaires were considered for data analysis. This formed the basis of the research data collection.

### **3.3 RESEARCH SITE**

A research site refers to a geographical location where the study is conducted. In other words, it is the location where the participants of a research study reside. For example, should participants be business owners, the research site will be the locations where the businesses are situated. When the research targets schools, the research site is the geographical area where the schools are situated.

The research site of this study is in the eThekweni Metropolitan Municipality. This includes areas from Tongaat (north) to Umkomaas (south) and from Durban (east) to Hammarisdale (west), as indicated in Figure 3.1 below.



**Figure 3.1: Map of eThekweni Metropolitan Municipality**

*Source: Municipalities of South Africa (2012: 1)*

The research focused on SMEs in the automotive manufacturing sector of the eThekweni Metropolitan Municipality. The concentration of these businesses was mostly in areas: (a) south of Durban (Isipingo, Scottburgh, Umlazi, Bluff, Chatsworth, and Jacobs), (b) north of Durban (Phoenix and Avoca), and (c) west of Durban (Pinetown and New Germany). The study focused on participants who are owners of SMEs in the automotive manufacturing sector. This research site was selected, because the eThekweni metropolitan municipality has a large concentration of SMEs in automotive manufacturing; numbering enough to generalise and reach a conclusion to the research study. Having discussed the research site for the study, the target population is discussed in the next section.

### **3.4 TARGET POPULATION**

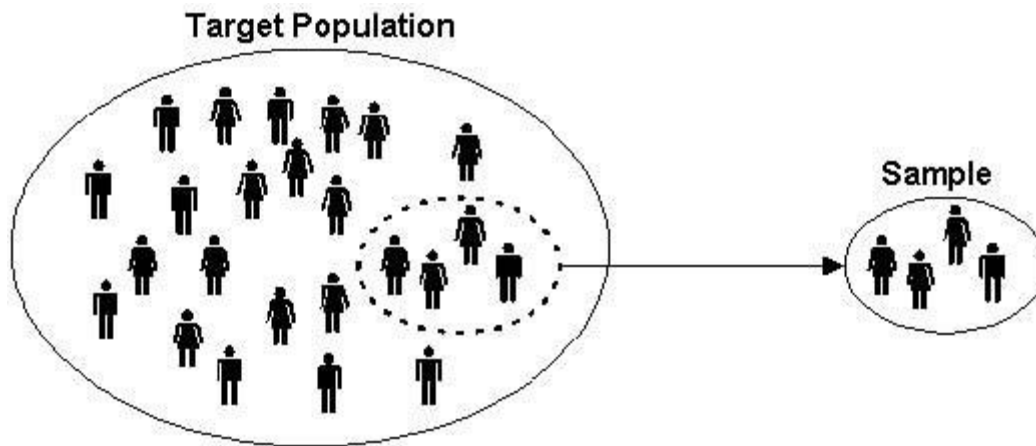
This is the specific group of potential participants in whom the researcher may have an interest in and access to, which represents the nature of the population of interest (Casteel & Bridier 2021: 344). The target population must also be exclusive enough to avoid having participants who do not represent the study's needs, as this will misrepresent the population of interest. Such considerations are important not only to ensure the value of the research, but also to assist in validity when investigating the research problem. A well-defined target population describes inclusion and/or exclusion criteria regarding which entities may participate in the study (Casteel & Bridier 2021: 344).

To be successful in examining the target population, there must be an observation of all possible boundaries to ensure the end description of the target population is inclusive enough to provide valid and relevant data to the study (Asiamah, Mensah & Oteng-Abayie 2017: 1611). Boundaries are all the characteristics participants should and should not have, such as age, gender, occupation, and location, as well as education, and more. For this study, the boundaries are participant occupation and location. Therefore, the study only focused and considers a participant when they are the owner of the automotive manufacturing SME and the location of the SME is in the eThekweni Metropolitan Municipality. The questionnaire is only given to the owners of these SMEs in the eThekweni Metropolitan Municipality and not to any other employee in these businesses.

### **3.5 SAMPLE SIZE AND SAMPLING**

"When conducting research concerning a group of participants, it is rarely possible to collect data from every participant in that target population. Instead, a researcher can select a sample" (Turner 2020:7). The sample is a group of individuals taken from the target population (Turner 2020: 8), where individuals will participate in the research (Figure 3.5). However, sampling has to be performed in an appropriate manner, with the number of participants chosen to be sampled reasonable enough to conclude valid research (Elfil & Negida 2017: 1); thus, there is a size of participants acceptable to be sampled. According to Singh *et al.* (2017 : 12), when the total number of the targeted population is 100, the sample size, at 95 percent confidence, is 81 participants. In

other words, a sample size is the number of participants in a group of people to be sampled for research (Singh *et al.* 2017: 1).



**Figure 3.2: Sampling method**

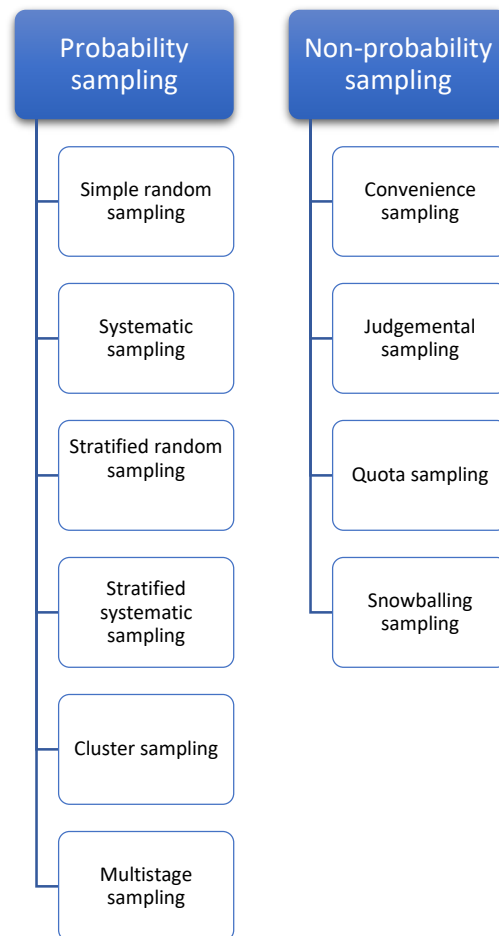
Source: Dhiman (2019: 2)

In order to draw valid conclusions from results, the researcher has to carefully decide on how the sample selected will correctly represent the group as a whole (Turner 2020: 9). The following passages discuss the two types of sampling methods:

- (a) Probability sampling: each member in the population has the chance of being selected in the sample. When the population is highly homogenous, there are high chances of each member being selected in a sample (Bhardwaj 2019: 156). This study used to a probability sampling method.
- (b) Non-probability sampling: defined as a sampling technique in which the researcher selects samples based on subjective judgment or expertise rather than random selection (Smith & Dauber 2019: 3). Non-probability sampling is a less strict method of sampling that makes it inflexible ensuring bias. This type of sampling method is carried out by observation and is commonly in qualitative research methodology (Bhardwaj 2019:160). The points stated above are why the researcher did not use this sampling method.

Types of sampling are illustrated under two types of research sampling (Figure 3.3), namely probability and non-probability sampling, as discussed above.

**Figure 3.3: Types of sampling**



*Source: Research (2022)*

The study population comprised 120 automotive manufacturing SME owners in the eThekweni Metropolitan Municipality. Of the 120, the study used ten participants for a pilot study (these results were not included in the main study), with 110 automotive manufacturing SME owners as the main study sample size.

The study used a probability sampling method and cluster sampling as the type of sampling. Cluster sampling is when a researcher divides a population into smaller groups, known as clusters, they are then randomly selected among these clusters to form a sample (Thomas 2021: 1). Cluster sampling is a technique of probability sampling often used to study large populations, particularly those that are



geographically widely spread. Researchers usually use pre-existing units such as cities or schools as their clusters.

In this study, the researcher divided a population of automotive manufacturing SMEs in the eThekweni metropolitan municipality. Four clusters were formed in this geographical area namely, north, south, east and west of eThekweni Metropolitan Municipality. The reason for this is that the municipality is too large and the clusters are situated widely apart from each other. Data were collected from each cluster. Had the researcher randomly selected two or three clusters, the sample size would have been reduced in a way that the quality of the research is compromised. Having discussed the target population and the sampling methodology for this study, the next section discusses the data collection method used.

### **3.6 DATA COLLECTION**

According to Bhandari (2021:1), data collection is the systematic procedure of gathering important information from the participants for a research study. The procedure must consider essential research concepts such as ethics, confidentiality, consent, and validity, as well as reliability and anonymity (Machine 2020: 39). This is to ensure the researcher chooses the most effective data collection methods and instruments to manage the research study.

The following are three types of data collection methods:

- (a) Qualitative data collection involves collecting and analysing non-numerical data (for instance text, video, or audio) to understand participant opinions, concepts, or experiences (Barrett & Twycross 2019: 63). It can be used to gather in-depth insights of a research problem or generate new ideas for research.
- (b) Quantitative data collection is the opposite of qualitative collection. It is the method the researcher used to collect data for this research project. Quantitative data collection is the gathering of data with the aim of presenting the results as a statistical significance, such as numbers, percentages, graphs or charts (Sadan 2017: 59). When using quantitative data collection, the researcher can use various instruments such as questionnaires, observations or experiments.
- (c) Mixed method data collection: This is when a researcher employs both quantitative and qualitative data collection to conduct the study.

In addition, data collection can be placed in two major categories, which are primary and secondary data (Prada-Ramallal *et al.* 2018: 2).

- (i) Primary data are the type of data collected directly from the data source, without going through any past sources previously researched (Ajayi 2017: 2). Frequently, primary data are collected specifically for a research project and may be shared publicly to be used by other researchers. Examples of primary data are theses and dissertations (Cerar, Nell & Reiche 2018: 1366). Primary data is often unbiased, authentic, and reliable as it was collected with the purpose of addressing a particular research problem (Lowry 2015: 15).
- (ii) Secondary data comprise the existing data collected in the past by someone else but made available for others to use (Prada-Ramallal *et al.* 2018: 2). This data were once primary data but become secondary when used by a third party. Since secondary data are usually shared to the public, they are usually easily accessible to researchers and individuals. Thus, this means the data are usually general and not tailored specifically to meet the researcher's needs to their problem as primary data does (Paradis *et al.* 2016: 263). For example, when conducting research for a thesis, a researcher needs to consult past research done in the field and add findings in the literature review chapter. Secondary data include tools such as the government gazette, trade publications, journals, and newspapers, along with government statistics, magazines, and more (Martins, Carneiro da Cunha & Serra 2018: 2). In most cases, these sources cannot be authenticated as primary data (Lowry 2015: 15).

The researcher mainly used secondary data in chapter one and chapter two. In chapter one the secondary data were used for definitions and in chapter two for both explanations of concepts and discussions. Chapter three used both primary data and secondary data. Secondary data were used mainly for definitions, while primary data were used to discuss and outline the methodologies employed to conduct the entire research study. Chapter four and five mainly made use of primary data. The

researcher respectively interpreted the results of the study and provided recommendations,

The following sub-sections 3.6.1, 3.6.2 and 3.6.3 discuss the data collection instrument, drafting of the questionnaire and the pilot study.

### **3.6.1 Data collection instrument**

The research used quantitative data collection with a questionnaire comprised of closed-ended questions and a 5point Likert-scaled response alternative as data instrument. Data collection instruments play an important role in planning and developing the research study (Adosi 2020: 2). Hence, it is important to select the correct and appropriate instrument/s to use when collecting data.

Responses to the closed-ended questions developed for the structured questionnaire offered participants a selection of alternatives with regard to demographics, while a 5-point Likert scale, ranging from strongly disagree, disagree, and neutral, to agree and strongly agree, allowed for response selection for the main part of the study. Joshi *et al.* (2015: 396) explain the Likert scale is one of the “Psychometrics techniques that are being developed, instituted and refined in order to meet the quantification of traits like ability, perceptions, qualities and outlooks - the requirement of social sciences and educational researches”. The original Likert scale is described by Joshi *et al.* (2015) as “a set of statements (items) offered for a real or hypothetical situation under study” and is used to measure human attitude. Participants are asked to respond to a “given statement (items) on a metric scale”, where the combination of all the statements reveals “the specific dimension of the attitude towards the issue, hence, necessarily inter-linked with each other”.

The researcher collected the data for two months; this includes November and December 2021, using a questionnaire to obtain primary data from SMEs of automotive manufacturers in the eThekweni Metropolitan Municipality. The questionnaire was distributed to participants, who are SME owners, to complete and return to the researcher for data analysis. The questionnaire was distributed to 102 participants (100 percent) to complete. Three of the questionnaires were not returned to the researcher (three percent), while two were not complete (two percent), which

totals 97 questionnaires used for data analysis, or a 95 percent return rate (Bais, Schouten & Toepoel 2020: 152).

### **3.6.2 Drafting of the questionnaire**

The questionnaire drafting was planned and designed based on the research questions and objectives, with the intention to answer all the research questions. The questionnaire was designed in such a way that valid, reliable, and relevant findings could be obtained, so that the proper conclusion could be formed regarding the variables. This involved developing closed-ended questions that would elicit respondent views. In addition, a consent letter was attached with the questionnaire to ensure respondents participated in the survey of their own will, without duress. The consent letter addressed considerations of ethics, confidentiality and anonymity of the participants.

### **3.6.3. Pilot study**

After drafting the questionnaire, the questionnaire was tested to ensure feasibility of recruitment, randomisation, retention of initial method or implementation of the new methods, should it be necessary. The researcher conducted a pilot study to determine whether the questionnaire was suitable for the study design, which would provide unbiased and reliable results. The pilot study was conducted in the month of October 2021 with ten owners of automotive manufacturing SMEs in the eThekweni Metropolitan Municipality, who were not considered in the main study's data analysis. The pilot study was approved by the Institutional Research Ethics Committee (IREC) at Durban University of Technology (DUT) in October 2021. IREC requires the researcher to collect data for a pilot study on ten owners of automotive manufacturing SMEs in the eThekweni Metropolitan Municipality, following which IREC requested a report on challenges, the duration to collect data and the cost of collecting data. The report was then approved by IREC to continue collecting data for the main study. The approval means the questionnaire is appropriate to conduct the main study, which benefited from the pilot study in terms of challenges that may be experienced during data collection, the cost, and the duration to conduct the study; this also assisted the researcher to set a reliable time-frame for the entire study. Having discussed the data collection for the study, the next section discusses the data analysis method used.

### 3.7 DATA ANALYSIS

Data analysis is the process of systematically applying statistical and/or logical techniques to describe, illustrate and evaluate data collected for the research (Lester 2020: 95). A variety of analytic methods provide the means to generate inductive interpretations from the data and “differentiating the phenomenon of interest from the statistical fluctuations present in the data collected” (Makhanye 2020: 40).

Calzon (2021: 1) defines data analysis as the process of collecting, modelling, and analysing data to extract insights in support of decision-making. For research quality, through the assessment of validity and reliability, the researcher has to consider the importance of the data analysis process, discussed as follows (Lester *et al.* 2020:97).

- (i) Identify the research question: What problem is the research trying to solve? What does the researcher need to measure, and how is it measured?
- (ii) Data collection: Collect raw data either by surveys, questionnaires, interviews, and focus groups, depending on the research methodology. Raw data will assist to answer the identified questions.
- (iii) Data cleaning: This often involves exclusion of inconsistencies and eliminating errors that will affect the validity of a research, such as incomplete questionnaires.
- (iv) Analyse the data: By manipulating the data using various data analysis techniques and tools, it allows the researcher to use data software during this stage, to help transform data into an easy-to-understand format, depending on whether the research is qualitative, quantitative or mixed methods.
- (v) Interpretation of the results: This involves interpreting the results from the data analysis to see how well the data answered the original research questions. At this stage, recommendations can be provided, based on the findings.

When the importance of data analysis has been considered, the type of data collection method and software or tool to use must be identified. There are several research methods to perform analysis depending on the type of research and the aim of the analysis.

Three core methods of data analysis exist, namely: quantitative, qualitative or mixed methods. The study uses a quantitative method when analysing the data, which means the data was analysed using statistical measures or numbers to describe the results from the data collected. The study used the SPSS to analyse the data, with Gogoi (2020: 11082) asserting that researchers in the social sciences frequently use SPSS as a helpful piece of software to examine and analyse important data using straightforward techniques. Data analysis is a difficult and time-consuming activity, but with SPSS's assistance, it can be readily controlled and carried out by utilizing numerous technological ways. Despite the fact that SPSS is notorious for being pricey, Rahman (2020:310) asserts there are a few advantages displayed by this software:

- SPSS provides accurate and timely responses, and it is simple to use.
- It includes really informative and dynamic tables and graphs.
- Due to the vast range of languages available, it is the ideal access for everyone.
- It includes several statistical tests.

### **3.7.1 Techniques used to analyse data**

The study used different techniques to analyse the data namely: (a) Descriptive Statistics and (b) Inferential Statistics to analyse participant responses and present these in the form of tables. Both the descriptive and inferential statistics were analysed utilising SPSS and Microsoft Excel. Analysis was carried out by:

- Exploring tendencies of demographic information and Likert-scaled items;
- Examining frequency distribution tables and demographic items;
- Cross-tabulation of survey items; and
- Conducting appropriate statistical tests of study objectives.

The following briefly explains the statistical techniques used in the study.

**Descriptive statistics:** This is the data analysis procedure that assists the researcher to analyse the data collected in order to interpret information about the sample and present it in measures of frequency, central tendency and dispersion (Makhanya 2017: 67). The study analysed descriptive statistics in two forms namely:

- (i) Profile of participants: Respondent demographics were presented in tables and discussed.

- (ii) Responses in percentages: Likert scaled responses from participants were presented in tables and interpreted according to their mean value and percentages.

**Inferential statistics:** Inferential statistics involve the use of data from the descriptive statistics, used to make inferences about a population based on the sample findings. Makhanya (2017: 68) defines inferential statistics as data analysis methods for determining how likely it is for results based on a sample to be related to results that would have been obtained for an entire population.

- (i) Chi-square: Omilion-Hodges (2017: 1) defines chi-square as a non-parametric statistical test used for data analysis when one or more variables are nominal or categorical in nature. This technique is used to analyse the significance between demographics and study objectives. The study rejected the p-value at 0.05 (five percent) level of significance, hence, should the p-value be 0.05 or less, the two variables have statistical significance. The test determines whether the relationship observed among variable categories is due to chance or are statistically significant.
- (ii) Pearson's correlation coefficient: When significance is found between demographics and study objectives, it is then determined whether the two variables are dependent or independent to each other. To ascertain the direction and the strength of dependency, an analysis of the strengths of associations between demographics and study objectives is done. This was achieved using Pearson's Correlation, which according to Rahman (2020: 311), "is a technique that indicates the direction, strength and significance of the bivariate relationship among the variables in the study". Pearson's correlation coefficient can only take on p-values from -1 to +1. Any correlation can reveal the following conclusions:
  - 1. Significance of correlation. When the significant value (p value) is 0.05 or less, the relationship is statistically significant.
  - 2. When significant, the direction of correlation indicates whether it is positive or negative. Correlation (p) values start from -1 to +1. Therefore, when the p-value is closer to -1 it indicates a negative correlation, with the p-value closer to +1

indicating a positive correlation and a p-value closer to zero indicating no correlation.

3. Strength of the correlation: The strength of a relationship is illustrated as follows:
- Pearson's correlation coefficient of 0.10 to .0.29 or-.0.10 to -.0.29 indicates weak correlation;
  - Pearson's correlation coefficient of 0.30 to 0.49 or -0.30 to -0.49 indicates medium correlation;
  - Pearson's correlation coefficient of 0.50 to 1.0 or -0.50 to -1.0 indicates strong correlation;
  - Pearson's correlation coefficient less than 0.10 or less than -0.10, indicates no correlation.

In this study, Pearson's correlation was used to test for the direction and strength of the relationship between demographics and the study objectives.

(iii) ANOVA model: The ANOVA is a statistical technique for examining the differences among means for two or more variables (Kim 2017: 23). "ANOVA is conducted to determine the influence of the independent variables on the dependent variables" (Makhanya 2017: 71). In this study, the demographic variables were used as the independent variables, whilst the study objectives were used as the dependent variables.

The aim is to determine significant demographic variables that influence the study objectives, that is, the impact of CSR practices on SMEs.

The discussion of the analysis methods used in this study is followed in the next section by the steps taken to avoid bias.

### **3.8 STEPS TAKEN TO AVOID BIAS**

The following are the approaches employed by the researcher to ensure the quality of the research is of an acceptable standard.



(i) Reliability

Reliability and validity are concepts used to evaluate the quality of research, indicating how well a method or technique measures something (Middleton 2022:1). Reliability is about the consistency of a measure, and validity deals with the accuracy of a measure. The study used Cronbach's alpha to measure reliability because, as Taber (2017: 1287) states, "Cronbach's alpha is most valuable for indicating scale reliability in the sense of the equivalence of items within single-construct scales". The reliability of the study was 0.678, with a Cronbach's value above 0.6 considered highly reliable and acceptable (Taber 2017: 1289).

According to Middleton (2019: 2), reliability is the extent of result reproduction when conducting a repeat study under the same conditions. Reliability is ensured by checking result consistency across time, different observers, and parts of the test itself.

(ii) Validity

Validity is the extent to which the results measure what they are supposed to in a research project; this is assessed by checking how well the results correspond to established theories and other measures of the same concept (Pneumol, Patino & Ferreira 2018: 183). Furthermore, Middleton (2019: 2) indicates two types of validity commonly used in quantitative research, namely internal and external validity. Internal and external validity of any empirical research project is founded on the adequacy of the sample to answer the research aims and objectives.

(a) Internal validity: Bhandari (2022:1) explains internal validity as the extent to which a researcher can be confident a cause-and-effect relationship established in a study cannot be explained by other factors. This echoes Middleton (2019: 1), who stated that internal validity must be guaranteed before external validity.

(b) External validity: is the extent to which the research can generalise the findings of a study to other settings, situations, people, time and measures. "In other words, can a researcher apply the findings of the research study to a broader context?" (Bhandari 2022: 2).

To increase internal validity requires cautious study planning, suitable quality control and strategy implementation, including satisfactory recruitment strategies, sample size, data collection, and data analysis (Pneumol *et al.* 2018: 185).

(iii) Ethical consideration

Ethics in research refers to a set of principles that drive study design and procedures. When a researcher collects data from people, they must always abide by a certain code of conduct. (Bhandari 2021: 2).

The objectives of human study frequently include comprehending actual phenomena, looking into behaviours, improving livelihood and studying effective treatments, the way in which a researcher decides to undertake the research has a significant ethical issues that must be taken into account when doing research.

These considerations work to:

- (a) protect the rights of research participants
- (b) strengthen the validity of the findings
- (c) enhance quality of a research
- (d) maintain technical integrity

The study considered ethics during the entire research project. Data collected were considered not fabricated or falsified to achieve particular findings. Additionally, participants also have a freedom to withdraw from the research whenever they wanted and may not be threatened or coerced into taking part in the research, rather the researcher must accept and respect the participants decision.

(iv) Confidentiality and anonymity

The concepts confidentiality and anonymity are commonly misunderstood in study on human issues (Tember 2017: 1270). The differences between the two words is, however, “critical in the design of protocols that protect participant privacy and provide adequate informed consent” (Surmiak 2018: 2).

Coffelt (2017: 229, defines confidentiality as a circumstance in which a researcher is aware of the identity of study participants but takes precautions to prevent that information from becoming public. Most researchers require a signed consent agreement from participants, which shows the participants' identities are known to the

researchers. Maintaining secrecy in these situations is an important step to secure the safety of private information. (Surmiak 2018: 3).

Anonymity is a condition in which the identity of participants in a research study is not known to the researcher (Dougherty 2021: 480), thus providing secrecy of information collected from research participants. This entails that the research project does not identify information of individuals such as their name and physical or email address. The project, therefore, cannot link individual responses with participant identities (Coffelt 2017: 228). In addition, a study should not collect identifying information from research participants unless it is essential to the study protocol (Dougherty 2021: 481).

For this study, the researcher ensured confidentiality and anonymity by guaranteeing participants sign a letter of consent/agreement before completing the questionnaire. The consent agreement stipulates the importance and reason for the research. Furthermore, it addresses that the participants and their own businesses will remain anonymous and their responses to the questionnaire will only be used in a collective manner with other participants to conclude the research study.

### **3.9 CONCLUSION**

The purpose of the study is to evaluate the extent to which CSR practices influence SME performance in the KZN automotive manufacturing sector of the eThekweni Metropolitan Municipality. The study is of a quantitative nature, used a structured and closed ended questionnaire for data collection from the targeted population of 120 SME owners in the automotive manufacturing sector of the selected study site.

Survey design included selecting a sample of 102 SME owners in the targeted automotive manufacturing sector through cluster sampling, which permitted the study to divide the sample size according to groups geographically namely, north, south, east and west of the eThekweni Metropolitan Municipality. Data were collected from every cluster using a questionnaire, with informed consent distributed with each questionnaire to ensure confidentiality and anonymity. The research instrument used was a drafted questionnaire and a pilot study conducted before collecting data for the main study. This was to ensure the questionnaire is a suitable instrument to produce valid and reliable results. The study used SPSS to analyse the data.

The study's findings are presented in the next chapter. The chapter will also focus on data analysis, which includes a discussion of the outcomes from data collected, checking for accuracy, then checking, logging and transforming the data.

## CHAPTER 4

### DATA ANALYSIS

#### 4.1 INTRODUCTION

The research methodology, which included the data gathering method employed and ethical issues, was covered in the preceding chapter, steps taken to avoid bias, as well as the validity and reliability. This chapter outlines the findings of this study and discusses the results. Three research objectives developed were thus tested and the results interpreted. Descriptive and inferential statistics were used to analyse and summarise the data collected from the participants. Descriptive statistics is applied to describe the general characteristics of the study sample, which involves calculations of mean values, frequencies and percentage distributions. Inferential statistics is also applied, where Chi-square is used to determine the significance or relationship between respondent demographics and the objectives of the study. In addition, Pearsons correlation is used to test for the direction and strength of the relationship between demographics and research objectives. In addition, ANOVA is also used to determine the significance of the mean differences across demographics and research objectives. The study used a questionnaire as the research instrument and data collected were analysed using SPSS.

Response rate in survey research, also known as the return rate, refers to the number or percentage of participants that answered the survey, divided by the number of people in the sample (Middleton 2020: 3)., Table 4.1 provides the response rate for the study.

**Table 4.1: Response rate**

Number of questionnaires Administered	Number of questionnaires Returned	Incomplete questionnaires	Response rate
102	99	2	95%

A total of 102 questionnaires were administered to automotive manufacturing SMEs in the eThekweni Metropolitan Municipality. Three questionnaires were not returned to

the researcher, while two were not complete, which totals 97 questionnaires used for data analysis, hence, a 95 percent response rate was achieved.

#### 4.1.1 Reliability

Middleton (2019: 1) asserts the perception of reliability in relation to a research instrument means that when the research tool is consistent and stable, thus, predictable and accurate, it is said to be reliable. For this reason, internal reliability was conducted to test the accuracy of the study, determined by calculating the below-tabled Cronbach Alpha coefficient.

**Table 4.2: Cronbach's Alpha**

<b>Cronbach's Alpha</b>	<b>0.678</b>
<b>Number of Items</b>	<b>17</b>

Table 4.2 shows the study produced a reliable Cronbach Alpha score of 0.678, which is more than 0.60 and, therefore, adequate and acceptable. Cronbach's Alpha assesses the internal consistency of the measuring instrument. According to Makhanya (2017: 76) "Cronbach's Alpha is a reliability coefficient that shows how well the items in a set are positively correlated to one another". A Cronbach Alpha of 0.5 is considered very low, 0.6 to 0.7 is adequate and 0.8 is considered as good" (Sekaran 2017: 2).

## 4.2 PROFILE OF PARTICIPANTS

A demographic information summary (Table 4.3) of respondents who participated in the study below includes gender, age, number of years in the business sector, and qualification, as well as location, number of employees and business registration.

**Table 4.3: Demographics of participants**

<b>Demographics</b>	<b>Sub-category</b>	<b>Number of participants</b>	
<b>Gender</b>		<b>N</b>	<b>Percentage</b>
	Male	71	73.2
	Female	26	26.8
<b>Age</b>	15-24	6	6.2
	25-34	16	16.5
	35-44	34	35.1

	45 +	41	42.3
<b>Number of years in this business sector</b>	> 1 years	5	5.2
	1-10 years	28	28.9
	11-20 years	36	37.1
	<20 years	28	28.9
<b>Qualification</b>	Diploma	47	48.5
	Degree	10	10.3
	Honour's	9	9.3
	Masters	0	0
	PhD	0	0
	Other	31	32.0
<b>Location</b>	Durban central	9	9.3
	South of Durban	64	66.0
	North of Durban	14	14.4
	West of Durban	8	8.2
	East of Durban	2	2.1
<b>No. of employees in the business</b>	0-49	67	69.1
	50-99	25	25.8
	100-149	5	5.2
	150-199	0	0
<b>Business registration</b>	Private company	56	57.1
	Close corporation	36	37.1
	Partnership	1	1.0
	Sole trade	4	4.1
	Other	0	0

#### 4.2.1 Gender

From Table 4.3 it is evident 71 percent of the respondents are male and 26.8 percent are female, which implies an inequitable balance in the gender category. PriceWaterhouseCooper SA (2020) indicated “that women currently hold only 19 percent ownership in the manufacturing sector of the top 10 global manufacturing SMEs, relative to men, who hold 81 percent”. In SA, women currently hold only 27.8 percent ownership in manufacturing, relative to men, who represent 72.2 percent.

#### **4.2.2 Age**

The largest age group at 42.3 percent comprised respondents aged 45 years and older. This is followed by the age group of 35 to 44 years at 35.1 percent, with those between 25 to 34 years at 16.5 percent, whereas the age group of between 15 to 24 years was 6.2 percent of the total. Statistics South Africa (2022: 1) suggested young people (aged between 15-35 years) are still struggling in the South African labour market, especially in entrepreneurship, with only 23 percent of young entrepreneurs active in the SA manufacturing SME sector.

#### **4.2.3 Number of years in the business sector**

Table 4.3 indicates participants with 11-20 years in the business is made up of 37.1 percent, which represents the highest percentage in this category. This is followed by participants in the business sector for between 1-10 years (including those with more than 20 years) at 28.9 percent. It must be noted that participants with less than one year in this business sector are at 5.2 percent.

#### **4.2.4 Qualification**

According to the summary of results illustrated in Table 4.3, participants with a Diploma made up 48.9 percent of the respondents. This group is followed by participants with a degree at 10.3 percent, while those with an Honour's degree make up 9.3 percent of the respondents. The Small Enterprise Development Agency (SEDA 2021) suggest, most SME manufacturing owners hold between NQF level 4 (that is, Grade 12) to NQF level 5 (that is, a Diploma) in SA. Only 6.3 percent of SME manufacturing owners hold post graduate qualifications.

#### **4.2.5 Location**

Table 4.3 shows that respondents in Durban central made up 9.3 percent of the total, with those from south of Durban at 66 percent, and respondents from the north of Durban at 14.4 percent, whereas those from the west of Durban were at 8.2 percent, while respondents from east of Durban were the minority at 2.1 percent of the total participants.

#### **4.2.6 Number of employees in the business**

Table 4.3 reflects the number of employees in a business, showing businesses with employee numbers of 0-49 contributed the majority of respondent SMEs who



participated at 69.1 percent. This was followed by businesses with employees totalling 50-99 at 25.8 percent, and those with 100-149 employees at 5.2 percent of the total participants.

#### 4.2.7 Business registration

The business registration status of participating SMEs reflected in Table 4.3 shows Private Company indicated by 57.1 percent of the total participants, followed by Close corporation at 37.1 percent, and Sole trader at 4.1 percent. Ryan (2021: 4) asserts that in 2020, 510 000 SMEs were registered in SA, of which 50 percent were manufacturing SMEs. In addition, the author highlights the majority of these manufacturing SMEs (81.1 percent) were registered as a Private Company.

### 4.3 DESCRIPTIVE ANALYSIS

In order to evaluate the influence CSR practices have on SMEs, the study objectives of CSR practices were divided into three main variables namely; environmental, ethical labour, and public good practices. The objectives were to evaluate the impact of these practices on SMEs of the eThekweni metropolitan municipality in the automotive manufacturing sector. Participants were requested to indicate their level of agreement to the statements under all three CSR concepts, with responses categorised using the standard deviation, mean and the percentages on the 5-point Likert scale. The Likert scale ranges from where 1 is Strongly disagree, 2 is Disagree; 3 is Neutral; 4 is Agree, and 5 is Strongly agree.

The following analysis in Table 4.4 discusses the results for the environmental CSR practices.

**Table 4.4: Environmental practices of CSR**

Construct	Variables	Mean	Standard deviation	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strong agree (%)
ENVIRONMENTAL PRACTICES	Waste practices need employee commitment for a business to experience favourable business performance.	4.28	0.851	2.1	3.1	4.1	46.4	44.3

Waste disposal on the natural environment affects the performance of the business.	4.16	0.921	2.1	5.2	7.2	45.4	40.2
Businesses that do not pollute are likely to perform equally with those that pollute the environment.	3.08	1.336	14.4	23.7	18.6	25.8	17.5
Waste practices are a financial cost that hinder a business performance.	3.05	1.326	14.4	27.8	9.3	35.1	13.4
Implementation of waste practices are likely to grow a business even bigger.	3.91	0.902	3.1	5.2	11.3	58.8	21.6

#### **4.3.1 Waste practices need employee commitment for a business to experience favourable business performance**

With regard to employee commitment in a business, Table 4.4 shows 46.4 percent of participants agreed and 44.3 percent strongly agreed employees need to be committed for a business to experience favourable performance. The mean value, at 4.28, illustrates the majority of participants have, on average, agreed employees need to be committed for business to experience favourable performance. In other words, participants are aware that, in order for a business to achieve any goal, large or small, the business needs employees to be committed to that goal (Đorđević *et al.* 2020: 30). To achieve this, managers (participants in this case) need to be democratic leaders, enabling employees to engage in brainstorming, planning and decision-making of the business (Đorđević *et al.* 2020: 35). This will allow employees to feel valuable, have a clear direction of where the business is going, and what is expected from them, thus, enabling employees to be more committed in business initiatives, such as waste management practices.

#### **4.3.2 Waste disposal in the natural environment affects the performance of the business**

Most participants are shown (Table 4.4) to have agreed, at 45.4 percent, with 40.2 percent that strongly agreed waste disposal on the natural environment affects how the business performs. The mean value is 4.16, which is slanted to the “agree” category. This means the majority of participants have agreed the performance of businesses that dispose of waste on the natural environment will be affected. The finding illustrates awareness exists when it comes to consequences and matters of waste disposal and/pollution to the environment (Manisalidis *et. al* 2020: 2). When a business disposes its waste in a natural environment where it can be harmful to people and animals, such an act may affect business performance (Kegeyama 2017: 7). Findings prove that participants are well aware of this, as evident from the results presented above.

#### **4.3.3 Businesses that do not pollute are likely to perform equally with those that pollute the environment**

Table 4.4 shows that 25.8 percent of participants agreed businesses that pollute the environment perform equally with those that do not, with 17.5 percent that strongly agreed. However, 23.8 percent disagreed that businesses who pollute perform equally with those that do not, while 14.4 percent strongly disagreed and 18.4 percent remained neutral. The mean value is 3.08, concluding that on average, participants were neutral. This means a number of participants are still not well-informed of the negative impact pollution has on a business, while other participants are knowledgeable on the matter, hence, their mean value indicate a neutral level.

#### **4.3.4 Waste practices are a financial cost that hinder business performance**

Agreement was indicated (Table 4.4) by 35.1 percent of participants that implementation of waste practices is a financial cost, followed by 27.8 percent that disagreed. Whereas 14.5 percent strongly disagreed implementing waste practices is a financial cost to a business, 13.4 percent strongly agreed and 9.3 percent remained neutral. It can thus be concluded that most participants are neutral to the statement, as the mean value is 3.05. This indicates some participants consider investing in waste management practices as a cost that will hinder performance (Esty & Bell 2018: 81). Furthermore, Mohammed (2016: 31) found that SMEs do not want to invest in any

CSR practices because they consider it expensive and a waste of time. Therefore, other participants contemplate that the cost of implementing waste management practices will hinder profit of the business. However, other participants indicated awareness that investing in waste management practices will improve the business image and attract investors, loyal customers and increase profit sustainably (Xinwa 2019: 34).

#### 4.3.5 Implementation of waste practices are likely to grow a business even bigger

In reference to respondent views on the implementation of waste practices for business growth (Table 4.4), 58.8 percent of participants agreed implementing waste practices can grow the business, followed by 21.6 percent that strongly agreed. Respondents who indicated neutral were 11.3 percent, followed by those who disagreed at 5.2 percent and strongly disagreed at 3.1 percent. The mean value is 3.91, illustrating that on average participants remained neutral. This is an indication of an even number of participants who believe investing in waste management practices is likely to improve growth in a business. Therefore, other participants trust that implementing waste management practices does not influence growth in a business resulting in a neutral outcome.

The following analysis (Table 4.5) presents the results for the ethical CSR labour practices.

**Table 4.5: Ethical CSR labour practices**

Construct	Variables	Mean	Standard deviation	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)
ETHICAL LABOUR PRACTICES	The way a business treats its employees affect business performance.	4.71	0.539	0.0	1.0	1.0	23.7	74.2
	Working conditions of employees affect their productivity.	4.72	0.539	0.0	1.0	0.0	24.7	74.2
	Business awareness	4.45	0.578	0.0	0.0	4.1	46.4	49.5

on ethical practices influence business performance.							
Businesses with ethical managers are likely to grow their business even bigger.	4.62	0.549	0.0	0.0	3.1	32.0	64.9
Ethical labour practices are likely to improve efficiency of employees.	4.59	0.573	0.0	1.0	1.0	36.1	61.9
Businesses whose labour practices are fair, attract skilled employees that may improve business performance.	4.65	0.521	0.0	0.0	2.1	30.9	67.0

#### 4.3.6 The way a business treats its employees affects business performance

Table 4.5 shows that Most participants strongly agreed that treatment of employees by a business affects the way a business performs (Table 4.5) by 74.2 percent. As indicated by the mean value of 4.71, the majority agree that, on average, the treatment of employees affects business performance. This means most participants know or have experience of employee treatment and its impact on business performance (Sinha 2018: 14). Managers (participants in this case) know it is their responsibility to ensure all employees are working in a safe environment, have fair working hours, fair wages and are afforded human dignity (Sinha 2018: 16).

#### 4.3.7 Working conditions of employees affect their productivity

Table 4.5 shows that 72.2 percent of the respondents strongly agreed working conditions of employees affect their productivity, followed by 24.7 percent who agreed, and one percent that disagreed. This demonstrates mindfulness by participants about the influence of employee working conditions on their productivity (Nielsen *et. al* 2017:

102). When employees are working in a hygienically clean workspace, with well-maintained tools and machines, as well as maintained business facilities such as elevators, they will be more productive, because they have less workplace concerns and feel important to the business.

#### **4.3.8 Business awareness on ethical practices influences business performance**

On average, respondents are shown to agree (Table 4.5), where 49.5 percent strongly agreed that ethical awareness affects how the business performs and 46.4 percent agreed, followed by 4.1 percent who indicated neutral. Participants understand employees are well-informed about the ethical considerations and policies in a workplace. This means managers have to consistently reinforce ethical awareness and ethics (Nielsen *et al.* 2017: 102). This is attributed to employee awareness on ethical issues such as gender inequality and racism in the workplace. Thus, ethical CCSR practices enable employees to distinguish what is right and what is expected from managers, which forces managers to constantly obey rules and principles, with employees observing.

#### **4.3.9 Businesses with ethical managers likely to grow their business even bigger**

There was agreement among the majority of respondents (Table 4.5) that ethical managers are likely to grow their businesses even bigger. This is demonstrated by the mean value of 4.62. Most participants strongly agreed at 64.9 percent, followed by agreed at 32 percent and neutral at 3.1 percent of total participants. This reveals a relationship between ethical managers and growth of a business. In other words, participants identify that managers who are consistently ethical are growing their businesses better than those who are unethical (Heyward 2020: 4).

#### **4.3.10 Ethical labour practices are likely to improve efficiency of employees**

Table 4.5 illustrates that 61.9 percent of participants strongly agreed that ethical labour practices are likely to improve employee efficiency. This is followed by 36.1 percent that agreed, one percent disagreed and one percent indicated neutral. The mean value of 4.59 shows the majority of participants agreed ethical labour practices are likely to improve employee efficiency. This means employees are motivated to be more efficient when a business and its managers are ethical (Martínez *et al.* 2021: 84). In

other words, when a business treats all employees equally and fairly, employees will be more efficient to the business, because there are no unethical and unbiased behaviours, with employees more satisfied and happy.

#### 4.3.11 Businesses whose labour practices are fair, attract skilled employees that may improve business performance

When referring to Table 4.5, with regard to fair labour practices attract skilled employees, 67 percent of participants strongly agreed, 30.9 percent agreed, and 2.1 percent remained neutral. The majority of participants agreed businesses with fair labour practices attract skilled employees in the market, proven by the mean value of 4.65. This illustrates that participants understand employees want to be valued and treated fairly and equally (ethical labour practices for all). Therefore, when businesses have fair labour practices, they are able to attract and maintain skilled employees in the market (Nielsen *et al.* 2017: 104). Subsequently, skilled employees are vital resources to any business.

Having analysed the ethical CSR labour practices, the following analysis discusses the results (Table 4.6) of the public good CSR practices.

**Table: 4.6: Public good practices of CSR**

Construct	Variables	Mean	Standard deviation	Strongly disagreed (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)
PUBLIC GOOD PRACTICES	The first customers to initiate support in the business is a community where a business operates.	4.10	0.604	0.0	1.0	10.3	66.0	22.7
	Businesses that are giving back to the community are likely to improve performance	4.09	0.737	1.0	3.1	7.2	62.9	25.8

Businesses that provide false information about their product are likely to gain customers more than those who provide accurate information.	2.39	1.246	27.8	38.1	5.2	24.7	4.1
Government is the only institution that is responsible to deal with environmental issues caused by businesses	2.80	1.239	19.6	22.7	21.6	29.9	6.2
Sponsoring a community is likely to reduce profit of the business.	2.75	1.208	15.5	38.1	5.2	38.1	3.1
Allowing employees to volunteer in community services enhances customer loyalty.	4.07	0.665	1.0	1.0	9.3	67.0	21.6

#### **4.3.12 The first customers to initiate support in the business is the community where a business operates**

Table 4.6 shows a large number of participants agreed (66 percent) that the first customers to initiate support in the business is the community in which the business operates. This is followed by strongly agreed at 22.7 percent, neutral at 10.3 percent and disagreed at one percent. It can be concluded from the mean value of 4.10 that, on average, the majority agreed the first customers to show support in a business is the community where the business operates. The first people to recommend the business, whether by word of mouth to friends and families or by posting on social media, are those in the same surrounding as the business (Eger, Miller & Scarles 2019: 143). In order for a brand to be known in other countries, the first people to support the brand and recommend it ought to thus be from South Africa.



#### **4.3.13 Businesses giving back to the community are likely to improve performance**

As illustrated in Table 4.6, agreement was indicated by 62.9 percent and 25.8 percent of participants strongly agreed, that businesses giving back to the community are likely to improve how they perform. This is followed by those participants that remained neutral at 7.2 percent, with those who disagreed at 3.1 percent and strongly disagreed at one percent. The mean value of 4.09 indicates, on average, participants agreed businesses that are giving back to the community are likely to improve how they perform. Since most participants agreed businesses that are giving back to the community are likely to improve the way they perform, it means there has been enough positive awareness with regard to giving back to the community, such as sponsoring or donating (Newman *et al.* 2019: 1459). Giving back to the community is a sign of social responsibility; this act assists business in maintaining a proper reputation, and attracting investors and customers which, in turn, benefits businesses in terms of performance and increasing sustainable profit (McLennan & Banks 2018: 120).

#### **4.3.14 Businesses that provide false information about their product are likely to gain customers more than those who provide accurate information**

Table 4.6 shows the majority (38.1 percent) of respondents disagreed businesses that provide false information about their product are likely to gain customers more than those who provides accurate information. Strong disagreement was indicated by 27.8 percent, while 24.7 percent agreed, whereas 5.2 percent remained neutral, 4.1 percent strongly agreed. The mean value is 2.39, thus concluding that, on average, the majority of participants disagreed. This means participants know a business must be honest about their brand and any information concerning the business, which can indicate participants are mindful that transparency and honesty are important aspects to all its stakeholders (McLennan & Banks 2018: 122). Therefore, more transparent and honest businesses tend to gain more customers when compared to businesses that provide false information about their business just to acquire more customers (Zoyza, Takaoka, & Zhang 2021: 4). Moreover, when stakeholders, especially customers, discover a business has shared inaccurate information or they were dishonest, customers consider purchasing from competitors (DeFoe 2015: 12). This further destroys the reputation of the dishonest business (Berman 2016: 45).

#### **4.3.15 Government is the only institution responsible to deal with environmental issues caused by businesses**

The mean value of 2.80 shows the majority of respondents disagreed government is the only institution responsible for dealing with environmental issues caused by businesses. The results from the respondents show that 29.9 percent agreed, 22.7 percent disagreed, 21.6 percent were neutral, while 19.6 percent strongly disagreed and 6.2 percent strongly agreed. Respondents therefore understand a business must take responsibility in preventing pollution by having effective waste management practices and engage in initiatives that aim at keeping the environment clean (Helfaya & Moussa 2017: 21).

#### **4.3.16 Sponsoring a community is likely to reduce business profit**

Table 4.6 illustrates an equal number of participants that agreed and disagreed, at 38.1 percent. Nevertheless, a mean value of 2.75 indicates most participants disagreed that sponsoring a community is likely to reduce profit of the business. This indicates participants understand the importance of sponsoring a community, with awareness and old trends such as sponsoring the community likely to have penetrated and adapted by the majority of businesses (Berman 2016: 47).

#### **4.3.17 Allowing employees to volunteer in community services enhances customer loyalty**

Agreement was indicated by 67 percent of participants that allowing employee volunteerism enhances customer loyalty and 21.6 percent strongly agreed. The mean value of 4.07 clearly concludes agreement by the majority of participants. This means participants trust that allowing employee volunteerism is part of giving back to the community, thus, most participants agreed employee volunteerism is vital for a business. In addition, participants know acts of giving back to the community are public good acts that benefit a business by improving its reputation, attracting investors, government and customers. Stakeholders want to associate themselves with businesses that are responsible, take accountability and act transparently (Chazireni 2017: 14).

Having analysed the public good of CSR, the following analysis displays the results (Table 4.7) for general CSR practices by SMEs in the automotive sector.

**Table 4.7: General CSR practices by SMEs in SME automotive sector**

Construct	Variables	Mean	Standard deviation	Not often (%)	Neutral (%)	Very often (%)
<b>GENERAL CSR PRACTICES</b>	Customers expect businesses to be responsible citizens	2.82	0.409	1.0	15.5	83.5
	Community's viewpoint about the image of the business influence how the business performs	2.84	0.493	5.2	6.2	88.7
	Competitive SMEs are implementing CSR practices	2.74	0.526	4.1	17.5	78.4
	CSR practices attract loyal customers	2.87	0.448	4.1	5.2	90.7

#### 4.3.18 General CSR practices by SMEs in the automotive sector

A common mean value magnitude in all four variables is presented in Table 4.7. The majority of respondents indicated “very often” in all variables, with 83 percent on the first variable, 88.8 percent on the second variable, and 78.4 percent and 90.7 percent on the third and fourth variable, respectively. This means participants consider customers often expect businesses to be responsible citizens, as presented in variable one. Customers want to associate themselves with businesses that are responsible and acknowledge accountability (Newman *et al.* 2019: 1461). A community's viewpoint about the image of the business frequently influences the way a business performs, which also means competitive SMEs are implementing CSR practices and CSR practises are shown to frequently attract loyal customers.

**Table 4.8: Basic CSR practices by SMEs in the automotive sector**

Construct	Variable	Mean	Standard deviation	Unsure	No	Yes
<b>BASIC CSR PRACTICES</b>	A business has environmental practices.	2.73	0.621	8.2	11.3	79.4
	A business provides a safe working environment for every employee.	2.96	0.286	2.1	0.0	97.9
	CSR practices are necessary for SMEs.	2.54	0.693	11.3	23.7	65
	A business fairly and equally treats employees if it wants to improve business performance.	2.94	0.348	3.1	0.0	96.9

#### **4.3.19 A business has environmental practices**

The majority of respondents are shown (Table 4.8) to agree they have environmental practices in their businesses, followed by 11.3 percent that indicated that they do not and 8.2 percent were unsure. Most participants understand the importance of having environmental practices and the consequences when this is not standard practice.

#### **4.3.20 A business provides a safe working environment for every employee**

SME owner respondents indicated (Table 4.8) by a majority of 97.9 percent that they are providing a safe working environment for their employees. With a 2.92 mean value it can be concluded that most participants in the study are providing safe working environment for their employees. This illustrates that most respondents understand the importance of providing a safe working environment for every employee, while also indicating participants understand that, in order for a business to keep skilled and knowledgeable employees, its need to provide a working environment that is safe. In addition, not providing a safe working environment for employees can encourage a high staff turnover that can be a huge expense for a business (Lead 2021: 588). As a

result, employees will be employed and leave more often, the business will have to invest in new employees, incurring repeated costs of recruitment, interviews, induction, training and organisational learning.

#### **4.3.21 CSR practices are necessary for SMEs**

It is believed by 65 percent of respondents that CSR practices are necessary for SMEs, while 23.7 percent indicated CSR practices are not necessary and 11.3 percent were unsure (Table 4.8). Although this is a business trend used to benefit business positively in many ways (Bermans 2016: 96), other participants nevertheless, indicated CSR practices need not necessarily be implemented by SMEs, while some were unsure. This indicates some SMEs tend to assume CSR practices are a waste of time and a cost, however. some SMEs usually do not have the financial capabilities to initiate some of the business trends (Xinwa 2019: 16).

#### **4.3.22 A business fairly and equally treats employees if it wants to improve business performance**

Table 4.8 shows 96.9 percent of respondents indicated they treat their employees fairly and equally when they want to improve how they perform. This is followed by 3.1 percent that do not treat their employees fairly and equally when they want to improve performance. Participants thus understand the need to treat every employee in a business equally and fairly. This is because of corporate awareness, initiated to encourage businesses to practice fair and equal treatment for all employees, regardless of their position, gender, race, colour or wages (Zoysa *et al.* 2021: 4). Having analysed the descriptive statistics of the study that described the general characteristics of the study sample using their percentages, the next section discusses the inferential statistics using Chi-square, Pearson's correlation and ANOVA to find associations, direction and strength of the association, as well as differences between demographics and the research objectives.

### **4.4 INFERENTIAL STATISTICS: CHI-SQUARE**

The study intended to determine the significant relationship between respondent demographics and the objectives of the study relating to environmental CSR practices, ethical CSR labour practices, public good CSR practices, as well as general and basic

CSR practices for SMEs in the KZN province automotive sector of the Ethekewini Metropolitan Municipality.

This was achieved by testing the significant relationship between two variables using the p-value as indicator. The study rejected the p-value at five percent level of significant relationship. Therefore, when the p-value is less than five percent (0, 05), there is an association between two variables. The study used Chi-square and cross tabulations to achieve this, with Chi-square defined by Omilion-Hodges (2017: 1) as “a non-parametric statistical test used for data analysis when one or more variables are nominal or categorical in nature”. The test determines whether the association observed among variable categories is due to chance or statistically significant.

**Table 4.9: Significance between demographics and environmental CSR practices**

Demographics	P- value of the chi-square coefficient for the variable: Environmental practices CSR				
	Variables of CSR				
	Waste practices need employee commitment for a business to experience favourable business performance	Waste disposal on the natural environment affects the performance of the business.	Businesses that do not pollute are likely to perform equally with those that pollute the environment.	Waste practices are a financial cost that hinder business performance.	Implementation of waste practices are likely to grow a business even bigger.
Gender	7.476 (0.113)	4.546 (0.337)	2.802 (0.591)	2.234 (0.693)	1.769 (0.778)
Age	12.478 (0.408)	16.120 (0.186)	9.682 (0.644)	20.806 (0.053)	10.660 (0.558)
No. of years on a business sector	11.107 (0.520)	9.615 (0.650)	10.585 (0.565)	19.009 (0.088)	15.019 (0.240)
Qualification	14.985 (0.2428)	13.794 (0.314)	23.406 (0.024**)	7.179 (0.846)	22.977 (0.028**)

<b>Location</b>	27.093 (0.040**)	28.395 (0.038**)	13.974 (0.601)	14.567 (0.557)	17.333 (0.364)
<b>Number of employees</b>	3.419 (0.0905)	7.298 (0.505)	13.241 (0.104)	11.139 (0.194)	4.834 (0.775)
<b>Business registration</b>	21.147 (0.048**)	8.856 (0.715)	13.679 (0.322)	7.156 (0.847)	10.170 (0.601)

Note: \*\*indicates significance below five percent (0.05)

#### **4.4.1 Waste practices need employee commitment for a business to experience favourable business performance and location**

Location is shown as statistically significant (Table 4.9), with regard to employee commitment on waste practices, with location showing a p-value of 0.040 level of significance, which is below 0.05. This could be attributed to environmental practices not enforced and implemented the same way in every area (Tahniyath & Said 2022: 2). Areas such as those south of Durban, where there is high concentration of manufacturing businesses, tend to enforce and maintain environmental practices more than businesses based in the west of Durban, where there are few manufacturing businesses. Implementation of waste practices is taken seriously by businesses in a concentrated area such as south of Durban (Bonsu 2018: 20), thus forcing respondents to undertake initiatives that encourage employee commitment in waste practices, for the business to experience favourable business performance on location.

#### **4.4.2 Waste practices need employee commitment for a business to experience favourable business performance and business registration**

Table 4.9 additionally indicates that employee commitment in waste practices is significant to business registration (Table 4.9), with a p-value at 0.048 level of significance, which is below 0.05. Businesses that are private companies are likely to implement waste practices to experience more favourable business performance than other business (Heyward 2020: 1). However, businesses such as sole traders do not usually bother about following CSR practices, such as waste management (Heyward 2020: 2).

#### **4.4.3 Waste disposal in a natural environment affects the performance of the business and location**

Table 4.9 indicates that location is significant to waste disposal in the natural environment with a p-value at 0.038 level of significance, which is below 0.05. Businesses situated in congested areas and in the public eye tend to believe disposing waste in a natural environment, where it can be harmful to people and animals, can affect the performance of the business (Manisalidis *et al.* 2020: 6). For example, manufacturing businesses based in the south of the eThekweni Metropolitan Municipality may be more concerned about pollution, because waste produced by a business that affects other stakeholders tends to bring bad publicity, resulting in customer loss, therefore, affecting business performance.

#### **4.4.4 Environmental CSR practices and gender**

Gender is shown (Table 4.9) to not have significant relationship with regard to employee commitment on waste practices, waste disposal in the natural environment, business pollution, cost of waste practices and implementation of waste practices for growth. This is indicated by p-values of 0.113, 0.337, 0.591, 0.693 and 0.778, respectively; these p-values are all above 0.05, which indicates that gender does not influence environmental CSR practices. This is confirmed by Newman *et al.* (2018: 1461), who assert that gender is not a determining factor of implementation of waste practices, in terms of CSR.

#### **4.4.5 Businesses that pollute the environment are likely to perform equally with those that do not and qualification**

Qualification is statistically significant as shown on Table 4.9, with a p-value of 0.024 level of significance for qualification which is below 0.05. The level of education influences the way participants in SMEs make informed decisions on preventing pollution (Agudelo *et al.* 2019: 4). Respondents with higher education thus believe prevention of pollution through implementing environmental waste practices can enable a business to improve its performance, since businesses that take responsibility for the environment have proven to improve their reputation in the market, thus improving performance (Xinwa 2018: 44).



#### **4.4.6 Environmental CSR practices and age**

Table 4.9 shows that age is not significant to employee commitment on waste practices, waste disposal in the natural environment, business pollution, cost of waste practices and implementation of waste practices for growth. This is indicated by p-values of 0.408, 0.186, 0.664, 0.053 and 0.558, respectively, with these values all above 0.05, which means age does not influence or have a relationship with environmental CSR practices implemented in a business.

#### **4.4.7 Implementation of waste practices likely to grow a business even bigger and qualification**

A significance is shown in Table 4.9 between qualification and implementation of waste practices, with a p-value of 0.028 level of significance, which is below 0.05. In other words, participants with higher education believe implementation of waste practises is likely to grow a business even bigger (Benzinger & Muller-Camen 2021: 4). Subsequently, the level of higher education enables participants to understand that when a business undertakes initiatives of responsibility, accountability and being considerate of other stakeholders. Through implementing initiatives such as waste management practices, this brings positive outcomes for a business (Benzinger & Muller-Camen 2021: 4). Hence, government, investors will be attracted to invest and customers will be loyal to such businesses, which will therefore benefit business performance by increasing profit and shareholder maximisation.

#### **4.4.8 Environmental CSR practices and number of years in a business**

Table 4.9 shows that the number of years in a business is not significant to employee commitment on waste practices, waste disposal in the natural environment, business pollution, cost of waste practices and implementation of waste practices for growth. This is indicated by p-values of 0.520, 0.650, 0.565, 0.088, and 0.240, respectively, with all these p-values above 0.05. Although experience is one of the important characteristics of business owners and employees, the years of experience a person has in a business does not influence implementation of environmental CSR practices (Smith 2019: 12).

**Table 4.10: Significance between demographics and ethical labour CSR practices**

Demographics	P- value of the chi-square variables: Ethical labour practices of CSR					
	Variables of CSR					
	The way a business treats its employees affects business performance.	Working conditions of employees affect their productivity.	Business awareness of ethical practices influence business performance.	Businesses with ethical managers are likely to grow their businesses even bigger.	Ethical labour practices are likely to improve efficiency of employees.	Businesses with fair labour practices attract skilled employees who may improve business performance.
<b>Gender</b>	3.433 (0.330)	0.441 (0.802)	-186 (0.911)	1.303 (0.521)	4.235 (0.237)	6.509 (0.039**)
<b>Age</b>	21.525 (0.011**)	6.571 (0.362)	7.442 (0.282)	5.934 (0.431)	7.729 (0.562)	3.919 (0.688)
<b>No. of years on a business</b>	9.787 (0.368)	5.189 (0.520)	9.022 (0.172)	1.211 (0.976)	5.189 (0.818)	1.905 (0.928)
<b>Qualification</b>	4.587 (0.869)	3.620 (0.728)	2.654 (0.851)	4.582 (0.598)	5.070 (0.828)	3.449 (0.751)
<b>Location</b>	12.240 (0.427)	14.713 (0.065)	10.034 (0.263)	8.310 (0.404)	14.102 (0.294)	3.024 (0.933)
<b>Number of employees</b>	4.367 (0.627)	6.042 (0.196)	2.359 (0.670)	0.648 (0.958)	6.122 (0.410)	2.700 (0.609)
<b>Business registration</b>	8.009 (0.533)	5.996 (0.424)	8.030 (0.236)	3.152 (0.790)	27.723 (0.001**)	3.663 (0.722)

Note: \*\*indicates significance below five percent (0.05).

#### 4.4.9 The way a business treats its employees affects business performance and age

Table 4.10 shows a significant relationship between age and treatment of employees, with a p-value at 0.011 level of significance, which is below 0.05. The significance means middle-aged to older people have obtained enough experience in the business

sector and understand employee treatment affects the way a business performs (Xinwa 2018: 22).

#### **4.4.10 Ethical labour practices are likely to improve efficiency of employees and business registration**

Business registration is shown as significant (Table 4.10) to ethical labour practices and efficiency of employees, with a p-value at 0.001 level of significance, which is below 0.05. The significant relationship means businesses register as a more formal business, similar to a private company. Such businesses are likely to understand employees are motivated by ethical considerations to be more productive and efficient (Oduro, Bruno & Maccarioa 2021: 14). For example, employees expect businesses to devise fair and equal treatment and expect management to be always ethical, which might encourage employees to be more efficient (Doumagay & Moskolai 2016: 163).

#### **4.4.11 Ethical CSR labour practices of and location**

Table 4.10 illustrates that location does not have significant association in employee treatment, working conditions, business awareness, and ethical managers, or in ethical labour practices on growth, and fair labour practices. This is indicated by the p-values of 0.427, 0.065, 0.263, 0.404, 0.294 and 0.933, respectively; these values are above 0.05, which means ethical CSR labour practices are not influenced by location.

#### **4.4.12 Ethical CSR labour practices and number of years in a business**

Table 4.10 shows that number of years in a business is not significantly associated with employee treatment, working conditions, business awareness, and ethical managers, as well as ethical labour practices on growth and fair labour practices are concerned. This is indicated by the p-values of 0.368, 0.520, 0.172, 0.976, 0.818 and 0.928, respectively, with all these value above 0.05. Thus, the number of years in a business does not influence how ethical labour practices are implemented in SMEs (Xinwa 2018: 48).

#### **4.4.13 Businesses whose labour practices are fair attract skilled employees that may improve business performance and gender**

Table 4.10 illustrates that gender is significantly linked to skilled employees and fair labour practices, with a p-value at 0.039 level of significance, which is below 0.05. This

means gender has a relationship with businesses whose labour practices are fair. Gender-inclusive leadership and ethical labour practices attract and maintain skilled employees. Soares *et al.* (2017: 3) states female managers tend to influence a higher level of ethical CSR labour practices due to gender discrimination experienced by women in the workplace. This could be due to females being more likely to spotlight gender inequality issues in their CSR practices, which then often position a business for a sustainable growth.

#### **4.4.14 Ethical labour practices of CSR and qualification**

No significant association is shown (Table 4.10) between qualification and employee treatment, working conditions, business awareness, and ethical managers, in addition to ethical labour practices on growth, and fair labour practices. This is indicated by the p-values of 0.869, 0.520, 0.172, 0.851, 0.598, 0.828 and 0.751, respectively, where all these values are above 0.05. In other words, qualification does not have any relationship with ethical CSR labour practices.

#### **4.4.15 Ethical labour practices of CSR and number of employees**

Table 4.10 shows that the number of employees in a business has no significant association with employee treatment, working conditions, business awareness, and ethical managers, nor in ethical labour practices on growth and fair labour practices. This is indicated by the p-values of 0.627, 0.196, 0.670, 0.958, 0.410 and 0.608, respectively, with these values all above 0.05. The number of employees in a business, therefore, does not determine the number of ethical labour practices implemented in a business. DeFoe (2015: 3) stated that SMEs implementing ethical CSR labour practices do not consider the number of employees in a business, when determining what and how many practices to implement in their businesses.

**Table 4.11: Significance between demographics and CSR public good practices**

Demographics	P- value of the chi-square for the variable: Public good practices of CSR					
	Variables of CSR					
	The first customers to initiate support in the business is the community where a business operates.	Businesses that are giving back to the community are likely to improve performance.	Businesses that provide false information about their product are likely to gain more customers than those who provide accurate information.	Government is the only institution that is responsible to deal with environmental issues caused by businesses.	Sponsoring a community is likely to reduce profit of the business.	Allowing employees to volunteer in community services enhances customer loyalty.
<b>Gender</b>	10.745 (0.013**)	6.822 (0.146)	4.838 (0.304)	6.445 (0.168)	13.061 (0.011**)	7.423 (0.115)
<b>Age</b>	9.770 (0.369)	9.310 (0.676)	22.986 (0.028**)	18.028 (0.115)	21.775 (0.040**)	32.910 (0.001**)
<b>No. of years in a business sector</b>	15.148 (0.087)	14.586 (0.265)	11.041 (0.525)	21.418 (0.045**)	18.496 (0.101)	18.733 (0.095)
<b>Qualification</b>	7.113 (0.625)	18.777 (0.094)	8.529 (0.743)	10.085 (0.608)	31.412 (0.002**)	17.975 (0.116)
<b>Location</b>	31.375 (0.002**)	47.494 (0.000**)	17.242 (0.370)	13.748 (0.617)	19.152 (0.261)	32.842 (0.008**)
<b>Number of employees</b>	3.462 (0.749)	2.217 (0.974)	8.951 (0.346)	9.343 (0.314)	13.532 (0.095)	10.077 (0.260)
<b>Business registration</b>	11.929 (0.217)	5.165 (0.952)	6.550 (0.886)	10.521 (0.570)	10.530 (0.570)	3.614 (0.989)

Note: \*\*indicates significance below five percent (0.05).

#### **4.4.16 First customers to initiate support in the business is a community where a business is located and location**

The first customers of a business are shown to be from the same business location indicates significant relationship with gender (Table 4.11), where the p-value of 0.013 level of significance is below 0.05. In addition, this variable shows significance with location, where the p-value is 0.002, which is also below 0.05. This shows a relationship exists between location and the first customers to initiate support in the business (Newman *et al.* 2018: 1461). Therefore, the first people to initiate support in the business is the community where a business is located.

#### **4.4.17 Businesses giving back to the community likely to improve performance and location**

Table 4.11 illustrates that giving back to communities and location show significant link to each other, with a p-value of 0.000 level of significance, which is below 0.05. Businesses located in more congested communities are more likely to experience benefits when giving back to the community. However, businesses giving back to more quiet communities are not more easily recognised by the public, because they are located in areas with limited public recognition. Therefore, businesses located in a more congested location where they are in the public eye are able to attract customers, investors and talented employees through prominence, which can positively benefit how the business performs.

#### **4.4.18 Businesses that provide false information about their product are likely to gain more customers than those who provide accurate information and age**

Another significant association illustrated in Table 4.11 is between business transparency and age, with a p-value of 0.028 level of significance, which is below 0.05. Younger managers or new graduate employees are well informed about the power of the 4IR and the impact it has on the business market (Keremidchiev 2019: 169). Younger people thus tend to understand the importance of honesty and transparency internally and externally and when a business shares inaccurate and false information, this can have a negative effect, bringing bad publicity that will be spread quickly through social media, resulting in a loss of customers.

#### **4.4.19 Sponsoring a community is likely to reduce profit of the business and gender**

Community sponsoring that reduces profit, statistically have significant link to gender with a p-value at 0.011 level of significance, which is below 0.05. In addition, community sponsoring that reduces profit is statistically related to gender with p-value of 0.040 level of significance which is below 0.05. This means male and older managers tend to be less updated about business trends, which might improve business performance. Older managers are resistant to change and do not easily adapt to new business trends, because they believe in traditional systems and fear the unknown (Soares *et al.* 2017: 3).

#### **4.4.20 Allowing employees to volunteer in community services enhances customer loyalty and gender**

Employee volunteerism is shown (Table 4.11) to be statistically related to gender with a p- value of 0.001 level of significance, which is below 0.05. In addition, employee volunteerism is also statistically related to location with a p-value of 0.008 level of significance, which is below 0.05. The statistics illustrate that allowing employees to volunteer in community services enhances customer loyalty influenced by age and location. Stakeholders would like to see employees of all ages involved in volunteering services (Boštjančič, Antolović & Erčulj 2019: 2). For example, when only young intern employees are doing voluntary community services, this can be perceived as exploitation by the public. When these initiatives are unbiased and every age group is involved in volunteerism, loyal customers can be attracted. Furthermore, businesses should volunteer in those locations where voluntary work is most needed, for example, cleaning the beach after floods. Such volunteerism work will bring outstanding publicity for a business, thus enhancing customer loyalty.

#### **4.4.21 CSR Public good and number of employees**

Table 4.11 shows that the number of employees have no significant relationship to first customers to initiate support for a business, giving back, information transparency, and government as a responsible citizen to deal with environmental issues, as well as community volunteerism. This is indicated by p-values of 0.749, 0.974, 0.346, 0.314, 0.095 and 0.260, respectively, as all these values are below 0.05. In other words, the amount of CSR practices a business does not depend on the number of employees it

has. SMEs implementing public good CSR practices have been shown to not consider the number of employees, in order to determine which and what number of practices to implement (Berman 2016: 47).

#### 4.4.22 CSR Public good practices and business registration

Table 4.11 shows no significant relationship between business registration and first customers to initiate support on a business, giving back, information transparency, as well as government as a responsible citizen to deal with environmental issues, and community volunteerism. This is indicated by p-values of 0.217, 0.952, 0.886, 0.570, 0.570, and 0.989, respectively, with all these values below 0.05. This means that business registration of SMEs has no relationship with public good CSR practices.

**Table 4.12: Significance between demographics and general CSR practices**

Demographics	P- value of the chi-square for the variable: General CSR practices			
	Variables of CSR			
	Customers expect businesses to be responsible citizens.	Community's view point about the image of the business influences how the business performs.	Competitive SMEs are implementing CSR practices.	CSR practices attract loyal customers.
Gender	3.845 (0.146)	17.475 (0.000**)	3.649 (0.161)	8.290 (0.016**)
Age	15.862 (0.015**)	11.422 (0.076)	10.324 (0.112)	23.799 (0.001**)
No. of years on a business sector	13.011 (0.043**)	9.084 (0.169)	9.400 (0.152)	7.797 (0.253)
Qualification	1.572 (0.955)	2.105 (0.910)	11.090 (0.086)	3.335 (0.766)
Location	4.982 (0.760)	24.825 (0.002**)	24,787 (0.002**)	9.176 (0.328)
Number of employees	3.328 (0.504)	1.225 (0.874)	8.688 (0.069)	4.442 (0.349)



<b>Business registration</b>	12.097 (0.060)	26.774 (0.000**)	22.884 (0.001**)	1.572 (0.955)
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*Note: \*\*indicates significance below five percent (0.05).*

#### **4.4.23 Customers expect businesses to be responsible citizens and age**

The summarised results shown in Table 4.12 indicate that customers expect businesses to be responsible citizens as significantly linked to age and number of years in a business sector, with a p-value of 0.015 and a 0.043 level of significance, which is below 0.05, respectively. Participants that are younger in age understand customers expect businesses to be a responsible citizen. In addition, it is the majority younger customers that expect businesses to be responsible citizens. The young to middle-aged managers of a business also consider maintaining the image of the business as being a responsible citizen (Rank & Contreras 2021: 2).

#### **4.4.24 Community view on influence of business image how the business performs and gender, location and business registration**

The results illustrated in Table 4.12 show the community's view on business image is statistically related to gender, location and business registration, with p-values of 0.00, 0.002 and 0.000 level of significance, respectively, which is below 0.05. This illustrates that communities' view of the business is influenced by gender, as well as by location and business registration. A business whose location is in the public eye tends to be cautious about the way the community perceives the business, hence, influencing business performance. Moreover, businesses such as private companies tend to be more cautious regarding how the community sees the image of their business than any other types of businesses.

#### **4.4.25 Competitive SMEs are implementing CSR practices and location**

Table 4.12 show the findings regarding competitive SMEs are implementing CSR practices as statistically significant, with location at a p-value of 0.002 and statistically significant with business registration, with a p-value of 0.001 level of significance, which is below 0.05. This illustrates that competitive SMEs are implementing CSR practices is influenced by location, however, most competitive SMEs implementing CSR are in specific locations. Moreover, competitive SMEs depend on business registration, where business registrations such as private company and partnership tend to consider business trends such as CSR as important (Masheal 2018: 4).

#### 4.4.26 CSR practices attract loyal customers and gender

According to Table 4.12, it is shown that CSR practices attract loyal customers is statistically significant with gender, with a p-value of 0.016, and age with p-value of 0.001 level of significance, which are both below 0.05. Gender and age influence the discussion, which informs that CSR practices attract loyal customers. Participants within a younger to middle-age group believe CSR practices attract loyal customers, with the majority of males also believing CSR practices attract loyal customers, as males were the majority of participants (Joyner 2018: 53).

**Table 4.13: Significance between demographics and basic CSR practices**

Demographics	P- value of the chi-square for the variables: Basic CSR practices			
	Variables of CSR			
	A business has environmental practices	A business provides a safe working environment for every employee	CSR practices are necessary for SMEs	A business fairly and equally treats employees if it wants to improve business performance
<b>Gender</b>	4.171 (0.244)	0.748 (0.387)	5.417 (0.067)	0.067 (0.795)
<b>Age</b>	8.530 (0.482)	2.509 (0.474)	4.741 (0.577)	1.643 (0.650)
<b>No. of years in a business sector</b>	8.554 (0.479)	1.102 (0.777)	5.396 (0.494)	1.803 (0.614)
<b>Qualification</b>	10.212 (0.334)	0.609 (0.894)	11.149 (0.084)	2.027 (0.567)
<b>Location</b>	11.847 (0.458)	2.269 (0.686)	0.9 (0.123)	2.697 (0.610)
<b>Number of employees</b>	4.880 (0.559)	0.678 (0.713)	4.694 (0.320)	0.231 (0.891)
<b>Business registration</b>	2.253 (0.987)	11.222 (0.011**)	2.593 (0.858)	0.214 (0.975)

Note: \*\*indicates significance below five percent (0.05).

#### **4.4.27 Basic CSR practices and gender**

Table 4.12 shows that gender does not have significant relationship with environmental practices in a business, safe working environment on employees, CSR practices are necessary for SMEs, and fair and equal treatment of employees. This is indicated by the p-values of 0.224, 0.387, 0.067 and 0.795, respectively, with all these values above 0.05. This means gender does not influence any of the basic CSR practices.

#### **4.4.28 Basic CSR practices and age**

The results illustrated in Table 4.12 show age does not have significant association with environmental practices on a business, safe working environment on employees, CSR practices are necessary for SMEs, and fair and equal treatment of employees. This is indicated by the p-values of 0.482, 0.474, 0.577, and 0.650, respectively, where all these values are above 0.05. Basic CSR practices are, therefore, not influenced by the age of SME owners.

#### **4.4.29 Basic CSR practices and number of years in a business**

It is illustrated in Table 4.12 that number of years in a business does not have significant relationship with environmental practices on a business, safe working environment on employees, CSR practices are necessary for SMEs, and fair and equal treatment of employees. This is indicated by the p-values of 0.479, 0.777, 0.494 and 0.614, respectively, all these values are above 0.05. In other words, number of years in a business does not influence basic CSR practices implemented in a business.

#### **4.4.30 Basic CSR practices and qualification**

Table 4.12 reflects the findings that qualification does not have significant association with environmental practices in a business, safe working environment on employees, CSR practices are necessary for SMEs, and fair and equal treatment of employees. This is indicated by the p-values of 0.334, 0.686, 0.084 and 0.567 respectively, these values are all above 0.05, which means qualification does not influence the implementation of basic CSR practices in a business.

#### **4.4.31 Basic CSR practices and location**

No significant link is reflected in the findings illustrated (Table 4.12), between location and environmental practices in a business, safe working environment for employees, CSR practices are necessary for SMEs, and fair and equal treatment of employees. This is indicated by the p-values of 0.458, 0.686, 0.123 and 0.610, respectively, with these values above 0.05. This signifies that location has no relationship with implementation of basic CSR practices in a business.

#### **4.4.32 Basic CSR practices and number of employees in a business**

Table 4.12 illustrates that number of employees does not have significant association with environmental practices in a business, safe working environment for employees, CSR practices are necessary for SMEs, and fair and equal treatment of employees. This conclusion is supported by the p-values of 0.559, 0.713, 0.320 and 0.891, respectively, as these values are above 0.05. In other words, the number of employees in a business has no relationship with the implementation of basic CSR practices implemented in a business.

#### **4.4.33 A business provides a safe working environment for every employee and business registration**

The relationship between a business provides a safe working environment for every employee with business registration is shown as significant (Table 4.12), by a p-value of 0.011 level of significance, which is below 0.05. Business registration influences the decision of participants to provide a safe working environment for every employee (Collier 2018: 30). Most of the time private companies tend to enforce effectively CSR practices such as ensuring all employees are working under safe working environment (Mamun 2017: 66).

Having analysed the chi-square technique of the study. The next section discusses another inferential statistic, using Pearson's correlation to find direction and strength of the association between demographics and the research objectives.

### **4.5 INFERENTIAL STATISTICS: PEARSON'S CORRELATION STATISTIC (INVESTIGATING STRENGTHS OF SIGNIFICANT ASSOCIATIONS)**

For the significant association reported in Table 4.14 to 4.18, the study now reports on the investigation whether the significant relationship between study objectives and

demographics are positive or negative, as well as their strength, using the Pearson's Correlation coefficient.

According to Medina-González (2019: 4) Pearson's correlation coefficient is an analysis that examines the significance, direction and the strength of the bivariate association among the study variables. Additionally, Omilion-Hodges (2017: 3) asserts that Pearson's correlation is used to find any significant relationship between study variables and determine whether two variables are dependent or independent of each other, while also ascertaining the direction and strength of dependency. Pearson's correlation coefficient ( $r$ ) can only take on values from -1 to +1. Nonetheless, any correlation can reveal the following conclusions or results:

1. Significance of correlation.
2. If significant, whether it is positive or negative (that is, the direction of correlation).
3. Strength of the correlation.

A positive sign denotes the presence of a positive correlation (when one variable rises, the other climbs as well), whereas a negative sign denotes the presence of a negative connection (as one variable increases, the other variable decreases). Without taking into account the sign, the magnitude of the absolute value shows how strong the link is. The following illustrates the strength of relationships:

- Pearson's correlation coefficient that is 0.10 to .0.29 or -.0.10 to -.0.29 indicates weak correlation
- Pearson's correlation coefficient that is 0.30 to 0.49 or -0.30 to -0.49 indicates medium correlation
- Pearson's correlation coefficient that is 0.50 to 1.0 or -0.50 to -1.0 indicates strong correlation
- Pearson's correlation coefficient that is less than 0.10 or less than -0.10 indicates no correlation.

The Pearson Correlation statistics for significant associations are shown in Tables 4.14 to 4.18.

### 4.5.1 Environmental CSR Practices

The following subsection presents results from the tests to determine the significant relationship between the variables, as well as the directions and strengths between the variables. The study achieved this by employing Pearson's correlation between two variables, namely demographics variables and research objectives.

**Table 4.14: Direction and strength between demographics and environmental CSR practices**

Demographics	Pearson's correlation coefficient value	P- value of Pearson Correlation
Variables of Environmental practices CSR	Variables of demographics	
<b>Waste practices need employee's commitment for a business to experience favourable business performance.</b>	Qualification	0.041**
	-1.01	
	Location	0.024**
<b>Businesses that do not pollute are likely to perform equally with those that pollute the environment.</b>	-0.101	
	Qualification	0.047**
	-1.09	
<b>Implementation of waste practices are likely to grow a business even bigger.</b>	Location	0.117
	0.005	
	Qualification	0.022**
	0.59	

Note: \*\*indicates significance below five percent (0.05).

#### 4.5.1.1 Waste practices need employee commitment for a business to experience favourable business performance and qualification

As illustrated (Table 4.14) the findings show that employee commitment to waste practices have a relationship with qualification at a p-value of 0.041 level of significance, which is below 0.05. It also shows employee commitment on waste practices has a strong negative relationship with qualification, through a Pearson's correlation coefficient value of -1.01. This means less-educated participants tend to disagree that employee commitment on waste practices is important for a business to experience favourable performance. This entails that less educated respondents tend to believe treatment of employees does not affect how a business performs. Managers

who are less educated are unaware of the importance of employee treatment, such as employee development and training, enforcing ethics, and policies in a business. Failure to train employees properly does not only impact individual employees, it can also create risks for the entire business. Mistakes made by employees can result in lawsuits, fines and, in some cases, charges of criminal negligence. This may result in employee dissatisfaction and poor productivity, thus, affecting business performance (Petersen 2019: 2).

#### **4.5.1.2 Waste practices need employee commitment for a business to experience favourable business performance and location**

Table 4.14 shows employee commitment on waste practices has a relationship with location at a p-value of 0.024 level of significance, which is below 0.05. It also shows that employee commitment on waste practices has a weak negative relationship with location through a Pearson's correlation coefficient value of -0.101. This means the way a business treats its employees affects business performance can be influenced by the location where a business is situated. There is a slight difference in the number of participants located in the south and in the east of Durban. The number of participants in the south of Durban that agreed with employee commitment on waste practices is 60 percent, whereas that east of Durban is 15 percent. The lower percentage (Durban east) of participants tend to agree lesser that treatment of employees affects business performance.

However, location plays a role in attracting and retaining the best employees, as many employees are attracted by the location of a business in order to optimise work-life balance, such as easy access to transport. Locations closer to the city is a decent location that can significantly boost a business' long-term performance. Locations far from the city can cost millions in loss of employee talent, productivity and capital, thus affecting business performance (Kimmelberg & Williams 2013: 14).

#### **4.5.1.3 Businesses that do not pollute are likely to perform equally with those that pollute the environment and qualification**

The results illustrated (Table 4.14) show business pollution has a relationship with qualification at a p-value of 0.047 level of significance, which is below 0.05. Furthermore, this shows that business pollution has a strong negative relationship with

qualification through Pearson's correlation coefficient value of -1.09. This indicates a strong negative relationship between knowledge of pollution in businesses and qualification, which means people with less education tend to think businesses that do not pollute the environment are likely to perform equally with those that do pollute. Ma *et al.* (2019: 13) assert that education forms one of the most important qualities of managers. Business managers with less education believe environmental practices are not as important for the business, therefore, businesses with environmental practices to prevent pollution are perceived to waste their resources (Ma *et al.* 2019: 14).

#### **4.5.1.4 Businesses that do not pollute are likely to perform equally with those that pollute the environment and location**

Table 4.14 presents the findings that businesses pollution has no relationship with location through Pearson's correlation coefficient value of 0.005 and a p-value of 0.117, which is above 0.05. This means businesses that pollute the environment and those that do not pollute the environment, are not seen to have their performance influenced by location.

#### **4.5.1.5 Implementation of waste practices are likely to grow a business even bigger and qualification**

Table 4.14 shows that a relationship exists between implementation of waste practices and qualification at a p-value of 0.022 level of significance, which is below 0.05. It also shows that implementation of waste practices has a strong positive relationship with qualification through Pearson's correlation coefficient value of 0.59. This means that people with a higher level of education tend to think implementation of waste practices are likely to grow a business. This can be attributed to people with higher education having studied and understanding the importance of waste management practices. This demonstrates when a business has waste management practices, they enhance their image and reputation through acts of accountability and responsibility. A good image and reputation attract stakeholders such as government, investors, loyal customers and a talent pool of employees that can benefit a business positively.

Nevin (2016: 3) emphasised that a higher level of qualification enhances a manager's education of environmentally sustainable development within a business. This



improves development of the skills, knowledge, values and actions required to create a sustainable business that ensures environmental protection and conservation. Moreover, it stimulates social equity and boosts economic sustainability, thus attracting investors and government subsidies that increase business growth.

Having discussed strengths and direction between Environmental CSR practices and demographics, the next section discusses the strengths and directions between Ethical labour practices and demographics.

#### 4.5.2 Ethical CSR Labour Practices

**Table 4.15: Direction and strength between demographics and ethical CSR labour practices**

Demographics	Pearson's correlation coefficient value	P-value of Pearson's Correlation
Variables of Ethical CSR labour practices	Variables of demographics	
The way a business treat its employees affects business performance	Age 1.36	0.033**
Ethical labour practices are likely to improve efficiency of employees	Business registration -0.157	0.012
Businesses whose labour practices are fair, attract skilled employees that may improve business performance.	Gender	0.315
	0.213	
	Age	
	0.183	
	Location	0.050**
	0.431	
		0.049**

Note: \*\*indicates significance below five percent (0.05).

##### 4.5.2.1 The way a business treats its employees affects business performance on age

Table 4.15 shows that employee treatment affects business performance has a relationship with age at a p-value 0.033 level of significance, which is below 0.05. It

also shows employee treatment affects business performance has a strong positive relationship with age through a Pearson's correlation coefficient value of 1.36. This means older people aged 45 years and above tend to believe the way a business treats its employees affects the business. This is because the more a person gains experience in an industry, the better they understand the importance of ethical and equal treatment of every employee. Since employees who are treated fairly and equally tend to be happy and satisfied, an increase in employee satisfaction increases employee productivity, hence, positively affecting business performance (Grigoropoulos 2019: 169).

#### **4.5.2.2 Ethical labour practices are likely to improve efficiency of employee on business registration**

Table 4.15 shows that employee efficiency has a relationship with business registration at a p-value of 0.012 level of significance, which is below 0.05. It also shows that employee efficiency has a weak negative relationship with business registration through a Pearson's correlation coefficient value of -0.157. Businesses registered as sole trader or "other" trust that efficiency of employees has nothing to do with ethical labour practices. This may be as a result of the majority of sole trader businesses have only one manager/ owner that makes a final decision. When there is one manager there are no different ideas and opinions to choose from in terms of improving business performance, such as in a partnership or private company where there are a number of owner/managers who tend to work together to make a decision with numerous ideas usually generated when people are working together. "Two brains are better than one".

#### **4.5.2.3 Businesses whose labour practices are fair attract skilled employees that may improve business performance and gender**

Table 4.15 illustrates that fair labour practices attract skilled employees has no relationship with gender at 0.315 level of significance, which is above 0.05. It also shows that fair labour practices attract skilled employees has no relationship with gender through Pearson's correlation coefficient value of 0.213. This means gender does not influence businesses whose labour practices are fair, and this attracts skilled employees that may improve business performance (Petersen 2019: 2).

#### 4.5.2.4 Businesses whose labour practices are fair attract skilled employees that may improve business performance and age

Table 4.15 shows fair labour practices attract skilled employees has a relationship with age at a p-value of 0.050 level of significance. It also shows that fair labour practices attract skilled employees has a medium negative relationship with age through a Pearson's correlation coefficient value of -0.32. This means the older the participants, the higher the chances they disagree that allowing employees to volunteer in community services enhances loyalty. Badulescu *et al.* (2018: 4) assert that older people tend to think employee volunteerism in communities cannot enhance customer loyalty.

#### 4.5.2.5 Businesses whose labour practices are fair attract skilled employees that may improve business performance on location

The results illustrated (Table 4.15) show that fair labour practices attract skilled employees has a relationship with location at a p-value of 0.049 level of significance, which is below 0.05. It also shows fair labour practices attract skilled employees has a medium positive relationship with location through a Pearson's correlation coefficient value of 0.431. This means businesses that are implementing voluntary services in congested locations, such as the south of Durban, are likely to enhance customer loyalty because of the high rate of public situated in that area.

This section discussed strengths and direction between Ethical CSR labour practices and demographics, while the next section details the strengths and directions between CSR Public good practices and demographics.

### 4.5.3 CSR Public Good

**Table 4.16: Direction and strength between demographics and public good CSR practices**

Demographics				Pearson's correlation coefficient value	P- value of Pearson Correlation
Variables of Public good practices of CSR				Variables of demographics	

<b>The first customers to initiate support in the business is a community where a business operates in.</b>	Location 0.183	0.032**
<b>Businesses that are giving back to the community are likely to improve performance.</b>	Location 0.136	0.011**
<b>Businesses that provide false information about their product are likely to gain customers that those who provide accurate information.</b>	Age -0.073	0.051**
<b>Government is the only institution that is responsible to deal with environmental issues caused by businesses</b>	Number of years in a business 0.255	0.076
<b>Sponsoring a community is likely to reduce profit of the business.</b>	Number of years in a business -0.297 Age -0.001	0.021**  0.387

*Note: \*\*indicates significance below five percent (0.05).*

#### **4.5.3.1 First customers to initiate support in the business is a community where a business is located and location**

The results illustrated (Table 4.16) show that the first customers to support a business is the community where a business is located has a relationship with location at a p-value of 0.032 level of significance, which is below 0.05. It also shows that the first customers to support a business is the community where a business is located has a weak positive relationship with location through a Pearson's correlation coefficient value of 0.186. This means location increases the influence of respondent decisions on first customers to support a business is the community where a business is located. This means managers of businesses think when a location of an automotive manufacturing business is situated in a place closer to the central business district (CBD), such as south of Durban, the first people to support that business are the people in the surrounding area. However, when the automotive manufacturing

business is situated away from the CBD, the first customers to support the business are not necessarily from that surrounding area (Kimelberg & Williams 2013: 14).

#### **4.5.3.2 Businesses giving back to the community are likely to improve performance and location**

Table 4.16 shows that giving back to the community has a relationship with location at a p-value of 0.011 level of significance, which is below 0.05. In addition, it shows that giving back to the community has a weak positive relationship with the location through a Pearson's correlation coefficient value of 0.136. This means location increases the benefits for businesses giving back to the community. By implication, when a business is giving back to communities where there is a congested population, such as townships and the CBD, there are high chances the initiative of giving back will benefit a business quicker than businesses that are giving back to rural communities.

The reason for this, is because there are numerous means of publicity available to spread the initiative quicker in townships and the CBD. People take videos and photographs and post these on social media, while newspaper companies are nearer, thus such initiatives are quick to spread to the entire public, then benefit business reputation. However, in rural communities there are fewer people with access to smartphones, with people from rural areas also not familiar with social media platforms because of weak to no network connectivity (Ruiz-Martines 2020: 6). Further to this, the media companies or newspaper companies are far from rural communities, thus, when the business is giving aback to the rural community the news of the initiative will not spread rapidly to the public and all stakeholders, thus, business does not benefit more rapidly from its giving back initiative.

#### **4.5.3.3 Businesses that provide false information about their product are more likely to gain customers than those who provide accurate information and age**

The findings set out in Table 4.16 show that businesses that provide false information about their product are more likely to gain customers than those who provide accurate information, has no relationship with age through a Pearson's correlation coefficient value of -0.073 and p-value of 0.051, which is above 0.05.

#### **4.5.3.4 Government is the only institution responsible to deal with environmental issues caused by businesses and number of years in a business**

Table 4.16 illustrates that government is the only institution responsible to deal with environmental issues, has no relationship with number of years in a business at p-value of 0.078 which is above 0.05. It also shows that government is the only institution responsible to deal with environmental issues, has no relationship with the number of years in a business through Pearson's correlation coefficient value of 0.255. This means the number of years a participant exists has no influence with the decision that informs, which means government is perceived as the only institution responsible to deal with environmental issues caused by business.

#### **4.5.3.5 Sponsoring a community is likely to reduce profit of the business and number of years in a business**

A relationship is shown to exist (Table 4.16) between sponsoring a community is likely to reduce profit of the business and number of years in a business at a p-value of 0.021 level of significance, which is less than 0.05. It also shows that sponsoring a community is likely to reduce profit of the business has a weak negative relationship with the number of years a participant has been active in a business sector, through a Pearson's correlation coefficient value of -0.297. This demonstrates participants with low experience in the business sector tend to assume sponsoring a community is likely to reduce profit. This could be attributed to people who have not spent many years in a business industry not having much experience to be aware of important business opportunities and trends such CSR (Wesner *et al.* 2019: 5). Moreover, perhaps people who recently opened their businesses do not have enough financial capabilities to invest in business trends such as CSR (Chazireni 2017: 15).

#### **4.5.3.6 Sponsoring a community is likely to reduce profit of the business and age**

Table 4.16 shows that sponsoring a community is likely to reduce profit of the business, has no relationship with age through Pearson's correlation coefficient value of -0.001 and with p-value of 0.387 level of significance which is above 0.05. This means age does not influence the decision of participants who believe sponsoring a community is likely to reduce profit of the business.

#### 4.5.4 General CSR Practices

**Table 4.17: Direction and strength between demographics and general CSR practices**

Demographics	Pearson's correlation coefficient value	P- value of Pearson Correlation
Variables of General CSR practices	Variables of demographics	
<b>Customers expect businesses to be responsible citizens.</b>	Number of years in a business	
	-0.3451	0.011**
	Age	
	0.002	0.181
<b>Community's view point about the image of the business influences how the business performs.</b>	Qualification	
	0.065	0.198
	Gender	
	-0.827	0.051
	Business registration	
	-0.139	0.050**
<b>Competitive SMEs are implementing CSR practices.</b>	Location	
	-0.83	0.043
	Business registration	
	-0.047	0.101**
<b>CSR practices attract loyal customers.</b>	Age	
	-0.290	0.048**

*Note: \*\*indicates significance below five percent (0.05).*

#### **4.5.4.1 Customers expect businesses to be responsible citizens and number of years in a business**

The illustrated findings (Table 4.17) show customers expect businesses to be responsible citizens has a relationship with number of years in a business at a p-value of 0,011 level of significance, which is less than 0.05. It also shows customers expect businesses to be responsible citizens has a medium positive relationship with the number of years in a business through a Pearson's correlation coefficient value of 0.3451. This means, the longer-serving managers in a business agree that customers expect businesses to be responsible citizens. Customers are people, and people are the ones that experience consequences. For example, when there is climate change, floods, pollution, and global warming, these factors affect people drastically. Although businesses are operated by managers who are people, it seems the most important thing for managers is to generate money, sales, profit and growth (Morsing & Spence 2019: 1923).

#### **4.5.4.2 Customers expect businesses to be responsible citizens and age**

No relationship is shown to exist (Table 4.17) between customers expect businesses to be responsible citizens and age, through a Pearson's correlation coefficient value of 0.002 and p-value 0.181 level of significance, which is above 0.05. This means age does not have a relationship with the variable of customers expect businesses to be responsible citizen. In other words, the age of participants does not influence managers in their decision-making. In this regard, Morsing and Spence (2019: 1922) demonstrated that customers expect businesses to be responsible citizen Therefore, managers/participants of all age groups are of the view that customers expect their businesses to be responsible citizens.

#### **4.5.4.3 Community's viewpoint about the image of the business influences how the business performs and qualification**

Table 4.17 shows that community's view on a business image has no relationship with qualification through a Pearson's correlation coefficient value of 0.065 and p-value 0.198 level of significance, which is above 0.05. This means the level of qualification does not influence participants who tend to think a community's viewpoint about the image of the business is important to its performance.



#### **4.5.4.4 Community's viewpoint about the image of the business influences how the business performs and gender**

Table 4.17 shows that community's view on a business image has no relationship with gender at p-value 0.198 level of significance, which is above 0.05. It also shows that the community's view of a business' image has no relationship with gender through a Pearson's correlation coefficient value of -0.827. This demonstrates that gender does not influence the community's view point about the image of the business.

#### **4.5.4.5 Community's viewpoint about the image of the business influences how the business performs and business registration**

The results illustrated in Table 4.17 show that community's view on a business image has a relationship with business registration at a p-value of 0.050 level of significance. It also reflects that community's view on a business image has a weak negative relationship with business registration, through a Pearson's correlation coefficient value of -0.139. This demonstrates that participants who own businesses registered as sole trader and "other", tend to believe the opinion of a community about the image of the business does not influence how the business performs. The reason for this is because businesses registered as sole trader have one owner, usually have their loyal customers, and do not expect to drastically increase their customer-base, since one owner cannot manage the workload of customer numbers similar to that of a private company (Ellemers & Chopova 2021: 2).

#### **4.5.4.6 Competitive SMEs are implementing CSR practices on location**

Table 4.17 illustrates the findings regarding competitive SMEs are implementing CSR practices as having a relationship with location at a p-value 0.043 level of significance, which is below 0.05. The results further show that competitive SMEs are implementing CSR practices has a strong negative relationship with location, through a Pearson's correlation coefficient value of -0.83. This demonstrates that the majority of participants tend to think competitive SMEs are implementing CSR practices in specific locations. The cause could be the circumstance of businesses situated in industrial areas, such as south of Durban, with these businesses more likely to implement CSR practices than those who operate in areas such as eTongaat, due to the exposure, or lack thereof, to the public.

#### 4.5.4.7 Competitive SMEs are implementing CSR practices and business registration

Table 4.17 shows no relationship between competitive SMEs are implementing CSR practices and business registration through a Pearson's correlation coefficient value of -0.047 and p-value of 0.101, which is above 0.05. This demonstrates participants tend to think competitive SMEs that are implementing CSR are not influenced by the type of business registration.

#### 4.5.4.8 CSR practices attract loyal customers and age

Table 4.17 shows that CSR practices attract loyal customers has a relationship with age at a p-value 0.048 level of significance, which is below 0.05. It also shows CSR practices attract loyal customers has a weak negative relationship with age through a Pearson's correlation coefficient value of -0.290. This means older people tend to think CSR practices do not attract loyal customers. It has been shown that older people who own businesses are resistant to change and prove to not adapt easily to business trend such as CSR (Ortar 2020: 47).

Having discussed the strengths and direction between general CSR practices and demographics, the next section discusses these between Basic CSR practices and demographics.

#### 4.5.5 Basic CSR Practices

**Table 4.18: Direction and strength between demographics and basic CSR practices**

Demographics	Pearson's correlation coefficient value	P- value of Pearson Correlation
Variables of Basic CSR practices	Variables of demographics	
A business provides a safe working environment for every employee.	Business registration 0.007	0.988**

Note: \*\*indicates significance below five percent (0.05).

#### **4.5.5.1 A business provides a safe working environment for every employee and business registration**

No relationship is shown (Table 4.18) to exist between business provides a safe working environment for every employee and business registration, through a Pearson's correlation coefficient value of -0.007 and a p-value 0.988 level of significance, which is above 0.05. This demonstrates that business registration does not influence having a safe working environment for employee. This is because 96.9 percent of participants in all business registration types identified that they provide a safe working environment for every employee and 3.1 percent were unsure whether this was done. A safe work environment is more than merely preventing injuries, it is about making employee well-being a priority as a business. A safe workplace is one where employees feel secure and appreciate a safe space, business values, and a positive co-working environment that encourages respect for every employee. Hence, enhancing productivity and effectiveness that is going to improve business performance (Mamun 2019: 64).

Having analysed Pearson's correlation coefficient of the study, the next section discusses another inferential statistic, using ANOVA to find the differences of the association between demographics and the research objectives.

#### **4.6. INFERENCE STATISTICS: ANOVA**

ANOVA is a statistical technique for examining the differences among means for two or more populations (Kim 2017: 23). "This method determines that the significance of the mean differences across groups was conducted to establish the influence of the independent variables on the dependent variables" (Makhanya 2017: 71). Therefore, in this study, ANOVA discusses the variables that are significant to each other; shown by the level of significance. The significance is indicated by the p-value that is less than 0.05. The demographic data are employed as the independent variables, whilst the study objectives are the dependent variables, in an analysis of variance (ANOVA) that takes into account two variables. In addition, the ANOVA threshold is 0.60, therefore  $R^2$  of 0.60 indicates enough significant predictor of the dependent variable. This has been determined by Fraiman and Faiman (2017: 1), who assert the standard ANOVA threshold value is 0.60. Thus, the purpose is to conclude significant demographic variables that effect the impact of CSR practices on SMEs.

#### 4.6.1 Environmental CSR Practices impact on SMEs

A summary of the ANOVA results for waste practices as explained by significant demographics (location and business registration) is tabled below.

**Table 4.19: ANOVA results from Environmental CSR practices and significant demographic variables**

Environmental variable	F-statistics (P-value)	$R^2$
Waste practices need employee commitment for a business to experience favourable business performance.	4.314 (0.016**)	0.084
Waste disposal in the natural environment affects the performance of the business.	2.398 (0.125)	0.025
Businesses that do not pollute are likely to perform equally with those that pollute the environment.	1.140 (0.288)	0.012
Waste practices are a financial cost that hinder business performance.	0.255 (6.15)	0.033

*Note: \*\* indicates significance below five percent (0.05).*

##### 4.6.1.1 Waste practices need employee commitment for a business to experience favourable business performance and location and business registration

The summary of ANOVA results shown in Table 2.19 are for waste practices as explained by significant demographics (that is, location and business registration). From Table 4.13, employee's commitment on waste practices is seen to be linearly

related to location and business registration with a p-value of the F-statistic that is  $0.016 < 0.05$ . The model has  $R^2$  of  $0.084 < 0.60$ , which indicates that location of the business and the business registration explains 8.4 percent of the variations in employee commitment in a business. This is less than the threshold of approximately 60 percent. Therefore, location and business registration cannot be the only significant predictors that determine whether waste practices need employee commitment for a business to experience favourable business performance.

#### 4.6.2 Ethical CSR Labour Practices impact on SMEs

**Table 4.20: Ethical CSR labour practices and significant demographic variables**

Ethical labour variables	F-statistics (P-value)	$R^2$
The way a business treats its employees affects business performance	3.407 (0.068)	0.035
Ethical labour practices are likely to improve efficiency of employees.	2.509 (0.116)	0.026
Businesses whose labour practices are fair, attract skilled employees that may improve business performance.	0.096 (0.758)	0.011

*Note: \*\* indicates significance below five percent (0.05).*

Table 4.20 shows no significant relationship between ethical CSR labour practices and the significant demographic variables when using ANOVA technique. This is confirmed by the p-values of 0.068, 0.116 and 0.758 level of significance, which are all above 0.05. Thus, there is no relationship and differences in associations between the two variables.

#### 4.6.3 Public Good CSR Practices of SMEs

**Table 4.21: Public good CSR practices and significant demographic variables**

Public good	F-statistics (P-value)	$R^2$
<b>Government is the only institution responsible to deal with environmental issues caused by businesses.</b>	7.284 (0.008**)	0.071
<b>Customers expect businesses to be responsible citizens.</b>	4.774 (0.011**)	0.092
<b>Competitive SMEs are implementing CSR practices.</b>	4.074 (0.020**)	0.080
<b>CSR practices attract loyal customers.</b>	10.797 (0.000**)	0.187

Note: \*\* indicates significance below five percent (0.05).

#### **4.6.3.1 Government is the only institution responsible to deal with environmental issues caused by businesses and number of years in a business**

The ANOVA results are illustrated (Table 4.21) for the public good and a variable that states government is the only institution responsible to deal with environmental issues, as explained by significant demographics (the number of years on the business). From Table 4.15, it is indicated that this variable is linearly related to the number of years in a business sector with a p-value of the F-statistic that is  $0.008 < 0.05$ . The model has  $R^2$  of  $0.071 < 0.60$ , which indicates that the number of years in a business sector explains 7.1 percent of the variations of the variable. This is less than the threshold of roughly 60 percent. Therefore, the number of years a participant has been in a business sector cannot be the only significant predictor that determines whether government is the only institution responsible to deal with environmental issues caused by businesses.

#### **4.6.3.2 Customers expect businesses to be responsible citizens and age and number of years in a business**

Table 4.21 shows the ANOVA results for the public good on the variable, customers expect businesses to be responsible citizens is explained by significant demographics

(age and number of years in the business sector). From Table 4.14, it is indicated that customers expect businesses to be responsible is linearly related to age and the number of years a participant has been in a business sector, with a p-value of the F-statistic that is  $0.011 < 0.05$ . The model has an  $R^2$  of  $0.092 < 0.60$ , which indicates that age and the number of years a participant has been in a business sector explains 9.2 percent of the variations of this variable. This is less than the threshold of approximately 60 percent. Therefore, age and the number of years a participant has been in a business sector cannot be the only significant predictors that determine whether customers expect businesses to be responsible citizens.

#### **4.6.3.3 Competitive SMEs are implementing CSR practices on location**

Table 4.21 shows the ANOVA results for the public good variable, competitive SMEs are implementing CSR practices, is explained by significant demographics (location and business registration). From Table 4.14, it is indicated that this variable is linearly related to location and business registration, with a p-value of the F-statistic that is  $0.020 < 0.05$ . The model has  $R^2$  of  $0.080 < 0.60$ , which indicates location and business registration explain eight percent of the variations of this variable. This is less than the threshold of roughly 60 percent. Therefore, location and business registration cannot be the only significant predictor that influence implementation of CSR practices by competitive SMEs.

#### **4.6.3.4 CSR practices attract loyal customers on gender**

The ANOVA results illustrated (Table 4.21) for the public good variable, CSR practices attract loyal customers, is explained by significant demographics (gender and age). From Table 4.14, it is indicated that CSR practises attract loyal customers is linearly related to gender and age, with a p-value of the F-statistic that is  $0.000 < 0.05$ . The model has  $R^2$  of  $0.187 < 0.60$ , which indicates that gender and age explain 18.7 percent of the variations in this variable. This is less than the threshold of approximately 60 percent. Therefore, gender and age cannot be the only significant predictors that determine whether CSR practices attract loyal customers.

#### 4.6.4 General CSR Practices and SMEs

**Table 4.22: General CSR practices of automotive sector SMEs and the significant demographic variables**

Basic CSR practices of SMEs in the automotive sector	F-statistics (P-value)	$R^2$
A business provides a safe working environment for every employee	3.898 (0.050**)	0.039

*Note: \*\* indicates significance below five percent (0.05).*

##### 4.6.4.1 A business provides a safe working environment for every employee on location

Table 4.22 shows the ANOVA results for Basic CSR practices and the variable, business provides a safe working environment for every employee, is explained by significant demographics (location and business registration). Table 4.16 indicates that this variable is linearly related to location and business registration, with a p-value of the F-statistic of 0.05. The model has  $R^2$  of  $0.039 < 0.60$ , which indicates that location of the business and the business registration explains 3.9 percent of the variations in this variable. This is less than the threshold of roughly 60 percent. Therefore, location and business registration cannot be the only significant predictors that determine whether a business provides a safe working environment for every employee.

## 4.7 CONCLUSION

In order to analyse and summarize the participant data, descriptive and inferential statistics were utilized in this chapter, which was primarily concerned with the research findings. The findings in regard to the questionnaire's parts, such the demographic data, were also included in the chapter, the three study objectives namely the influence of environmental CSR practices on SME performance, the ethical CSR labour



practices on SME performance, and the contribution of public good CSR practices to SMEs. The study, furthermore, outlined the relationships and strengths among demographic and study objective variables. The study's conclusion and recommendations are presented in the next chapter.

## **CHAPTER 5**

### **CONCLUSION AND RECOMMENDATIONS**

#### **5.1 INTRODUCTION**

In the previous chapter, the study findings for this study were analysed and interpreted using descriptive and inferential statistics. Statistical tests were used to analyse and interpret data that included central tendency descriptive statistics, the Chi-Square, Pearson's correlation coefficient, and ANOVA.

This chapter aims to provide conclusions based on the research findings. This includes highlighting how the stated research objectives have been achieved.

However, the following are the objectives for this study:

- To establish the extent of environmental practices as a construct of CSR that influences SME performance.
- To evaluate ethical labour practices as a construct of CSR that influences SME performance.
- To determine the contribution of CSR practices for public good used by SMEs for performance.

The aim of the study was to evaluate the extent to which CSR practices influence SME performance in the automotive manufacturing sector in the eThekweni Metropolitan Municipality, KZN, SA. In addition, the study investigated the influence of demographic variables on the study objectives, to determine the influence of CSR practices on the performance of SMEs. The study produced evidence, and suggestions are made that should help SMEs in the automotive manufacturing industry as well as the body of knowledge. The following section discusses the theoretical perspective of the study.

#### **5.2 THEORETICAL PERSPECTIVE OF THE STUDY**

A theoretical perspective is a set of assumptions about reality that informs the questions we ask and the kind of answers we arrive at as a result. In this logic, a theoretical perspective can be understood as a lens through which we look, serving to focus or distort what we see (Crossman 2020: 1). The theoretical perspective of this

study focuses mainly on CSR, with the emphasis of manufacturing SMEs in SA. The research document started by defining CSR and has unpacked numerous definitions relating to CSR practices. However, it was also brought to light that CSR and corporate accountability are synonymous in other parts of the world (Xinwa 2018: 16). Environmental practices, waste management practices and environmental sustainability are also synonymous in other parts of the world (Mosoud 2017: 15). Hence, they are used interchangeably in literature.

In addition, the definition of an SME, from both national and international perspectives, was brought to the fore. The chapter pointed out that the SME definition differs from country to country. Furthermore, literature with respect to the importance of SMEs to the South African economy was examined, showing that SMEs create new employment opportunities, exterminate poverty and contribute significantly to economic growth (Xinwa 2018: 7). The motivations in SME performance, CSR factors, barriers to implement CSR, as well as Carrol's CSR pyramid, and finally, CSR outcomes, were examined.

Having discussed a brief theoretical perspective of the research study, the next section discusses the empirical study.

### **5.3 EMPIRICAL STUDY**

An empirical research method is a type of scientific study that involves the collection of data and observations to answer a specific research question. This type of research is commonly used to test a theory or answer research objectives (Patel & Patel 2019: 48). The literature review revealed a lack of empirical studies in the field of CSR practices on manufacturing SMEs and, therefore, this study contributes to filling that gap. In addition, it increases the understanding of CSR factors in manufacturing SMEs by providing answers regarding the broad implementation of CSR, and by adding perspectives on contributions and attitude of CSR that support the work of Lezenby and Xinwa (2018), who also focused on CSR for business performance. This study contributes to understanding the CSR factors, in general, as it is considered as one of the key requirements to consider in a business industry. In the field of SMEs, in general, this joins other studies of CSR as an explanatory factor regarding the

differences observed among SMEs, which helps in exploring the importance of CSR on SMEs in SA.

This study was, therefore, conducted following the logical stages of planning and framing; primary and secondary data; the analysis of data from participants and the interpretation of study findings, as well as report writing.

The next section evaluates whether the study objectives outlined in chapter one of this research have been achieved. The relevant study objectives will be highlighted and outcomes discussed as to how objectives were achieved.

## **5.4 ACHIEVEMENT OF RESEARCH OBJECTIVES**

The extent to which the study practically achieved results, successfully, is important, because study objectives serve as the fundamental foundation of the entire study. Achievement of research objectives is briefly discussed below:

### **5.4.1 To establish the extent of environmental practices as a construct of CSR that influences SME performance**

The findings of this study indicated that SME owners believe environmental practices influence business performance, they also implied the efforts of environmental practices impact other business interests, such as growth. The majority of participants at 80,47 percent agreed environmental practices grow a business, hence influenced by business performance. In addition, 86 percent of SMEs indicated waste pollution affects the performance of the business. However, most participating SMEs still consider waste management practices as a cost that hinders business performance, hence, their reluctance to implement waste practices.

This indicates the influence of waste practices on businesses is crucial in the SME sector in SA. The chi-square results, on waste practices as a construct of CSR for SMEs, confirmed the importance and influence it has on business performance. The findings revealed the majority of SME owners are aware waste practices influence business performance, therefore, growing their business. Furthermore, the findings are in line with the statement by Chazereni and Lezenby (2019), who aver that SME performance nowadays is closely influenced by CSR factors, for overall business success and survival. The need to achieve success is the motive to do well and to achieve a goal to a set of standards. Thus, when SME owners are implementing waste

practices, their desires to learn about broad CSR, explore their interests, and engage their curiosity, will lead them to focus on ideas that will help them grow their businesses even bigger.

#### **5.4.2 Ethical labour practices as a construct of CSR that influence SME performance**

This study revealed that ethical labour practices influence sustainable business performance, with a majority of 98 percent of participants that agreed ethical labour practices increase productivity and efficiency of employees, thus influencing performance of the business. This indicates that the future of South African SME capacity depends on how well they treat their employees, considering ethical labour issues such as glass ceiling, racism, unethical behaviour, and corruption in the workplace. Moreover, 96 percent of SME owners also revealed that ethical managers who enforce ethical labour practices constantly experience growth in their businesses. This confirmed that business success depends on the ability to enhance ethical behaviour or acts and treating employees fairly and equally (Shahzad *et al.* 2020: 4). This finding is consistent with the empirical findings of this study, which showed a positive correlation at 0.039 level of significance on the implementation of ethical labour practices for SMEs.

#### **5.4.3 Contribution of CSR practices for public good used by SMEs for performance**

The findings of this study indicated that CSR practices for public good are an important enabler of strategic creativity. It was perceived by participants that it is an enhancement of the creative potential for SMEs that will, eventually, lead to sustainable SMEs in SA. The majority of participants (88 percent) agreed that when SME owners are giving back to the community and allow employee volunteerism in community services, they will improve business performance. When the public receives the business' public good initiatives, it will stimulate strategic creativity by broadening the range of cognitive information available. This includes expanding the scope of attention towards integrating public good needs, and encouraging cognitive flexibility to identify patterns and associations between ideas that will maintain sustainable business success. Participants also agreed sustainable business growth is associated with high levels of public good practices, with 88 percent that agreed

SME performance and growth are associated with higher effective public good practices to communities. These results are supported by the chi-square test results, which showed a significant relationship between volunteerism in community service and congested locations, such as South of Durban.

The study, therefore, revealed SMEs believe public good practices enhance business performance, through initiatives of sponsoring, volunteerism and giving back. This is also more effective in specific locations, varying with different business registration types. However, SMEs also indicated a perspective on avoiding implementing public good practice, with 48 percent of participants that indicated government is the only institution to deal with community issues, irrespective of whether they are caused by businesses. This indicates that although SMEs examined and confirmed public good as an important business tool, they are not willing to take accountability, or act with transparency and responsibility to communities. Moreover, it was noted that 30 percent of participants specified businesses that provide false information about their brand are gaining more customers than those businesses that are more transparent and honest to the public about their brand. This can also be concluded as a barrier that blocks SMEs from implementing public good.

Having discussed the achievements of the research objectives, the next section discusses the study limitations.

## **5.5 LIMITATIONS OF THE STUDY**

It should be noted, while this study makes a number of contributions, there are some limitations that should be noted for future research. First, the data for this study was collected from only one sector; that is, the SME automotive manufacturing sector in the eThekweni Metropolitan Municipality, in the KZN province, SA. Hence, the researcher does not know whether this study's findings apply to other sectors. Therefore, future research should include other businesses sectors in order to determine whether the present findings are specific to the automotive manufacturing sector only, or also applicable to other business sectors. Second, the data were collected from urban areas in the eThekweni Metropolitan Municipality. Even though the descriptive statistics and theory in Chapter 4 indicate the sample is likely to represent the manufacturing SME sector, there is some potential for producing biased

results. Future research that investigates CSR practices in SME performance should also consider other regions and/or the whole country.

## **5.6 RECOMMENDATIONS FOR FUTURE STUDY**

Based on the findings of the study and the conclusions drawn above, the following recommendations are made. Apart from the achievements of the research, it can be concluded that SME owners in the eThekweni Metropolitan Municipality understand the basics of CSR and its practices to enhance business performance. In order to improve SME performance (which will enhance sustainable growth of SMEs in SA), the study recommends SME owners should improve their knowledge, understand the importance of CSR in-depth, in order to enable analyses and choose CSR practices suitable for the business and public needs. By so doing, any SME, no matter their capabilities, can implement and benefit from CSR, thus promoting the sustainable growth of their businesses.

The following are recommendations for future research:

- Evaluate the significance of CSR in the entire SME sector of SA.
- Determine the magnitude of business performance and growth before and after implementation of CSR in their business.
- Evaluate the implications on the environment resulting from SMEs who do not implement CSR.
- Determine the perception of employees of ethical labour treatment on SMEs that implement CSR internally.
- Investigate methods through which government can support SMEs on awareness and implementation of CSR.

It could also be useful to find out from the perspective of other SME sectors, whether the entire spectrum of SMEs in South Africa consider CSR and its relationship with business performance.

Furthermore, whereas this study only focused on automotive manufacturing SMEs, future research could also include all sectors of SMEs, to determine whether they are implementing and experiencing helpful influence from CSR practices.

## **5.7 CONCLUSION**

This study has highlighted the importance of CSR in businesses and the relationship of CSR practices on businesses performance. In addition, the study examined vital steps towards an improved understanding of SME owners of CSR factors and the influence on business performance. While there is a relationship between CSR and business performance, the relationship is complex. It depends on the different CSR factors, while the influence to business performance also differs both for implementation and the perception of SME owners. CSR factors namely, environmental, ethical labour, and public good practices appear to magnify its influence on business performance. The study also examined the challenges faced by SME when implementing CSR practices, as well as the barriers that prevent SMEs from implementing CSR. In addition, the study determined the attitude of SMEs with regard to CSR in the country, further examining SME knowledge, understanding, and ideas on CSR. The researcher has bridged the gap in research in terms of CSR but there is considerably more to investigate between CSR practices, business performance and growth. Considering the importance of SMEs to most economies, such research has important practical inferences.



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## APPENDICES

### APPENDIX A: Respondent Agreement



STUDENT: NONOPHELA BUHLE  
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---

RE: RESEARCH PROJECT     *IREC no. 182/21*

RESEARCH TITLE: Evaluating the influence of social responsibility practices on the performance of small and medium automotive manufacturers in the eThekweni Metropolitan Municipality

Dear Participant

You are kindly asked to participate in the research project with the title stated above. The aim of this project is to prepare a document that will provide findings (and recommendations) to the body of knowledge. The study investigates the influence of being a responsible business towards society and the environment on business performance. To complete my research, I kindly ask you to complete the questionnaire below, which will not take more than 15 minutes of your time. Your response will be kept anonymous, and the results will only be used to finalise the research project.

Your assistance will be highly appreciated.

Kind regards

Nonophela Buhle Mvakwendlu

-----  
Please sign below

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

## APPENDIX B: Research Questionnaire

IREC no. 182/21

### INSTRUCTIONS

- You are humbly asked to indicate the extent to which you agree or disagree with each statement. Simply place a cross (X) in the appropriate answer.
- Some questions are Yes/No/Unsure type questions. Simply place a cross (X) the appropriate block.
- If you do not understand any of the questions, please call, SMS or WhatsApp me for assistance. I will respond as soon as possible to clarify any problems you encounter.
- Below are the acronyms and definitions of words that will be found on the questionnaire

TERM/ ACRONYM	DEFINITION
CSR	Corporate Social Responsibility
Waste practices	The processes and actions of managing waste from when its formed to its final disposal.
Environmental practices	Actions that seek to reduce negative impact on the natural environment.

---

*RESEARCH QUESTIONNAIRE: Section A and B deals with background information and general CSR information, respectively. I am aware of the sensitivity of these questions; this information will help me in comparing results from various groups of respondents. Once again, I assure you that your response will remain anonymous. Your co-operation will be appreciated.*

---

### SECTION A: PERSONAL AND COMPANY INFORMATION

*Mark with a cross (x) on the appropriate answer.*

1. Please indicate your gender

Male	Female
<input type="checkbox"/>	<input type="checkbox"/>

2. Please indicate your age.

15- 24	25-34	35-44	45 above
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. How long you have been in this business sector?

Less than 1 year	1-10 years	11-20 years	More than 20 years

4. Please state your qualifications

Diploma	Degree	Honour's	Masters	PhD	Other

If other, please specify .....

5. Where is your business situated in the eThekweni Municipality?

Durban central	South of Durban	North of Durban	West of Durban	East of Durban

6. The number of people employed by the business.

0-49	50-99	100-149	150-199

7. Business registration

Private company (Pty) Ltd	Close corporation (CC)	Partnership	Sole trade	Other

If other, please specify .....

## SECTION B: CORPORATE SOCIAL RESPONSIBILITY QUESTIONS

The following are Likert scale statements. Please mark on the appropriate box with an "X"

1. Strongly disagree, disagree, neutral, agree or strongly agree.

2. Not often, neutral, very often, unsure.

3. Yes, No, Unsure

---

The following are strongly disagree/ disagree/neutral/agree/strongly agree statements. Simply mark the appropriate block with an X (cross).

---

## 8. WASTE PRACTICES ON SME PERFORMANCE

Variables	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
8.1. Waste practices need employee commitment for a business to experience favourable business performance.					
8.2. Waste disposal on the natural environment affect the performance of the business.					
8.3. Businesses that do not pollute are likely to perform equally with those that pollute the environment.					
8.4. Waste practices are a financial cost that hinder a business performance.					
8.5. Implementation of waste practices are likely to grow a business even bigger.					

## 9. ETHICAL LABOUR PRACTICES FOR PERFORMANCE OF SMEs

Variables	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
9.1. The way a business treats its employees affect business performance.					
9.2. Working conditions of employees affect their productivity.					
9.3. Business awareness on ethical practices influence business performance.					
9.4. Businesses with ethical managers are likely to grow their business even bigger.					
9.5. Ethical labour practices are likely to improve efficiency of employees.					

<b>9.6. Businesses whose labour practices are fair, attract skilled employees that may improve business performance.</b>					
--------------------------------------------------------------------------------------------------------------------------	--	--	--	--	--

#### 10. PUBLIC GOOD FOR SMEs PERFORMANCE

Variables	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
<b>10.1. The first customers to initiate support in the business is a community where a business operates in.</b>					
<b>10.2. Businesses that are giving back to the community are likely to improve performance.</b>					
<b>10.3. Businesses that provide false information about their product are likely to gain customers than those who provides accurate information.</b>					
<b>10.4. Government is the only institution that is responsible to deal with environmental issues caused by businesses.</b>					
<b>10.5. Sponsoring a community is likely to reduce profit of the business.</b>					
<b>10.6. Allowing employees to volunteer in community services enhance customer loyalty.</b>					

---

*The following are “not often/neutral/very often” statements. Simply place a cross (X) the appropriate block.*

---

Variables	Not often	Neutral	Very often
10.7. Customers expect businesses to be responsible citizens.			
10.8. Community's viewpoint about the image of the business influence how the business performs.			
10.9. Competitive SMEs are implementing CSR practices.			
10.10. CSR practices attract loyal customers.			

---

*These questions all fall under the Yes/No/Unsure category. Simply mark the appropriate block with an X.*

---

Variable	Yes	No	Unsure
11. Do you have environmental practices in your business?			
12. Does your business provide a safe working environment for every employee?			
13. Is CSR practices necessary for SMEs?			
14. Do you fairly and equally treat employees if your business wants to improve business performance?			

## **APPENDIX C: Turnitin Report**

# EVALUATING THE INFLUENCE OF SOCIAL RESPONSIBILITY PRACTICES ON THE PERFORMANCE OF SMALL AND MEDIUM AUTOMOTIVE MANUFACTURERS IN THE ETHEKWINI METROPOLITAN MUNICIPALITY

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---

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IN THE ETHEKWINI METROPOLITAN MUNICIPALITY”**

by

**Nonophela Buhle Mvakwendlu**

To the best of my knowledge, the work remains free of spelling, grammar, structural and stylistic errors and the contents are certified as the author's own work.

With thanks.

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H. S. Richter

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20 October 2021

Ms N B Mvakwendlu  
P.O Box 10141  
Matatiele  
4730

Dear Ms Mvakwendlu

**Evaluating the influence of social responsibility practices on the performance of small and medium automotive manufacturers in the eThekweni Metropolitan Municipality**  
**Ethical Clearance number IREC 182/21**

The Institutional Research Ethics Committee acknowledges receipt of your notification regarding the piloting of your data collection tool.

Kindly ensure that participants used for the pilot study are not part of the main study.

Please note that **FULL APPROVAL** is granted to your research proposal. You may proceed with data collection.

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 IREC according to the IREC SOP's.

Please note that any deviations from the approved proposal require the approval of the IREC as outlined in the IREC SOP's.

Yours Sincerely

Dr K Padayachy  
Deputy Chairperson: IREC