

**DURBAN UNIVERSITY OF TECHNOLOGY**

**THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON BUSINESS  
PERFORMANCE OF A MEDIUM-SIZED MANUFACTURING ENTERPRISE IN  
ETHEKWINI MUNICIPAL AREA**

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**DECEMBER 2023**



**THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON BUSINESS PERFORMANCE OF A MEDIUM-SIZED MANUFACTURING ENTERPRISE IN ETHEKWINI MUNICIPAL AREA**

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at the Durban University of Technology

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**APPROVED FOR FINAL SUBMISSION**

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Date: 20/12/2023

## DECLARATION

I declare that the influence of corporate social responsibility on business performance of a medium-sized manufacturing enterprise in eThekweni metropolitan area is my own work. That it has not previously been submitted to any other university for any degree or examination, and that all sources that I have used or quoted have been indicated and acknowledged as complete references.

Itumeleng Judith Maome

Date

20/12/2023

## **DEDICATION**

I dedicate this to my parents, who gave everything they had so that I could have a better education. To my ancestors (Batloun le Basia) for protecting and guiding me on this life journey.

To my son, nephews, nieces, and Godchildren, may this be an inspiration to you.

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## **ABSTRACT**

Corporate Social Responsibility (CSR) is an organisation's ongoing commitment to ethical behaviour and economic development, as well as improving the quality of life for its employees and their families, the local community, and society at large. It is an unavoidable requirement for long-term development, particularly in developing countries. Although there has been some focus on CSR and business performance in large corporations, research on CSR in SMEs, particularly in economically depressed African countries is becoming increasingly important. To reap the benefits of CSR efforts, SMEs should be encouraged to create strategic CSR frameworks. Hence this study aims to investigate the influence of CSR on the business performance of a medium-sized manufacturing enterprise in the eThekweni metropolitan area. It will contribute to theoretical discussions and improve their performance.

The data for this study was gathered in two parts, that is quantitative and qualitative. The pre- and post-CSR quantitative data were derived from business performance values obtained from company records. To collect qualitative data, both semi-structured and focus group interviews with the manager and employees were used. The SPSS was used to analyse the quantitative data, while Nvivo analysed the qualitative data. Furthermore, inferential statistics used in quantitative data included regression analysis and factorial Analysis of Variance (ANOVA), while qualitative data analysis employed thematic content analysis.

The findings of this study reveal that the medium-sized enterprise has a positive attitude towards CSR. Emanating from his humanity and Ubuntu, the owner of the organisation was inspired to practise CSR. The benefits gained by a sampled medium-sized enterprise that incorporated CSR into its business operations were highlighted in this study. This study adds to the existing body of knowledge on CSR and business performance in South African SMEs. It adds to the body of knowledge by creating a CSR framework for SMEs.

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# CHAPTER ONE: INTRODUCTION TO THE STUDY

## 1.1 Introduction

This chapter introduces a study that examines the influence of Corporate Social Responsibility (CSR) on the business performance of a medium-sized enterprise in eThekweni metropolitan area. This chapter provides an overview of CSR practice in the SME sector, as well as the need for SMEs to implement strategic CSR, which allows them to improve business performance. The chapter begins with a problem background, followed by a problem statement, the purpose of the study, the significance of the study, and a brief overview of the research design.

The study of CSR is important because, legally, business is connected with society through multiple stakeholders (Chung, Jung and Young 2018). These interconnections are established between the business and stakeholders such as investors, customers, suppliers, government, financial institutions and the community (Torugsa, O'Donohue and Hecker 2012; Khaing 2020). This implies that the organisation forms a social contract with its stakeholders, which requires the organisation to comply with and meet the expectations of the stakeholders in the contractual relationship (Kaptein and Wempe 2011). As such, organisations that meet stakeholders' expectations through their CSR projects have the capability of positively improving their performance and sustainability (Hussain, Alla, Case, Masood and Masood 2017; Mabuza 2017).

According to Babalola (2012), corporations must accept responsibility for the impact of their operations on society and the natural environment. However, businesses all over the world are grappling with how to meet the current generation's demands without jeopardising future generations' ability to meet their own. This suggests that organisations are battling with sustainable business development, which is accomplished through social collaboration with all stakeholders in the business. This social collaboration is intended to generate novel solutions to social and environmental issues (Handayani, Wahyudi and Suharnomo 2017). The desire to solve social and environmental problems means that an organisation engages in CSR activities that go beyond legal compliance and take on previously governmental and community governance roles (Jenkins 2004). They do so as they are expected to contribute

to the well-being of the community because the community grants them a licence to operate (Verdeyen, Put and van Buggenhout 2004; Bohra and Masoud 2020). Furthermore, organisations engage in CSR because it signals Ubuntu since the organisation exists because of the community's existence (Dartey-Baah and Amponsah-Tawiah 2011; Aju and Beddewela 2020).

Suggestions are that CSR is a shift away from shareholder theories that focus on profit maximisation (economic responsibility) only (Bernard 2020; Gangi, Meles, Monferra and Mustilli 2020). Therefore, organisations strive to simultaneously be profitable, follow the law, act ethically, be a good corporate citizens, and consider non-financial stakeholders in order to be sustainable (Carroll 1991; Chung, Jung and Young 2018; Pan, Chen and Ning 2018; Lu, Ren, Zhang, Rong, Ahmed and Streimikis 2020). Subsequently, the successful integration of economic goals with social, ethical, and environmental expectations is critical to the organisation's sustainable development (Zhao, Zhao, Davidson and Zuo 2012; Safarad, Farahnaki and FarahBakhsh 2016; Wang 2020).

SME organisations also interact with all stakeholders and rely on community support to thrive (Chazireni 2019b). If they want to remain competitive, as well as achieve greater performance, long-term survival and sustainability, they should review their strategies and implement social responsibility programmes that promote sustainable economic, social and environmental development (Vyas and Jain 2020).

## **1.2 Background to the problem**

In order to emphasise the importance of CSR, the United Nations Industrial Development Organisation (UNIDO) held a multi-stakeholder forum in Brussels in February 2015. Here, it was affirmed that CSR should be used as a guide to the foundations of the Sustainable Development Goals (SDGs), which are economic, social and environmental concerns.

Although CSR has traditionally been known to be promoted by Transnational Corporations (TNCs), it is becoming increasingly relevant to SMEs, particularly in the economically depressed areas of African countries (Higgs and Hill 2019). This is because SMEs, including

micro-enterprises, have been recognised as catalysts for the economic development of the country in the Green Paper (Hohnen and Potts 2007; Benedek, Footer, Kenner, Mustaniemi-Laakso, Nindler, Nolan and Wallace 2015). SMEs have a large social and environmental influence on most economies. Even though they have a small influence individually, when viewed as a whole, their impact is substantially greater (Elford and Daub 2019).

Notably, several studies conducted around the world have also recognised the role of social responsibility in SMEs' success (Chanakira and Masunda 2019; Zvitambo and Chazireni 2020). As is evident from the UNIDO stakeholder Forum meeting, including the full range of stakeholders in a company's operations has many benefits (Raynard and Forstater 2002; Ejigu 2019). It ensures that a business meets its triple bottom-line, which is economic, social and environmental obligations, whilst also delivering the expectations of the shareholders (Jeppesen, Kothuis and Tran 2012). Empirical evidence has shown that when implemented strategically, CSR can improve business performance (Lin, Chang and Dang 2015).

However, opponents of CSR argue that CSR is a shift away from the business' primary purpose, which is to make a profit for its shareholders and investors only. For instance, Milton Friedman, one of the most notable opponents, argued that businesses have only one social responsibility, which is to use their resources in ways that increase their profits (Dandago and Arugu 2014). As a result, businesses can engage in activities designed to increase profits as long as they follow the rules of the game (Dudovskiy 2012; Maome and Zondo 2022). Visagie, Sibanda and (Coetzee 2019) claim that CSR is costly and incompatible with the primary goal of maximising shareholder returns.

On the other hand, Freeman's stakeholder theory argues that an Organisation acts as a corporate citizen. As such, it should consider all stakeholders involved in its operations to create value for all its stakeholders (Dunham, Freeman and Liedtka 2006). Freeman points out that this strengthens business relationships and improves business performance. Makgoba (2019) maintains that meeting the expectations of stakeholders enables better market access; improved image and reputation; as well as customer loyalty, and therefore increases sales and profits. As such, SMEs in developing countries should be encouraged to use CSR as a management tool to improve their competitiveness and overall performance

(Yumei, Iqbal, Nurunnabi, Abbas, Jingde and Chaudhry 2020). This will improve their success rate and sustainability, thereby alleviating poverty.

### **1.3 Statement of the problem**

Poverty, especially in developing countries, is an enormous problem and an indispensable necessity for sustainable development. As such, the United Nations Plan for Sustainable Development puts focus on corporates' participation in addressing the problems of sustainable development. This means that businesses should display goodwill and embrace a degree of transparency to alleviate poverty (Medina-Muñoz and Medina-Muñoz 2020). Sustainable development is also achieved when the process of meeting current economic needs does not jeopardize the environment (Bikefe, Zubairu, Araga, Maitala, Ediuku and Anyebe 2020).

Without a doubt, SMEs are critical to global sustainable development efforts because they are fertile engines of economic growth and development in African countries (Zvitambo and Chazireni 2020). For instance, South African SMEs are anticipated to help create 90 percent of all new jobs by 2030. However, 70-80 percent of SME businesses fail within the first year of operation, and nearly all fail within the first five years (Nkomana 2021; Bolosha, Sinyolo and Ramoroka 2022; Mashavira, Guvuriro and Chipunza 2022). Additionally, they continue to face many challenges that inhibit their growth and sustainability.

The frustrating rate of growth of SMEs is noted to be the result of their failure to adopt sustainability strategies like CSR. There is compelling evidence that CSR can be used as a strategic tool to boost SMEs' competitiveness since it has the potential to significantly improve the sustainability and business performance of these enterprises (Vo 2011; Shezi 2013; Radebe 2017; Chazireni 2019a; Bahta, Yun, Islam and Bikanyi 2020b; Bacinello, Tontini and Alberton 2021; Khamis and Wan Ismail 2022).

Inekwe, Hashim and Yahya (2020) affirmed that CSR is a rescue mechanism that SMEs can use to achieve their expected performance whilst satisfying the interests of all stakeholders. However, studies on CSR and business performance have focused on large

corporations since they represent the majority of firms engaging in CSR (Chiloane- Tsoka and Rasivhetshela 2014; Cui, Liang and Lu 2015; Higgs and Hill 2019; Zhang, Zhang, An, Zhang and Yao 2022). SMEs are neglected, yet they are regarded as the primary engines of the economy, with a beneficial impact on employment, GDP and state income (Chanakira and Masunda 2019; Al Masud, Hossain and Biswas 2021).

There are limited theoretical and empirical studies relating to CSR for SMEs. Moreover, the relationship between CSR and corporate performance also lacks clarity and full understanding (Simionescu and Gherghina 2014; Maqbool and Zameer 2018; Bahta, Yun, Islam and Ashfaq 2020a; Lu *et al.* 2020; Sun and Ding 2020). Furthermore, SMEs are sometimes referred to as non-strategic performers in CSR frameworks (Choi, Kim and Yang 2018). Therefore, SMEs should be encouraged to create strategic CSR frameworks in order to benefit from CSR efforts and improve business performance. The key source of dispute in the debate on SMEs and CSR is therefore whether their involvement could be as significant as it is for large firms (Lund-Thomsen, Jamali and Vives 2014; Bahta *et al.* 2020a).

#### **1.4 Purpose of the study**

This study aims to investigate the influence of CSR on the business performance of a medium-sized manufacturing enterprise in eThekweni in order to contribute to theoretical discussions and improve the performance of SMEs.

#### **1.5 Objectives of the study**

The following are the study objectives:

- to identify the nature and magnitude of CSR undertakings by the selected medium-sized enterprise;
- to analyse the ways in which CSR could influence the business performance of a selected medium-sized enterprise; and
- to explore the suitability of CSR as a strategy to improve the business performance of the selected medium-sized enterprise.

## **1.6 Literature Review Outline**

After presenting the background to the problem, the problem statement, and the aims and objectives of this study, this section provides an overview of literature pertaining to CSR and SMEs worldwide. The section begins with an overview and definition of SMEs, as well as their global, and particularly South African, relevance. Furthermore, the section defines the concept of CSR and its significance in the business performance of SMEs.

### **1.6.1 Overview of SMEs in South Africa**

The term 'Small Medium and Micro Enterprises (SMMEs)' applies to a wide range of enterprises, namely micro enterprises involving survivalist enterprises, small enterprises and medium-sized enterprises. The definitions in different countries are not uniform and reflect the relative development of that country (Turyakira, Venter and Smith 2012). For example, Canadians and the United States refer to enterprises with fewer than 500 employees as small and medium-sized enterprises (Armitage, Lane and Webb 2020; Tezel, Taggart, Koskela, Tzortzopoulos, Hanahoe and Kelly 2020). In Germany, the SMME has a maximum of 250 employees, while in Belgium it has a maximum of 100 employees (Bassi and Dias 2019). In developed countries such as the United States of America, a company with 499 employees is considered medium-sized (Audretsch 2000; Mittelstaedt, Harben and Ward 2003; Kajal, Sikder and Panhwar 2021).

In general, the definitions most widely used are quantitative in nature, focusing mainly on the number of employees, followed by assets, size and revenues. In South Africa, the National Small Business Act (Act 102 of 1996), as amended in 2003, defines SMMEs based on the business type, turnover, employee count, gross asset value, and management (Fatoki and Garwe 2010; Bruwer, Petersen and Le Roux 2018). They have fewer than 200 employees, a yearly revenue of less than R2 million, capital assets of less than R2 million, and are managed by owners (Bvuma and Marnewick 2020).

Under the Small Business Act, 102 of 1996, small and medium-sized enterprises (SMEs) in the manufacturing sector must have a maximum of two hundred and at least five employees. The sector is believed to be the most active in the field of job-creation and economic development. Table 1 shows the definition of small manufacturing enterprises in South Africa. Small business premises in South Africa include micro, very small, small and medium-sized enterprises. A micro-enterprise has between one and five employees, whilst a medium-sized business has between fifty-one and two hundred employees (Fatoki 2020). This study used the number of employees as a method for classifying the size of enterprises.

Table 1-1: Quantitative definition of small businesses in the manufacturing sector in South Africa

<b>Enterprise size</b>	<b>Number of employees</b>	<b>Turnover Rand (million)</b>	<b>Gross assets excluding fixed property Rand (Million)</b>
<b>Micro</b>	5	0.20	0.10
<b>Very small</b>	20	5	2
<b>Small</b>	50	13	5
<b>Medium</b>	200	51	19

Source: Fatoki and Garwe (2010)

### 1.6.2 The significance of SMEs in South Africa

The importance of SMEs as potential engines of local economies in developing countries has been widely recognised. Globally, SMEs are the productive engines of inclusive economic growth and development. In many developing countries, they are productive drivers of inclusive economic growth and development (Maome 2018; Bolosha, Sinyolo and Ramoroka 2022; Maome and Zondo 2022). In South Africa, SMEs make up 91 per cent of the formalized enterprises. They provide employment to approximately 60% of the workforce, accounting for a total economic output of approximately 36% of the nation's gross domestic product (GDP) (Jeppesen, Kothuis and Tran 2012; Lund-Thomsen, Jamali and Vives 2014;

Radebe 2017; Chanakira and Masunda 2019; Fatoki 2020; Zvitambo and Chazireni 2020; Bolosha, Sinyolo and Ramoroka 2022). Regrettably, South Africa is mostly dominated by SMEs that only survive and grow in number, but not in size. For instance, approximately 75% of new SMEs do not grow and develop into established enterprises (Mlotshwa and Msimango-Galawe 2020). This signals the need for SME sustainability and growth.

In spite of this, SMEs have the potential to create jobs, generate income, improve management talents, and encourage innovation (Oanh, Cuc and Anh 2021). Owing to their labour-intensive nature, SMEs comprise around 90% of the world's businesses (De, Dey, Ghosh and Pappu 2020). In South Africa, SMEs in the Manufacturing sector alone are responsible for creating more jobs compared to other industries (1.7 million jobs created) and contribute 15% of the GDP (Bhorat and Rooney 2017). However, this is not enough as they have to ensure that their products are produced in an economically, socially and environmentally friendly manner in order to ensure long-term success (Turyakira, Venter and Smith 2012).

Unfortunately, the success of manufacturing enterprises is crippling. A general decrease in the total number of employees in the Manufacturing industry has been noted as follows: 1.44, 1.19 and 1.1 million in 2005, 2014 and 2019 respectively (Maisiri and van Dyk 2021). This calls for action to resurrect the Manufacturing sector, in particular SMEs in the sector, as they are actively involved in the country's socio-economic development.

In view of the critical socio-economic role that SMEs play, it is vital that they grow and succeed (Zvitambo and Chazireni 2020), since they are undoubtedly important drivers of economic development and contribute substantially to employment opportunities (Chiloane-Tsoka and Rasivhetshela 2014). Partaking in CSR has been found to be a useful tool for business sustainability.

### 1.6.3 Corporate Social Responsibility

Corporate Social Responsibility (CSR) is widely recognised as a multi-faceted construct that should be understood in the context of primary categories: environmental, social and economic responsibilities, which are purely separate types of impact from business (Stekelorum 2020). The European Commission defines it as the responsibility of companies with regard to their impact on society (Raynard and Forstater 2002). Hence, businesses should have a process in place that allows them to integrate social, environmental, ethical, consumer and human rights aspects into their business activities.

According to the World Business Council for Sustainable Development, CSR is "the continued commitment of business to ethical conduct and to contribute to economic development, while improving the quality of life of the workforce and their families, as well as the local community and society at large" (Raynard and Forstater 2002). Carroll (2016) alludes to CSR as a concept of the philanthropic, ethical, legal and economic spheres of business-society relations. He maintains that economic responsibility refers to the profit generation that benefits all parties involved; legal responsibility focuses on the implementation of the regulations and laws requiring companies to operate and conduct their business as established by the company; and ethical responsibility refers to society's expectations of corporations to do what is right, fair, corporate and philanthropic (Carroll 2016).

Lu *et al.* (2020), on the other hand, postulate that CSR is used as a tool to fulfil the obligations of the company towards its various stakeholders, such as employees, shareholders, customers, companies and environmental agencies, in terms of business strategies for long-term sustainable growth and competitive advantage. CSR is a channel through which enterprises, including small and medium-sized enterprises, contribute to societal objectives (Bikefe *et al.* 2020).

CSR is not only an obligation to a business but is increasingly becoming a compulsory instrument for business sustainability (Amoah-Mensah 2016). Corrigan (2014) highlights that the days of businesses assuming that their only responsibility is to make profit are gone

as there is an increasing demand for businesses to look beyond their own interests and concentrate on the interests of society. CSR suggests that businesses, whether big or small, shift their focus from making a profit and move towards incorporating environment and social responsibility into their strategies (Ladzani and Seeletse 2012). When a business engages in CSR, it will improve its relationships with all stakeholders, thereby increasing sales, profits and productivity, as well as improving its long-term sustainability.

In his Stakeholder Theory, Freeman (1984) argues that in order for a business to be successful, it must create value for its customers, suppliers, employees, communities, shareholders, and other stakeholders (Freeman 1999). Each of these groups are important for the success of a business. Carroll (1991) also developed a CSR model that embraces the social responsibilities of a business. In this model, he emphasizes that the business responsibility is to be profitable (Economic perspective), obey the laws and regulations (Legal perspective), act morally and ethically (Ethical perspective) and give back to society (Philanthropic perspective). He affirms that CSR should be outlined in a way that embraces business responsibilities and includes them in business practices instead of seeing them as an expense. Doing so will assist in improving business performance.

The debate over SMEs' CSR participation has ranged from whether SMEs comprehend the idea of CSR; why they have a social responsibility; if they are ready to participate in CSR activities; and what motivates them to participate in CSR (Chanakira and Masunda 2019). This study intends to establish whether SMEs' CSR practices lead to better business performance.

#### **1.6.4 CSR and Business Performance**

Business performance is a measure of how well a company uses its resources to produce goods and services that meet the needs of its customers. It can be seen as how the business positions itself in the market; how it attempts to improve the competency of its employees to ensure productivity; and how it keeps current with the use of relevant technology (Achadinha, Benedict, Boshoff, Flotman, Taljaard, Van der Walt, Van Noordwyk and

Vermeulen 2015). Business performance is determined by the effectiveness and efficiency of the business when creating value for its customers (Achim 2010). This means that a business must perform in order to succeed in a competitive environment. A performing business can satisfy the needs of all partners, including shareholders, employees, suppliers, customers and creditors (Achim 2010).

Research has established that businesses that implement CSR would experience higher productivity; decreased operating costs that will lead to higher financial performance; and better business (Rinawiyanti, Xueli and As-Saber 2022). Moreover, there will be improved public relations, enhanced networking, new business prospects and thereby improved sales performance. Such businesses will appeal to newly skilled and talented employees which will result in labour productivity and greater competitive advantage (Turyakira, Venter and Smith 2012). Furthermore, CSR has been empirically proven to be a constituent for attracting and retaining employees, creating a positive image and improving business operations (Teng and Kassim 2018).

The premise of business performance and growth is in CSR. As such, businesses recognize CSR as a strategic tool for economic growth and business sustainability (Corrigan 2014). Therefore, wider CSR implementation in SMEs is of central importance given the contribution they are making in the country (Luetkenhorst 2004). SMEs have to be encouraged to participate in CSR in order to ensure their business performance and sustainability, and subsequently that of the country. However, the more prevalent problem is that SMEs are not obliged to report and publish their financial records, hence owners and managers are sensitive to the disclosure of their information on the financial performance of their companies (Mlotshwa and Msimango-Galawe 2020). Ladzani and Seletse (2012) aver that a business that engages in CSR is likely to gain support from stakeholders, thereby increasing sales and subsequently, profits and long-term sustainability.

This section provided a review of the literature on CSR and its impact on business when strategically implemented. The influence of strategic CSR on SMEs' business performance and sustainability was discussed. The following section describes the methodology used for this study.

## **1.7 Research Design**

The purpose of this study is to investigate the relationship between CSR and the business performance of a selected medium-sized enterprise. To collect data, the study employs both qualitative and quantitative designs, as well as document analysis and interviews.

## **1.8 Research site**

In order to select a unit of analysis, the study used a non-probability, purposive sampling method. A business that had participated in CSR for the previous five years and had retained documents of business performance before and after CSR was chosen for inclusion in the research using judgement sampling. The chosen medium-sized organisation was founded in the early 1990s but did not begin operations until 1996. It currently employs 156 workers who are members of the Southern African Clothing and Textile Workers Union (SACTWU).

## **1.9 Rationale for using a case study**

A case study is an empirical study of a specific event in its real-world context that employs a variety of data collection methodologies (Sekaran and Bougie 2015). According to Nock, Michel and Photos (2007), case studies are a wide range of methodologies that are frequently used to observe and report on an individual's interactions with factors of interest (e.g., life events, psychological intervention, and so on). This study employs a case study inquiry to gather information on a specific medium-sized organisation. It gathers comprehensive retrospective business performance data via document analysis, interviews and focus group interviews.

## **1.10 The rationale for using mixed methods**

Hesse-Biber (2010) defines mixed methods research as a method in which researchers use both quantitative and qualitative data to answer specific questions. This study incorporated components of both qualitative and quantitative research procedures in order to meet the

study objectives. For example, numerical data was compiled from business records, analysed with document analysis, and reported using quantitative analysis tools.

Interviews were conducted in order to gain a thorough understanding of the figures gathered through document analysis. In this case study, data was gathered through a series of carefully coordinated processes, including document analysis, an in-depth face-to-face semi-structured interview with a manager, and a focus group interview with employees of a chosen organisation that practices CSR. The mixed-methods research design enabled a wider range of perspectives and topics, as well as source triangulation to expose as much depth as possible whilst improving confirmation validity (Gaya and Smith 2016).

### **1.11 Data generation**

The study will employ a mixed-method design. The generation of data will be divided into two, i.e. respective company records and interviews, and focus group interviews. Pre- and post-business performance results for financial performance, marketing performance and human resource performance will be collected from the organisation that participated in this study. A total of one hundred and sixty-seven (167) observations will be made. Westland (2010) asserts that there is no rule governing the number of observations required for a balanced data panel. However, 50 observations are acceptable, but 100 or more are preferred (Bryman and Bell 2007). According to Curwin and Slater (2002), predictions based on time series analysis entail identifying past patterns and then projecting them into the future. They are critical indicators for the researcher when comparing changes from the pre-CSR to the post-CSR implementation phase.

The business performance data extracted from the company's annual reports will be analysed quantitatively using the statistical package, SPSS. Furthermore, Bell and Bryman (2007) opine that the quantitative method comprises the use of statistical techniques to assess the data gathered. Consequently, when the relevant elements are measured, the scores are changed using statistical methods. These will be quarterly results showing business performance three years before and three years after implementing CSR.

The questions will be designed for semi-structured focus group interviews. Two- hour focus group interviews will be held with representatives from the organisation. The researcher will assume the role of the interviewer and clarify issues that need clarity. An assistant will be utilized to scribe the proceedings of the interview. The reason for scribing and not tape-recording is so that non-verbal communication and facial expressions can be observed during the interview process. A general structure will be set up by deciding the topics to be covered and the main questions to be asked in advance. Secondary sources of information will be used to generate data, such as reports, previous studies, published articles, artefacts, documents and material.

### **1.12 Data analysis**

Numeric performance data will be analyzed using time-series analyses based on the Ordinary Least Squares model. Additionally, regression, T-Test, Levene's test of equality of variances and Barlett's test for homogeneity of variances will be performed. Regression analysis will be utilised to investigate the relationship between constant independent variables and the continuous dependent variable. The T-test, Levene's test, and Bartlett's test for homogeneity will be used to assess whether the variances of distinct groups or samples are significantly different.

The following will be generated:

*Business performance =  $B_0 + B_1$  financial performance +  $B_2$  marketing performance +  $B_3$  human resource performance.*

This model assumes that a well-executed CSR strategy improves business performance as measured by variables such as financial performance, marketing performance, and human resource performance. This viewpoint acknowledges the potential positive impact of CSR on several facets of an organisation's operations. The coefficient  $B_1$ , which measures the magnitude of financial performance increases on business performance, is expected to be positive. That is, an increase in financial performance is expected to increase business

performance (i.e. the performance level of SMEs). Secondly, the coefficient  $B_2$ , which measures the scope of marketing performance on business performance, is expected to be positive. Lastly, coefficient  $B_3$  measures human resources and is expected to be low and increase business performance.

The pre and post-variables are intended to capture the impact of implementing CSR as a strategy to improve business performance. It has a value of zero before and after the CSR period, and a value of one after the CSR period. When analysing data with regression analysis, it is a good idea to re-analyse it with factorial designs. This will allow the researcher to examine variable interactions in greater depth.

Data collected through focus group interviews will be transcribed verbatim by the researcher and assistant (Creswell 2009). It will then be organized, arranged and classified into themes (Sekaran and Bougie 2015). Thematic and content analysis will be performed because they are both holistic and interpretive.

### **1.13 Ethical considerations**

This section discusses the principles that will guide the researcher throughout this investigation. This includes measures to ensure that participation is voluntary; providing necessary information and a letter of consent; and safe-guarding respondents' identities and confidentiality.

### **1.14 Informed consent**

In this study, the researcher sent an information letter to the owner and manager, explaining the nature and purpose of the study. Permission to conduct interviews with the employees was obtained. The researcher further requested permission to take notes during the sessions. The collected materials (paper sheets) are kept in a secure cabinet and will be disposed of after five years.

### **1.15 Gatekeepers**

For this study, the researcher ensured that participation was voluntary by notifying the owner/manager of the Organisation in the study that there is no compensation for participating in the study. The manager and the employees were informed that they can withdraw from the study at any time without any explanation or consequences. Furthermore, before commencing with the data collection, the researcher obtained ethical clearance from the Institutional Research Ethics Committee (IREC) to conduct the study. The researcher then contacted the medium-sized organisation that participated in the study.

### **1.16 Confidentiality**

In a research context, confidentiality means not disclosing information provided by a person to others, and individuals are not identified when sharing research findings (Wiles, Crow, Heath and Charles 2008). The confidentiality of information is required as a prerequisite for gathering data from an organisation and employees who will participate in this study. Participants will be assured that their identities would not be revealed in any other context, including this dissertation or any other form of research publication.

### **1.17 Location of the study**

Considering the nature of information required for this study, the research will be limited to a medium-sized organisation located in the eThekweni municipal area. The study will only include a medium-sized business in the Manufacturing sector. To select a unit of analysis, the study used a non-probability, purposive sampling method. A business that had participated in CSR for the previous five years and had retained documents of business performance before and after CSR will be chosen for inclusion in the research using judgement sampling. This implies that the study conclusions will not be generalisable to the entire SME population. However, the purpose of this research is to interrogate theory rather than generalise the findings.

According to Sekaran and Bougie (2015), purposive judgement sampling is limited to specific individuals who can supply the required information and who have specialised knowledge in the area under investigation. As a result, a sample from an organisation that participated in CSR and was knowledgeable about the topic was included in this study. The organisation is located in the Clairwood Ward number 103 of the eThekweni metropolitan area in Durban South, South Africa.

### **1.18 Structure of dissertation/thesis chapters**

This research will be outlined as follows:

#### **Chapter 1: Introduction and background to the study**

This chapter provides a brief explanation of the purpose and rationale of the study. Research aims and objectives, as well as methods for conducting the study, are discussed. It also provides a brief explanation of the key concepts of CSR, SMEs and business performance.

#### **Chapter 2: Evolution of Corporate Social Responsibility**

This chapter examines the history and development of CSR, CSR policies in developed and developing countries, as well as the main theorists and contributions to CSR.

#### **Chapter 3: The influence of CSR on business performance**

Chapter Three critically analyses the literature on CSR and business performance and SMEs. It provides an analysis of studies that have been previously conducted to ascertain the influence of CSR on business performance in different countries, sectors and business sizes. The chapter concludes with the theories that underpin this study.

#### **Chapter 4: Research Methodology**

This chapter provides a detailed explanation of the procedures and methods used in gathering data. It also outlines how mixed methods is applied to answer the research objectives.

#### **Chapter 5: Presentation and interpretation of results**

The findings from the document analysis, interviews and focus group discussions will be presented and analysed. To analyse the data obtained from interviews and business

records, thematic analysis and time-series analysis are used. The findings of this study will be presented, discussed, interpreted and compared to those of other authors on similar projects. It also includes discussions and conclusions on how the research objectives are addressed.

## **Chapter 6: Conclusion and Recommendations**

This is the final chapter, in which the research findings are used to make recommendations for future research and to draw conclusions.

### **1.19 Potential outputs**

CSR is a useful tool for business sustainability, although it is more visible in large corporations and multinational corporations. When compared to large corporations, studies on CSR in SMEs are quite limited, and there is little interest in CSR as a sustainability tool. Furthermore, little is known about the impact of CSR on the performance of SMEs. This study is expected to make a significant contribution to the body of knowledge on the subject of SME engagement in strategic CSR, which will improve their business performance. Furthermore, this study will raise SME awareness of the importance of CSR participation in order to improve business performance. This will be accomplished through presentations at SME-related conferences, the publication of articles, and participation in scholarly debates.

### **1.20 Conclusion**

This chapter provided comprehensive background information on the problem, highlighting contradicting arguments about the use of CSR as a strategic tool for business development. The necessity for this study was highlighted in the problem statement, the purpose of the study, and the significance of the study. A brief overview of the research design was also discussed in this chapter. The following chapter explores the growth and history of CSR from its inception in ancient times to its current status as a strategic tool for sustainable development.

## CHAPTER TWO: EVOLUTION OF CSR

### 2.1 Introduction

The previous chapter justified the rationale and context of this study. It also discovered a gap in the literature, which piqued the researcher's interest in evaluating the influence of CSR on the business performance of a manufacturing SME in eThekweni metropolitan area. It also provided a brief description of the research methodology used in this study, as well as the contribution this study will make to the South African economy and the globe. This chapter reviews the literature on the evolution of CSR in order to provide a framework within which to explore CSR practice and the impact thereof on the organisation under study.

Despite having a long history and a wide range of applications, there is still considerable uncertainty surrounding what CSR is. As a result, this chapter analyses the origins of CSR worldwide. Its origin is traced back to the Ancient Mesopotamia, Greek, Roman and Hindu eras. It has evolved over time as a result of the industrial revolution and globalisation, all the way up to the twenty-first century (Tripathi and Bains 2013; Amodu 2017; Toker and Merba 2018; Agudelo and Davidsdottir 2019; Pathak and Singh 2020; Nguyen 2021; Rooi 2021).

CSR practice, as now known, dates back to ancient times and as philanthropy in the late nineteenth century. It took shape in the early twentieth century and has continued to do so into the twenty-first century as it became the standard for corporate sustainability reporting (Kabir, Mukuddem-Petersen and Petersen 2015; Du Toit and Lekoloane 2018; Horn, De Klerk and De Villiers 2018; Akinde 2020; Bernard 2020).

In order to understand the influence of CSR on the business performance of a manufacturing SME, it is important to first analyse the history of CSR from ancient times to its operationalisation, to its current state as a mutual value-creation tool. The next section discusses the historical development of CSR.

## 2.2 Historical Antecedents of CSR

According to Agudelo and Davidsdottir (2019), the concept of organisations as social businesses is traced back to ancient Rome and the English Crown's influence in the sixteenth and seventeenth centuries. For instance, in Southern Mesopotamian, the Ancient King Hammurabi enforced the death sentence on builders, inn-keepers and farmers whose negligence resulted in the death or damage of local people (Amodu 2017; Toker and Merba 2018). According to Toker and Merba (2018), this tradition pushed people to be socially conscious, and cognisant of the impact of their actions on other members of the community. If they did not comply, they were compelled to discontinue operations and faced the death sentence. This was a way of showing concern for the well-being of society.

In Ancient Greece, the affluent were expected to contribute to the social well-being of the destitute (Tripathi and Bains 2013). Moreover, in Ancient Rome, the Roman Senators were upset by companies' unwillingness to pay adequate taxes to fund military wars. They asked that business people give to the military in order to be deemed good citizens, otherwise, they would be labelled bad citizens (Tripathi and Bains 2013; Nguyen 2021). Being a good citizen was earned via the good actions done for one's family, which were frequently recognised and rewarded.

Furthermore, religious beliefs influenced the evolution of CSR. According to Pathak and Singh (2020), tithing - the practice of donating one-tenth of one's income for charity purposes, particularly the care of the poor, is suggested in most holy texts. In addition, Dashmamsha was the traditional Hindu tithing practice. This trusteeship philosophy is analogous to the present concept of CSR. Similarly, the Christian and Islamic elements emphasise the need for generosity and good service in society, and this philosophy was formed in response to suffering, which signalled society's spiritual failure (Agudelo and Davidsdottir 2019). It fostered in individuals the desire to contribute and share their money with those in need, which translates to caring for the well-being of society and humanity.

As seen in the literature above, the CSR basis is strongly founded in Humanitarians' concerns for human beings, and it has now been institutionalised in organisations' mission statements (Rooi 2021; Maome and Zondo 2022). These Ancient initiatives laid the

groundwork for CSR, as it is known today, in which businesses guarantee that they do not harm the environment, contribute back to the communities in which they operate, and conduct business ethically. The following section explores the origins of CSR as an organisation's responsibility, as contested in the 1950s and 1960s. The argument around this time was around "who should be responsible for the well-being of the community".

### **2.3 CSR: Whose responsibility is it anyway?**

It is worth noting that the 1950s witnessed a rise in CSR awareness amongst businesses, as well as a shift in their views towards accepting responsibility for both companies and society (Carroll 2008). The discourse was primarily on a business's societal obligations, ensuring that companies behave in a socially conscious way, rather than on the advantages of doing so (Ashrafi, Magnan, Adams and Walker 2020).

Carroll (1999) noticed a paradigm shift in his paper, in which he discussed the evolution of CSR thoroughly. He noted that corporations absorb a responsibility that was originally assumed to be for Government. Historically, Governments have been responsible for improving working standards, but today's needs have pushed states' capacities to their limits. As a result, the private sector is expected to play a part in maintaining equitable and long-term economic development (Looser 2020). In this way, business and government can work together towards the common good of employees and society.

In order to promote CSR as a business responsibility, Bowen wrote a book in the 1950s (Sethi 1975; Arena, Azzone and Mapelli 2018; Agudelo and Davidsdottir 2019). According to Sethi (1975), Bowen's formalisation of CSR centred around three principles: firstly, management as a public trustee of the organisation; secondly, the need to balance conflicting claims to company resources; and thirdly, corporate philanthropy. Bowen established a framework for a series of updates and re-definitions that improved and modified the concept of CSR (Sethi 1975). Since his writings, CSR has been re-written and re-conceptualised. Hence the need to review the incidents that led to CSR practice as the concept it is today.

Adams' paper in 1951 pushed businessmen to accept responsibility for the public, owners, employees and customers (Mukherjee 2016; Safarad, Farahnaki and FarahBakhsh 2016). This implies that business-people accept that businesses, as social enterprises, are responsible for the well-being of society and all its stakeholders.

A common word used for CSR was "social responsibility," which forced companies to be socially responsible (Carroll 2015). This was done to highlight CSR as an obligation for all companies, regardless of size or shape. Around this time, corporate strategies were based on companies attending to social issues while generating money for investors (Pasamehmetoglu and Gokoglu 2020). Profits should not be overlooked because they are the reason for the Organisation's existence in the first place.

In the late 1960s and early 1970s, there was a lack of trust in businesses being able to meet the public's needs and desires (Agudelo and Davidsdottir 2019). Most notably, Nobel prize-winner Milton Friedman (1970) condemned CSR as "an unjust and costly burden on shareholders". Friedman reminded organisations that there is only one social obligation of business, which is to maximise profits while adhering to societal rules (Friedman 1970; Visagie, Sibanda and Coetzee 2019; Ashrafi *et al.* 2020). He argued that an organisation that engages in CSR and pays taxes is fulfilling the government's role (Lo and Lai 2020).

Friedman based his thesis that companies cannot have social responsibility on three points, namely: only humans have moral responsibility for their conduct; company managers have an obligation to act only in the interests of shareholders; and social concerns are the jurisdiction of the state, not the corporation (Jahn and Bruhl 2018; Visagie, Sibanda and Coetzee 2019). Friedman's position made it apparent that the only responsibility of management is to be profitable for the shareholders' benefit, not many other stakeholders.

Since there were contradictory arguments regarding the responsibilities of a business organisation, in the 1970s and 1980s, it became critical for corporate executives to understand "to whom they are accountable"- whether to the public or to the owners of the company (Crowther and Martinez 2004). For instance, Davis and Frederick, two influential academics of the day, wrote extensively about the definition (Carroll 2008).

Frederick recognised that a businessperson's social responsibility included overseeing the functioning of an economic system that met the demands of the society (Ashrafi *et al.* 2020). Both scholars focused on the notion of social responsibility and its consequences for enterprise and culture (Masoud 2017). In their works, they discussed philanthropy, employee improvements (including working conditions, industrial relations and personnel policies), consumer relations, and shareholder relations. These were seen as the responsibilities of a businessperson.

Another paradigm shift occurred when Davis, McGuire, Carroll and Friedman, for example, unpacked the concept and substance of CSR in their works and research (Madrakhimova 2013). Frederick (2006) as cited by Carroll (2008) describes the following: i) Corporations operate as public interest guardians; ii) corporations balance the claims of all stakeholders; and iii) corporations consider charity as a successful commercial strategy. CSR was then viewed as an organisation's responsibility to appease all stakeholders whilst also benefiting society.

This section explored whether the government or businesses are accountable for the well-being of society. The next section addresses immoral behaviour that drove organisations to pursue CSR.

## **2.4 Unethical actions that influenced CSR**

CSR was viewed as a corporate philanthropy in the 1950s. At this time, Western game-changers saw a rise in social issues like labour unrest, starvation, slums, and child labour (Carroll 2008). Workplace abuse occurred, and the poor grew poorer. As a result, a few philanthropists and manufacturers began to be concerned about their employees' well-being, culture and environment (Tripathi and Bains 2013). John D. Rockefeller and Cornelius Vanderbilt, for example, cared about their employees and provided them with social security benefits (van Erp and Schellekens). As a result, they gained popularity throughout the United States (Jhawar and Gupta 2017). Many citizens were taken aback by these Philanthropists' generosity, and certain companies began to emulate them. CSR programmes were

developed by organisations to give employees social and security benefits such as working conditions, fair pay and job security.

Another kind gesture was made by a piano manufacturing business, which provided monies to the construction of churches, libraries and schools for its employees (Kabir, Mukuddem-Petersen and Petersen 2015). Businesses began to give back to the communities in which they operated. As a result, the government recognised the significance of implementing regulations to protect employees while minimising harm to society and the environment (Zhang, Morse and Kambhampati 2018). It became legally obligatory once the government passed it, and all businesses were required to comply.

Furthermore, the factory method first appeared in Great Britain and later in America during the First Industrial Revolution (Carroll 2008). This strategy relied heavily on machines to speed up the manufacturing process and lower production costs. Companies prioritised profits over social responsibility because of their need to prosper. They overworked their employees and exploited child labour to maximize productivity and, as a result, they increased profitability (Zhang, Morse and Kambhampati 2018). Employees were overworked because businesses prioritised income over employee benefits. As a result, there were concerns about women's and children's work at the time (Kabir, Mukuddem-Petersen and Petersen 2015).

Most CSR literature in the 1960s was motivated by social movements in the United States, such as civil rights, women's rights, consumer rights and environmental justice (Farcane and Bureana 2015). Liberal demonstrations erupted in response to actions believed to be "corporate irresponsibility" (Farcane and Bureana 2015). Businesses were viewed as dishonest individuals. Accidents induced by risky trade practices include the General Electric price-fixing scandal, the General Motors Corvair motor car disaster, and the auto safety expo, to mention a few (Windsor 2013).

Hou and Li (2014) argued that the 1970s uproar about "sweatshops' low-quality items" fueled CSR in America. Customers often get the most value for money, while low productivity is frequently indicative of corporate irresponsibility. Moreover, Powell (2014) stated that

"sweatshops" referred to fashion garment-textile manufacturers that have long been notorious in the United States for paying workers inadequate salaries and pushing them to work excessively long hours in unsafe working conditions. Employees devote their time, energy and knowledge in creating goods that make businesses lucrative, and they demand fair salaries and care in return. Poor salary and work abuse indicate "irresponsibility" (Powell 2014). As a result of these crises, Organisations are being examined not just for their products and services, but also for their capacity to morally control the environment and society. In addition, labour relations policies are implemented by organisations to overcome such challenges.

Another catastrophe occurred in the 1980s at Union Carbide in Bhopal. To obtain a competitive advantage over its competitors, India was obliged to embrace backward integration and import raw resources. This proved to be a complex and dangerous technique (Broughton 2005). As a result, in December 1984, a methyl isocyanate leak from a Union Carbide facility killed up to 16 000 persons and injured half a million owing to non-functional safety equipment. Several countries were affected by the accident and began to establish security regulations as a response (Rajkumar 2017). As a result, businesses are beginning to build safe-guards to avoid risking workers' lives for the sake of cost-cutting. Occupational health and safety legislation are also a product of such incidents.

In 1986, Ivan Boesky, a well-known banker, was imprisoned for insider trading (Bharara, Kim, Coffee, Goldstein, Grundfest, Haag, McKown and Rakoff 2020). He was one of the advisors condemned to three years in jail for illegally benefiting over \$50 million by acquiring company stock prior to the announcement of the acquisition. Thereafter, Michael Milken, the man responsible for the creation of the junk-bond sector, was charged with insider trading for supplying cash and information to Boesky (Bharara *et al.* 2020). This was an unethical decision since market players were denied the chance to purchase shares.

In the 1990s, organisations that mistreated their staff became more visible in developing countries as they were penalised. Additionally, trade unions were created to provide employees with a voice, and the government began to take on a greater role in addressing

communal socio-economic concerns (Tripathi and Bains 2013). Businesses have aspired to demonstrate their dedication to enhancing the quality of life of their employees and society as a whole, resulting in long-term economic success (Aguilera-Caracuel and Guerrero-Villegas 2018).

Notably, the aforementioned occurrences led corporations to accept responsibility for their activities and were used as a standard for discerning irresponsible behaviour from responsible behaviour. Some labour, consumer, occupational and safety laws were developed as a way of protecting employees, society and all stakeholders. The following section explores the idea and expansion of CSR across the world.

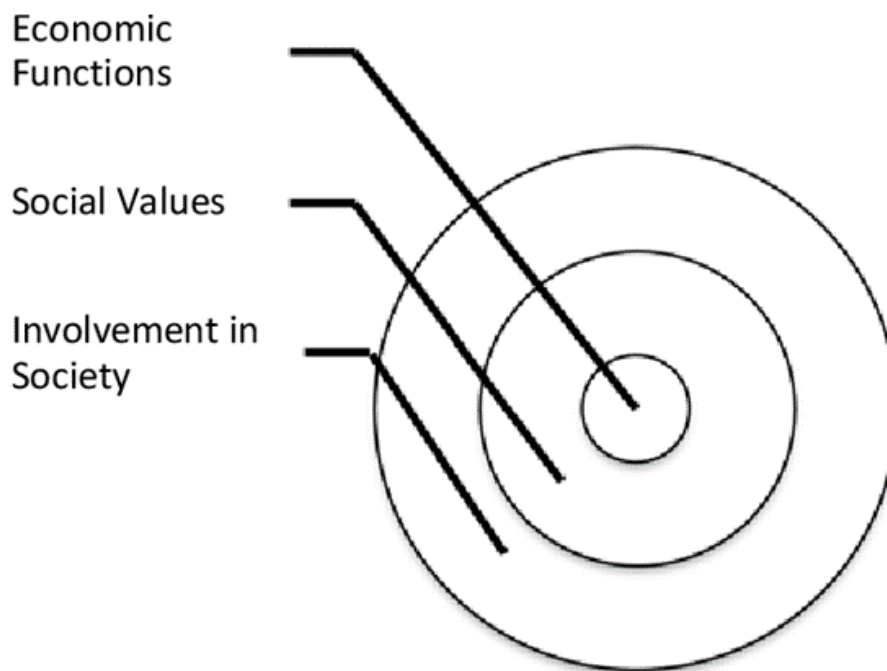
## **2.5 Conceptualization and growth of CSR**

This section addresses the contributions and interpretations of CSR for business and society. It presents an overview of organisations and researchers who helped shape CSR into the notion that it is today. The Committee for Economic Development (CED) (Figure 2.1), Carroll's CSR pyramid (Figure 2.2), Freeman's stakeholder theory, triple bottom-line theory, and the United Nations' contribution to CSR are examined since they provide a basis for CSR participation.

### **2.5.1 The Committee for economic development**

The CED, which was formed in response to fresh rallying calls for environmental justice, employee welfare, consumer protection and occupational safety, also had its own interpretation of CSR (Masoud 2017). The CED wrote a paper in 1971, which was a groundbreaking CSR contribution (Carroll 2008). This release revealed a significant change in the social contract between business and society. The emphasis was on the expectation for businesses to have a larger role in society, rather than just providing products and services. According to Carroll (1999), CED (1971) outlined a three-tiered model of CSR, which listed the following responsibilities:

- An inner circle: responsible for profit and growth;
- An intermediate circle: responsible for becoming aware of the evolving social compact that occurs between industry and community as it pursues its economic interests; and
- An outer circle: responsible for constantly strengthening the social climate. Poverty or overcrowding in cities are two examples (Carroll 1999).



**Figure 2-1: Three Concentric Circles Model of CED**

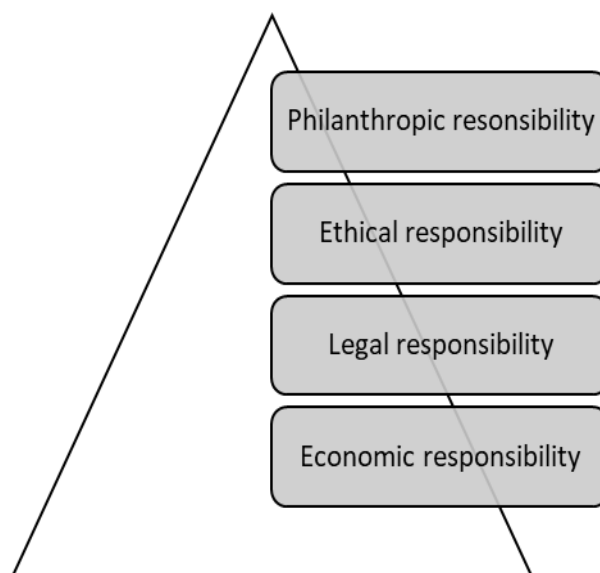
**(Source: Carroll 1999)**

As depicted in Figure 2.1 above, the **inner circle** reflects Friedman's notion of social responsibility as it includes the basic economic responsibilities of productivity, job and economic growth. The **middle circle** includes responsibilities such as environmental conservation, employee relations and customer expectations for information, fair treatment and injury protection. The **outer circle** defined newly emerging and unstructured responsibilities that businesses should take on in order to become more broadly involved in actively improving the social environment (Carroll 1999).

## 2.5.2 Carroll's CSR pyramid

In addition, in the 1970s, Sethi (1975) devised a hierarchical model to comprehend CSR. He identified three phases that may be utilised to lead CSR implementation, namely social obligation, social responsibility and social responsiveness. Carroll's most important contribution, which supplemented Sethi's, was his four-dimensional mathematical model of corporate social success, which he developed in 1979. He proposed the CSR pyramid, which embraced the whole range of society's industrial norms and identified duties in economic, legal, ethical and discretionary categories.

Unlike Friedman, Carroll believed that corporate accountability extends beyond financial responsibility. Carroll emphasised that a corporation must be profitable (from an economic position); respect the regulations (from a legal standpoint); conduct itself honestly and ethically (from an ethical standpoint); and give back to society (from a philanthropic standpoint) (Carroll 1991; Ehie 2016; Visagie, Sibanda and Coetzee 2019; Hamid, Riaz and Azeem 2020; Kusyk 2021). According to Sindhu and Arif (2017), Carroll's concept of CSR clarifies that market roles are distinct. As a result, this paradigm aids administrators in understanding their various societal roles.



**Figure 2-2: Carroll's CSR Pyramid**

(Source: Visagie, Sibanda and Coetzee 2019)

Wang (2020) articulates that the CSR Pyramid (Figure 2.2) is a clear depiction of CSR, and he describes the four ideas as follows:

**Economic obligation:** it is a business's responsibility to deliver fairly priced products or services that exceed society's needs; to use appropriate profit-making methods to sustain development and profitability; to create employment; and to meet the expectations of all stakeholders.

**Legal obligation** entails adhering to all labour, financial, customer and tax laws and regulations.

**Ethical responsibility:** the duty to respect both non-legally binding and internally- based social standards by adhering to mutually applicable ethical principles and legislation, as well as to avoid the abuse of all stakeholders.

**Philanthropic obligation** is a "voluntary responsibility" to improve human health, provide humanitarian assistance, and contribute money willingly and sincerely (Wang 2020).

Notably, it is obvious from Wang's description that Carroll's pyramid provides a variety of duties that organisations have to a diverse set of stakeholders. Businesses may utilise this whilst determining which CSR programmes to participate in.

### **2.5.3 Carroll's Pyramid as a business performance tool**

Carroll's (1999) CSR pyramid was a conceptual hierarchy for evaluating organisational performance. Tuzzolino and Armandi (1981) recommended leveraging Maslow's Hierarchy of Needs to construct better CSR assessment methods. Carroll's pyramid was similar to Maslow's hierarchy in that it depicted the organisation's fundamental obligation as being at the bottom of the hierarchy. This implies that the existence of a business is dependent on economic responsibility, without which it would be unable to attain higher duties such as legal, ethical and discretionary responsibility (Tuzzolino and Armandi 1981; Carroll 1999; Carroll 2008; Farcane and Bureana 2015).

According to Carroll and Shabana (2010), CSR has been a prominent focus of business thought since the 1980s, with CSR anticipated to increase business profitability (Al Mubarak 2019). According to research during this decade, there is a positive relationship between CSR and financial performance (Gholami 2011), which suggests that CSR has the potential to boost economic growth. For example, Edward R. Freeman stated that meeting the needs of stakeholders has an impact on organisational performance (Freeman and Velamuri 2006).

Therefore, businesses should participate in CSR activities in order to strengthen their relationships with their stakeholders (Ashrafi *et al.* 2020). Thomas M. Jones (1980) proposed that CSR be viewed as a process through which organisations make decisions that result in reasonable behaviour rather than a series of events (Masoud 2017). He argued that businesses should consider the needs of all stakeholders before deciding on CSR initiatives.

#### **2.5.4 Stakeholder theory – a guide for CSR participation**

Stakeholder Theory gained its popularity after Edward Freeman's trailblazing book, "Strategic Management: A Stakeholder Approach" (Freeman 2010). It is the foundation of the CSR philosophy of business ethics and defines the business stakeholders who warrant managerial attention when conducting business and ensures that the organisation recognises to whom they are accountable (Carroll 1991; Garriga and Melé 2004; Ali and Barishal 2022). This theory is now the most widely used CSR theory by academics and researchers, both conceptually and in practice (Utting 2005; Spence 2016; Bikefe *et al.* 2020; Loison, Berrier-Lucas and Pezet 2020).

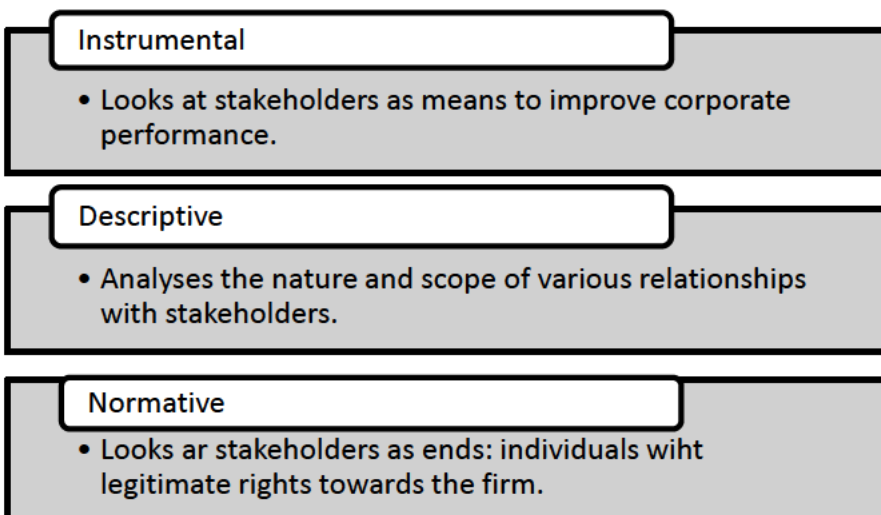
Stakeholder Theory is a shift from "business as usual" and profit-driven activity. It recognises that an organisation is an entity with environmental and social responsibilities and that managers have an ethical responsibility to satisfy the requirements of many stakeholders (Bernard 2020). As a result, firms must be aware of all their stakeholders, as this has an impact on business growth and sustainability (Garg and Gupta 2020).

As such, CSR practises are utilised to meet ethical expectations and govern the views of powerful stakeholders, resulting in a close relationship between stakeholders and enterprises. Stakeholder thinking aims to accommodate the demands of numerous stakeholders, such as employees, customers, suppliers, creditors, shareholders and the public (Feng, Wang and Kreuze 2017; Bridoux and Vishwanathan 2020; Garg and Gupta 2020). To improve business performance, organisations must prioritise four types of CSR practises: employee-oriented, environmental-oriented, societal-centred, and market-based.

This section examined the importance of including stakeholders in business decisions. The next section discusses the different types of stakeholder theories used in business research, particularly in this study.

### **Types of Stakeholder Theories**

The decision to apply a stakeholder theoretical lens to CSR is based on Donaldson and Preston's (1995)'s work in Management literature, there is an undeniable assumption that Stakeholder Theory has descriptive accuracy, instrumental power and normative validity (Donaldson and Preston 1995). It includes various types of proof and argument, as well as various business ramifications. See Figure 2.3 below.



**Figure 2-3: Stakeholder Theories: Descriptive, Instrumental and Normative**  
(Source: Donaldson and Preston 1995)

From the descriptive viewpoint, the stakeholder theory uses theory to demonstrate how concepts react to reality (Theodoulidis, Diaz, Crotto and Rancati 2017). It makes no prescriptive or normative claims about the appropriateness of stakeholder management but rather studies how individual managers and employees act and how companies are managed (Donaldson and Preston 1995). According to the instrumental approach, stakeholder theory argues that when an organisation participates in CSR, its performance improves (Ashrafi et al. 2020; Garg and Gupta 2020). While the normative viewpoint on the other hand argues that organisations have a moral commitment to their stakeholders and must do what is ethically correct for them (Donaldson and Preston 1995; Andrew and Baker 2020).

This section discussed the different approaches to Stakeholder Theory, emphasizing the relevance and applicability of the theories in CSR. The following section provides a thorough explanation of the various kinds of stakeholders to which a company is accountable.

#### **2.5.4.1 Classification of business Stakeholders**

Stakeholders are critical for CSR, and management must identify who the firm is accountable to and build concepts to serve the requirements of varied stakeholders (Lee and Raschke 2020). They are classified as internal or external stakeholders depending on authority, urgency, and legitimacy (Thijssens, Bollen, and Hassink 2015). According to Ashrafi et al. (2020), Stakeholder Theory provides a framework for understanding businesses value-creating commitments to both the primary and secondary stakeholders. Primary stakeholders are strategic associates with close ties to the organisation (Srinivasan and Dhivya 2020; Sedereviciute and Valentini 2011; Kim and Jung 2020), while secondary stakeholders such as activists, the community, rivals, the media, environmentalists, corporate opponents, and special interest groups should not be overlooked (Park and Cave 2018).

Primary and secondary stakeholders are both essential to increased business performance (Glavas and Godwin 2013; Bikefe et al. 2020; Manurung et al. 2021). This research focuses

on CSR efforts aimed towards internal stakeholders, specifically employees. Stakeholder Theory has significance for this subject since it assists organisations in identifying stakeholders' needs and determining how to meet those needs. As such, understanding the stakeholders' expectations and interests enables firms to build a CSR initiative that is tailored to their specific requirements. The influence of primary and secondary stakeholders on sustainability, decision-making, and business performance is determined.

#### 2.5.4.2 The stakeholder Salience Model

Mitchell and his associates suggested a classification of relevant stakeholders in CSR (Mitchell, Agle and Wood 1997; Currie, Seaton and Wesley 2009; Wood, Mitchell, Agle and Bryan 2021). According to these scholars, this classification would help the organisation identify important stakeholders. The stakeholders in this model have three characteristics, namely power, urgency and legitimacy (Fawzy and Componation 2014). Mojtahedi and Oo (2017) affirm that these stakeholder attributes are significant since they characterise stakeholders. This will allow organisations to prioritise their stakeholders' demands.

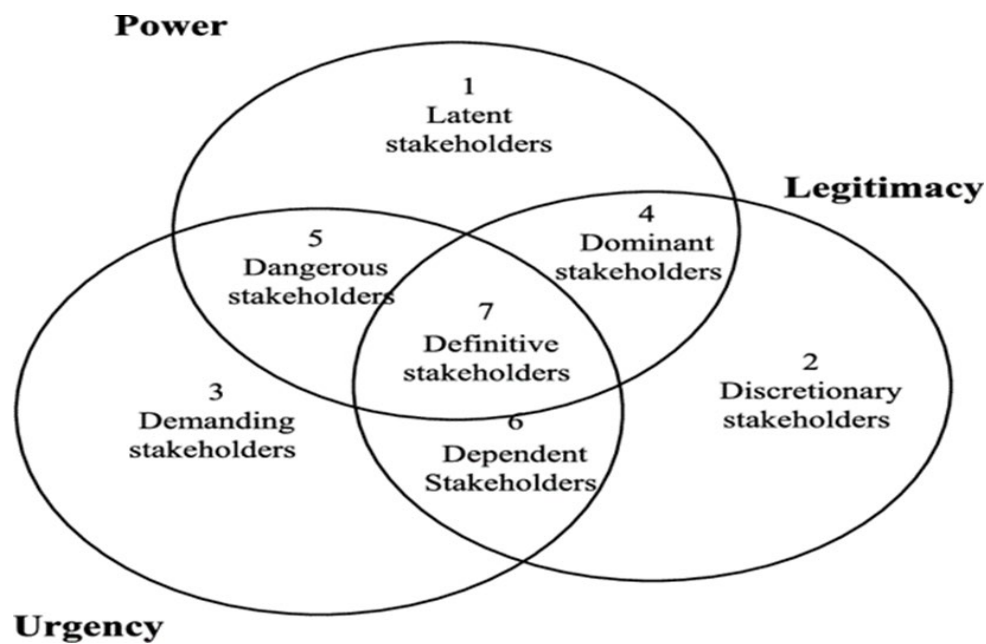
Mitchell and colleagues describe the three characteristics as follows (Mitchell, Agle and Wood 1997; Nasr *et al.* 2020):

**Power:** the stakeholder's ability to force their desires on others of a party;

**Legitimacy:** signifies the stakeholder's commitment to adhere to current principles and regulations; and

**Urgency:** depicts the stakeholder's ability to control and be influenced by a specific purpose (Nasr *et al.* 2020).

The three stakeholder classes within these characteristics have been developed and called dormant, demanding and discretionary stakeholder classes. Furthermore, as these three attributes overlap, four classes emerge, namely dominant, dependent, dangerous and definitive stakeholders. The eighth class is made up of stakeholders that lack any of the attributes (Fawzy and Componation 2014). Figure 2.4 below depicts the eight classes of stakeholders as grouped according to their power, legitimacy and urgency.



**Figure 2-4: Stakeholder Salience Model**

(Source: Mitchell, Agle and Wood 1997)

According to Rawlins (2006), Mitchell and their peers developed a strategy to prioritise stakeholders' interests based on three attributes: latent, expected, and definitive. Sedereviciute and Valentini (2011) and Shao, Li, Xu, Yang, Thomas and Mir (2015) discovered that:

- **Latent stakeholders** have one attribute. They are either dormant, demanding or discretionary;
- **Discretionary stakeholders** have legitimacy but little power to influence and no urgency. As a result, they depend on humanitarian acts rather than other forms of coercion;
- **Demanding stakeholders** have urgency but no legitimacy or power. They are annoying but not threatening;
- **Dominant stakeholders** have two characteristics: power and legitimacy. As a result, they attract a lot of management's interest because they can act on their arguments;
- Since they rely on the organisation to answer and settle the claim, **dependent**

**stakeholders** display signs of legitimacy and urgency, and organisations are required to act in a socially responsible manner towards them;

- **Dangerous stakeholders** have urgency and authority but lack legitimacy. While they can become disruptive and manipulative if their demands are not met, they often use institutional mechanisms to effect reform; and
- **Definitive stakeholders** are those that possess all three characteristics, and they are typically given top priority in the enterprise (Sedereviciute and Valentini 2011; Shao *et al.* 2015).

According to Rawlins (2006) and Boonstra and Govers (2009), these traits are flexible and prone to change, which means that parties can gain or lose power, legitimacy, or urgency. Dominant stakeholders have both authority and legitimacy, whereas dependent stakeholders have not.

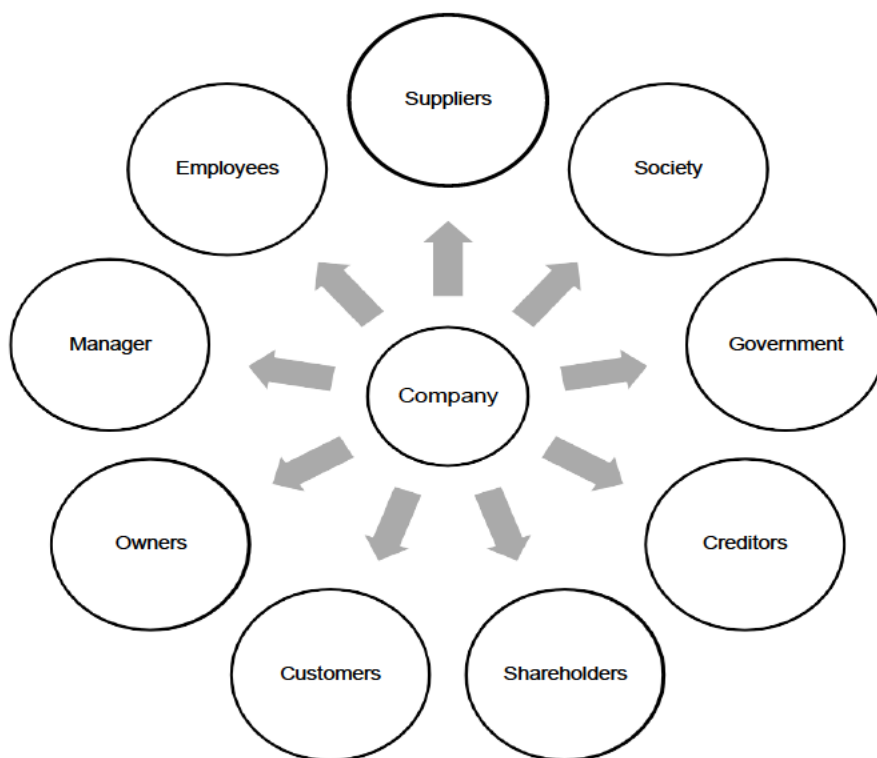
The next section discusses the categorisation of SME stakeholders. This will assist in determining the most important stakeholders that SMEs have to consider in their decision-making.

#### **2.5.4.3 SME Stakeholders**

According to Fatoki (2020), SMEs (approximately 90%) dominate most countries' corporate sectors. As a result, their activities have a considerable influence on the majority of external stakeholders. SME stakeholders are often the firm owner's contact networks and partnerships. They also comprise both economically and non-economically active persons.

Masarira (2014) considered all stakeholders in Mankelow's findings when identifying SME stakeholders (See Figure 2.5 below). Employees, managers and owners are SMEs' internal stakeholders, while the suppliers, society, government, creditors, shareholders and customers are external stakeholders. According to Dzansi and Pretorius (2009), employees, customers and local community concerns are critical CSR challenges for African small enterprises. This is because, given their limited resources, they are the most cost-effective CSR actions. This study focuses on internal CSR initiatives that SMEs may participate in, as well as their impact on business performance.

According to the Stakeholder Theory, a business that acts ethically and has a good reputation is more likely to receive favourable feedback from both primary and secondary stakeholders (Khan, Yang, Khan, Kherbachi, and Huemann 2020a). SME stakeholder relationships are far greater than those of large businesses because most SMEs operate from home towns/cities/communities and have stronger ties to the community, along with high customer loyalty (Chazireni 2017). Nonetheless, Bikefe et al. (2020) found that internal stakeholders, especially workers, are largely ignored in SMEs' CSR projects. Therefore, this current study focuses on CSR projects directed toward internal stakeholders.



**Figure 2-5: SME Stakeholders**

(Source: Masarira 2014)

Mitchell and colleagues' Stakeholder Salience Model is also useful for assessing and rating several possible SME stakeholders in order of their salience (Sen and Cowley 2013). In comparison to big corporations, SMEs are more reactive when it comes to responding to stakeholder pressure (Hadj 2020). This may be due to the strong personal relationships

developed between SMEs and the stakeholders in the communities where they operate. Table 2.1 below classifies SME stakeholders according to the salience model.

Table 2-1: SME Stakeholders' salience classification

<b>STAKEHOLDERS</b>	<b>ATTRIBUTES POSSESSED</b>	<b>SALIENCE CLASSIFICATION</b>
Owners	Power/ Legitimacy/ Urgency	Definitive stakeholders
Employees	Power/ Legitimacy	Dominant
Customers	Power/ Legitimacy	Dominant
Suppliers	Power/ Legitimacy	Dominant
Investors	Power/ Legitimacy	Dominant
Family of owners	Legitimacy	Discretionary
Political groups	Legitimacy	Discretionary
Trade associations	Legitimacy	Discretionary
Community	Legitimacy	Discretionary

Source: Mankelow (2004) in Masarira (2014)

From the Table 2.1 above, business owners have all three attributes of legitimacy, power and urgency, making them Definitive Stakeholders. Employees, customers, suppliers and investors have two attributes of power and legitimacy, making them Dominant Stakeholders. Family members, political groups, trade associations and the community only have legitimacy, making them Discretionary Stakeholders. They depend on humanitarian acts and expect SMEs to implement CSR due to Ubuntu principles. This study anticipates that political parties, trade unions or the community would not push an SME to implement CSR, but the organisation would do so due to its humanitarian nature and concern for the community.

This section discussed the different types of stakeholders with which an organisation may interact, as well as the various practices that it may employ to satisfy stakeholders' expectations. The Stakeholder Theory promotes the idea of including all stakeholders in

business activities, which strengthens business ties with all partners and leads to increased business performance. This research aims to determine whether CSR improves business performance of a medium-sized organisation. The next section discusses CSR as a sustainability tool and focuses on the triple bottom-line theory which is one of the theories that underpin this study.

### **2.5.5 CSR – a sustainable development tool**

In 1987, the United Nations introduced the concept of *sustainable development* (Shuro and Stainbank 2014). The triple bottom-line philosophy urged businesses to pursue economic development, environmental quality and social justice as corporate responsibility objectives (Jeurissen 2000; Masoud 2017). As a result, corporations are obligated to participate in CSR initiatives that address these challenges. Since then, CSR has become a sustainable development mechanism in developing countries, and corporations and politicians are implementing it (Zhang, Morse and Kambhampati 2018). Haque and Farooqi (2017) argue that CSR has evolved into a mechanism for long-term business development, and organisations are expected to participate in CSR to boost their competitiveness and sustainability.

#### **2.5.5.1 Sustainability Theory: The Triple bottom-line Theory**

The Triple Bottom Line (TBL) theory is relevant to this study since it defines CSR as a company's strategy to balance economic, environmental, and social responsibilities while meeting the needs of stakeholders (Babalola 2012; Mishra and Mishra 2015; Asiaei and Bontis 2019). It also addresses the expectations of stakeholders that an organisation must meet in order to be sustainable. According to Hadj (2020), corporate sustainability and CSR are both voluntary business practises that demonstrate that corporations consider social and environmental issues while engaging with stakeholders. The TBL is used by organisations to promote the sustainability agenda while also meeting economic, social, and environmental responsibilities (Elkington 1994, 2013; Arowoshegbe and Emmanuel 2016; Asiaei and Bontis 2019; Loison, Berrier-Lucas, and Pezet 2020).

Oduro, Nguar, De Nisco, Alharthi, Maccario, and Bruno (2021) define TBL as a CSR strategy that assists organisations in achieving long-term sustainability and survival by matching economic objectives with social and environmental objectives. CSR and TBL are two concepts that are used to assess an organisation's performance in terms of economic, environmental, and social benefits. While CSR is based on the idea that organisations integrate economic, social and environmental goals into their operational and administrative processes, TBL is based on the idea that organisations should evaluate their performance in terms of economic, environmental, and social benefit (Oduro, Bruno, and Maccario 2021). According to Johnson, Chibuzo, Chinwo, and Raju (2020), previous research has revealed that the organisation's performance indicators should encompass the triple bottom line rather than only the financial bottom line (2020)

Sardana et al. 2020) argue that Sustainability studies lacking non-financial factors are inconclusive for policy and decision-making since corporate sustainability evaluations go beyond economic indices of success. As a result, the TBL will be utilised to examine how CSR may influence the business performance used in the research. These economic, social, and environmental pillars are critical for long-term growth, and businesses must fully embrace them while also respecting the well-being of all stakeholders.

In addition, Elkington (2013) discerned that customers and investment banks are increasingly scrutinising firms about aspects of their TBL duties and performance in this particular setting. As a result, a more comprehensive sustainability strategy involving many stakeholders is required (Fjrtoft, Grimstad, and Glavee-Geo 2020).

This section provides a summary of the development and conceptualization of CSR based on a variety of studies. This includes the ECD's, stakeholder and TBL theories, UN's studies on CSR, as well as contributions from prominent scholars including Freeman, Carroll, Sethi, Elkington, Donaldson and Preston. The next section discusses CSR as a stimulus for corporate reporting.

### **2.5.5.2 CSR and business reporting**

CSR attempts to secure the organisation's long-term sustainability. CSR concepts such as corporate citizenship, corporate responsibility, corporate image and corporate social reporting have gained popularity in the twenty-first century (Yevdokimova, Zamlynskyi, Minakova, Biriuk and Ilina 2019). This is because today's corporate performance is determined by a company's willingness to achieve the triple bottom-line, namely economic, social and environmental needs, which is at the heart of the CSR philosophy and one of the foundations of long-term sustainability (Zhang, Morse and Kambhampati 2018).

According to Swami and Humbe (2020), CSR and corporate sustainability are dominant in organisational monitoring frameworks because powerful institutions such as the World Bank, the United Nations Development Programme, the Organisation for Economic Cooperation and Development, the International Labour Organisation and many other significant business groups are strong supporters of CSR for social reasons. CSR attempts to accomplish long-term success through actions such as community development, economic growth, and environmental protection (Swami and Humbe 2020).

Shuro and Stainbank (2014) posit that organisations also follow sustainability reporting guidelines, namely the United Nations Global Impact, the Global Reporting Initiative (GRI), the International Institute for Sustainable Development (IISD), the Organisation for Economic Co-operation and Development (OECD), the King Report on Corporate Governance, and the International Institute for Sustainable Development (IISD). These guidelines are important because they encourage businesses to practice CSR and report the projects they implement.

Subsequently, many businesses have acknowledged the emergence of a broader "global sustainability" perspective by disclosing not just their financial performance but also their social and environmental outcomes (Arowoshegbe and Emmanuel 2016; Al Mubarak 2019). This, in particular, helps organisations acquire consumer loyalty and develop long-term collaborations, resulting in business longevity. Notably, the Global Reporting Initiative (GRI) was established to assist firms in understanding and communicating their global effect

on precarious environmental concerns such as climate change, human rights, governance and social well-being (Al Mubarak 2019; Loison, Berrier-Lucas and Pezet 2020). Therefore, the global expansion of CSR and sustainability issues has encouraged corporations to pay greater attention to reporting their social and environmental performance (Sampong, Song, Boahene and Wadie 2018).

Pasamehmetoglu and Gokoglu (2020) maintain that CSR is environmental development that goes beyond legal requirements to incorporate ethical and discretionary objectives. As a result, global standards such as ISO 14001, the Global Reporting Initiative (GRI) guidelines, and the Sullivan Global Principles have been improved to allow businesses to disclose their social and environmental challenges (Sampong *et al.* 2018).

This section explored the frameworks that led business sustainability and its reporting to ensure that organisations adhered to the triple bottom-line for improved business performance. The following section highlights international good practice standards developed through international standardisation for organisations.

## **2.6 International Organisation for Standardisation and CSR**

The International Organisation for Standardisation (ISO) is a non-governmental organisation founded to develop international standards for good practice. Some of the standards that influenced this research were ISO 9000, ISO 14000, and ISO 26000.

### **2.6.1 Quality Management Systems (ISO 9000)**

ISO 9000 was first developed as a quality control system in the 1980s to meet the demands of customers for quality. Businesses were being encouraged to meet and surpass their customers' service demands. This is because a company exists to meet the demands of its clients, and if these needs are not fulfilled, customers will stop supporting the business, and the business will cease to exist.

Businesses then experienced a significant transition from a customer-centric approach to a stakeholder-inclusive approach. Customers were the only stakeholder community with expectations that could influence company processes if they were not addressed under the customer-centred solution. Today's market demands, on the other hand, come from a diverse range of customers, all of whom must be considered in all business activities and they are all equally relevant. Businesses, for example, must also demonstrate respect for the economy, the world in which they operate, and the environment. As a result, standards like the ISO 14000 family were created. Schwartz and Tilling (2009) share that ISO 14001 was created to satisfy the demands of numerous players who were concerned about the environmental impact of Organisations' operations.

### **2.6.2 Environmental Management System (ISO 14000)**

The Environmental Management System, on the other hand, was implemented in the 1990s to meet these environmental demands (Schwartz and Tilling 2009). According to Whitelaw (2012), the environmental management framework seeks to help an organisation meet their sustainability targets by enhancing their environmental performance through resource use and waste reduction. Taking such care when manufacturing products and services results in increased profitability, greater consumer access, and stronger stakeholder relationships (Briggs 2017). Additionally, adhering to these environmental management schemes gives a company a strategic edge as well as the confidence and commitment of all stakeholders (Grover and Grover 2017).

### **2.6.3 CSR guidance standard (ISO 26000)**

ISO developed generic and voluntary criteria to address the natural, societal and economic demands of industry to mobilize a multi-stakeholder solution (Schwartz and Tilling 2009). ISO 26000 is the first universal framework for corporate social responsibility, which applies to all companies. It was created after companies in Western countries were chastised for mistreating workers to boost earnings. It outlined the seven fundamental rules that businesses should follow to achieve CSR. These include accountability, openness, ethical behaviour, stakeholder support, constitutional rights protection, international standards

respect, acknowledgement and human rights respect (Sinay, Araújo, Sinay and Dalbem 2019). According to the ISO 26000 Social Responsibility standard, "the goal of social responsibility is to contribute to sustainable development" (Santana, Morales-Sánchez and Pasamar 2020).

ISO 26000 was adopted as a guideline standard to standardize the meanings of what social responsibility is from a corporate standpoint, allowing the company to satisfy the need for better workplace conditions while avoiding employee exploitation. This was undertaken to ensure that all organisations have a common view of CSR and that their projects are aligned accordingly (Al Mubarak 2019). CSR has since achieved worldwide prominence because of international certifications like as ISO 26000, ISO 9001 and ISO 14001, which all address CSR (Agudelo and Davidsdottir 2019).

It is worth noting that CSR as known now is the result of globalisation, institutionalisation, profit reconciliation and intellectual recognition (Carroll 2016). In addition, the use of digital and communication technologies has certainly increased the flow of information between nations, increasing the importance of environmental, social and economic concerns (Kavitha 2019).

This section examined CSR as inspired by the International Organisation for Standardization in order to promote good business practices. The next section delves into the evolution of CSR in under-developed nations.

## **2.7 CSR in developing countries**

This section begins with an overview and definition of a developed economy before delving into developmental challenges and CSR initiatives in these economies. CSR has its origins in developed countries. Its foundation was primarily motivated by the difficulties of rich countries, with developing countries receiving less attention (Mukherjee 2016). CSR methodologies and their origins in developed countries do not sufficiently represent the context of developing countries (Sampong *et al.* 2018). Regardless, despite the fact that CSR is a developed-country idea, corporations in emerging nations have adopted its

principles and methodologies.

Due to the interconnectedness of the environment in which multinational corporations operate, developing countries are following in the footsteps of developed countries in terms of CSR and Sustainable Development. According to El-Bassiouny and Letmathe (2018), a considerable amount of literature focuses on the drivers of CSR in Western nations, but research into CSR motivation, methodologies and styles in developed countries is still lacking. Despite the fact that there is little written on CSR in developing nations (Kabir, Mukuddem-Petersen and Petersen 2015), there is an increase in CSR literature in articles, books and chapters that reflect the developing world context (Jamali, Lund-Thomsen and Jeppesen 2017). This study contributes to the development of CSR literature in developing countries, such as South Africa.

### **2.7.1 Characterisation and challenges of a developing country**

According to Fernando, Lawrence, Kelly and Arunachalam (2015), the UNDP (2006) and the World Bank (2006) refer to a developing country as one in which the economy is rapidly expanding. There are attractive development opportunities for businesses because developed countries have low per capita income; a low human resource index; low economic prosperity; low human capital; and poor legal, social and political rights administration (Mukherjee 2016).

Due to disparities in the social, political and economic circumstances between developing and developed nations, these countries have varied understandings and actions of CSR, demanding more research (Mukherjee 2016; El-Bassiouny and Letmathe 2018). Developing countries face a wide range of social difficulties, including education, healthcare and global poverty, making it hard for governments to fix problems on their own. As a result, companies are urged to assist in addressing these countries' social concerns in order to maintain long-term development. This shows that CSR in developing countries is mandated by the government and usually takes the form of philanthropy.

## **2.7.2 Arguments on Carroll's CSR model for developing countries**

Carroll's CSR model, which combines economic, legal, ethical and philanthropic obligations, is only applicable to developed countries and should not be implemented in developing countries due to the peculiar challenges that developing economies face. In his article, Masoud (2017) refined Carroll's (1979) four-part CSR concept by combining it with Visser's model, which incorporates economic growth, good governance, stakeholder responsiveness and environmental change. The goal was to create an international model that could be used by both developing and developed countries.

Ehie (2016) looked into CSR in developing countries and came to the same conclusion as Masoud (2017), that Carroll's (1979) popular CSR pyramid is not ideal for developing countries. He discovered that developed countries prioritise sustainable development, accompanied by philanthropic, legal and ethical considerations. When the same paradigm is applied to developing countries, the results are the opposite. The economic factor remains the most significant, followed by philanthropy, legal and ethical considerations. As depicted in Figure 2.6, the distinction is that CSR in Africa places a greater emphasis on philanthropy than on legal and ethical issues.



Figure 2-6: Carroll's CSR Pyramid for developing countries

(Source: Visser 2007)

Carroll's four-part pyramid model can be used to examine how CSR manifests itself in developing countries. In developing countries, economic responsibilities continue to receive the most attention. Philanthropy, however, comes in second, followed by legal and then ethical obligations (Visser 2007).

### **2.7.3 CSR practice in developing countries**

Bohra and Masoud (2020) argue that CSR in developing countries is more broad-based, less tangled in corporate policies, and less politicised than in most developed countries. According to Du Toit and Lekoloane (2018), in developing countries such as Brazil, Russia, India, China and South Africa (BRICS), good corporate governance practices are critical. These countries depend on investments to expand their economies. Corporate governance is related to the Ubuntu philosophy in South Africa because it is seen as critical in organisational practice and overall corporate productivity. Ubuntu considers every member of the community to be a key stakeholder (Zondo 2022). This suggests that CSR in the

African context is driven by the Ubuntu ethos, which encourages firms to promote community concerns by considering all stakeholders when making CSR-related choices.

In developed countries, CSR initiatives play a critical role in uplifting local communities by complementing policy-makers' attempts to deliver public services in fields including education, health, the environment and defence (Bello and Kamanga 2020). This demonstrates that corporations are forced to carry positions that were formerly the responsibility of the government. This is supported by Okoye (2012), who claims that when CSR is related to developing countries, especially in Africa, it is frequently stated that businesses are filling the positions that should be filled by governments. Businesses are required to fix the government's problems, which poses a dilemma.

This is also evident in how the Millennium Development Goals (MDGs) push CSR in developing countries (Katamba, Nkiko, Tushabomwe-Kazooba, Mpisi, Kemeza and Wickert 2014; Dartey-Baah, Amponsah-Tawiah and Agbeibor 2015; Badulescu, Badulescu, Saveanu and Hatos 2018; EIAfy, Palaschuk, El-Bassiouny, Wilson and Weber 2020; Gunawan, Permatasari and Tilt 2020). The MDGs were created to address issues that are more common in developing nations, such as poverty, malnutrition, illness, child mortality, schooling, environmental sustainability, and unhealthy economic and social lives (Kavitha 2019; EIAfy *et al.* 2020). As a result, supra governmental organisations such as the UN and the World Bank are established to push the MDGs and pursue solutions to these issues (Fernando *et al.* 2015).

In developing countries, CSR is often connected with philanthropy, community service and job growth (Haque and Azmat 2015; Badulescu, Badulescu, Saveanu and Hatos 2018). This is in line with the findings of Jamali *et al.* (2015) as quoted in Shahzad, Qu, Javed, Zafar and Rehman (2020a), that CSR in developing countries is practised for reasons such as healthcare, schooling and elimination of child labour.

According to Inekwe, Hashim and Yahya (2020), CSR in developing countries is less studied than in other areas, and studies follow the theories and methodologies of developed

countries. As a result of this mash-up of hypotheses and methodologies, there is much doubt about how CSR and business performance are related. Although CSR encompasses more than philanthropy and includes responsible business actions that promote a positive effect through its operations, African countries conduct CSR differently from developed countries. Literature suggests that they mostly still engage in philanthropic CSR that involves cash, food packages and other material donations.

#### **2.7.4 CSR in Asian countries**

According to Fernando *et al.* (2015: 870), studies undertaken in Asia concentrate more on CSR in China, India, Malaysia, Thailand, Singapore and Bangladesh, while countries like Sri Lanka, the Pacific Islands Forum and Vietnam receive little coverage. They observed in their paper exploring CSR activities in developed countries that local firms are more closely related to society than foreign companies, arguing that this may be motivated by cultural, religious, political and employee desires, as well as management personal beliefs that are in synergy with the society in which they operate.

CSR in developing countries is "Americanised". China and India, for example, focus on philanthropic CSR rather than strategic practices that support both business and society (Hamid, Riaz and Azeem 2020; Sardana, Gupta, Kumar and Terziovski 2020). This may pose challenges for these countries that are implementing CSR approaches designed for developed countries. As a result, developing-country organisations do not regard CSR as beneficial, and they do not appear to employ it as a strategic strategy for promoting economic efficiency (Hamid, Riaz and Azeem 2020; Sardana *et al.* 2020).

Poor governance and irresponsible market activities in countries like China, where dangerous toys were made, and industrial incidents in Bangladesh and Pakistan, led to CSR practices in developing countries (Haque and Azmat 2015). Furthermore, CSR in developing nations arose in reaction to globalization and mass media, both of which affected countries' and businesses' socio-economic development. As a result, companies have been pushed to be more socially conscious (Hussain, *et al.* 2017).

Shahzad, Qu, Rehman, Zafar, Ding and Abbas (2020b) posit that CSR is also in its early stages of implementation in Asian countries. These activities provide a competitive edge, an evolution of environmental responsibility, and long-term development. Since the policy reform in 1992, India's role of government in social and economic growth has declined (Kavitha 2019). Corporations knew at the time that government itself would not grant a licence to operate in the societies in which they operate. Therefore, they began to participate in social and welfare programmes, as well as charitable CSR initiatives.

The Companies Act of 2013 is the first in the world to require companies to invest 2% of their profits in CSR (Krishnan 2018). According to Nasreen and Anjum (2016), businesses are required to invest in societal welfare such as eradicating poverty, starvation and malnutrition; encouraging education; maintaining environmental preservation; preserving national heritage; promoting gender equality; and contributing to the prime minister's relief fund. According to KPMG's 2017 report, the India CSR Reporting Survey, there has been a gradual increase in CSR spending in India (Swami and Humbe 2020).

### **2.7.5 CSR in Africa**

Africa is a continent comprising 54 countries, with abundant human and natural wealth, and is regarded as the birthplace of humanity. However, it is one of the least developed continents. It is impoverished and the International Development Association recognises and prioritises the problems in Africa (Okoye 2012). According to Inekwe, Hashim and Yahya (2020), the high levels of poverty and inequality in Africa, particularly amongst developing countries, have prompted a greater emphasis on CSR as a solution to sustainable development. As a result, the International Development Association (World Bank 2005) has given this continent top priority.

The World Bank has identified "governance" as a major impediment to Africa's growth (Bräutigam and Knack 2004; AlKhaldi, Alkaiyat, Pfeiffer, Haj-Yahia, Meghari, Obaid, Shaar, Aljeesh, Tanner, and Abed 2020). The UNDP describes good governance as a competent, responsible, equitable and open governmental structure. It has to do with productive and

effective governance within a democratic system that minimizes corruption, crime and poverty. The African continent is undeniably plagued by a lack of good governance, especially socio-political impediments which are difficult to overcome. As a result, policy-makers, governments and foreign funding agencies have shifted their attention and focus to re-establish and strengthen governance on the African continent to help national growth (Omoteso and Mobolaji 2014). Inekwe, Hashim and Yahya (2020) contend that good governance and economic development are still positively correlated with CSR success in Africa. They argue that good governance is more important in the real world than economic development.

CSR in developing countries, including Sub-Saharan Africa, is in its infancy (Akinde 2020), and the strategic approach to applying it is still in its embryonic stage (Ehie 2016). However, it is not new to Africa. The literature on CSR in Africa is only now emerging, with South Africa and Nigeria dominating (Idemudia 2014; Rampersad and Skinner 2014). The scope and size of CSR research in Africa have gradually extended and deepened in recent years, respectively. This expansion can be attributed to the creation of an interdisciplinary approach to CSR which has permitted contributions from a variety of disciplines, including geography, political science, anthropology and sociology (Idemudia 2014).

The rise of CSR in Africa is attributed to the growth of the interdisciplinary practice, which has allowed contributions from disciplines such as Geography, Political Science, Anthropology and Sociology (Idemudia 2014). This highlights that CSR is a multifaceted phenomenon that is understood not just in the Social Sciences, but also in other disciplines. In Egypt, El-Bassiouny and Letmathe (2018) investigated whether internal productivity forces or external legitimization forces activate the implementation of CSR practices in a developed country environment. In this research, it was discovered that CSR activities in developed countries are still in their infancy and that these practices are more likely to be implemented for productivity than legitimacy.

According to Idowu and Ojo (2016), companies operating in Nigeria are under more demand than ever before from various stakeholders to participate in CSR. In addition, Okoye (2012)

claims that CSR in Nigeria is similar to that in many other developed countries. It does not represent common Western values such as consumer rights, fair trade, green marketing, climate change issues, and socially conscious investment aspirations. It aims to solve socio-economic welfare issues such as poverty alleviation, health-care, infrastructure development and education. Regrettably, the majority participate in philanthropic CSR (Akinde 2020). To be effective, CSR practices ought to be strategic. However, philanthropic CSR by no means implies strategic CSR, and it does not improve business performance.

According to Andrews (2016), CSR is not obligatory in Ghana, and the existing legislative regulatory system for mining is not consistent with socio-economic growth, poverty reduction or environmental security. With the lack of a regulatory system, firms engage in CSR at their discretion, resulting in ineffective and unfair policies and a discrepancy between what the community needs and what the Organisation wishes to deliver. Perhaps this is because before 2001, when a South African mining firm, Goldfields Ghana Limited, spilt cyanide, the company's tradition was philanthropy and charitable donations. Since contaminating the water and killing all life forms in it, the leak was confirmed by the local areas. In Ghana, CSR began when Goldfield's managing director provided funds for the establishment of boreholes for potable water and the construction of primary and secondary schools to aid the population. Since then, several companies have shown an interest in doing something for the environment and reporting on their CSR efforts (Andrews 2016).

### **2.7.6 CSR practice in South Africa**

According to Bernard (2020), other countries and businesses focus on topics such as transformation, diversity and economic empowerment, while in South Africa, BEE and BBBEE concepts are distinctive. The terms refer to legislative measures that use regulatory mechanisms such as racial quotas to promote racial diversity in the commercial sector. Apartheid is well known in South Africa and during this period, humanity was mostly characterized by race. As a result, racial segregation had a major impact on CSR practice in South Africa (Sampong *et al.* 2018). The authors claim that during the post-apartheid period, the ruling political party implemented affirmative action and other measures to correct the imbalances caused by the apartheid regime.

It is worth noting that CSR as it is known today, is a legacy of the post-apartheid regime in South Africa. It became a hot subject in the South African economy after it was used as a tool for bridging the divide between rich and poor South African societies (Kabir, Mukuddem-Petersen and Petersen 2015), as well as correcting historical injustices (Rampersad 2017). CSR was influenced by the country's historical background as well as government regulations such as broad-based black economic empowerment and industry charters (Hinson and Ndhlovu 2011).

Through the progressive transformation of its economy and social engagement of companies, the South African private sector and government have done a lot of work on the country's social growth. The first "CSR case in South Africa" was discovered in the 1970s when Professor Meyer Fielberg of the University of Cape Town argued that business leaders' presence in societies that gave them space to work, marketed goods and hired workers was the first evidence of a "CSR case in South Africa". As a result, South Africa's CSR activities are consistent with the Johannesburg Stock Exchange's Social Responsibility Index and the King Code for Corporate Governance (Bernard 2020).

To help rebuild South Africa's corporate reputation, the South African Corporate Governance Code of Practice, termed "the King Reports", was also launched. According to Scholtz and Smit (2015), the first report was published in 1994 (that is, King I), the second in 2002 (that is, King II), the third in 2009 (that is, King III), and the most recent in 2016 (that is, King IV). King IV seeks to impose ethical and effective leadership in JSE-listed companies through stakeholder inclusion and mandatory compliance (Horn, De Klerk and De Villiers 2018; Akinde 2020).

In May 2004, the JSE introduced the Socially Responsible Investment (SRI) Index to identify JSE-listed companies that have suitable sustainability practices (Shuro and Stainbank 2014; Du Toit and Lekoloane 2018). The Sustainability Index was created and developed to facilitate CSR reporting (Bing and Li 2019). Under the integrated reporting system, publicly traded corporations must disclose all financial and sustainability performance. This meant that businesses had to achieve all-around performance, which covered economic, social and environmental concerns (Horn, De Klerk and De Villiers 2018).

Consequently, CSR is viewed as a necessary transition and sustainability catalyst in South Africa (Akinde 2020). The potential for corporate governance in developing countries is increasing steadily and rapidly. When it comes to corporate governance, emerging countries like South Africa are bridging the gap between developing and developed countries (Scholtz and Smit 2015). Businesses are also using CSR sections in their annual reports and websites to demonstrate that CSR is now ingrained in the DNA of South Africa and other developing countries. Trialogue (the CSI Handbook) also publishes annual reports on CSR practices in South African industries (Rampersad 2017).

According to Mersham and Skinner (2016), CSR is seen as philanthropic in South Africa. However, JSE-listed companies have moved to a more constructive and influential (strategic) CSR (Triologue 2014). Despite being one of the first countries to implement CSR through the Sustainability Reporting Index (SRI) and King's Reports on Corporate Governance concepts, the relationship between CSR and financial results has yet to be developed in South Africa (Choongo 2017). This is because CSR participation, especially in SMEs is applied from the perspective of Ubuntu as a sign of humanity.

### **2.7.7 Ubuntu Perspective**

According to Mofuoa (2014), CSR in Africa is shaped by prominent African traditions, cultures, beliefs, mores, values and practices, which influence the organisation's decision to be involved in CSR. The notion of Ubuntu is used to describe "humanness" and "personhood" in the African context and has come to be acknowledged as a norm of what it means to be African. The application of CSR in this study is on the presumption that organisations in Africa give back to the community because of the cultural and traditional values/beliefs embedded in "African-ness". Lefa (2015) echoed that Ubuntu in South Africa represents a human interaction that allows for critical thinking, non-domination and the optimal development of human relationships. Business people display their humanness, interconnectedness and connectivity with society by implementing CSR initiatives in their organisations because they care for societal development.

Aju and Beddewela (2020) declare that the Ubuntu philosophical aphorism reinforces Africans' feeling of togetherness: "I am because we are, and since we are, then I am". For a business to succeed and prosper, it should ensure that the people in the community in which it is operating are also succeeding. Choongo, Paas, Masurel, van Burg and Lungu (2018) contend that the ethics of care gives another perspective for understanding CSR in small businesses. Karsten and Illa (2005) proclaim that Ubuntu is an African idea that pervades people's daily lives, and entrepreneurs develop rules and policies to care for their employees and the community. Kayuni and Tambulasi (2012) affirm that the goal of an organisation's CSR projects is to care for the community whilst also furthering its economic interests.

South African SMEs may choose initiatives that are within their financial capabilities, such as spending time teaching members of non-profit organisations a skill or providing in-service training to tertiary students. Caring for the community intensifies the argument that a business is interconnected with society through numerous stakeholders, both internally and externally. This highlights the need to recognise primary stakeholders, both within and outside the organisation, and develop CSR strategies to guarantee that both the organisation and the stakeholders benefit from the relationship. The Ubuntu viewpoint is the basis for an organisation's decision to participate in CSR, and the manager or owner's humanness, interconnectedness and connection with society influence whether they implement CSR or not.

This section examined CSR activities in developing nations, as well as some of the situations that shaped CSR practice. The focus was on Asian and African CSR practices.

## **2.8 Conclusion**

Ultimately, this chapter demonstrated that CSR is not a novel phenomenon. It has evolved from an act of generosity in ancient times to corporate philanthropy in modern times. Furthermore, after corporations learned that governments were ignoring their obligations, they started to doubt their own. Aside from that, there are dishonest corporate activities. This chapter discussed the topics of dishonest controversies that lead to CSR being obligatory, as well as arguments that emerged to highlight the relevance of CSR.

This chapter concluded with a review and discussion of CSR from an African perspective. This was a shift away from its origin in developed countries, especially western countries. African countries adopt Western methodologies and policies, making it impossible for them to reap the same advantages as developing nations. It was also observed that CSR in SMEs is overlooked in the construct of CSR in developing countries. Given the importance of SMEs in developed countries, this neglect is a problem.

## **CHAPTER THREE: CSR AND BUSINESS PERFORMANCE**

### **3.1 Introduction**

The previous chapter provided a brief introduction to CSR, including its history and current developments. It paved the way for future research into the CSR literature. This chapter investigates the literature on business performance and the impact of CSR on business performance. It focuses on developing reliable business performance measurements that can be used to assess the business performance of SMEs.

In addition, this chapter examines empirical studies to determine whether CSR can be used as a strategic tool to improve business performance. Financial performance indicators such as profitability and production costs, as well as marketing performance indicators such as sales growth and customer retention, and human resource performance indicators such as employee turnover, absenteeism and productivity, will be used to evaluate business performance. This chapter later provides a review of empirical studies on CSR and business performance.

The following section presents an overview of several measures used by business organisations to assess business performance. The section concludes with business performance measures for SMEs, specifically for this study.

### **3.2 Establishing measures of business performance**

The literature review highlights that business performance was historically examined in Accounting. It is now studied in Strategic Management, with an emphasis on developing reliable measurements of business performance (Morgan and Strong 2003; Mlotshwa and Msimango-Galawe 2020). However, it is still difficult to quantify, prompting continuous debates about whether or not performance measurement is a strategic concept for improving organisational performance (Ankrah and Mensah 2015; Khan, Hassan, Wafa, Arshad, Kashif and Nisa 2020b). As a result, non-accounting approaches are utilised to analyse business performance in addition to accounting procedures.

Several scholars have used numerous measures to assess business performance. For example, financial performance, market performance, shareholder return, human resource performance and organisational incentives all contribute to business performance (Oduro and Haylemariam 2019; Abolarinwa, Asogwa, Ezenwakwelu, Court and Adedoyin 2020; Tran 2020). Ndumia, Ng'ang'a and Kabata (2020) argue that business strategy, creative measures, product and service quality, and market position signal business performance. Employee turnover is a measure of the human resource category; productivity, quality, customer satisfaction and manufacturing flexibility signal the Organisational category; return on assets (ROA), return on equity, profits, sales and employee value are measures of the financial accounting category, while stock prices are a measure of the financial market category (Abolarinwa *et al.* 2020).

Furthermore, returns on investment, returns on shareholder equity, sales volume, sales growth, profit, operating income, market share, production costs and company growth potential are some of the commonly used performance measurements in the literature (Gholami 2011; Mlotshwa and Msimango-Galawe 2020; Muthoni and Kinyua 2020; Sardana *et al.* 2020; Vyas and Jain 2020; Zin and Ibrahim 2020).

In under-developed countries such as South Africa, there is a paucity of research on performance measurement (Maduekwe and Kamala 2016). According to Waśniewski (2017), SMEs rely on informal procedures that are not in line with the plan. This confirms SMEs' lack of understanding of, and need for performance measurement. This necessitates an investigation into the influence of CSR on the business performance of medium-sized organisations in this study. Business performance will be assessed using financial performance indicators such as profitability and production costs; marketing performance measures such as sales growth and customer retention; and human resource measurements such as employee turnover, absenteeism and productivity.

Having discussed the most common business performance measures, the following section discusses the relationship between CSR and business performance. It also explains the relationship between the triple bottom-line and Stakeholder Theory and business performance.

### **3.3 CSR and business performance**

CSR has grown in importance as an important component of business practice and strategy. However, the influence of CSR on business performance is still vague since there is no universal agreement on a business performance definition or techniques of quantification (Martinez-Conesa, Soto-Acosta and Palacios-Manzano 2017; Asiaei and Bontis 2019). The dearth of research on CSR and business performance implies a variety of views on CSR's potential to boost business success (Newman, Rand, Tarp and Trifkovic 2020).

Financial performance measures such as sales volume, profit margins and capital assets are difficult and inaccurate to use in SMEs because they are hesitant to disclose the true values of their sales and profits (Vyas and Jain 2020). According to Bing and Li (2019), inconsistency in the results of research that evaluates the influence of CSR on business performance is because CSR activities require financial backing and do not improve business performance quickly. This prompts the need to investigate the effectiveness of CSR on the business performance of a medium-sized organisation in eThekweni using financial, marketing and human resource performance as business performance indicators.

This section highlights the inconsistency in discussions on CSR and business performance in the SME sector. The following section examines the debates and arguments for and against CSR as a strategy for improving business performance.

### **3.4 Arguments for and against CSR as a strategy for business performance**

The question of whether and how CSR helps business performance has piqued the interest of academics and practitioners alike (Feng, Wang and Kreuze 2017). This is because the link between CSR and business performance was initially explained by two major schools of thought and has long been a source of concern for people from all walks of life, yet the relationship has not achieved a united end (Sindhu and Arif 2017; Shih- Yung and Li-Wei 2021). The two competing theoretical arguments show a negative association due to the postulation that CSR increases costs. It also shows a positive association based on the contention that CSR improves employee, investor and banker relations. Subsequently,

business performance improves (Javeed and Lefen 2019). These opposing arguments leave businesses wondering whether to engage in CSR.

Friedman and other neo-classical economists represent the first school of thought, which believes that CSR has a negative influence on an organisation's current performance and that the primary goal of a business is to maximise profits (Bahta *et al.* 2020b). This is because, historically, CSR initiatives were viewed as inappropriate in the context of the corporate value of shareholder profit maximisation (Jeon, Kim and Youn 2019). Freeman's school of thought supported that because companies exist in society, they are social organisations that should contribute back to the community to be sustainable (Bahta *et al.* 2020b).

However, CSR is more than just giving back to the community. Paruzel, Klug and Maier (2021) assert that CSR is linked to financial performance, business reputation, consumer purchasing decisions and customer commitment. In other words, CSR is both profit-oriented and socially responsible since these businesses pursue financial advantages whilst also aiming to promote the well-being of society (Raja and Guru 2021). As a result, one may argue that the statement that "CSR improves business performance" stems from a desire to promote societal well-being while preventing environmental harm and ensuring financial success.

The arguments for and against CSR as a channel to improve business performance remains a subject for debate. For instance, Escamilla-Solano, Fernandez-Portillo, Paule-Vianez and Plaza-Casado (2019) elucidate that CSR initiatives should be viewed as an investment rather than a cost because long-term competitive advantage may be gained by implementing CSR practices. On the other hand, Kim and Kim (2021) uphold that even though CSR serves a strategic role in facilitating a company's competitive advantage, it is still found to be insignificant and may even be detrimental.

These perplexing findings and arguments call for more research on the CSR-business performance relationship, hence the need for this study. The following sub-section establishes a link between business performance and one of the most prominent CSR theories- Stakeholder Theory and business performance.

### **3.4.1 The link between Stakeholder Theory and business performance**

CSR initiatives that adopt the stakeholders' perspective and incorporate their demands into the organisation's strategy are likely to improve business performance. However, there is a paucity of empirical research on how an organisation's stakeholder relationships contribute to value creation and business performance (Garg and Gupta 2020; Lee and Raschke 2020). Taghian, D'Souza and Polonsky (2015) declared that a business strategy centred on addressing the demands of stakeholders improves business performance. In addition, organisations that practice CSR are more likely to have an impact on business reputation, which mediates for an increase in business performance. According to Teanpitthayamas, Suttipun and Lakkanwanit (2021), CSR success is founded on addressing the needs of all stakeholders, which leads to improved financial and non- financial performance.

According to Lopez (2020), Stakeholder Theory attempts to explain how organisations set specific and measurable economic, social and environmental goals. Additionally, the Stakeholder Theory is based on the premise that if a company manages its stakeholders' needs and desires, it will be more successful and perform well (Garg and Gupta 2020). Moreover, it is more concerned with the company's ability to establish and sustain relationships with its partners than with shareholder interests only (Fernando and Lawrence 2014).

Gatti and Ondersma (2020) argue that this results in businesses gaining a competitive advantage because they value all stakeholders, not just their founders. This proves that meeting stakeholder demands is critical to an organisation's long-term sustainability. As such, businesses are under pressure to develop constructive relationships with socially active stakeholders and actively comply with legal and environmental obligations (Fawzy and Componation 2014; Wolska 2017; Barney and Harrison 2020; Chen, Safdar Sial, Tran, Alhaddad, Hwang, and Thu, 2020).

Improving business performance also implies that an organisation's financial, social and environmental obligations are met. Hence, the achievement of these three bottom-lines, as well as the satisfaction of stakeholders' expectations, may be evidence of an organisation's

overall business performance. The following section discusses the Triple Bottom-line theory as a measure of business performance in this study.

### **3.4.2 The Triple Bottom-line and business performance**

It is crucial to highlight that pursuing the social goal does not imply that an organisation's performance is solely measured by its capacity to meet social goals while neglecting other duties. For CSR to be effective, the economic, social and environmental duties must all be met. Corporations must adhere to the concept of the triple bottom-line, which encompasses economic, social and environmental responsibility (Kuo, Chen and Meng 2021).

Notably, improving financial performance includes an increase in the return on investment and return on assets; sales increases, market share and profitability signal marketing performance; and production performance, which embraces elements such as quality improvement, cost efficiency, speed of production and production flexibility (Shaukat, Nawaz and Naz 2013). Raja and Guru (2021) assert that a well-implemented CSR approach can provide several competitive benefits like greater access to finance and markets; higher sales and profitability; cost reductions in operations; and increased productivity and quality. In this way, a company may accomplish both profit and social objectives.

Generally, insufficient research has been done on the relationship between CSR and overall business performance. Therefore, this study investigates the relationship between CSR and financial performance (as evaluated by profitability and production costs); marketing performance (as assessed by sales growth and customer retention); and human resource performance (as measured by employee turnover, absenteeism rates and labour productivity). This implies that when a business engages in employee, community, and/or environmental-related CSR activities, it is bound to experience an improved business performance, as measured by financial, human resources, and/or marketing performance. These are discussed in Sections **3.5, 3.6 and 3.7** respectively.

### **3.5 The effect of CSR on financial performance**

CSR practices are implemented to enhance business performance. For instance, several studies have been carried out to examine the effects of CSR on financial performance in Western cultures in order to better comprehend the relationship between CSR and financial business performance (Martinez-Conesa, Soto-Acosta and Palacios-Manzano 2017; Kim, Yin and Lee 2020; Sarkar, Chatterjee and Bhattacharjee 2021). A gap exists in the literature that investigates the effect of CSR on financial performance in the African context, hence the need for this study.

According to Lee and Kim (2017), the relationship between CSR efforts and financial performance can be achieved by recognising a good fit between company culture and CSR. In other words, CSR needs to be a part of the organisation's culture and strategy to be effective. Per se, CSR seeks to strengthen product efficiency, quality and pricing in order to build a more sustainable future for the business and the communities it serves (Javed and Husain 2021).

According to Cho, Chung and Young (2019), research on the benefits of CSR initiatives for financial performance is split between studies that support a positive association and those that support a negative correlation. Financial performance in this study is measured by profitability and production costs. The relationship between CSR and profitability as well as production costs is discussed below.

#### **3.5.1 CSR and profitability**

The key to an organisation's ultimate sustainability is its ability to make a profit. According to Bello, Yusuf, Isichei and Abubakar (2019), profitability refers to a manager's ability to make a profit using all of their available resources. However, small businesses are at a disadvantage since they may not have the same amount of discretionary resources available to them as larger, more profitable organisations (Singh and Chakraborty 2021). As a result, they frequently implement CSR initiatives reluctantly and with hesitation.

The main goal of a business is to maximise value for stakeholders, thus it is important to consider whether doing so will negatively affect profitability. According to Escamilla- Solano *et al.* (2019), there is some dispute regarding whether or not business profitability is boosted by investing in CSR. This is because profitability is crucial since it enables investors to examine the growth in profits that the organisation experiences each year (Machmuddah, Sari and Utomo 2020). As a result, data on profit growth influence how investors evaluate companies when choosing which investments to make (Nikmah and Fajarini 2020). By taking into account the needs and concerns of all stakeholders, a company's profitability and sustainability may be increased (Salvioni and Gennari 2020).

According to some scholars, CSR increases business profitability, while others believe that it is an unnecessary extra expense (Azam, Akhtar, Ali and Mohy-Ud-Din 2019; Gangi *et al.* 2020). For instance, Friedman and his co-workers, assert that businesses have a social responsibility to increase business profitability and should stop engaging in CSR efforts (Arrive, Feng, Yan and Chege 2019; Ramzan, Amin and Abbas 2021). They contend that a business should allocate money to its core functions rather than unrelated pursuits like CSR because they believe that CSR displays dishonesty towards the organisations' stockholders and investors.

Although CSR efforts are amongst the most cash-intensive initiatives, top management's CSR strategy is anticipated to have a substantial impact on an organisation's profitability (Chronopoulos 2021). As such, businesses, particularly SMEs, are encouraged to practice CSR because CSR is more than merely passive compliance with external expectations, as it may be used to improve profitability and subsequently, business performance (Park, Park, Hong and Yang 2017). Additionally, Samidi, Hakim and Nurfadilah (2019) affirm that CSR policies should be seen as a tool for boosting a company's profitability rather than just a mandate from the government or a set part of the culture.

### 3.5.2 CSR and production costs

Some researchers believe that organisations that implement CSR incur cost increases, which will eventually become burdensome and affect revenue and profitability (Aryani and Niron 2018; Karmani and Boussaada 2021; Nguyen and Nguyen 2021; Ramzan, Amin and Abbas 2021). This assertion is supported by Park, Byun and Choi (2020), who argue that CSR spending is an unnecessary expense for organisations that prevents them from pursuing their commercial goals. The authors contend that the CSR approach involves expensive initiatives that may have an impact on a company's financial performance.

Mahmood, Qadeer, Saleem, Han and Ariza-Montes (2021) and Gupta and Gupta (2019) affirm that the majority of businesses find it challenging to justify CSR expenses because they reduce yearly profits. Therefore, CSR efforts that go beyond the minimum requirements set by law should be curtailed in order to improve financial performance (Salvioni and Gennari 2020) because when costs rise, profits would decline, endangering the financial interests of shareholders. On the other hand, CSR experts uphold that businesses should only participate in CSR when doing so boosts shareholder profit or when the advantages outweigh the costs (Timbate and Park 2018). According to Rhou, Singal and Koh (2016), the strategic alternatives available to a corporation cannot be chosen if they are not in line with the organisation's CSR activities. Therefore, businesses, especially SMEs, are urged to select CSR initiatives that would support their sustainable growth.

Notably, the foundation of CSR is the idea that when an organisation satisfies its stakeholders, trust is established and both parties' relationship improves. Such businesses are more creditworthy, which results in lower financing fees and transaction costs (Ghazzawi and Palladini 2014; Memon, Sethar, Pitafi and Uddin 2019b; Moyo, Knott and Duffett 2021). According to Newman *et al.* (2020), CSR initiatives that can reduce production costs and result in product differentiation can boost business earnings and overall performance.

When properly maintained, CSR can also boost financial performance and profits by lowering costs, business-related risks and the cost of environmental compliance (Simionescu and Gherghina 2014; Lee and Hu 2018; Al Mubarak 2019; Ashrafi *et al.* 2020).

Any cost-cutting method can help a business become more profitable. Masum, Aziz and Hassan (2020) claim that businesses tend to avoid expensive social problems like high employee turnover and customer boycotts. They adopt preventative measures by engaging in more useful and affordable CSR activities rather than reacting to already existing social problems.

### **3.5.3 Factors mediating financial performance**

CSR initiatives may have a slow and indirect impact on the financial performance of businesses through organisational intangibles such as innovation, brand image and employee morale (Cui, Liang and Lu 2015; Le, Huan, Hong, and Tran 2021). According to Fanti and Buccella (2018), CSR initiatives have the potential to increase company profitability in a variety of ways, including reduced turnover and operating expenses; increased efficiency; and attracting more talented, loyal and motivated employees. When employees are satisfied, they become loyal and stay with the company for a longer period, reducing employee turnover as well as the costs associated with recruiting new employees. This results in increased profits.

Sales growth may also affect a company's profitability (Nikmah and Fajarini 2020; Lindawati, The, Tanuwijaya and Saputri 2021) because companies' profits are derived from sales, which are inextricably linked to consumer satisfaction and loyalty. As a result, increased customer satisfaction, lower customer turnover and increased customer loyalty may all lead to increased profitability (Lu *et al.* 2020; Ye, Wang and Lu 2021). According to Machmuddah, Sari and Utomo (2020), business profits increase in tandem with organisations' sales. When an organisation practises CSR, its image and consumer loyalty improve, leading to increased repeat purchases and profitability (Lindawati *et al.* 2021).

Huber, Pavlíková and Basovníková (2017) presented the following arguments to reinforce the link between CSR and profitability. They argue that CSR can have an impact on a company's financial performance through sales, credit and labour market channels, as well as its image and reputation:

- According to the sales channel, CSR adoption improves demand for a business's goods. This will result in improved sales and higher profits;
- The credit channel emphasizes that investors prefer CSR and will thus be prepared to accept lower returns (interests) on money given to businesses that practice CSR. If the benefits from decreased interest payments outweigh the costs of implementing CSR, a company's profitability will increase; and
- The labour channel contends that if employees work for socially responsible businesses, this will enhance their productivity and hence business profitability (Huber, Pavlíková and Basovníková 2017).

Notably, Huber, Pavlíková and Basovníková's (2017) arguments emphasise that the relationship between CSR and profitability is made possible through sales, investor interest in the company, and labour. Profitability improves when an organisation's sales increase; when investors' credit channels provide lower interest rates, profits rise; and strong employee relations result in motivated and pleased employees who are more likely to be productive and therefore boost profitability.

This section discussed the relationship between CSR and financial performance, specifically how it impacts profitability and production costs. This section also examined factors that influence financial performance, such as sales, customer satisfaction and loyalty. The following section provides an overview of CSR and its impact on marketing performance.

### **3.6 The effect of CSR on marketing performance**

Between 1935 and 2007, the concept of marketing changed- it first placed a heavy emphasis on distribution before shifting to managers' duties concerning the creation and delivery of a marketing mix (Sanclemente-Téllez 2017). The typical measures used to assess marketing performance include sales, customer loyalty, customer satisfaction, market share and company image/reputation (Oduro and Haylemariam 2019; Moyo, Knott and Duffett 2021). This study makes use of sales growth and customer retention to measure marketing performance.

Since CSR aims to improve people's lives through community engagement, it can assist businesses in interacting with their customers; enhancing customer-corporate interaction, reputation and customer happiness; and enhancing the company's external image (Ahn and Lu 2021; Singh and Misra 2021). CSR might therefore be viewed as a marketing tool, and effective use of this tool could give businesses a competitive advantage (Rahman, Rodríguez-Serrano and Lambkin 2017; Bello *et al.* 2019; Isaksson and Kiessling 2021; Karmani and Boussaada 2021). This section examines how CSR affects customer retention and sales growth.

### **3.6.1 CSR and sales growth**

Sales are funds received by the company from transactions made through various sales channels; it encourages increased manufacturing, which consequently results in greater revenues (Igwe 2020). Sales growth is an indication of how an investment performed in the past and can be used to predict sales growth in the future (Octaviana, Titisari and Chomsatu 2018; Lee and Hu 2018; Chronopoulos 2021; Ndumia, Ng'ang'a and Kabata 2020). Due to the expectation that customers will be more brand conscious and devoted to a socially responsible organisation, CSR programmes have a substantial impact on a company's sales.

According to Chen, Khan, Hongsuchon, Ruangkanjanases, Chen, Sivarak, and Chen (2021), customers support businesses by buying their products and services to show their appreciation. Furthermore, sharing information about CSR activities is essential for the initiatives' credibility as well as that of the organisations that support them because it increases consumer interest in the company's products (Rahman, Rodríguez-Serrano and Lambkin 2017).

It is important to keep in mind that consumers' intention to buy typically results in greater sales. The next sub-section discusses the relationship between CSR and customer retention.

### 3.6.2 CSR and customer loyalty and retention

When customers find value in their interaction with a business, they stay loyal to it. Thus, every manager's job is to come up with strategies for boosting customer loyalty and retention (Pérez and Del Bosque 2015). This means that businesses are expected to identify and work toward the value component of potential transactions to retain customers (Bianchi, Bruno and Sarabia-Sanchez 2019; Somjani 2021).

The most significant predictor of customer loyalty is customer satisfaction. Islam, Islam, Pitafi, Xiaobei, Rehmani, Irfan, and Mubarak, (2021) maintain that only satisfied customers are likely to trust the company and make repeat purchases, which results in customer retention. A customer who is devoted to the brand and is satisfied with the business or its products is expected to remain with the organisation for a long time. Hence the need for businesses to incorporate marketing strategies, such as CSR activities. This creates customer loyalty and subsequently, long-term relationships and achieves a competitive edge.

According to Ahmad, Jawaid, Arshad and Paracha (2021a), businesses' concern for CSR has grown substantially in this age of social consciousness since it fosters consumer loyalty and retention. This suggests that customer loyalty has a direct influence on profitability as a result of repeat purchases made by consumers who are loyal to the organisation (Samidi, Hakim and Nurfadilah 2019; Tran and Nguyen 2021).

In the literature on consumer behaviour and marketing, trust is regarded as a core idea. As a result, it plays a crucial role in building long-lasting business relationships with clients (Moliner, Tirado and Estrada-Guillén 2019; Chen, Khan, Hongsuchon, Ruangkanjanes, Chen, Sivarak and Chen 2021; Islam, *et al.* 2021). Customer loyalty is largely influenced by things like trust and customer satisfaction (Mesquita, Luiz, Herrero and Fernando 2020; Ahmad, *et al.* 2021a).

When customers' expectations are met and/or exceeded, the result is customer satisfaction, which fosters loyalty and ultimately produces customer retention. The next sub-section discusses brand awareness and business reputation as mediators for customer retention.

### **3.6.3 CSR and brand awareness – mediating customer retention**

Some researchers argue that CSR is a public relations gimmick because organisations highlight the good they do for the community. They believe it is more of a marketing strategy than a social impact effect (Alrubaiee, Aladwan, Joma, Idris and Khater 2017). For instance, Arrive *et al.* (2019) and Kuo, Chen and Meng (2021) maintain that CSR is a technique for raising brand and/or business awareness and improving business performance because it increases brand recognition, making it easier for stakeholders to identify the organisation or brand. As such, customers are more likely to support companies whose CSR activities they are aware of (Chen *et al.* 2021). Moreover, customers may decide to stay with a company for a longer period based on their level of satisfaction.

Being socially responsible may boost the image of an organisation and lessen the financial impact of negative press (Fatmawati and Fauzan 2021; Le Thanh, Ngo and Aureliano-Silva 2021; Metzker and Zvarikova 2021; Murshed, Sen, Savitskie and Xu 2021; Raja and Guru 2021). Moyo, Knott and Duffett (2021) contend that this indicates that there is a link between CSR and customer loyalty, public relations and reputation management. They believe that CSR can make a customer loyal because of the activities that a company engages in that provide value to customers. This implies that an organisation can save money on advertising and the costs of rehabilitating itself after negative publicity.

### **3.6.4 CSR and business reputation - mediating customer retention**

A company's reputation is defined as a consumer's overall assessment of the company based on their reactions to its products, services, communication and interaction with the company (Tjokrosaputro 2021). It is one of an organisation's most valuable intangible assets (Islam *et al.* 2021). Furthermore, CSR is critical in securing a good corporate reputation and building customer relationships (Chanakira and Masunda 2019; Fatmawati and Fauzan 2021) and it is a competitive strategy for improving customer satisfaction, loyalty, company reputation and positive brand perceptions (Islam *et al.* 2021).

As a result, an organisation that practises CSR is expected to provide better customer service, a higher quality of life, employee satisfaction and customer support. The organisation is believed to have a positive reputation due to the good it does for its stakeholders, and customers are likely to become loyal to the organisation. This implies that organisations that commit to worthy social causes to boost their reputation benefit from CSR initiatives (Boachie and Tetteh 2021; Siddiqi, Mirani, Nasim, Shamshir and Nisar 2021). Expectedly, when the reputation of an organisation improves, customers are attracted by affiliation with a social group through a local connection (Jha 2021).

Furthermore, CSR is viewed as a communication tool that improves business reputation, which is critical for repeat purchases from customers (Khuong, Truong an and Thanh Hang 2021). Customers are increasingly expecting businesses to practise CSR (Kim, Kim and Nam 2021), and they have favourable attitudes and behaviours toward socially responsible businesses (Fatmawati and Fauzan 2021). As a result, they prefer to do business with companies that practise social responsibility.

This section discussed how CSR affects marketing performance as measured by sales growth and customer retention. A review of CSR and marketing literature revealed that brand awareness and business reputation play a mediating role in customer retention. The following section examines the impact of CSR on human resource performance.

### **3.7 The Effect of CSR on Human Resource Performance**

In today's competitive environment, human resources work tirelessly to retain employees by enacting rules that benefit employees and encourage them to stay with the organisation for a longer time. Human Resource Management (HRM) seeks to improve organisational performance by providing fair remuneration based on high values and fostering a positive, productive and accountable work environment (Dila and Priyanto 2021). It is a critical component of an Organisation's strategy for attracting, retaining and engaging high-potential employees (Iqbal, Guohao and Akhtar 2017; Shaikh 2021), which when done properly, allows an organisation to grow, improve and become successful (Para-González and Mascaraque-Ramírez 2020; Al Masud, Hossain and Biswas 2021).

Employee motivation and training and development initiatives are commonly included in a business's CSR programmes because their ultimate goal is to improve the performance of the organisation (Chandani, Mehta, Mall and Khokhar 2016; Shaikh 2021). Even though social responsibility does not always result in monetary gains in the short-term, it has been proven to be a new HRM method for improving institutional reputation and worker motivation in the medium to long term (Sobhani, Haque and Rahman 2021).

In order to understand the relationship between CSR and labour turnover, absenteeism and labour productivity, it is critical to discuss the importance of managing internal business stakeholder relations.

### **3.7.1 Managing internal business stakeholder relations**

Using social responsibility as a business brand strategy has ramifications for all stakeholders, particularly employees (Youn, Lee and Lee 2018). Since CSR upholds ethics while demonstrating the organisation's dedication to employee care and support, employees are more likely to support a business brand that aligns their views and behaviours with management and public expectations (Carlini and Grace 2021; Isaksson and Kiessling 2021).

Unfortunately, the majority of CSR research has focused on the impact of CSR on the business's external stakeholders. Even CSR programmes in which businesses participate are typically aimed at external stakeholders, leaving employees out of the picture because the majority of these programmes are used as publicity gimmicks (Glavas and Godwin 2013). Many companies in developing countries, for example, are accused of abusing their employees through practises such as child labour, poor working conditions, low wages and human rights violations (Manurung, Riyanto, Pangaribuan, Nurzaman and Sunarsi 2021). This signifies a disregard for employees, who are meant to be an organisation's most valuable asset.

CSR activities can help an organisation gain a competitive advantage in terms of recruiting human resource and increasing consumer satisfaction, which can lead to increased

profitability (Masum, Aziz and Hassan 2020; Luu 2021; Ye, Wang and Lu 2021). According to Bartolović and Vučemilović (2019), CSR initiatives should provide guarantees and retain highly skilled employees through practices such as professional growth and equal pay for men and women, as well as non-discrimination in hiring minorities and the elderly. These incentives attract highly qualified employees who are more likely to stay with the company for an extended period.

CSR strategies may provide beneficial programmes that employees value and are likely to influence positive attitudes, such as their loyalty to the organisation (Kim and Kim 2021). According to Bizri, Wahbi and Al Jardali (2021), employees are motivated to give back to the organisation by improving job performance because working for a socially conscious business has benefits for employees. It boosts self-esteem, provides a sense of purpose and belonging and thereby improves profitability (Lau, Lee and Jung 2018; Jeon, Kim and Youn 2019; Khuong, Truong an and Thanh Hang 2021; Murshed *et al.* 2021; Paruzel, Klug and Maier 2021).

After discussing the significance of managing internal business stakeholder relationships, the following sub-section discusses how CSR practice leads to commitment, which is a driver of lower absenteeism.

### **3.7.2 CSR and commitment as a driver of reduced absenteeism**

Employee commitment can be achieved by directing an employee's enthusiasm for work towards the performance of the organisation. This is because an engaged employee produces results, does not frequently change jobs, and acts as the business's ambassador at all times (Chandani *et al.* 2016). For instance, when an employee has negative feelings about his job (for example, if he feels under-engaged or over-burdened), he is more likely to engage in unproductive work behaviour.

Employee perceptions of CSR are important because they describe the process by which employees learn about and form opinions about their business's CSR (De Roeck and Maon

2018). Their opinions and attitudes towards the company are influenced by their level of satisfaction with the company, which influences their commitment to the organisation. Meyer, Stanley, Herscovitch and Topolnytsky (2002) classified CSR commitment into three types, namely affective, continuous and normative:

Employees' "emotional attachment" to their organisation is regarded as an emotional or affective commitment;

- the perceived costs of leaving the organisation drive continuation commitment, which is regarded as an economic attachment; and
- normative commitment, on the other hand, represents an employee's responsibility to remain connected or loyal because it is the right thing to do (Meyer *et al.* 2002).

Employees must go through all three forms for a company to have a low absenteeism rate, high productivity and low employee turnover. For instance, employee commitment to staying with the company reduces the likelihood of employees leaving, and an organisation may benefit financially from lower employee turnover.

When an organisation engages in CSR, employees tend to respond with emotional and long-term commitment. As a result, it could be argued that an employee's emotional attachment to the company leads to lower absenteeism as a result of that employee attachment to the organisation. This demonstrates that employees who value CSR will benefit from knowing that their company is meeting its social and environmental obligations (Murshed *et al.* 2021).

Consequently, they will feel strongly connected to the Organisation. A lack of CSR influence on job satisfaction may obscure employees' job satisfaction. This may eventually increase absenteeism and have an impact on a company's overall labour productivity. The next sub-section discusses the relationship between CSR and labour productivity.

### 3.7.3 CSR and labour productivity

A successful business can keep its employees and enhance its productivity owing to the lower expenses of continuously hiring new staff. CSR boosts job satisfaction, organisational loyalty and productivity (Fourati and Dammak 2021). As such, working for a responsible company can also assist employees in achieving and improving their self-esteem, productivity and overall organisational performance (Rashid, Gul and Khalid 2018; Deng, Long, Schuler, Luo and Zhao 2020).

Sarker and Afroze (2014), as cited in Al Masud, Hossain and Biswas (2021), posit that the key to sustaining a profitable business or a healthy economy is through the workforce's productivity, which may be increased through improved human resource procedures. As a result, corporate entities use a variety of practices with common goals such as reducing waste, boosting resource efficiency, empowering employees, improving quality, and increasing productivity (Javed and Husain 2021).

These practices increase business productivity since cost-cutting strategies suggest that an organisation will save money and therefore enhance productivity. Hence, dedicating time to CSR projects leads to positive possibilities of improved employee retention and loyalty; efficiency gains due to alternative production methods; and economic and environmental sustainability (Newman *et al.* 2020; Shahzad *et al.* 2020a).

A plethora of management studies have investigated the relationship between CSR and employee work satisfaction, loyalty to the firm and ultimately, productivity (Glavas and Godwin 2013; Vlachos, Panagopoulos and Rapp 2013; Iqbal, Guohao and Akhtar 2017; Carlini and Grace 2021; Dobrosavljević and Urošević 2022; Kim and Kim 2021; Murshed *et al.* 2021). According to Stuebs and Sun (2010), a good reputation can help to protect business income during economic downturns and aid in cost reductions.

Bhattacharya, Sen and Korschun (2008) postulated that CSR activities show an organisation's beliefs and they have a valid and persuasive approach to recruiting and retaining good personnel, boosting job happiness and eventually improving productivity.

Turban and Greening (1997), as cited in Yang, Bento and Akbar (2019), established that a supportive attitude towards employees allows firms to recruit, retain and motivate valued human resources, resulting in lower turnover and increased production.

In addition, Amini and Dal Bianco (2017) postulate that CSR certainly can improve a business's reputation, which improves labour productivity because a business retains highly skilled employees. The next sub-section discusses CSR and employee retention.

#### **3.7.4 CSR and employee retention/ turnover**

Employee turnover is regarded as one of the sensitive factors that can harm an Organisation because employees are frequently changing jobs and companies, resulting in high labour turnover. As such, retaining and engaging employees has become a difficult challenge in these uncertain economic times (Chandani *et al.* 2016). A lack of qualified employees, economic development and staff turnover has resulted in many businesses having low employee retention rates. This implies that organisations have to use a variety of methods to retain employees, including CSR engagement (Iqbal, Guohao and Akhtar 2017).

Employee turnover reflects dissatisfaction with work relationships, organisational culture and environment, monetary compensation and other aspects of job satisfaction (Dobrosavljević and Urošević 2022). As a result, organisations must ensure employee job satisfaction because it is the primary determinant of whether a company stays or goes (Iqbal, Guohao and Akhtar 2017). Lau, Lee and Jung (2018) aver that employee turnover may lead to additional overhead expenses as a result of the loss of human and social capital, as well as employee investment. This is why businesses want to keep staff turnover as low as possible in order to benefit from this cost-cutting strategy.

The major benefit of active CSR practices is that it helps in attracting, inspiring and retaining employees (Rózsa, Belás, Khan, and Zvaríková 2021). Relatedly, Iqbal, Guohao and Akhtar (2017) maintain that companies should strive to keep employee turnover to a minimum because the cost of losing talented, experienced and competent employees is far more than the expense of employing new ones.

As such, businesses should engage in CSR activities that benefit employees by providing a safe and supportive working environment, fair compensation and appropriate work hours (Feng, Wang and Kreuze 2017). This may assist a company in not only recruiting and retaining employees but also in creating value through personnel. According to the literature, CSR efforts have a significant impact on employee retention and turnover reduction (Podgorodnichenko, Edgar and Akmal 2021).

According to Carlini and Grace (2021), some of a business's employee-related CSR activities may be related to the physical environment (for example, nap rooms, childcare facilities, gymnasiums, lactation rooms, healthcare, etc.); flexible work hours; telecommuting options; job assignment flexibility; and work/life balance. Organisations that cater to a wide range of employee needs gain market appeal and as a result, workers want to work for such an organisation.

Employees are more willing to accept lower pay in exchange for a good reputation because they prefer companies with a positive image (Stuebs and Sun 2010). However, Ghazzawi and Palladini (2014) posit that a good reputation may lead to higher labour costs because well-known companies may choose to pay their employees more. Although high labour costs have a short-term impact, in the long- run, hiring experienced and highly skilled workers benefit firms, and productivity rises as well (Sánchez and Benito-Hernández 2015).

This section examined the significance of CSR in managing internal stakeholders, including employee attendance and absenteeism reduction, labour productivity and employee retention rate. The following section assesses empirical studies on CSR and business performance as measured by financial, marketing and human resource performance.

### **3.8 Empirical Evidence on CSR and business performance**

Studies on the effect of CSR on business performance have been ambiguous as there have been both positive and negative effects. As a result, an empirical literature review is conducted to establish the relationship between CSR and business performance.

### 3.8.1 Empirical Evidence on CSR and financial performance

In order to ascertain the link between CSR and financial performance, several studies were conducted. For instance, Nguyen and Nguyen (2020) noted a favourable relationship irrespective of adversity in the measurement of CSR and financial performance, as did several scholars and researchers who investigated the influence of CSR on financial performance, discovering a positive relationship between CSR and financial performance (Ruf, Muralidhar, Brown, Janney, and Paul 2001; Ghazzawi and Palladini 2014; Bikefe, *et al.* 2020; Li, Pinto and Diabat 2020).

Cho, Chung and Young (2019) examined whether there was a systematic link between CSR performance and company financial performance. CSR performance was measured using the Korea Economic Justice Institute's (KEJI) 2015 index. Correlations were investigated utilizing 191 Korea Exchange-listed businesses. This study found that only social contribution has a statistically significant positive relationship with business stability and the profitability of the company, implying that economic and environmental contributions are insignificant.

On the other hand, Feng, Wang and Kreuze (2017) investigated how the relationship between a company's CSR participation and financial performance varies between industries and CSR categories. They discovered that CSR has substantial beneficial consequences for businesses in the majority of industries. In addition, different forms of CSR have varying effects on the financial performance of businesses in various sectors. This suggests that the financial benefits of practising CSR vary by industry.

For instance, Gadedjisso-Tossou, Bodjona, Aboudou and Gueyie (2021) focused on micro-finance institutions (MFIs) when they studied the impact of Togolese MFIs' CSR activities on their financial performance. When measured by ROA, the results demonstrated that CSR has a favourable and considerable influence on the financial performance of MFIs across the dimensions of customers, employees and community. In the Ethiopian and Ghanaian examples, CSR has a favourable influence on financial and marketing performance and entirely moderates the relationship between market orientation and financial performance (Oduro and Haylemariam 2019).

Fourati and Dammak (2021) explored the direct and indirect effects of CSR on a company's financial performance using corporate reputation as a moderator in the association. They analysed a sample of 3 274 publicly-traded businesses from 25 countries in Europe, Asia, Africa, and South and North America from 2009 to 2016. Using four OLS regressions, their findings showed that CSR has a positive and direct influence on financial performance and that corporate reputation mediates the relationship.

Notably, several researchers have identified a connection between corporate social responsibility and company performance (Ruf *et al.* 2001; Ghazzawi and Palladini 2014; Oduro and Haylemariam 2019; Bikefe *et al.* 2020; Li, Pinto and Diabat 2020; Nguyen and Nguyen 2020; Fourati and Dammak 2021). In this study, measures of financial performance include profitability and production costs. Therefore, it is vital to examine the relationships between CSR and profitability, and production costs, respectively.

### **3.8.1.1 Review of empirical studies on CSR and profitability**

The relationship between profitability and CSR has been extensively studied in the literature, with varied results, the conclusion being that there are positive relationships; negative relationships; and no relationships (Rehan, Khan and Khan 2018; Marín- Hernández and Ortiz-Martínez 2019; Ramzan, Amin and Abbas 2021).

For example, Akinleye and Faustina (2017) investigated the impact of corporate social responsibility on the profitability of multinational corporations in Nigeria. For the study, five global corporations were chosen at random, and data was compiled from their separate financial reports between 2010 and 2014. The findings indicated a slight inverse relationship between corporate social spending and profit after tax.

Using a sample of 43 hotels from 2007 to 2018, Babajee, Seetanah, Nunkoo and Gopy-Ramdhany (2021) examined the causal link between CSR initiatives and corporate financial performance. The study discovered that growth possibilities serve as a bridge between CSR and performance. This means that high-growth hotels will have more possibilities to

participate in CSR initiatives, which will benefit their performance. According to these findings, CSR has a favourable and considerable influence on business financial performance.

In another study that followed the theoretical business strategy framework and resource-based theory, Deng, Ji and Liu (2021) investigated the link between CSR and corporate financial performance (CFP) in China. They discovered that CSR is favourably linked with CFP for prospectors but adversely correlated with CFP for defenders. The prospector is more concerned with customer demand and company reputation than the defender who wants long-term profitability and is more risk-tolerant (Deng, Ji and Liu 2021).

Babalola's (2012) study used secondary data from ten (10) randomly chosen businesses' annual reports and financial summaries from 1999 to 2008 to investigate the link between corporate social responsibility and firm profitability in Nigeria. According to the findings of the research, the amount dedicated to social responsibility varies from one firm to the next. However, a negative relationship was discovered between the firm's performance metric and profit after tax, indicating that the two variables have a negative correlation (Babalola 2012).

Another Nigerian study investigated the influence of CSR on the profitability of Nigerian Bottling Company, Plc. It utilised a questionnaire to collect primary data and was analysed using a multiple regression method with Statistical Package for the Social Sciences (SPSS) version 23. According to the findings, CSR has a substantial influence on an Organisation's profitability. Osagie (2017) also examined the impact of CSR activities in the Nigerian context. He used secondary data gathered from MTN Nigeria Ltd on social responsibility spending and profit after tax. Using SPSS version 20, the data was analysed using the Ordinary Least Squares (OLS) regression model. The findings revealed that CSR has a good influence on both profitability and the environment.

Okafor, Adusei and Adeleye (2021) presented quantifiable evidence that spending on socially responsible causes has a beneficial impact on the long-term profitability of US

technology businesses. They investigated the relationship between company financial performance and CSR indicators. The key findings showed that IT businesses that spend more on CSR see an increase in sales and profitability. This indicates the importance of incorporating CSR in business, as it has positive effects.

Javeed and Lefen (2019) discovered that most empirical studies used accounting-centred measures like ROA, sales growth and total assets when investigating CSR and business performance. Profitability is also one of the commonly used and acknowledged indicators of business performance (Spitsin, Ryzhkova, Vukovic, and Anokhin 2020). At the same time, Simionescu and Gherghina (2014) confirm that customer satisfaction has been identified to indirectly improve profitability through repeat purchases. As such, customer satisfaction plays a mediating role between CSR and profitability since satisfied customers make repeat purchases that lead to an increase in sales, and subsequently increased profits.

On the contrary, Sharma and Aggarwal's (2021) study examined how obligatory CSR spending affects a company's financial performance. They made use of data from 153 non-financial businesses listed on the Bombay Stock Exchange (BSE-500) from 2015 to 2019. According to their empirical findings, mandated CSR spending had a detrimental influence on a company's profitability. This highlights the inconsistency in the findings of studies on CSR and financial performance. It necessitates further studies to shed light on the influence of CSR on financial performance in the South African context.

According to Xuan, Thu and Anh (2020), the profitability ratio is often used to measure SMEs' performance because it is an indication of their ability to generate income over some time. As such, a combination of sales growth, employment growth and profitability could provide a holistic picture of SME performance since the measures include financial and non-financial aspects. Maduekwe and Kamala (2016) concurred that the widely used financial performance measures in SMEs include sales growth, cash flows, operating income and net profit margin. For this study, profitability and production costs are used as measures of financial performance.

### **3.8.1.2 Review of empirical studies on CSR and production costs**

Nguyen and Nguyen (2021) explored the link between CSR and financial performance in Vietnamese businesses, and the findings revealed that firms that focus on CSR improvement while running their operations may qualify for a lower interest rate on their loans due to their low risk and good reputation. This emphasises that considering stakeholders' concerns has favourable effects on a business's financial performance. In addition, a good reputation may boost trust and connections with a variety of stakeholders, resulting in lower costs and increased efficiency (Sánchez and Benito- Hernández 2015; Boachie and Tetteh 2021).

Oduro and Haylemariam (2019) affirm that the negative but non-significant interaction impact of CSR in the Ghanaian instance implies that CSR projects may increase expenses in the short-term, but that the market may respond to CSR activities in the long- run. Hence, corporations should not expect that CSR engagements would inevitably convert into financial success. CSR is an investment that a company is making, so it takes a long time to see a positive impact on business performance, particularly business profits.

In contrast, Sinthupundaja, Chiadamrong and Kohda (2019) advocate that the traditional opinion holds that Thai CSR simply incurs costs for a business and does not produce back profits due to the country's inadequate institutional frameworks in comparison to industrialized nations. This necessitates a study into whether or not CSR improves financial performance in developing nations.

Having reviewed related literature, this study will use profitability and production costs to measure the financial performance of SMEs. Since measuring SME performance requires the amalgamated use of both financial and non-financial performance measures, mixing different measures helps obtain an accurate interpretation of how the business is performing (Mlotshwa and Msimango-Galawe 2020).

### **3.8.2 Empirical Evidence of Marketing Performance and CSR**

CSR is considered a marketing strategy with strategic marketing implications. For instance, Moyo, Knott and Duffett (2021) conducted research into the relationship between CSR and the marketing performance of South African professional sports organisations. The findings revealed a connection between the metrics used to assess CSR success and the CSR components.

#### **3.8.2.1 Review of empirical studies on CSR and customer loyalty**

Research findings in the field of brand awareness and consumer loyalty concerning CSR activities suggest a significant association between CSR involvement and customer loyalty strengthening (Chronopoulos 2021). For instance, research conducted by Adebayo and Ogunshola (2017) in Nigeria to assess the impact of CSR on customer loyalty and retention showed a positive and substantial link between an Organisation's attitude towards customer affairs and customer loyalty. There was also a positive link between the Organisation's approach towards community issues and loyalty and retention.

According to the findings of a study that looked at the link between stakeholder influence, CSR kinds and company reputation, stakeholder influence has a substantial impact on the performance of the CSR dimensions including economic, environmental, ethical, legal and philanthropic. A positive link was discovered (Khuong, Truong an and Thanh Hang 2021). From a stakeholder perspective, Teanpitthayamas, Suttipun and Lakkanwanit (2021) postulate that a positive link between a company and its stakeholders may lead to a positive reputation, increased firm value, competitive advantage and improved performance. Deng, Ji and Liu (2021) uphold that from this perspective, CSR initiatives can help a company's reputation and financial performance by removing conflicts of interest between the company and non-investment stakeholders.

Barauskaite and Streimikiene (2021) posit that the central reason is that all stakeholders in a firm have something at stake and can influence how that organisation is handled.

Consequently, meeting these expectations enhances the company's reputation and has a favourable influence on its financial success. This piques the interest of investors and other stakeholder groups, which can boost the organisation's profitability. Furthermore, investors are drawn to companies that have a strong CSR commitment to environmental and social concerns, and customers are prepared to make repeat purchases of items from ecologically and socially responsible firms (Bello *et al.* 2019).

Singh and Misra's (2021) study, which investigated the relationship between CSR and organisational performance, found that when CSR is applied to external stakeholders, it has an impact on corporate performance. This impact was discovered to differ between well-established, respectable businesses and businesses with poor reputations. They believe that not all businesses benefit from CSR implementation, only those with good reputations.

From a developing nation perspective, Bahta *et al.* (2020b) investigated the relationship between CSR and SME performance, as well as the mediating function of company reputation. A questionnaire was used to collect information from 402 owners/managers in Eritrea, an East African country. The findings revealed that CSR has a substantial impact on the performance of SMEs and that this link is somewhat mediated by corporate reputation.

### **3.8.2.2 Review of empirical studies on CSR and sales performance**

A number of studies relating to CSR show a positive relationship between CSR and sales or sales growth. For example, empirical research conducted by Cui, Liang and Lu (2015) studied how CSR commitment relates to business success in terms of sales growth in the setting of a developing nation. They found that CSR is adversely related to a firm's sales growth. The negative link between CSR and sales growth is moderated by business size. For larger enterprises, the relationship becomes positive. This might suggest that the beneficial relationship is only felt by big businesses, while small firms are negatively impacted. As a result, it is worth investigating why size matters in terms of CSR and sales performance.

Another study by Lu *et al.* (2021b) looked at the impact of CSR on a company's sales growth. The findings suggest that the relationship between CSR and sales growth is mediated by competitive advantage and that the beneficial impact of CSR on sales growth is tempered by the employee's belief in social responsibility. This study recommended that SMEs should conduct CSR efforts since buyers consider CSR practices when purchasing products and services.

Nyame-Asiamah and Ghulam (2019), on the other hand, used quantitative tools to investigate the link between CSR and sales income at two retail firms in the United Kingdom. The data suggest that donations have medium to high positive associations with sales growth. Based on the outcomes of this study, it is apparent that these retail stores primarily offered donations as a form of CSR. It will be fascinating to identify the link between CSR and sales when a company is engaged in various types of CSR.

An additional study that looked into CSR and market performance found that companies who engage in CSR initiatives saw a return on their investment in the form of increased market share (Rahman, Rodríguez-Serrano and Lambkin 2017). Furthermore, customers regarded CSR efforts favourably and compensated businesses by purchasing more products and services from these firms, which increased their sales. Furthermore, the amount of advertising intensity affected the link between CSR activities and market share.

Likewise, Stoian and Gilman's (2017) research took a strategic approach to CSR, contending that by integrating CSR efforts with the business's competitive strategy, SMEs may increase business growth. Their study also concludes that environmental CSR efforts are not advantageous to the growth of SMEs.

Notably, SME performance could be measured by the increase in sales over a certain period (Stoian and Gilman 2017; Mlotshwa and Msimango-Galawe 2020; Lu, Rong, Zhang, Wang, and Streimikis 2021b). Moreover, customers are more likely to purchase goods from a business that practices CSR because they trust them. Similarly, suppliers would develop relationships with businesses that they know they can trust (Ghazzawi and Palladini 2014).

This shows that CSR is advantageous not just for sales development, but also for building and sustaining supplier and customer relationships.

### **3.8.3 Empirical Evidence of CSR and human resource performance**

Newman *et al.* (2020) investigated the organisational impacts of CSR using a representative sample of over 5000 Vietnamese companies. They discovered a favourable connection between CSR project uptake and company productivity. The aggregate effect is driven by community-focused CSR efforts at the local level. Chaudhary (2020) studied how workers perceive their employer's CSR and how it affects both in-role and extra-role activities. The results of a hierarchical regression study show that CSR perceptions have a substantial effect on job performance and Organisational citizenship behaviour. The study, however, ruled out any significant impact of employee priority placed on an employer's CSR efforts on the strength of the relationship between CSR and employee performance.

Oanh, Cuc and Anh's (2021) study looked at the performance of SMEs in Vietnam's growing economy. This research investigated the effects of CSR practices for social welfare, human rights and a healthy physical environment on the performance of SMEs. It showed that the successful application of CSR practices in the field of human rights enhances performance. It is worth noting that when a company is renowned for its social responsibility, it is simpler to attract and keep competent employees, which can have an impact on its commercial success.

Even though the examined literature revealed a paucity of research on the influence of internal CSR activities on company performance. The purpose of this research is to determine the impact of CSR activities, whether internal or external, on manufacturing SMEs. As a result, it is critical to assess if CSR affects the absenteeism rate and labour productivity.

Evidence from a review of empirical studies indicates that CSR has a beneficial impact on employee turnover. As an example, based on a longitudinal survey of small and medium-

sized businesses, Ikram, Sroufe, Mohsin, Solangi, Shah and Shahzad (2020) attempted to assess if CSR initiatives impact company performance. Data for this study were gathered from SMEs in Pakistan's cities of Karachi, Lahore and Faisalabad. The findings showed that CSR has a substantial relationship with two indicators of business performance, namely employee commitment and corporate reputation. In other words, employee commitment and corporate reputation are moderators for business performance.

Furthermore, research conducted by Bartolović and Vučemilović (2019) investigated CSR and human resource management in the Republic of Croatia, revealing that employees' opinions of CSR were centred on regular pay, work hours and paid extra training. According to this research, implementing CSR improves employee well-being and increases a company's competitive edge.

Considering the numerous advantages that Organisations gain from participating in CSR, Bikefe *et al.* (2020) also encourage SMEs to involve their employees in their CSR practices. They assert that this common trend is favourable to employees and the business. It improves employee morale and new employees are more likely to be attracted to a business that is operating in a socially responsible manner. As a result, managers in Organisations must use CSR activities as a successful business approach to increase employee morale (Štreimikienė and Ahmed 2021) as increased morale eventually leads to increased production.

Papacharalampous and Papadimitriou's (2021) findings in a study in Greece discover how workers' perceptions of their companies' CSR affect their affective/emotional commitment, indicating a significant and satisfactory relationship between workers' perceptions of CSR and emotional commitment. This implies that employees become committed to working for a socially responsible company. It can be argued that such employees are reliable to the organisation.

Following a review of empirical studies, it can be argued that the findings are inconclusive because they provide mixed results. Consequently, this study is required in order to establish

the relationship between CSR and business performance, as measured by financial, marketing and human resource performance. From the review of the literature, the model shown below (Figure 3.2) was created. According to the model, an organisation that engages in an environmental, employee, and community-related CSR projects is more likely to experience improved business performance as measured by financial performance (profitability and reduced production costs), marketing performance (sales growth and customer retention), and human resource performance (employee turnover and labour productivity).

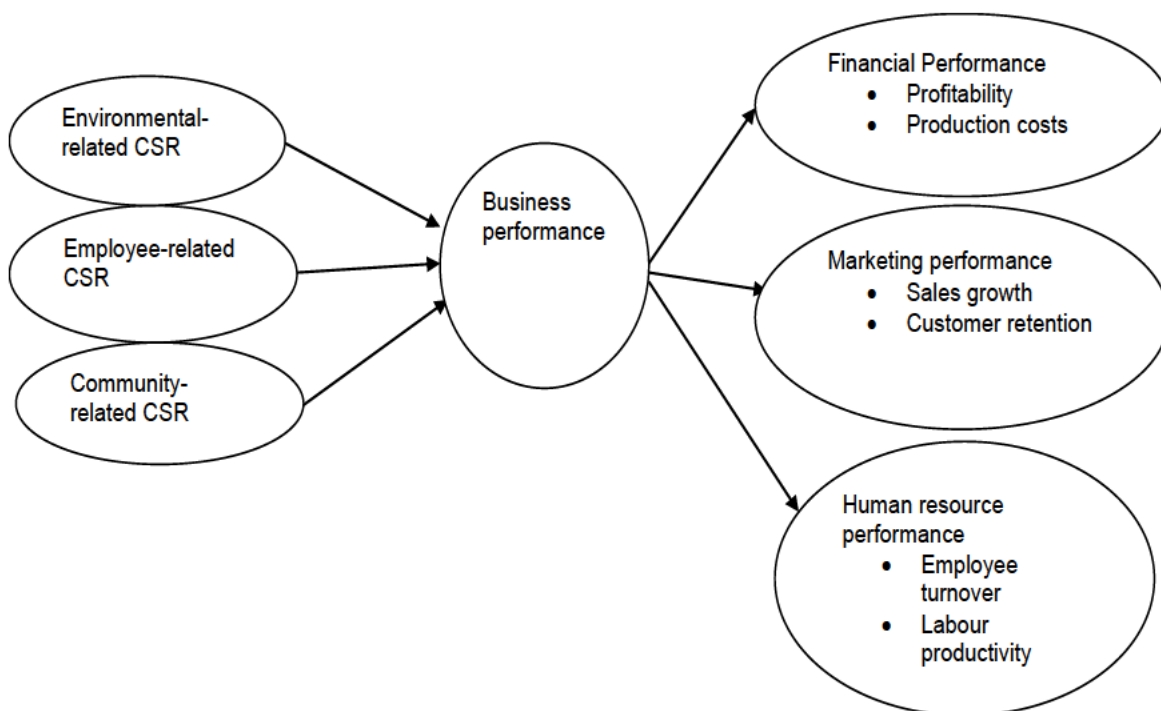


Figure 3.1: Conceptual framework: CSR and business performance

Figure 3-1: Conceptual framework: CSR and business performance

(Source: Own construct 2022)

The next section discusses the interconnectedness between CSR theories which were discussed in the previous chapter (Stakeholder theory, Triple bottom-line, and Ubuntu perspective), these theories are useful in assessing the relationship between an

organisation's participation in CSR and business performance, resulting from CSR engagement.

### **3.9 The relevance and the interconnectedness of Ubuntu, Stakeholder and Triple bottom-line theories in this study**

This study examines the theoretical framework of CSR, focusing on Ubuntu, Stakeholder Theory, and the Triple bottom-line theory. These concepts are interconnected, share commonalities, and complement each other. Ubuntu points out that an Organisation performs CSR because of the owner's humanity and concern for the community, derived from African tradition and culture. Stakeholder Theory states that the manager engages in economic, social, and environmental responsibilities to meet the expectations of stakeholders, leading to improved business performance. The basis of this study must be a theory that will help achieve a resonant interpretation of the influence of CSR on the business performance of a manufacturing organisation in the eThekweni metropolitan area.

The European Union's (EU) definition of CSR is a voluntary concept in which businesses incorporate social and environmental issues into their company operations and interactions with their stakeholders. It is based on two theoretical frameworks: the Triple bottom line (TBL) theory, which states that economic success, environmental quality, and social fairness are the three bottom lines of CSR research, and the Stakeholder Theory, which states that an organisation's ability to satisfy the expectations of its stakeholders is the basis of CSR research. The Ubuntu principle of CSR denotes the foundation of CSR implementation in an African context, which is driven by compassion, humanity and concern for the community, resulting in giving back to the community.

As previously highlighted, CSR problems in Africa differ from those in the developed world. For instance, the cultures and beliefs affect the activities that organisations are likely to perform since European and American measurements are inadequate for Africa (Dzansi and Pretorius 2009). Therefore, metrics that are pertinent to the African context are required. As such, the Ubuntu concept as a driver for CSR participation contributes to the African-ness of the study. The Ubuntu perspective broadens the concept of CSR beyond Western

instrumental and political theoretical perspectives to include integrative and ethical approaches (Kayuni and Tambulasi 2012). From an African perspective, an organisation practises CSR because of humanity and care for the community. This drives the organisation to identify the stakeholder they want to satisfy. Hence the use of Stakeholder Theory.

This suggests that CSR is primarily based on a comprehensive stakeholder approach (Lee and Hu 2018), which is based on the belief that corporate accountability for all stakeholders is essential for long-term sustainability (Bello and Kamanga 2020). Organisations should therefore encourage the implementation of socially responsible initiatives, which translates to being accountable to their stakeholders because they influence the bottom line.

This assertion is supported by Nyeadi, Ibrahim and Sare (2018), who uphold that for a company to survive and be profitable, it must balance its attention to all of its stakeholders. Satisfying all stakeholders' interests inherently enhances the organisation's bottom line. Fauzi, Svensson and Rahman (2010) state that the trend of an organisation addressing the interests of stakeholder groups is expanding. They aver that accommodating the interests of numerous stakeholder groups in society is a foundation for long-term corporate performance.

Consequently, the Stakeholder and Triple bottom-line theories complement one another rather than compete with one another. They are appropriate for answering the research question, "What is the influence of CSR on SMEs' business performance?" because they have a quantitative and qualitative view of CSR and its impact on business performance. According to Masocha and Fatoki (2018), studies that look at sustainable development from the standpoint of SMEs are limited and they often ignore the environmental ambit of CSR (Ahmad, Mahmood, Han, Ariza-Montes, Vega-Muñoz, Iqbal, Khan, and Ullah 2021b).

Oduro, Bruno and Maccario (2021) further indicate that CSR studies in SMEs have been mostly empirical quantitative studies conducted primarily through surveys and panel data analysis. They emphasise the need for more qualitative research to study concerns such as non-financial performance in regions such as Africa. Hence the use of mixed methods in this study. It is anticipated that the two methods will complement one another.

Stoddard, Pollard and Evans (2012) contend that the social and environmental bottom- lines cannot be quantified objectively. Just because financial success can be characterised by a single objective figure, social and environmental performance should not be quantified in the same manner. Elkington (1994) suggested the TBL sustainability idea for long-term sustainability, which can apply qualitative measures. Therefore, the contribution of this study is also methodological. It employs panel analysis, semi-structured interviews and focus group discussions.

### **3.10 Conclusion**

This chapter examined the literature on CSR and business performance, enabling a review of the influence of CSR on the business performance of a medium-sized organisation in this study. An analysis of the relationship between CSR and business performance using performance measures such as financial, marketing and human resource performance was conducted. An examination of empirical studies of CSR and business performance that used pre-defined financial, marketing and human resource performance measures was conducted.

Since this study investigates the influence of CSR on the business performance of a medium-sized manufacturing enterprise, the chapter concludes with a discussion of Ubuntu philosophy, Stakeholder Theory and Triple bottom-line theories, which are used to frame the study. The Ubuntu philosophy describes the African perspective of CSR participation, while the Stakeholder Theory identifies the different types of stakeholders to whom the business is responsible. The Triple bottom-line lens is used to explain the responsibilities of a business to ensure that the three sustainability concepts are included in SME projects.

The next chapter will discuss the approaches used to meet the objectives of this study. It also describes the research design, data collection methods, as well as the research principles used when collecting data.

## CHAPTER FOUR: RESEARCH METHODOLOGY

### 4.1 Introduction

The previous literature review chapters examined relevant literature that was essential in completing the conceptual framework of this study. It also examined the history and evolution of CSR, the influence of CSR on business performance, as well as the theoretical framework that underpins the study.

The overall objective of this study is to investigate the effectiveness of implementing CSR on the business performance of a manufacturing SME in eThekweni Metropolitan area in order to improve the business performance of SMEs, which are the backbone of the economic development of the country; as well as to contribute to theoretical discussions on SMEs' CSR practice and business performance. The following specific objectives were developed to achieve the overall objective of this study:

- to identify the nature and magnitude of CSR undertakings by the selected medium-sized organisation;
- to analyse ways in which CSR could influence the business performance of a selected medium-sized organisation;
- to explore the suitability of CSR as a strategy to improve the business performance of the selected medium-sized organisation.

The empirical investigation of this study revolves around CSR practice in SMEs as well as the impact of CSR on their business performance. As such, this chapter is critical because it allows the researcher to review and report on the approaches as well as the process of the research and the procedures used to achieve the objectives of this study. Moreover, it describes the study's research design and data collection techniques. Additionally, the chapter discusses the validity and reliability of the research, as well as the rationale for using both qualitative and quantitative research paradigms. The chapter ends with a reflection of the observed research principles and values throughout the data collection stage, as well as the challenges experienced.

## **4.2 Developing the research methodology**

The essential pillars of this study were the directed links between ontology, epistemology and methodology. According to Scotland (2012), the direct connections between ontology, epistemology and methodology are the important building elements for any study because there is always a link between what is examined (the ontological stance), what is known and found (the epistemological perspective), and how to obtain it (the methodological approach). In other words, ontology and epistemology determine the kind of research methodology adopted, which in turn drives the selection of the research design and instruments (Tuli 2010; Scotland 2012). It is therefore difficult to conduct any kind of study without making (usually implicit) commitments to ontological and epistemological viewpoints (Scotland 2012). These key principles formed the basis of the research design, which expanded into variables after identifying the methodologies for assessing them.

### **4.2.1 Ontology**

According to Plowright (2012), ontology is the philosophical study of the nature, composition and structure of reality. It seeks to answer the question: "What is the universe truly constituted of?" It is concerned with the unavoidable and ultimate reality in which all people exist (Al-Saadi 2014). Therefore, researchers may take a stand on their perceptions of how things truly are and how they operate (Scotland 2012). For example, according to Nieuwenhuis (2008), a researcher may take a positivist approach and assume that reality is objective and has little if any impact on the subject being observed since the subject has ontological status in and of itself, and can thus be investigated objectively from the outside. A researcher may also take a constructivist stance and assume that reality is subjective to the knower and the researcher's primary purpose is to grasp the meanings and interpretations of social actors, as well as their reality from their points of view (Hassard and Cox 2013).

#### **4.2.2 Epistemology**

Epistemology is concerned with the acquisition of knowledge and the formation of beliefs about reality (Plowright 2012). It looks at how people learn to recognise reality and how they discover the nature of reality (Nieuwenhuis 2008; Plowright 2012). According to Al- Saadi (2014), epistemology is a way of looking at and making sense of the world, which requires knowledge and, by definition, a specific understanding of what that knowledge entails. More crucially for research purposes, it is about how one can justify the realities of one's views. Scotland (2012) states that the assumptions are concerned with the formation, acquisition and transmission of knowledge, as well as what it means to be aware.

#### **4.2.3 Methodology**

Welman and Kruger (2003) define research methodology as a focus on the study process, the instruments and the processes employed in the research. It describes the approach utilised to investigate the research topic and contains the reason for the methodology adopted in the study. Wagner (2012) postulates that research methodology is the technique employed in doing research, which specifies the exact guidelines for gaining insights into the study topic. It allows the researcher to report on how the study's conclusions were acquired and allows others to try to report on the rules and precedents utilised and reproduce or criticize the approach adopted in arriving at the findings. In other words, a methodology is concerned with the why, what, where, when and how of data collection and analysis (Scotland 2012).

#### **4.3 Rationale for the chosen methodology**

This study adopted both qualitative and quantitative research methodologies in pursuit of its aim to uncover the truths about the nature and reality of CSR in SMEs and the influence of CSR on the business performance of SMEs. The mixed-methods methodology positions this research in critical realism, which makes use of both positivist and constructivist paradigms (Wahyuni 2012). This means that the study examines the nature of reality from an objective and subjective standpoint. In order to investigate the relationship between CSR and SME

performance, the researcher must first comprehend the nature and reality of SME performance as reflected in their annual reports, as well as the meanings and interpretations as experienced by SME owners and employees.

The following section examines the research paradigms that guided the researcher in determining the appropriate research methodology to use in order to uncover the truths about the nature of reality on SMEs; how they decide to participate in CSR practices; the types of projects they undertake; and whether CSR is necessary to improve their performance.

### Research Paradigms

Guba and Lincoln (1994) define a paradigm as a set of fundamental ideas concerning initial principles. It reflects the worldview that determines the nature of the world; the individual's place in it; and the range of possible relationships to that world and its components for its holder, just as conceptual frameworks do. The constructivist ontology asserts numerous individual or socially built realities (both the researcher and the participant construct their reality and knowledge) that will be explored contextually and holistically. The positivist ontology on the other hand advocates the separation or duality of the knower and the objects to be known/studied, guiding the quantitative methodology, which supports a fixed design (Tuli 2010).

#### **4.3.1 Positivist approach**

Positivism is based on the principles of reason, truth and validity, with a focus on facts obtained through direct observation and experience (Eriksson and Kovalainen 2008; Simpson 2014; Simon 2015). For positivists, the goal of a study is to describe occurrences that can be promptly observed and objectively quantified. Therefore, knowledge of anything else - such as emotions, feelings and ideas - is impossible (Sekaran and Bougie 2015). As a result, different researchers confronted with the same factual circumstance are anticipated to provide comparable results by correctly applying statistical tests and utilising a similar research strategy when researching a large sample (Creswell 2009). Furthermore, positivists use logical reasoning to generate ideas that will be investigated using a

predetermined study methodology and objective measures (Sekaran and Bougie 2015).

For example, in this study, the business performance figures obtained from annual reports are objectively examined and scientifically analysed to determine the effect of CSR on SME business performance. Other researchers who examine the same organisation using the same methodology are anticipated to get the same results. Furthermore, the realities uncovered in annual reports may only be given objectively, without any influence from the researcher or the business supplying this information.

#### **4.3.2 Interpretivist / Constructivist approach**

According to Wahyuni (2012), interpretivism opposes objectivism and a single truth as presented by post-positivism. The ontological position of interpretivism is relativism, which maintains that reality is subjective and differs from person to person since one's senses determine one's perceptions. The interpretivist understands that people from all backgrounds, attitudes and experiences contribute to the continuing construction of reality in their broader social context. They argue that good social knowledge research elicits inner perspectives or genuine meanings of social phenomena from study participants (Wahyuni 2012).

According to Sekaran and Bougie (2015), the interpretative method focuses on the contextual uniqueness of the environment under investigation, hence researchers employing this paradigm can collect rich data through focus groups and unstructured interviews. Furthermore, Abebrese (2014) revealed that self-reflection is encouraged while doing research in this paradigm owing to the subjective nature of this type of study and the dependence on language and the likelihood that any interpretation is framed inside the researcher's thinking.

The subjectivism of reality is expected to be able to discern the genuine meanings of the data reported in yearly reports in this study. The researcher wanted the respondents to share their experiences with CSR in SMEs and the impact thereof on their organisations.

### **4.3.3 Post-Positivist approach**

According to Wahyuni (2012), the post-positivist approach to Social Science takes a Critical Realism stance. Critical Realism is a worldview that combines elements of both the positivist and interpretivist schools of thought. It argues that understanding social reality must be contextualised within the context of appropriate rules or dynamic social structures. Saunders, Lewis and Thornhill (2009) believe that one's knowledge of reality is a product of social conditioning, but objectivity maintains that social objects may be studied 'scientifically' as social objects, rather than only through language and discourse. The focus here is on comprehension and explanation rather than prediction (Wahyuni 2012).

This study fits the post-positivist paradigm since it possesses both positivist and interpretivist characteristics. For instance, the use of a quasi-experimental design as an intervention study to collect pre- and post-CSR data reflects the positivist paradigm, while the use of interviews to collect rich data positions the study in the interpretivist paradigm. The following section discusses the research design.

## **4.4 Research design**

The purpose of this study is to investigate the relationship between CSR and the business performance of a selected medium-sized organisation using a quasi-experimental case study approach. The study employs both qualitative and quantitative designs, and makes use of document analysis and interviews to collect data. This section discusses the research site, research design and methods used to collect data.

### **4.4.1 Research site**

The study used a non-probability, purposive sampling method to choose a unit of analysis. Using judgement sampling, a business that had participated in CSR for the past five years and had retained documents of business performance before and after CSR was chosen for inclusion in the research. This implies that the conclusions of this study curtail generalisability to the whole SME population. However, the goal of this research is to

interrogate theory rather than generalise the findings. According to Sekaran and Bougie (2015), purposive judgement sampling is limited to certain persons who can supply the needed information, and who have specialised knowledge in the area researched. As such, a sample from a medium-sized organisation that participated in CSR and was knowledgeable about the topic, situated in Clairwood, ward number 103 of the eThekweni Metropolitan area, in Durban South was used.

The selected medium-sized organisation was established in the early 1990s but commenced its operations in 1996. It started to practice CSR in 2016. As such, the study examines the business performance experiences before and after CSR implementation. The organisation that participated in the study is an owner-managed business with team leaders that head the different divisions. It specialises in garment trimming and is a provider of waistbands, bias binding, corded and flat piping, button stands, waistbands, curtain waistbands, poly bags and tubing to the clothing industry. It serves the whole eThekweni area, as well as Johannesburg and Cape Town, over and above cross-bordering into the rest of Africa.

The organisation is affiliated with the National Textile Bargaining Council (NTBC). It currently employs one hundred and fifty-six workers, who are members of the Southern African Clothing and Textile Workers Union (SACTWU). However, as is a norm in many small businesses, the organisation is not certified for BBBEE compliance, nor does it observe the corporate governance and King's report obligations.

#### **4.4.2 Rationale for using a case study approach**

According to Sekaran and Bougie (2015), a case study is an empirical investigation of a specific current event in its real-world context that incorporates a variety of data collection methodologies. Nock, Michel and Photos (2007) posit that case studies relate to a wide range of methodologies that are often used to observe an individual and report on their interactions with factors of interest (e.g., life events, psychological intervention, and so on). Case studies are often similar in that they have numerous basic qualities:

- Firstly, case studies frequently include the investigation of a single person, family, group, organisation, etc.
- Secondly, case study data is comprehensive, qualitative and anecdotal, but rarely systematically or quantitatively assessed.
- Thirdly, the emphasis is on the case's uniqueness.
- Finally, it gathers data retrospectively, and no experimental controls are used (Nock, Michel and Photos 2007).

Sekaran and Bougie (2015) claim that a case can be a person, group, organisation, event or scenario of interest to the researcher. As long as the single organisation exhibits the unique qualities or attributes required to achieve the research objectives, single case studies can give exceptionally persuasive evidence to test hypotheses (Gaya and Smith 2016).

As such, this study adopts a case study inquiry, which focuses on obtaining information about a specific unique medium-sized organisation. The research looks at CSR as a growing concern in SMEs. It collects all-inclusive retrospective business performance data through document analysis, semi-structured interviews and focus group interviews. This implies that the study employed both quantitative and qualitative research approaches, placing it in the post-positivist paradigm.

#### **4.4.3 Quasi-experimental study design**

This study adopts a quasi-experimental research design, which uses methodologies and processes to obtain observations in a study structured similarly to an experiment (Sekaran and Bougie 2015). Furthermore, in order to determine if CSR had an impact on the business performance of a selected medium-sized organisation, data on business performance before and after CSR adoption was gathered. The pre-and post-investigations, in particular, use a quasi-experimental experimental design. This signifies that the study is an experimental study.

The company performance data gathered included three-year quarterly data before CSR adoption, as well as three-year quarterly data after CSR implementation. This implies that a time-series design was employed since the researcher collected data on the same variables at quarterly intervals over six years. The researcher was able to evaluate the influence of CSR over time through this design. The next sub-section discusses the research designs used in this study.

#### **4.4.4 Quantitative and Qualitative research methodology**

The data gathering for this study took place in two phases. The first phase featured quantitative methods, which entailed business performance data from company records. The data for the second phase, which was qualitative in nature, was gathered through semi-structured interviews and focus group interviews. The quantitative data were collected first in order to draw observations about the impact of CSR on business performance as measured by financial performance, marketing performance and human resource performance. This was followed by a semi-structured interview with the owner/manager and a focus group interview with employees to gain a thorough understanding of the business performance figures obtained from company documents and to explore their perceptions of CSR as a tool for improving business performance. The motivation for using both quantitative and qualitative designs is explained in the next subsection.

#### **4.4.5 The rationale for using mixed methods**

According to Hesse-Biber (2010), mixed methods research is a technique in which researchers employ both quantitative and qualitative data to answer specific questions or groups of questions. In order to meet the study objectives, this study involves components of both qualitative and quantitative research procedures. The mixed methods approach was chosen as the most appropriate research design since it would be impossible to assess the aims of this study without combining qualitative and quantitative data.

The fundamental rationale for employing both methodologies is that quantitative research relies on numerical data, whereas qualitative research relies on linguistic (written or spoken) data (Denzin and Lincoln 1994). These methodologies are both critical in providing a comprehensive picture of the study objectives. For instance, the numerical data was compiled from company records using document analysis and analysed using quantitative analysis tools. The interviews followed in order to gain an in-depth understanding and meaning of the figures collected through the analysis of the documents. In addition, thematic analysis was used to analyse the data collected from interviews.

Although quantitative researchers may provide comprehensive numerically quantified explanations of facts, qualitative scholars assert that detailed descriptions of the social context are as important (Denzin 2010). This explains the reasons it was necessary to use both quantitative and qualitative research designs in this study. As previously mentioned, the qualitative design was useful in providing rich descriptions of the figures collected using the quantitative design. The qualitative design offers a rich experience of material collected from fewer sources, which gives the study a richer or more complete meaning (Denzin and Lincoln 1994). Alamri (2019) supports the notion that a qualitative design is extremely important for addressing thoughts, opinions and viewpoints to offer information collaboratively. It focuses on linguistic data that highlight difficulties from the research participants' viewpoints on a certain topic. Therefore, the researcher must comprehend the meanings and interpretations of the answers elicited from the study's participants. As part of a mixed-methods research design, this study uses triangulation to assure the validity of the findings in this study.

In summation, data collection in this single case study involved a series of carefully connected processes, including document analysis; an in-depth face-to-face semi-structured interview with a manager; and focus group interviews with employees of a selected organisation that practises CSR. The utilisation of numerous data sources allowed for the covering of a greater range of perspectives and topics, as well as the triangulation of sources to expose as much depth as possible while improving confirmation validity (Gaya and Smith 2016).

#### **4.4.6 The use of triangulation to capture the bigger picture**

According to Zohrabi (2013), triangulation is the process of examining a specific subject using two or more research approaches. Wagner (2012) maintains that this process allows the researcher to acquire data using many methods and then merge them to improve the credibility of the study findings. In order to facilitate this, the findings of an analysis employing a method connected with one research strategy are validated against the results of another research methodology (Bryman 2012). This means that the researcher examines the results by integrating multiple research methodologies or instruments to enhance the reliability and validity of the data. By validating the information obtained, triangulation verifies the study data (Zohrabi 2013).

This study used the triangulation approach to ensure that the combined data produced valid findings. The quantitative methodology findings are coupled with those from the qualitative design to improve the study findings and provide a better understanding of the research findings. After quantitative data collection from company records in the form of business performance data, interviews and focus group interviews were also employed to guarantee various information sources, context-guided development and emergent data. Furthermore, triangulation was also achieved, which provided study integrity, rigour, validity, trustworthiness and dependability (Creswell 2009).

The study's research design is depicted in Figure 4.1 below. The next section discusses the data collection procedures for both the quantitative and qualitative data.

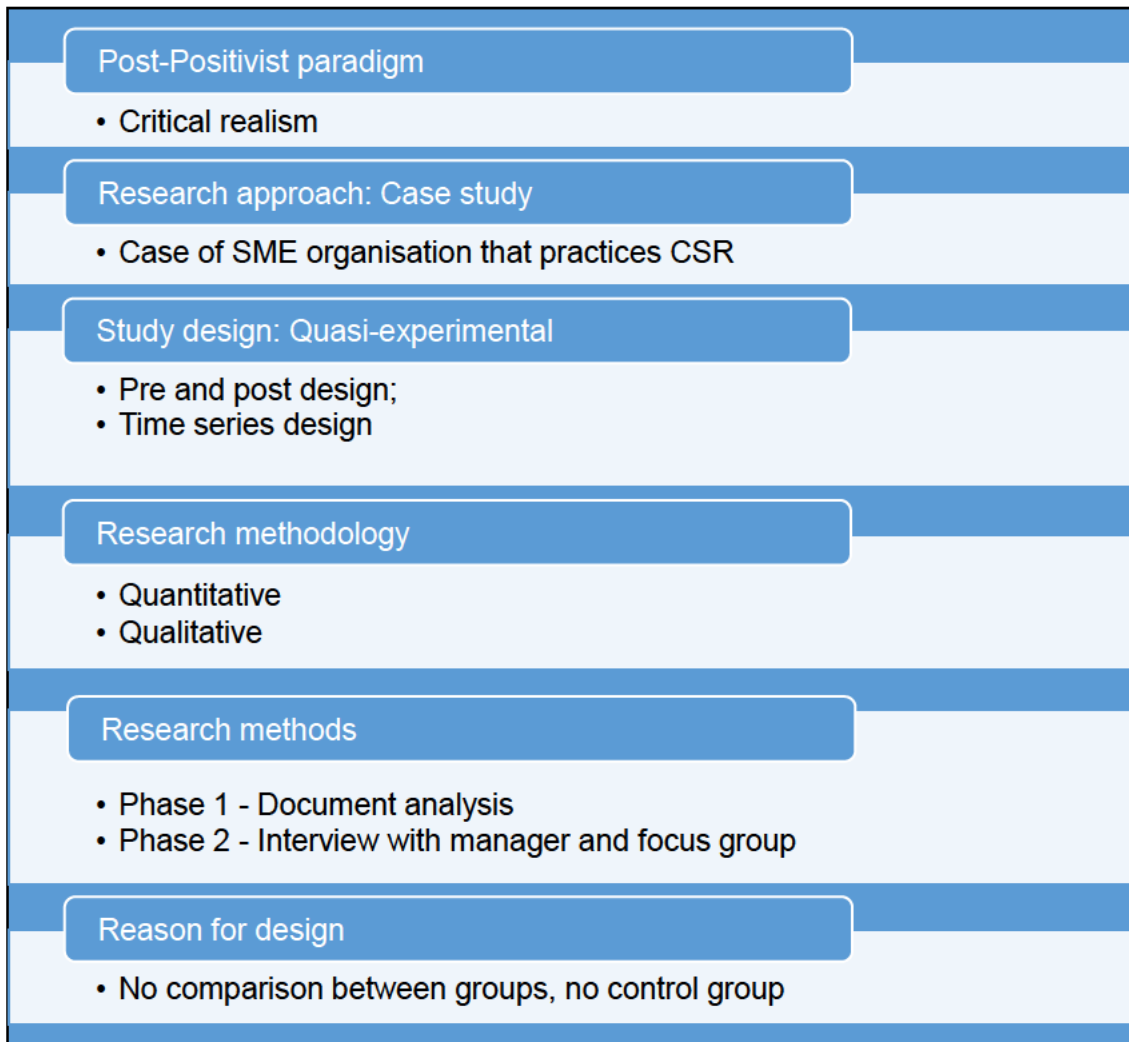


Figure 4-1: Research Design

(Researcher's own diagram 2022)

#### 4.5 Data collection method

The previous sections mentioned that two data sets were collected from the medium-sized organisation in this study. Firstly, quantitative data, which comprised business performance data, was collected from company records using document analysis. Qualitative data was collected through semi-structured interviews and focus group interviews. This section discusses the step-by-step processes that were utilized to collect quantitative and qualitative data. It explains the formulas used to convert Rands to percentages, as well as how the interviews proceeded.

#### **4.5.1 Quantitative data collection**

Bowen (2009) postulates that document analysis is a low-cost method of gathering empirical data as part of a non-intrusive and non-reactive procedure. Documented evidence is frequently supplemented with data gathered through interviews and observations in order to reduce prejudice and establish trustworthiness. Whilst document analysis has significant capabilities, it should not be used in place of other types of evidence by the researcher. In this study, the researcher held semi-structured interviews and focus group interviews to obtain an in-depth understanding of the data from the company's financial records and to get perspectives from the owner/manager and employees alike.

The quantitative data in this study involved the collection of secondary data in the form of business performance metrics such as financial, marketing and human resource performance, both before and after CSR implementation. The researcher and the manager retrieved these numbers from annual reports and financial statements generated by the organisation under study. The files were requested to extract business performance metrics. However, the figures were in South African Rands and some in numbers. Therefore, the researcher and the manager converted the South African Rand and other numerical figures into percentages. The following are the formulae used to convert the Rands into percentages:

Table 4-1: Formulae used in this study

<b>Financial performance figures</b>
(1) Profitability (gross profit÷sales*100)
(2) % Production costs (direct material + direct labour + manufacturing overhead) /Total costs X 100
<b>Marketing performance figures</b>
(1) Sales Growth Rate [(Current Sales - Previous Sales) / Previous Sales]x 100
(2) Customer Retention Rate = [(no of customers at the end of a period - no of customers acquired during that time)/ no of customers at the start of that period]] x 100.
<b>Human resource performance figures</b>
(1) Employee turnover rate (number of employees who left/ number of employees at the beginning + at the end/2 *100)
(2) Absenteeism rate (no of days absence in a quarter / total no of workdays in a quarter *100)
(3) Labour productivity rate (units produced per quarter/ labour hours per quarter) X 100

Source: Researcher's Own (2022)

The financial performance variables included profitability and production costs; marketing performance comprised sales percentages and customer retention; and human resource performance incorporated employee turnover rates, absenteeism rates and labour productivity. The pre-CSR statistics were compiled using quarterly data indicating the company's performance over the three years preceding the adoption of CSR. This includes data from the first quarter of 2013 to the fourth quarter of 2015. The post-CSR data represents business performance three years after CSR adoption, including data from the first quarter of 2017 to the fourth quarter of 2019.

#### **4.5.2 Qualitative data collection in this study**

According to Flick, Von Kardorff and Steinke (2004), qualitative research purports to explain life worlds 'from the inside out' through the perspectives of those who participate. The emphasis of qualitative research shifts away from philosophical assumptions towards the researcher's viewpoint. The objective is to investigate things in their natural habitat and make sense of, or interpret, the occurrences in terms of the meaning humans assign to them (Creswell 2007).

For this study, the second phase included a qualitative data collection method, which included a focus group interview with four employees from various sections, as well as a semi-structured interview with the owner/manager. The main reasons for separate management interviews and focus group discussions were to:

- investigate managers' perceptions of CSR and whether they regard it as an appropriate tool for improving business performance;
- compare the manager's perceptions of CSR with employees' perceptions; and
- determine whether other factors played a significant role in business performance.

The semi-structured interview with the owner/manager took place on Wednesday, August 4, 2021, at 2 p.m. This meeting took place in a private office occupied by the owner, who is also the manager. The focus group interview followed two months later due to the ill- health of some of the employees, which resulted in the company's closure several times to allow for sanitation. This is because data collection took place during the Covid-19 pandemic. The focus group interview took place in the boardroom, which is in a quiet space away from distractions and people's movement. The session began at 9:00 a.m. on Tuesday, November 9, 2021. The researcher notified the participants that their personal information would be kept in strict confidence. As such, during the focus group interview session, the participants chose an animal name as pseudonyms that identify them, rather than their actual names. Table 4.2 below provides a brief demographic profile of participants in the focus

group. The next sub-section will discuss the motivation for using both managerial semi-structured interviews and focus group interviews.

Table 4-2: Focus group participants

<b>Pseudonym</b>	<b>Age(in years)</b>	<b>Gender</b>	<b>Job area</b>	<b>Number of years In the company</b>
Cheetah	41	Male	Seamstress	20 years
Elephant	55	Male	Quality controller	4 years
Lion	44	Female	Sales assistant	10 years
Zebra	34	Female	Cutter	5 years

Source: Researcher's Own (2022)

#### **4.5.3 The rationale for using semi-structured interviews and focus group interviews to collect data.**

Having mentioned that qualitative data was gathered through a semi-structured interview with the manager and a focus group discussion with employees, this sub-section offers a full explanation of why these two data-gathering procedures were used.

##### **4.5.3.1 Semi-Structured interview**

A researcher can conduct individual or group interviews based on their adaptability. Working with an individual has the advantage of corresponding to the phrase "in-depth interview" because the researcher can go deeper and focus on personal concerns (Adhabi and Anozie 2017). Interviews are characterised as formal or informal based on their nature (Adhabi and Anozie 2017). For instance, Olson (2016) articulated that formal interviews take place at a mutually agreed-upon time and are typically documented so that they may be interpreted to

aid in the analysis of both quantitative and qualitative research approaches. Informal interviews do not take place at a pre-determined time, but rather during normal working hours within the study context.

In addition, interviews can be structured, semi-structured or unstructured. Olson (2016) asserted that quantitative studies mostly utilise structured interviews where there is a significant enough body of knowledge on a certain issue so that its aspects are understood. He further emphasised that in semi-structured interviews, researchers use information gleaned from past documents to create a more concentrated and targeted set of questions. The intention is to offer researchers more time to ask precise questions about the study subject. The goal of an unstructured interview is to establish a connection with the research subject and to create a safe environment for the person to tell his or her experience (Olson 2016).

In this study, the researcher used a formal semi-structured interview to collect data from the owner/manager of the organisation under investigation. This implies that the researcher compiled a list of questions based on quantitative data collected from the organisation's records. With the use of semi-structured interviews, the researcher obtained an in-depth understanding of the business performance values. After interviewing the owner of the company, the researcher held focus group interviews with team leaders. The next subsection describes the focus group interview with the employees of the organisation under study.

#### **4.5.3.2 Focus group interviews**

Focus groups and group interviews have re-surfaced as a popular method for gathering qualitative data over the last decade (Morgan 1996). According to Davis, Minckas, Bond, Clark, Colbourn, Drabble, Hesketh, Hill, Morrison, and Mweemba (2019), focus groups are used both independently and in conjunction with surveys and other research methodologies, most notably individual in-depth interviews. They may be used to their full potential by paying close attention to research design difficulties at both the project and group levels. Nyumba,

Wilson, Derrick and Mukherjee (2018) stated that focus group discussions are widely used as a qualitative method to gain a thorough understanding of social issues. The authors assert that this strategy seeks data from a deliberately selected group of people rather than a statistically representative sample of a larger population.

According to Olson (2016), during focus group discussions, the moderator usually prepares a list of four or five questions and works hard to ensure that all of them are covered during the focus group. Throughout the discussions, the respondents' responses may lead to more questions that were not previously pre-planned. Focus-group data is substantially more complicated than individual data because it includes replies to both the moderator's questions and the queries and comments of other members of the group (Olson 2016). As a result, they are more likely to allow the researcher to obtain rich, in- depth information, something that is not likely to happen when using other methodologies.

In this study, the researcher held focus group interviews with team leaders from several departments to gain a deeper understanding of the use of CSR as a business performance tool. It is worth mentioning that the focus group interview occurred in tandem with individual managerial semi-structured interviews and document analysis to acquire quantitative data. This means that the researcher took care to ensure the accuracy of the data acquired through triangulation.

This section detailed how quantitative and qualitative data were collected in this study, as well as the types of interviews used. The next section explains the methods used to analyse the data obtained using the methodologies presented in this section.

#### **4.6 Methods of Data Analysis**

This section provides a detailed discussion of the analysis of quantitative and qualitative data. It begins with an explanation of how time-series data were generated and analysed quantitatively using the Statistical Package for the Social Sciences (SPSS). It also explains how the Nvivo software programme was used to analyse the managerial interview and the

employees' focus group interview, as well as how themes and codes were developed from the interview transcripts.

#### **4.6.1 Quantitative data (Time-series data)**

The study used quarterly time-series data on CSR and business performance (as measured by financial performance, marketing performance and human resource performance) from the first quarter of 2013 to the fourth quarter of 2019. One hundred and sixty-seven (167) observations were used in the study. According to Westland (2010), there is no rule governing the number of observations required for a balanced data panel. However, 50 observations are acceptable but 100 or more are preferred (Bryman and Bell, 2007). Time-series analysis predictions entail identifying past patterns and then projecting them into the future (Curwin and Slater 2002). They are critical indicators for the researcher when comparing changes from the pre-CSR to the post-CSR implementation phase. The business performance data extracted from the company's annual reports were analysed quantitatively using SPSS. Furthermore, Bell and Bryman (2007) opine that the quantitative method entails using statistical techniques to evaluate the data gathered. As a result, when the relevant elements are measured, the scores are adjusted statistically.

A panel data analysis was also used in this study. Panel data analysis is the statistical examination of data sets that contain multiple observations on each sampling unit (Curwin and Slater 2002). Cross-sectional data has more degrees of freedom and less multi-collinearity, allowing for more efficient econometric computations (Bell and Bryman 2007). Panel data are also better at capturing the complexities of human behaviour than single cross-sectional or time-series data, and they are ideal for studying the "homogeneity" versus "heterogeneity" of individual behaviours. As such, it allows for the learning of an individual's behaviour through observation of the behaviour of others (Hsiao 2007).

Since the organisation in the study adopted CSR as a strategy to improve business performance in 2013, the data were segmented into pre- and post-CSR periods to allow for quantitative analysis. To quantify the size of the influence of CSR adoption on business performance, a quantitative analysis of Ordinary Least Squares (OLS) was used. These

least-squares models use equations with certain values held constant as parameters and others allowed to vary as input (independent) variables or output (dependent) variables (Sekaran and Bougie 2015). The OLS was used due to data constraints, which influenced the decision. However, the model supplied the statistical approach that allowed the researcher to successfully investigate the relationship between the variables (Westland 2010). It aided in the discovery of the line that predicts the y- variable value based on the x- variable (Wegner 1995). These are used in statistical contexts, namely regression analysis.

Regression analysis is utilised when it is predicted that one independent variable will influence a dependent variable. For example, the researcher supposes that the business performance of the organisation under study is influenced by CSR adoption (Sekaran and Bougie 2015). The coefficient was used to establish if a regression line matches the data (that is, its goodness of fit). The coefficient of determination is useful because it indicates how much of the variation in the y-variable (dependent variable) can be attributed to the x- variable (independent variable) (Sekaran and Bougie 2015). For this investigation, the ordinary least squares model was used as follows:

$$\text{Business performance} = B_0 + B_1 \text{ financial performance} + B_2 \text{ marketing performance} + B_3 \text{ human resource performance}$$

The preceding model measures the financial performance, marketing performance and human resource performance as a result of CSR participation. This viewpoint acknowledges the potential positive impact of CSR on several facets of an organisation's operations. The coefficient B1, which measures the extent of the improvement in financial performance because of CSR participation in business performance, is projected to be positive. That is, improved financial performance is expected to boost business performance (i.e. the performance levels of SMEs). Secondly, the B2 coefficient, which assesses the impact of marketing performance as a result of CSR practice on business performance, is anticipated to be positive. Finally, the B3 coefficient, which assesses human resource performance resulting from CSR engagement, is predicted to improve business performance.

In order to meet the objectives of this study, a normality test was performed using Kolmogorov-Smirnov and Shapiro-Wilk for the overall score of the constructs. Kolmogorov-

Smirnov was used to compare the distributions of two datasets, pre- and post-CSR performance. According to the National Institute of Standards and Technology, the Kolmogorov-Smirnov test is used to observe if the values in the two datasets were from the same continuous distribution, while the Shapiro-Wilk test is used to indicate whether a random sample is drawn from a normal distribution (NIST: nd). Furthermore, the Durbin-Watson statistic was used to estimate the long-term relationship between the variables, namely the association between CSR and business performance (Nerlove and Wallis 1966 and Born and Breitung 2016).

According to Park (2009), t-tests and the Analysis of Variance (ANOVA) are common statistical procedures for comparing group means. They can be used for single samples, paired samples or independent samples. Therefore, if two samples are dependent and paired, one can compute the differences of individual matched pairs. Pre- and post-treatment outcome measures are common examples of independent and paired samples (Park 2009). Sekaran and Bougie (2015) posit that t-tests are used to investigate changes in the same group before and after treatment. T-tests, for example, helped evaluate whether or not company performance would increase once the organisation embraced CSR. ANOVA assisted in determining whether there were significant mean differences between two groups on an interval or ratio-scaled dependent variable. The R-squared ( $R^2$ ) and adjusted R-squared were calculated using a generic linear model analysis. The  $R^2$  is a popular goodness-of-fit metric for linear regression models (Cameron and Windmeijer 1997). The  $R^2$  and adjusted  $R^2$  both represent the proportion of variance in the outcome variable explained by the predictor factors in the sample (R-squared) and a population estimate (adjusted R-squared) (Miles 2005).

The Factorial design was used to analyse data. It employs box-plots to determine whether the factorial ANOVA assumptions of variance normality and homogeneity have been met (Dag, Dolgun and Konar 2018). Sun and Genton (2011) posit that Tukey and Tukey (1970) pioneered the use of box plots in exploratory data analysis. They claim that box-plots are a graphical representation of five descriptive statistics: the median, first and third quartiles, and non-outlying minimum and maximum observations. Sekaran and Bougie (2015) opine that this type of graph depicts the pattern, percentiles and variance. It spans the first to third

quartiles, with lines drawn from each side of the box to the extreme scores. A box-plot may also identify which observations, if any, are outliers.

Liu and Xu (2010) argue that the most commonly employed ANOVA tests are the Bartlett and Levene tests, which are based on a set of assumptions, namely normal distribution, variance homogeneity and observation independence. Certain assumptions must be made to use an F-test in ANOVA. According to Porkess (2005), the populations represented should be normally distributed, making the mean an adequate measure of central tendency. The homogeneity of variance, on the other hand, implies that the variance in the population from which the data is sampled should be the same.

Bartlett's test was also performed to ensure that the variances for all samples were equal (Curwin and Slater 2002). According to Aslam (2020), the homogeneity of variances is required for testing performance in a variety of fields. ANOVA and regression analysis are performed in classical statistics on the premise that the population is normal and that samples from diverse techniques have equal variance. In this scenario, the testing is carried out using Bartlett's test.

This section discussed the quantitative data analysis procedure and how the t-tests were performed using ANOVA in the pre-and post-investigations. The use of Box Plots to determine group normality and homogeneity, as well as Levene's equality test, are described. The next section outlines how qualitative data analysis is carried out in this study.

#### **4.6.2 Qualitative data analysis**

The qualitative approach is used in order to allow researchers to provide contextual facts, experiences, attitudes and expectations concerning the issue under consideration (Wagner 2012). For this study, semi-structured interviews and focus group interviews with the management and employees, respectively, were conducted. The sources of data collected in this method are in line with Sekaran and Bougie (2015), who indicated that individuals and focus groups are some of the primary sources of qualitative data. The goal of qualitative

data analysis is to draw reliable conclusions from the often- overwhelming amount of data collected.

The researcher and the assistant recorded verbatim the data acquired during focus group interviews. Thereafter, the researcher compared the notes with that of the assistant to ensure that both parties recorded the correct information. The data from the focus group interview and semi-structured interviews were subject to a thematic analysis, which was achieved by segmenting and examining data for similarities. According to Kawulich and Holland (2012), thematic analysis entails identifying themes or patterns in data. Thematic and content analysis were carried out since they are both holistic and interpretative. Thematic analysis entails analysing and finding themes within the data, and gathering instances of those themes from the text to draw deductions and conclusions. The next sub-section discusses the use of Nvivo software to analyse qualitative data obtained from the interviews.

#### **4.6.2.1 The use of NVIVO software to analyse data**

Qualitative data analysis was carried out using the NVivo software programme. The programme aids in the organisation, sorting and arrangement of information, as well as the examination of data relationships (Castleberry and Nolen 2018). The following steps were followed during the analysis of data:

- import: importing text documents into NVivo and using transcription;
- organise: organising codes, coding texts and creating codes; applying coding stripes and highlights; using cases with classifications and attributes; and
- explore: exploring queries; applying code and matrix queries; and illustrating with visualizations such as matrix coding, hierarchy charts and word clouds (Castleberry and Nolen 2018).

Having discussed the use of and the steps in data analysis using the Nvivo software package, the next sub-section provides a description of the detailed framework used in the process of thematic analysis.

#### 4.6.2.2 A framework of the Thematic Analysis (TA) process:

According to Castleberry and Nolen (2018), the process of conducting TA comprises five steps as outlined below:

**Compiling** – once the data has been collected and organized, it must be separated so that researchers may examine it in the same place as the original source;

**Disassembling** – this is the process of breaking data down into usable bits and pieces. Coding is then done to find similarities and differences in data. The researcher creates definitions for each code or combination of codes while coding (Sekaran and Bougie 2015; Castleberry and Nolen 2018);

**Re-assembling** – in this step, the codes or categories to which each notion is assigned are then placed in context with one another to form themes. A theme captures something essential about the data in connection to the research question and indicates some level of patterned response or significance within the data set;

**Interpretation** of data – is a critical stage in the research process. A thematic map, which is a visual representation of subjects, codes and their relationships, is regularly created by researchers. Another method for obtaining interpretations from data is to answer research questions after the data has been coded; and

**Concluding** – in thematic analysis, raw data is turned into codes, and codes are then translated into themes and thematic maps. Conclusions are then made to answer to the research questions or the study's purpose. Qualitative researchers hold the concepts of data transparency and reconstructive interpretation (Castleberry and Nolen 2018).

This section discussed how qualitative data analysis was performed. The use of the Nvivo software package to analyse data as well as the framework used to define thematic analysis were discussed. The next section presents the principles that guided the researcher in this research.

## **4.7 Ethical considerations**

This section discusses the principles that guided the researcher over the course of this investigation, which include ensuring that participation is voluntary; providing necessary information and a letter of consent; making sure that measures will be taken to protect respondents' identities and confidentiality; and pledging anonymity to participants by reading a letter of informed permission before conducting interviews.

### **4.7.1 Informed consent**

According to Crow, Wiles, Heath and Charles (2006), the concept of informed consent states that the researcher gives the potential study participants information about the project in which they are being recruited to participate. It also demands that anyone in possession of this information voluntarily consents to participation and has the option to refuse or withdraw from the research.

In this study, the researcher provided the owner/manager with an information letter that explained the nature and purpose of the study. Permission to conduct interviews with the workers was also sought. Thereafter, the researcher requested permission to take notes during the sessions. Furthermore, it was indicated that the gathered materials (paper sheets) would be preserved in a secure cabinet and eventually disposed of after five years of the research, following which it will be shredded.

### **4.7.2 Gatekeepers**

Gatekeepers are people who control the researcher's access to the research site. According to Singh and Wassenaar (2016), conscientious and well-informed agreements with gatekeepers are essential to fulfil the ethical requirements to perform proper collaborative efforts before and during research. They state that gatekeepers provide a critical and under-appreciated role in the development of high-quality research data. As such, researchers should be mindful of this and be prepared to acknowledge and comprehend the concerns of

gatekeepers. However, all institutions and organisations have the independent right to allow or prohibit access to their data for research purposes (Singh and Wassenaar 2016).

For this study, the researcher ensured that participation was voluntary by notifying the owner/manager of the Organisation in the study that there was no compensation for participating in the study. The manager and the employees were informed that they could withdraw from the study at any time without any explanation or consequences. Furthermore, before commencing with the data collection, the researcher obtained ethical clearance from the Institutional Research Ethics Committee (IREC) to conduct the study. The researcher then contacted the medium-sized organisation in the study.

### **4.7.3 Confidentiality**

Wiles, Crow, Heath and Charles (2008) assert that the idea of confidentiality is inextricably linked with the concept of anonymity because anonymity is one method in which confidentiality is operationalised. They maintain that confidentiality in a research context implies not sharing information supplied by a person with others, and individuals are not identifiable when sharing research findings in this manner (chiefly through anonymization). As a prerequisite of gathering data from businesses and individuals who participated in this study, the confidentiality of information was necessary. Participants were guaranteed that their identities would not be revealed in any other context, whether in this dissertation or any form of research publication. The researcher assured the owner of the confidentiality of the data collected (especially the business performance figures before conversion) and the identity of the Organisation. Furthermore, the employees who were part of the focus group interview chose pseudonyms to ensure anonymity (as explained in Section 4.5.2 above).

Following the discussion of ethical issues throughout this investigation, the next section outlines the problems encountered during the data-gathering procedure.

#### **4.7.4 Challenges in data collection**

This section describes the difficulties that the researcher encountered, both in preparing for data collection and throughout the data collection process. The Protection of Personal Information Act (POPIA), coronavirus obstacles, SMEs' refusal to participate or reveal business performance information, and a lack of paperwork or filing system for SMEs are amongst the challenges.

##### **4.7.4.1 Challenges in the planning phase**

In the planning phase, the major obstacle was the implementation and promotion of POPIA, as well as coronavirus-related challenges.

###### **a) Protection of Personal Information Act**

The first challenge experienced was the Protection of Personal Information Act (POPIA). The Durban Chamber of Commerce and other organisations that have a database of SMEs in eThekweni metropolitan area could not provide the list of SMEs on their database. The Durban Chamber was willing to distribute the questionnaire for the researcher but did not allow access to the SMEs on their database. Their suggested approach was inefficient because this study used document analysis and interviews as a method of collecting data. As a result, the researcher had to source an SME directory and contact businesses telephonically.

###### **b) Coronavirus (COVID-19)**

Another major obstacle was the Coronavirus (Covid-19) outbreak, which resulted in a shift in the normal business practice and way of living. South Africa and many other countries throughout the world implemented lockdown alert levels to curb the spread of the virus. In the first hard lockdown alert level 5, this meant that businesses and universities had to close shop for some time to be able to minimise the spread of Covid-19. As such, collecting data was an impossible task.

Nonetheless, when the lockdown restrictions eased towards the end of 2020, it was still almost impossible to conduct data collection since businesses were trying to make up for the time and money lost when they closed down during the hard lockdown. Furthermore, it was also difficult to allow people to go to business premises to collect data because the infection rate was still high. As a result, the researcher arranged to collect data using online platforms. Nevertheless, when conducted telephonically to arrange for the use of online platforms, many businesses seemed to be reluctant to divulge intimate information about their business to a stranger whom they have never met. This was another obstacle to the process.

#### **4.7.4.2 Challenges in the data collection phase**

The previous sub-section discussed the challenges in the planning phase of data collection. In this sub-section, the challenges in the collection of data are discussed. These included the unfamiliar data collection practice, as well as the SMEs' lack of record-keeping practice.

##### **a) Unfamiliar data collection practice**

When the country moved to alert level 3 in 2021 and movement was allowed, some businesses were welcoming to the idea of physical contact and allowed the researcher to go on the premises to collect data. However, many businesses pulled out of the research as soon as the researcher explained the type of information required because some businesses indicated that they practise CSR but did not have proof of participation on paper. As a result, the researcher disqualified these businesses since this study depended on document analysis as a method of collecting data.

Furthermore, the majority of business managers/owners were familiar with the use of a questionnaire and interviews as a method of collecting data. The researcher explained that the research requires an analysis of their business reports to determine the financial, marketing and human resource performance in the past 6 years- three years before the business started practising CSR and three years afterwards. They started making excuses and pulled out of the study even though the researcher explained that these figures are required in percentages, not in Rands.

After multiple attempts to get businesses to cooperate, the researcher experienced a breakthrough when a personal contact made a recommendation to approach a business contact that was practising CSR. When approached, the owner/manager was willing to comply and the researcher asked him to refer them to other business associates who are practising CSR. As a result, the researcher was able to collect the first phase of data through snowballing. Although the same business performance figures were required, businesses were willing to comply because someone they know and who understand this research process recommended them.

#### **b) Lack of record-keeping practice**

However, another obstacle experienced was that some who were willing to participate did not keep records of their CSR engagements, as well as their business performance before and after CSR involvement. In addition, during the second phase of data collection (interview stage), more business owners/managers pulled out as this was deemed to take a lot of their time from their business. The last challenge was when some of the employees in the selected company fell ill and could not participate in the focus group discussions. Therefore, the meeting was put on hold until all were available.

### **4.8 Conclusion**

The purpose of this study was to examine the influence of CSR on the business performance of a selected medium-sized manufacturing enterprise, situated in Clairwood, Durban South. This company was purposefully selected on the basis that it is actively practising CSR and has kept annual reports that reflect business performance prior to and post CSR implementation.

This chapter described the research design, including the data collection method and the role of analysing the organisation's annual records, as well as the semi-structured interviews and focus group interviews used in this study. The chapter also covered how the quantitative data analysis was done based on company documents and qualitative data analysis for the

interviews. The chapter concluded with ethical issues in the study, as well as problems encountered during data gathering. The next chapter presents, analyses and debates the study's findings.

## **CHAPTER FIVE: DATA PRESENTATION, INTERPRETATION AND ANALYSIS OF FINDINGS**

### **5.1 Introduction**

The purpose of this study was to investigate the influence of CSR on the business performance of a manufacturing SME in eThekweni metropolitan area. The organisation that participated in the study incorporated CSR into its business operations in 2016. The preceding chapter described the data collection methodology employed in this study, as well as the rationale for selecting a mixed-method case study approach. The current chapter contains empirical findings from a sampled organisation in the study, which includes the presentation, analysis, as well as the interpretation of the data obtained.

The first phase in data collection was to acquire pooled data on the organisation's financial, marketing and human resource performances from a CSR-practising organisation. In order to undertake the quantitative analysis, the data was separated into pre- and post-CSR periods. The pre-CSR data covered the period from the first quarter of 2013 to the fourth quarter of 2015, while the post-CSR data covered the period from the first quarter of 2017 to the fourth quarter of 2019. The year 2016 was purposely excluded, as that was the year the company implemented CSR. The pre-and post-CSR data obtained for this study comprised business performance data measured by profitability, production costs, customer retention, sales, labour productivity, absenteeism and labour turnover. SPSS was used to analyse business performance data. A regression analysis and factorial Analysis of Variance (ANOVA) were examples of inferential statistics used to analyse this data.

The second phase of data collection involved an interview with the owner. This was followed by the focus group interviews with employees of the organisation. Data was collected using note-taking. Data from the management interview and focus group discussions were able to bring insights and understanding in ways that a simple questionnaire could not. The qualitative data were analysed using NVIVO, hence thematic content analysis was conducted.

The quantitative and qualitative data findings are presented separately in this chapter. The next section discusses the results of the quantitative findings.

## **5.2 Quantitative data and statistical analysis**

The quantitative method entails the application of statistical tools to evaluate the data acquired (Bell and Bryman 2007). According to Jensen (2002), the goal of collecting and analysing quantitative data is to provide findings that lead to the acceptance or rejection of the defined hypothesis. In this study, numerical data analysis using statistical processes is a systematic approach to determine if significant patterns of correlations exist amongst the phenomena that have been observed. In light of the problem statement, the data has been organised and analysed, and relationships explored.

The study utilised the Ordinary Least Squares (OLS) approach to determine the extent of the influence of CSR implementation on business performance. According to Nazim and Ahmad (2013), the OLS approach is one of the methods used in prediction and estimation. It is used to investigate the relationships between variables (independent, dependent and mediator). However, ANOVA was used to examine differences in response variables recorded under conditions defined by distinct components. It is frequently used to evaluate equality amongst different means by comparing variations amongst groups to variance within groups (Larson 2008).

## **5.3 Data presentation and analysis**

Data was analysed in light of the problem statement. The statistical analysis used aimed at testing business performance on a variety of independent variables. It seeks to explain business performance pre- and post-CSR implementation by focusing on three business performance predictors: financial performance, marketing performance, and human resource performance.

### 5.3.1 Business performance results

The study used the OLS model to determine the influence of CSR on business performance. The following is the OLS business performance model:

$$\text{Business Performance} = B_0 + B_1 \text{ financial performance} + B_2 \text{ marketing performance} + B_3 \text{ human resource performance}$$

Where  $B_0$  is the constant

$B$ =coefficient of the independent variables

Table 5-1: Business Performance results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.986 <sup>a</sup>	0.972	0.962	0.100	1.133
a. Predictors: (Constant), Labour productivity, Labour turnover, Production cost, Labour absenteeism, Customer retention, Sales					
b. Dependent Variable: Group					

Source: Calculations based on research data (2022)

The results of OLS performed on business performance variables in this study, as depicted in Table 5.1, indicate an  $R^2$  of 0.962, which implies that CSR accounts for approximately 96% of the variance. In addition, the serial correlation is low at 1.133 compared to the standard value of 1.760 at the 5% level of significance (Curwin and Slater 2002).

The values for F-statistics (97.014),  $R^2$  (0.972) and the Durbin-Watson statistics (1.133) presented in Table 5.1 above were based on the total observations of 168. Computing this was justifiable due to the OLS Model for Finance, Marketing and Human Resources with

predictors reflecting the stated dependent variables (i.e., Finance, Marketing and Human Resources as separately depicted in Tables 5.4, 5.8, and 5.12, respectively).

### 5.3.1.1 Statistical tests and ANOVA

Pietersen and Maree (2008) indicated that the test statistic (F-value) and the p-value are the two most essential values obtained by an ANOVA. The test statistic is used to compute the p-value of the study results, which aids in determining whether or not to reject the null hypothesis (Pietersen and Maree 2008).

Table 5-2: Analysis of Variance

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	5.830	6	0.972	97.014	0.000 <sup>b</sup>
	Residual	0.170	17	0.010		
	Total	6.000	23			
a. Dependent Variable: Group						
b. Predictors: (Constant), Labour productivity, Labour turnover, Production cost, Labour absenteeism, Customer retention, Sales						

Source: Calculations based on research data (2022)

Table 5.2 shows that there is a relationship between CSR and business performance, as denoted by the p-value below the 0.05 level of significance (Curwin and Slater 2002). This supports the stated objective that CSR positively influences business performance. It verifies the findings of a study conducted by Taghian, D'Souza and Polonsky (2015), which contends that implementing a CSR-focused strategy is critical for increasing corporate reputation and performance. It also corroborates the findings of a study conducted by Cho,

Chung and Young (2019), which show that CSR efforts are not only an expense but also an investment and management strategy that may improve business performance and value.

### 5.3.1.2 Box-plots for determining normality and homogeneity

This section presents data examined using factorial designs to determine if the conditions of normality and variance homogeneity have been satisfied. According to Porkess (2005), the populations represented should be regularly distributed (that is, the normality). Hence, the mean is an adequate measure of central tendency. This style of graph as presented in Figure 5.1 illustrates the pattern, percentiles and variance (Sekaran and Bougie 2015).

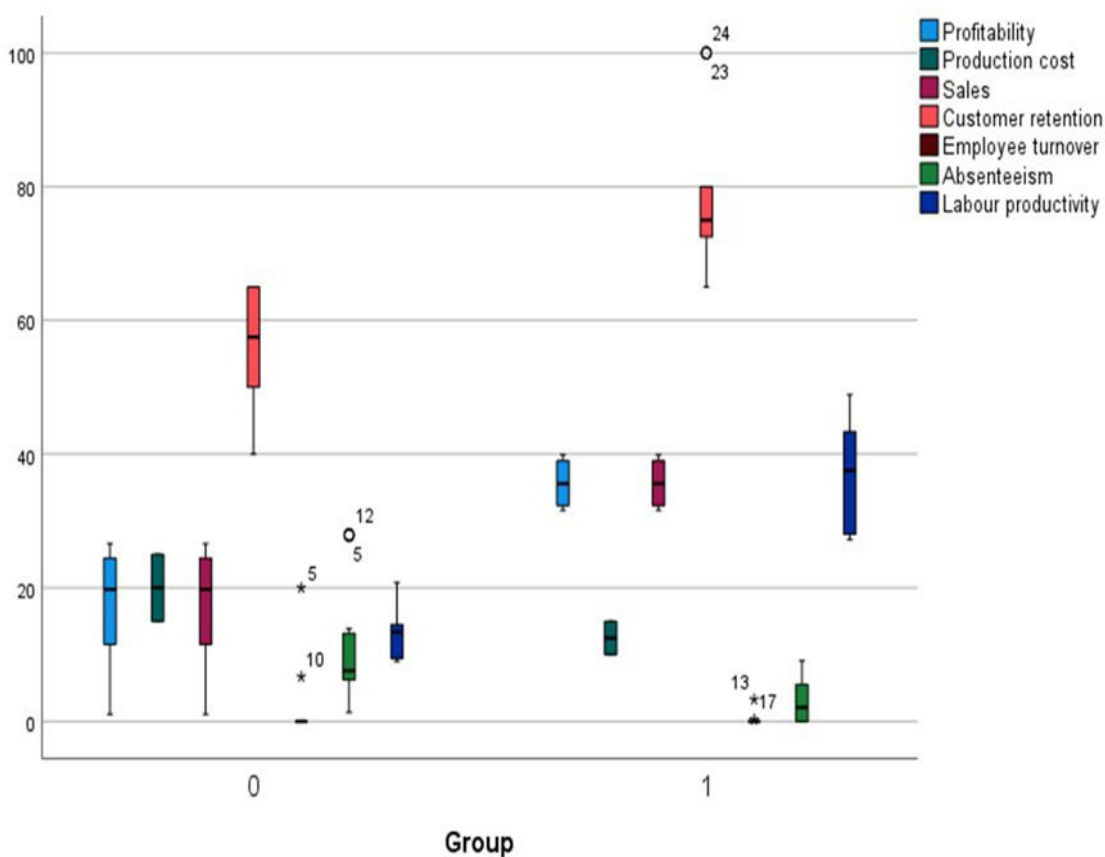


Figure 5-1: Box-plots for normality and homogeneity

(Calculations based on research data 2022)

The findings of this study indicated that the mode of change from the pre- to post-CSR period is homogeneous. As can be observed in Figure 5.1, box-plots indicate a similar spread of CSR results. The statistical tests suggest that the conditions for homogeneity of variances between the pre-and post-CSR have been met.

This section provided a broad overview of the research findings. It presented the summary of ordinary least square model results, ANOVA and box-plots for normality and homogeneity. The next three sections (section 5.4, 5.5, and 5.6) discusses the financial performance, marketing performance, and human resources performance results of this study, resulting from the implementation of CSR. These sub-models focus on a single variable while making all others constant. This study, for example, investigates the influence of CSR on business performance as measured by financial performance, marketing performance, and human resource performance. The sub-models independently investigate the impact of each business performance metric. Analysing different sub-models independently helps gain insights into the main effects, which aids in understanding the relationships between the independent factors and the dependent variable.

## **5.4 Financial performance results**

Following the presentation of the overall analysis and business performance outcomes utilising statistical tests, this part analyses the financial performance results of this study. It begins with a presentation of normality tests, followed by an analysis of financial performance as a dependent variable of profitability and production costs, as well as the pre-and post-CSR financial performance comparisons. Bartlett's tests for variance homogeneity and box-plots for normality and homogeneity conclude this section.

### **5.4.1 Normality tests for profitability and production costs**

The normality test was used for the total score of the constructs to meet the objectives of this study and used Kolmogorov-Smirnov and Shapiro-Wilk tests. The results of the normality tests for profitability and production costs are presented in Table 5.4 below.

Table 5-3: Tests of Normality for Profitability and Production Cost

	Group	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Profitability	0	0.154	12	0.200*	0.901	12	0.164
	1	0.208	12	0.159	0.850	12	0.037
Production cost	0	0.213	12	0.139	0.811	12	0.012
	1	0.265	12	0.020	0.786	12	0.007

Source: Calculations based on research data (2022)

Statistical analyses in Table 5.3 demonstrated that the data were normally distributed ( $p > 0.05$ ). Consequently, the findings were examined using a parametric test, hence the t-test was employed.

#### 5.4.2 Financial performance as a dependent variable of profitability and production costs

In order to compute the financial performance results, a regression of data from the first quarter of 2013 to the last quarter of 2019 was performed. It used the OLS estimation, based on the following equation:

$$\text{Financial performance} = B_0 + B_1 \text{Profitability} + B_2 \text{Production costs}$$

The model shown above assesses financial performance as a function of profitability and production costs. This provides an insight into the relationship between the independent variable, that is financial performance and the dependent variables (profitability and production costs). Table 5.5 below presents the results for financial performance as a dependent variable to profitability and production costs.

Table 5-4: CSR and financial performance

<b>Model: Corporate Social Responsibility</b>			
<b>The following OLS estimation is based on the equation</b>			
<i>Financial performance = B<sub>0</sub> + B<sub>1</sub>Profitability + B<sub>2</sub>Production costs</i>			
<b>Regression</b>	<b>Coefficient</b>	<b>t-statistic</b>	<b>Probability</b>
Constant (B <sub>0</sub> )	0.570	3.416	0.003
Profitability	0.022	4.429	0.000
Production costs	-0.047	-8.714	0.000
R-squared	0.972	F-statistics	97.014
Adjusted R <sup>2</sup>	0.962	Sum of Squares	5.830
Standard error of regression	0.100	Durbin-Watson statistics	1.133

Source: Calculation based on research data (2022)

#### **5.4.2.1 Financial performance as a dependent variable with profitability**

The results in Table 5.4 show that profitability has a relationship with and is statistically significant for financial performance, as shown by its t-value of 4.429 and the p-value of 0.000. The t-value is above the critical value of 1.960 at the 5% level of significance and the p-value is below the 0.05 level (Curwin and Slater 2002). The positive sign indicates that any increase in profitability results in an increase in the financial performance of the organisation. This finding supports the work of Popa and Ciobanu (2014), which states that turnover/profitability has a positive impact on financial returns.

Furthermore, the adjusted R<sup>2</sup> of 0.962 implies that CSR accounts for approximately 96% of the variance in financial performance. The serial correlation is also low at 1.133 compared to the standard value of 1.760 at the 5% level of significance (Curwin and Slater 2002). The

finding of this study correlates with the findings of a series of studies, which discovered that CSR has a positive influence on both financial performance and profitability (Osagie 2017; Babajee *et al.* 2021; Okafor, Adusei and Adeleye 2021; Sharma and Aggarwal 2021). It negates the finding that CSR has a negative relationship with profit after tax (Babalola 2012) and that CSR is a direct cost which decreases profitability, and hence financial performance (Aryani and Niron 2018; Gupta and Gupta 2019; Karmani and Boussaada 2021; Mahmood *et al.* 2021; Nguyen and Nguyen 2021; Ramzan, Amin and Abbas 2021).

#### **5.4.2.2 Financial performance as a dependent variable with production costs**

Results as illustrated in Table 5.4 show that production cost has a relationship with financial performance in the organisation that participated in the study. This is determined by its t-value of -8.714, as well as the p-value of 0.000 that is below 0.05. The negative t-value indicates that the decrease in production costs results in an increase in the company's financial performance. The t-value is above the critical value of 1.960 at the 5% level of significance and the p-value is below the 0.05 level of significance (Curwin and Slater 2002). This proves the finding of a study by Liu *et al.* (2020a), which highlighted that lower manufacturing costs result in considerable increases in returns on investment (ROI), better profitability and larger economic scale growth. According to Oduro and Haylemariam (2019), CSR programmes may increase costs in the short term, but the market may respond positively in the long-run. This indicates the influence of CSR on immediate production costs and long-term financial performance.

#### **5.4.3 Pre- and Post- financial performance comparison**

In order to establish the influence of CSR on financial performance, the pre-and post-CSR means comparison for profitability and production costs was performed.

Table 5-5: Pre-and Post-financial percentage means comparison for financial performance

No.	Variable	Pre-CSR period (%)	Post-CSR period (%)	% mean difference (post – pre)
1.	Profitability	17.52	36.60	+19.08
2.	Production costs	20.00	12.33	-7.67

Source: Calculation based on research data (2022)

The results in Table 5.5 indicate that the percentage mean data for pre-CSR on profitability and the production costs are 17.52% and 20.00% respectively. In addition, the percentage mean data for post-CSR on the profitability and production costs are 36.60% and 12.33% respectively.

Table 5.5 shows mixed results of mean values on the two variables (that is, the profitability and production costs) from pre-CSR mean data to post-CSR mean data. However, they show a decrease in mean values on the production costs and an increase in profitability when post-CSR is compared with the pre-CSR periods. This indicates the effect of CSR in the organisation that participated in the study.

#### 5.4.4 Bartlett’s test for homogeneity of variances

Bartlett's test was also performed to ensure that the variances for all samples were equal (Curwin and Slater, 2002). According to Aslam (2020), the homogeneity of variances is required for testing performance in a variety of fields.

Table 5-6: Bartlett's tests for homogeneity of variances

<b>Variables</b>	<b>Means of transformed data</b>	<b>Standard Deviations of transformed data</b>	<b>P-Value</b>
Profitability	26,558	11,117	0.000
Production costs	16,167	5,147	

Source: Calculations based on research data (2022)

Table 5.6 presents detailed results of Bartlett's test for the homogeneity of variances for profitability and production costs. The p-value in the Bartlett's test (at  $p < 0.05$ ) shows that the homogeneity of variances has occurred, thus rejecting the null hypothesis. The p-value at 0.000 is low compared with the significance level of 0.05. One can conclude that there are distribution changes between the two parts of the time-series. Figure 5.2 below presents the results for Bartlett's test for homogeneity.

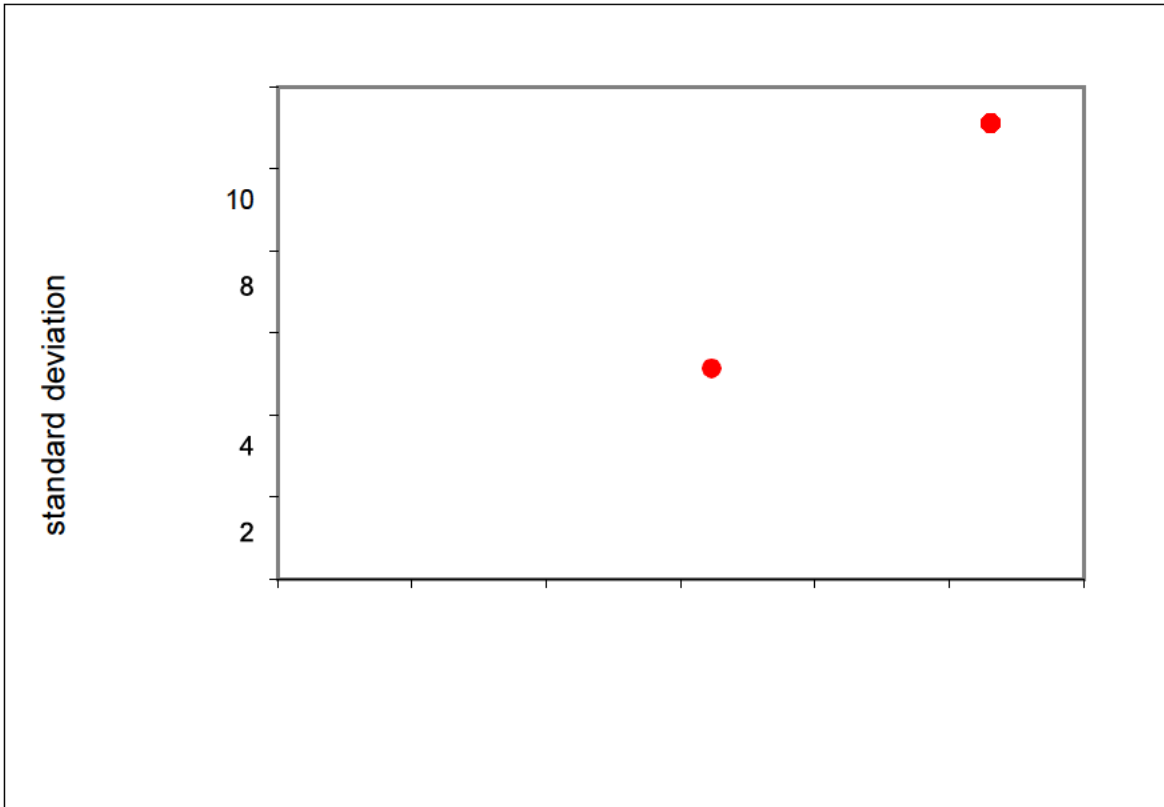


Figure 5-2: Bartlett's Tests for Homogeneity of Variances

(Source: Calculations based on research data 2022)

Figure 5.2 confirms the results of the Bartlett's test in Table 5.6. They both show that the homogeneity of variance has occurred. Figure 5.3 presents the results in box-plots, which are used to determine the normality and homogeneity of variance (Sekaran and Bougie2015).

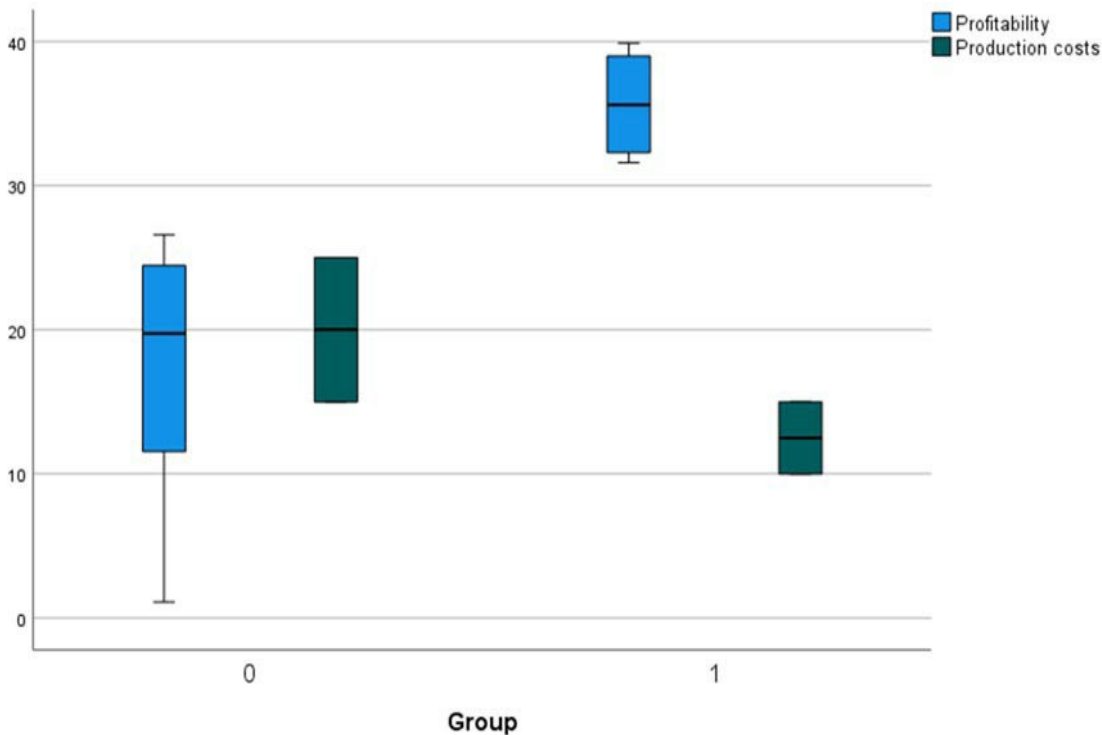


Figure 5-3: Box-plots to determine normality and homogeneity of variance

(Source: Calculations based on research data 2022)

The mode of change from the pre- to post-CSR periods is homogeneous. Box-plots indicate a similar spread of CSR results. Statistical tests suggest that the conditions for homogeneity of variances between the pre-and post-CSR have been met.

This section discussed the results for the financial performance for this study. The next section presents and analyses the results for marketing performance.

### 5.5 Marketing performance results

This section presents marketing performance results using the normality tests, analysis of marketing performance as a dependent variable of sales and customer retention, as well as the pre-and post-CSR marketing performance comparisons. The Bartlett's tests for variance homogeneity and box-plots for normality and homogeneity conclude this section.

### 5.5.1 Normality tests for sales and customer retention

In order to accomplish the objective of this study, the normality test was utilised for the overall score of the constructs. It employed Kolmogorov-Smirnov and Shapiro-Wilk tests. Table 5.7 displays the results of the normality tests for sales and customer retention.

Table 5-7: Tests of Normality for Sales and Customer retention

	Group	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
		Statistic	df	Sig.	Statistic	df	Sig.
Sales	0	0.154	12	0.200*	0.901	12	0.164
	1	0.208	12	0.159	0.850	12	0.037
Customer retention	0	0.250	12	0.037	0.835	12	0.024
	1	0.288	12	0.007	0.821	12	0.016

Source: Calculations based on research data (2022)

The statistical analysis in Table 5.7 demonstrated that data were normally distributed ( $p > 0.05$ ). Consequently, the findings were examined using a parametric test, hence t- tests were employed.

### 5.5.2 Marketing performance as a dependent variable with sales and customer retention

In order to compute marketing performance results, regression analysis from the first quarter of 2013 to the last quarter of 2019 was performed using OLS estimation. It is based on the following equation:

$$\text{Marketing performance} = B_0 + B_1 \text{ sales} + B_2 \text{ customer retention}$$

The model shown above defines marketing performance as a function of sales and customer retention. This provides an insight into the relationship between the independent variable, that is marketing performance and the dependent variables (sales and customer retention). Table 5.8 presents the results for marketing performance as a dependent variable to sales and customer retention.

Table 5-8: CSR and marketing performance

<b>Model: Corporate Social Responsibility</b>			
<b>The following OLS estimation is based on the equation</b>			
<i>Market performance = B<sub>0</sub> + B<sub>1</sub> Sales + B<sub>2</sub> Customer retention</i>			
<b>Regression</b>	<b>Coefficient</b>	<b>t-statistic</b>	<b>Probability</b>
Constant (B <sub>0</sub> )	0.570	3.416	0.003
Sales	0.022	4.429	0.000
Customer retention	-0.001	-0.428	0.674
R-squared	0.972	F-statistics	97.014
Adjusted R <sup>2</sup>	0.962	Sum of Squares	5.830
Standard error of regression	0.100	Durbin-Watson statistics	1.133

Source: Calculations based on research data (2022)

### **5.5.2.1 Marketing performance as a dependent variable with sales**

The results in Table 5.8 show that sales has a relationship and is statistically significant with marketing performance, as shown by its t-value of 4.429 and the p-value of 0.000. The t-value is above the critical value of 1.960 at the 5% level of significance and the p-value is below the 0.05 level of significance (Curwin and Slater 2002). The positive sign indicates that any increase in sales results in an increase in the marketing performance of the organisation that participated in this study. The finding is consistent with studies that found that publicity, promotional activities and sales promotions encourage spontaneous reactions and responses to sales, which impacts the organisation's marketing performance (Erlangga 2022; Ogunmuyiwa 2022).

The adjusted R<sup>2</sup> of 0.962, implies that CSR accounts for approximately 96% of the variance in marketing performance. Furthermore, the serial correlation is also low at 1.133 compared to the standard value of 1.760 at the 5% level of significance (Curwin and Slater 2002). This is congruent with Rahman, Rodríguez-Serrano and Lambkin (2017); Bello *et al.* (2019); and Moyo, Knott and Duffett (2021), who have established a relationship between CSR and marketing performance.

### **5.5.2.2 Marketing performance as a dependent variable with customer retention**

The results illustrated in Table 5.8 show that customer retention has no relationship with the marketing performance of the organisation that participated in the study. This is determined by its t-value of -0.428, as well as the p-value of 0.674. The t-value is below the critical value of 1.960 at the 5% level of significance and the p-value is above the 0.05 level of significance (Curwin and Slater 2002). This contradicts the findings of a study by Sağlam and El Montaser (2021), which established that customer attraction and retention rely primarily on customer marketing relationships. It further opposes the work of Appiah- Adu (1999); Ahmad *et al.* (2021a); and Le Thanh, Ngo and Aureliano-Silva (2021), who established that CSR efforts aimed at society, the environment, employees and other stakeholders should significantly improve customer retention and business stability.

### 5.5.3 Pre- and Post-marketing performance comparison

In order to establish the influence of CSR on marketing performance, the pre-and post-CSR means comparison for sales and customer retention was performed.

Table 5-9: Pre- and Post-marketing percentage means comparison

No.	Variable	Pre-CSR period (%)	Post-CSR period (%)	% mean difference (post – pre)
1.	Sales	17.52	35.60	+18.08
2.	Customer retention	56.67	78.75	+22.08

Source: Calculations based on research data (2022)

The results in Table 5.9 indicate that the percentage mean data for pre-CSR on sales and customer retention are 17.52% and 56.67% respectively. In addition, the percentage mean data for post-CSR on sales and customer retention are 35.60% and 78.75% respectively. Table 5.9 shows positive results of mean values on the two variables (that is, sales and customer retention) from pre-CSR mean data to post-CSR mean data. They show an increase in mean values on sales and an increase in customer retention when post-CSR is compared with the pre-CSR periods. This indicates the effect of CSR in the organisation that participated in the study.

### 5.5.4 Bartlett's tests for homogeneity

Bartlett's test was also used to verify that all sample variances were equivalent (Curwin and Slater, 2002). The variance homogeneity is necessary for assessing performance in a number of domains (Aslam 2020).

Table 5-10: Bartlett's test for homogeneity of variances

Variables	means of transformed data	standard deviations of transformed data	P-Value
Sales	26,558	11,117	0.176
Customer retention	67,708	14,816	

Source: Calculations based on research data (2022)

The p-value in the Bartlett's tests (at  $p > 0.05$ ) shows that the homogeneity of variance is violated. The p-value at 0.176 is above the significance level of 0.05. Therefore, the variances are not equal, given the amount of variability in the variances that can naturally occur in the data. Figure 5.4 presents the results for Bartlett's test for homogeneity.

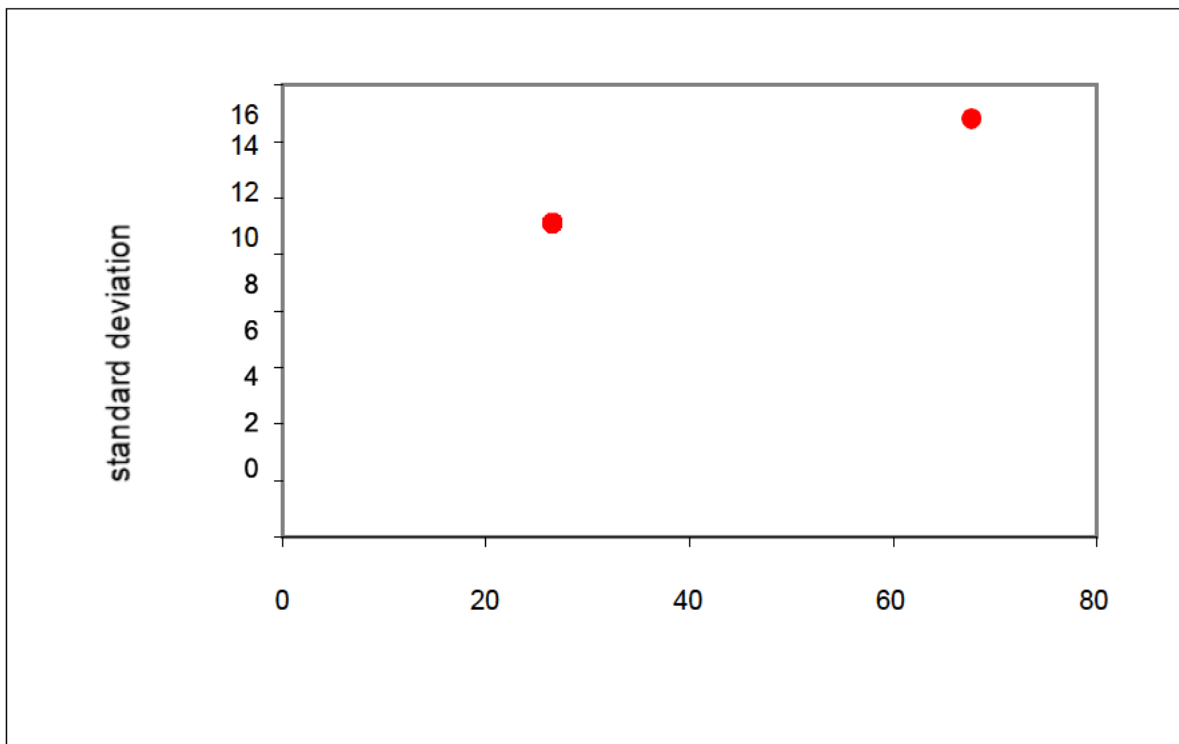


Figure 5-4: Bartlett's Tests for Homogeneity of Variances

(Source: Calculations based on research data 2022)

Figure 5.4 validates the results in Table 5.10. They show that the mode of change from pre- to post-CSR period is not homogeneous.

Box-plots are used to determine the normality and homogeneity of variance (Sekaran and Bougie 2015).

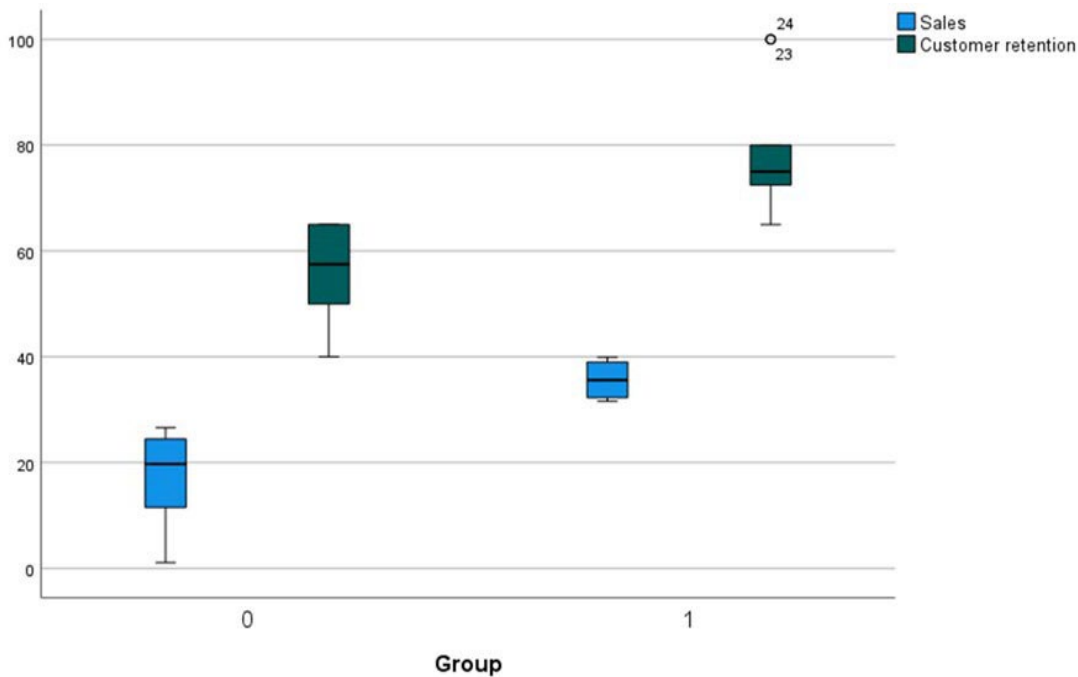


Figure 5-5: Box-plots to determine the normality and homogeneity of variance (Source: Calculations based on research data 2022)

The box-plots in Figure 5.5 indicate that the variances for sales and customer retention are not equal.

Following the analysis of the findings of the marketing performance of this study, the next section displays and analyses the outcomes of human resource performance.

## 5.6 Human resource performance results

This section presents human resource performance results using normality tests; the analysis of human resource performance as a dependent variable of labour turnover, labour absenteeism and labour productivity; as well as pre- and post-CSR human resource performance comparisons. The Bartlett's tests for variance homogeneity and the box-plots for normality and homogeneity conclude this section.

### 5.6.1 Normality tests for employee turnover, labour absenteeism and labour productivity

The normality test was used for the total score of the constructs in order to achieve the goals of this study. It employed the Kolmogorov-Smirnov and Shapiro-Wilk tests. The results of normality tests for labour turnover, absenteeism and labour productivity are shown in Table 5.12.

Table 5-11: Test for Normality of labour turnover, labour absenteeism and labour productivity

	Group	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
		Statistic	df	Sig.	Statistic	df	Sig.
Labour turnover	0	0.480	12	0.000	0.450	12	0.000
	1	0.457	12	0.000	0.367	12	0.000
Labour absenteeism	0	0.205	12	0.173	0.825	12	0.018
	1	0.225	12	0.093	0.836	12	0.025
Labour productivity	0	0.172	12	0.200*	0.897	12	0.144
	1	0.194	12	0.200*	0.894	12	0.132

Source: Calculations based on research data (2022)

As shown in Table 5.11, the statistical analysis revealed that the data were normally distributed ( $p > 0.05$ ). As a result, the findings were analysed using a parametric test, i.e., t-tests.

### **5.6.2 Human resource performance as a dependent variable of labour turnover, labour productivity and labour absenteeism**

In order to compute the outcomes of human resource performance, a regression analysis from the first quarter of 2013 to the final quarter of 2019 was done. The OLS estimation was based on the following equation:

$$\text{Human resource performance} = B_0 + B_1 \text{labour turnover} + B_2 \text{labour absenteeism} + B_3 \text{labour productivity}.$$

The above model identifies human resource performance as a function of labour turnover, labour absenteeism and labour productivity. This provides an insight into the relationship between the independent variable, that is human resource performance and the dependent variables (labour turnover, labour absenteeism, and labour productivity). Hence, Table 5.12 presents the results for human resource performance as a dependent variable to labour turnover, labour absenteeism and labour productivity.

Table 5-12: CSR and human resource performance

<b>Model: Corporate Social Responsibility</b>			
<b>The following OLS estimation is based on the equation</b>			
<i>Human resource performance = B<sub>0</sub> + B<sub>1</sub> Labour turnover + B<sub>2</sub> Absenteeism + B<sub>3</sub> Labour productivity</i>			
<b>Regression</b>	<b>Coefficient</b>	<b>t-statistic</b>	<b>Probability</b>
Constant (B <sub>0</sub> )	0.570	3.416	0.003
Labour turnover	0.001	0.232	0.820
Labour Absenteeism	-0.004	-0.920	0.370
Labour productivity	0.009	2.046	0.057
R-squared	0.972	F-statistics	97.014
Adjusted R <sup>2</sup>	0.962	Sum of Squares	5.830
Standard error of regression	0.100	Durbin-Watson statistics	1.133

Source: Calculation based on research data (2022)

### 5.6.2.1 Human resource performance as a dependent variable of labour turnover

The results illustrated in Table 5.12 show that labour turnover has no relationship with the human resource performance of the organisation that participated in the study. This is determined by its t-value of 0.232 and p-value of 0.820. The t-value is below the critical value of 1.960 at the 5% level of significance and the p-value is above the 0.05 level of significance (Curwin and Slater 2002). The null hypothesis of no relationships between these two variables is acceptable. This refutes the finding that human resource performance strategies such as training, career progression possibilities, performance-based bonuses and employee discount have the capability to lower labour turnover (Gadi and Kee 2018; Lau, Lee and Cheng 2018; Memon, Salleh, Mirza, Cheah, Ting and Ahmad 2019a; Agba, Angioha, Akpabio, Akintola and Maruf 2021; Santhanam, Kumar, Kumar and Saha 2021).

Chandani *et al.* (2016) also discovered that employee satisfaction produces human resource outcomes. They argue that employee satisfaction leads to employees' loyalty and lowers turnover.

#### **5.6.2.2 Human resource performance as a dependent variable with labour absenteeism**

The results in Table 5.12 show that labour absenteeism has no relationship with the human resource performance of the organisation that participated in the study. This is determined by its t-value of -0.920 and p-value of 0.370. This finding disproves the finding that human resource performance increases employee commitment and productivity and reduces labour absenteeism and labour turnover (Meyer *et al.* 2002; Lau, Lee and Cheng 2018).

#### **5.6.2.3 Human resource performance as a dependent variable with labour productivity**

Table 5.12 further show that labour productivity has a relationship with the human resource performance of the organisation that participated in the study. This is determined by its t-value of 2.046. The t-value is above the critical value of 1.960 at the 5% level of significance (Curwin and Slater 2002). The findings of the study are congruent with the results of Koch and McGrath (1996); Richard and Johnson (2001); Ngwenya and Aigbavboa (2017); and Ali and Barishal (2022). They established that labour productivity is significantly influenced by human resource procedures and strategies.

#### **5.6.3 Pre- and Post- human resource performance comparison**

The pre- and post-CSR means comparison for labour turnover, labour absenteeism and labour productivity was undertaken to determine the impact of CSR on human resource performance.

Table 5-13: Pre- and Post-HR percentage means comparison

No.	Variable	Pre-CSR period (%)	Post-CSR period (%)	% mean difference (post – pre)
1.	Labour turnover	2.23	0.30	-1.93
2.	Labour absenteeism	11.00	2.84	-8.16
3.	Labour productivity	13.25	36.99	+23.74

Source: Calculations based on research data (2022)

The results in Table 5.13 indicate that the percentage mean data for pre-CSR on labour turnover, labour absenteeism and labour productivity are 2.23%, 11.00% and 13.25% respectively. In addition, the percentage mean data for post-CSR on employee turnover, labour absenteeism and labour productivity are 0.30%, 2.84%, and 36.99%, in that order.

Table 5.13 shows mixed results of mean values on the three variables (that is, labour turnover, labour absenteeism and labour productivity) from pre-CSR mean data to post-CSR mean data. However, they show a decrease in mean values on employee turnover and labour absenteeism, and an increase in labour productivity when post-CSR is compared with the pre-CSR periods. This indicates the effect of CSR in the organisation that participated in the study.

#### 5.6.4 Bartlett’s test for the homogeneity of variables

Bartlett's test was also used to establish whether all sample variances were equivalent (Curwin and Slater, 2002).

Table 5-14: Bartlett's test for homogeneity

<b>Variables</b>	<b>Means of transformed data</b>	<b>Standard Deviations of transformed data</b>	<b>P-Value</b>
Labour turnover	16,1667	5,147	0.010
Labour absenteeism	6,921	7,644	
Labour productivity	25,127	13,544	

Source: Calculations based on research data (2022)

Table 5.14 presents detailed results of Bartlett's test for the homogeneity of variances for labour turnover, labour absenteeism and labour productivity. The p-value in the Bartlett's test (at  $p < 0.05$ ) shows that the homogeneity of variances has occurred, thus rejecting the null hypothesis. The p-value at 0.010 is low compared with the significance level of 0.05. One can therefore conclude that there are distribution changes between the two parts of the time-series.

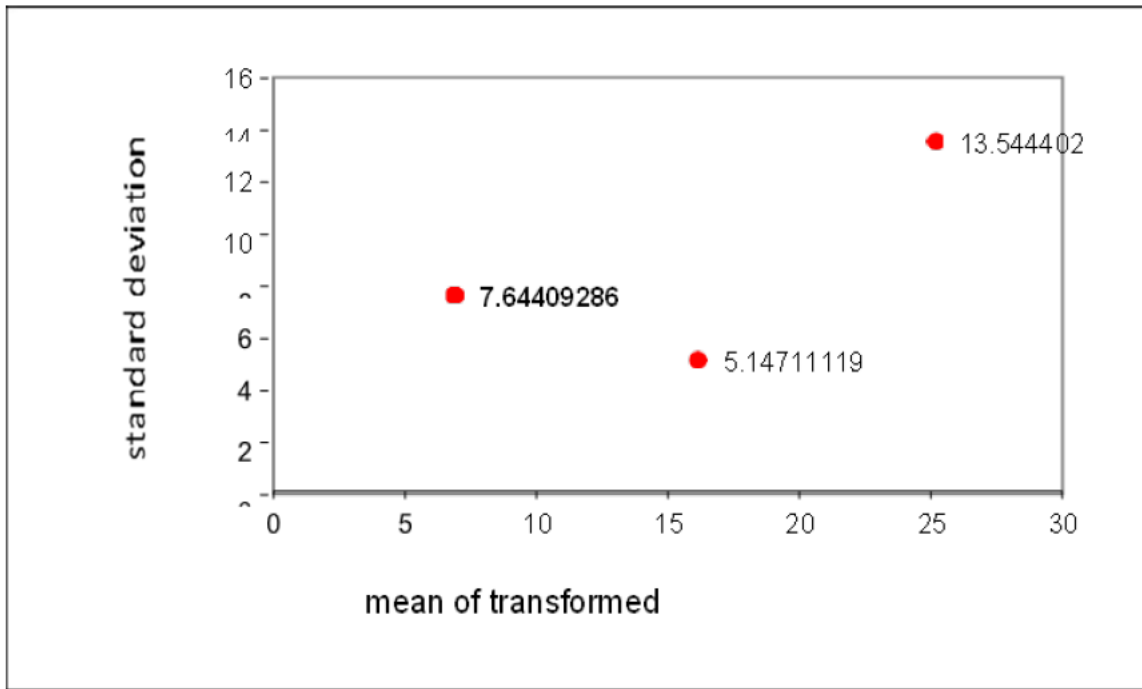


Figure 5-6: Bartlett's Tests for Homogeneity of Variances

(Source: Calculations based on research data 2022)

Figure 5.6 validates the Bartlett's test results in Table 5.14. They both demonstrate that variance homogeneity has occurred.

Box-plots in Figure 5.7 depicted below confirm the results. Box-plots are used to determine the normality and homogeneity of variance (Sekaran and Bougie 2015).

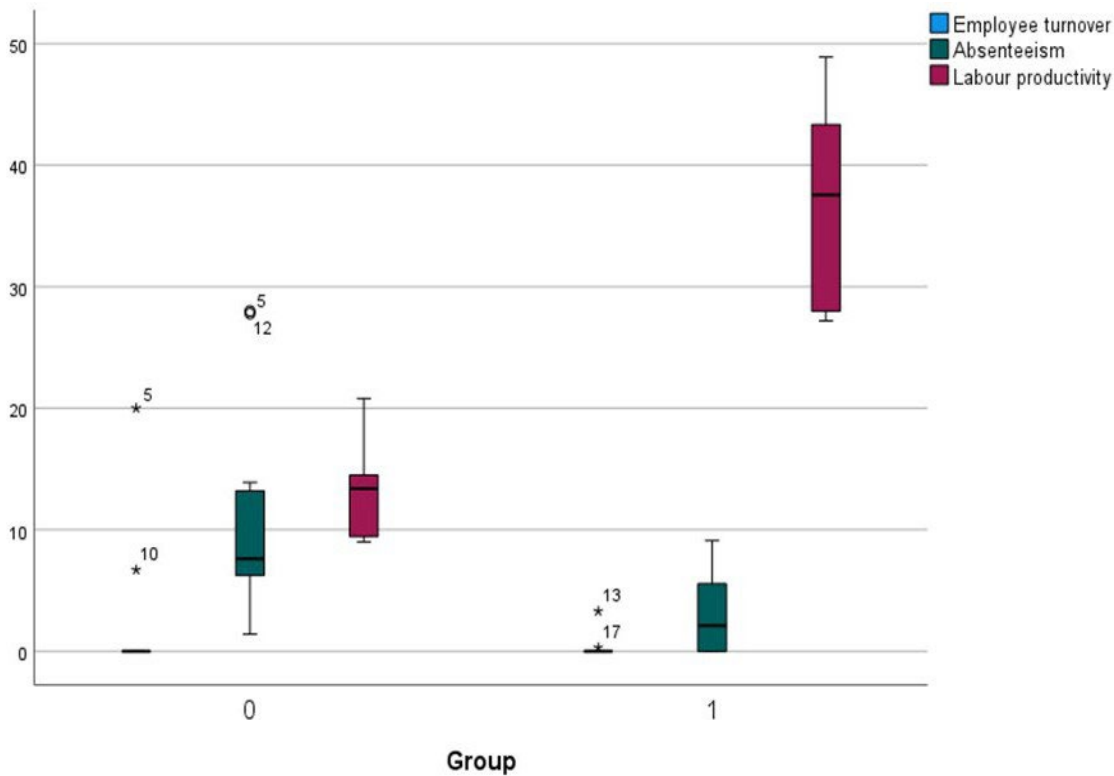


Figure 5-7: Box-plots to determine the normality and homogeneity of variance

(Calculations based on research data 2022)

The mode of change from the pre-to post-CSR period is homogeneous. Box-plots in Figure 5.7 indicate a similar spread of CSR results. Statistical tests suggest that the conditions for homogeneity of variances between the pre- and post-CSR have been met.

This section presented and analysed the results of the data obtained from the annual reports of the organisation that participated in this study. The normality tests, pre- and post-performance comparisons, Bartlett's tests for variance homogeneity, and box-plots for normality and homogeneity were used to illustrate the business performance results. The findings were then compared with the literature to establish if they were compatible or discordant with the literature. The next part discusses the conclusions and data analysis from the semi-structured interview and focus group discussions with the management and employees, respectively.

## **5.7 Qualitative data and analysis**

This section describes the outcome of the qualitative results. Semi-structured interviews and focus group discussions were conducted with the manager and staff of a selected medium-sized organisation in eThekweni Metropolitan area. The interview and focus group discussions were carried out to explore the implementation of CSR within the business organisation. The thematic analysis of the collected data is presented in two parts. The first part discusses the findings obtained from an in-depth interview with the manager of the company, while the second part incorporates focus group discussions with selected staff of the business organisation. Thematic content analysis was used to analyse and present the data with the aid of Nvivo 12 software.

The researcher held the semi-structured interview with the manager and focus group interviews with the employees in order to address the following research objectives:

- to identify the nature and magnitude of CSR undertakings by the selected medium-sized organisation;
- to explore the suitability of CSR as a strategy to improve the business performance of the selected medium-sized organisation; and
- to analyse ways in which CSR could influence the business performance of a selected medium-sized organisation.

## **5.8 Interview with the manager**

This section provides the outcome of the data-gathering process, reports the results and discusses the findings obtained from an in-depth interview with the manager of the company. The interview with the manager addressed study objectives one, three and four. Emerging themes and sub-themes from the semi-structured interviews with the manager

The analysis of the data gathered from the semi-structured interviews resulted in the identification of the themes and sub-themes highlighted in Table 5.15.

Table 5-15: Themes and sub-themes emerging from the semi-structured interview

Theme	Sub-theme
1. CSR implementation	The reason for the delay Reasons for CSR implementation
2. Areas of CSR activities implemented	Environmental activities Employee-related activities
3. Benefits obtained from implementing CSR	Environmental-related benefits Employee-related benefits

Source: Themes based on research data (2022)

### 5.8.1 Theme One: CSR implementation

This theme pertains to information relevant to the manager's decision to practice CSR, including the forms of CSR practice that the manager was engaged in, as well as the motivations for implementing CSR within the business. This was required to comprehend the CSR projects implemented and the reasons for CSR implementation.

Table 5-16: CSR implementation in the medium-sized organisation

Manager	CRS implementation	Company formation
Manager	2016	1996

Source: Themes based on research data (2022)

As shown in Table 5.16, it was uncovered that the business organisation was formed in 1996. However, it took roughly 20 years for it to implement CSR practices in 2016. Given this alarming concern, it was prudent to know why it took the business this long to implement CSR.

### **Sub-theme 1.1: The reason for the delay**

In this study, it was uncovered that the manager in his capacity was engaging in charitable projects in the community, which was not tied to the business.

*I have been doing charity work before I even started this company, and continued doing so in my personal capacity for a very long time after it was established. It is just that it was not under the company, it was in a personal capacity. (Manager)*

This coincides with Gangi *et al.* (2020), who posit that SMEs usually participate in informal CSR initiatives unintentionally and covertly. Their implementation plan usually reflects the top management's passion for and attention to CSR engagement (Maome and Zondo 2022). In addition, many SMEs are family-owned and hence have a great degree of influence over their operations. As a result, their specific preferences for CSR may be implemented (Higgs and Hill 2019). The manager also alluded that he was already doing society-related CSR projects, which include:

*I was already doing society-related CSR like giving food parcels to the homeless and sponsoring children's education. (Manager)*

According to Jamali and Neville (2011), SME owners view generosity and lending a helping hand as conventional standards of their company activity. These expectations have cultural and religious foundations.

After discussing the reasons for the delayed CSR adoption in the organisation, it was appropriate to address the reasons for introducing CSR. This is covered in the sub-theme that follows.

### **Sub-theme 1.2: Reasons for CSR implementation**

For many years, the subject of whether and how CSR improves company performance has captivated the interest of both academics and practitioners. These considerations leave managers with unresolved questions regarding whether or not to participate in CSR (Feng, Wang and Kreuze 2017; Sindhu and Arif 2017; Javeed and Lefen 2019; Shih- Yung and Li-

Wei 2021). The uncertainty of the benefits of CSR could be noted in the number of years that lapsed after the business formation and before CSR was finally implemented in the business. It was therefore worth knowing the reasons for implementing CSR in the company after 20 years.

From the interview, the manager disclosed that CSR was implemented primarily to increase business performance and combat absenteeism and high labour turnover. This concurs with Bacinello, Tontini and Alberton's (2021) argument that CSR is related to sustainable practices and is regarded as a source of value creation that produces a competitive advantage and improved performance for businesses. According to this viewpoint, the utilization of economic, social and environmental resources and capacities may all contribute to improved business performance.

**a) Increase in business performance**

In terms of implementing CSR to increase business performance, the manager disclosed the following:

*Over the past few years, I realized that business performance was declining (...). I attended a few SME seminars to enhance my business management skills.*  
**(Manager)**

This is noted in the findings by Nkwabi and Mboya (2019), which revealed that training is vital for SMEs to develop new business skills and change their mind-sets toward CSR projects. As such, CSR ought to be viewed as an investment rather than a cost (Escamilla-Solano *et al.* 2019). From such seminars, the manager revealed that he got the idea to integrate his charitable work as part of the business CSR practices:

*In one of many workshops that I attended, a presenter was encouraging SMEs to practice CSR, he emphasized on SMEs select cost-effective projects to be able to realise the benefits. That is when I thought of bringing my charitable work to the company so that my efforts are associated with my business.* **(Manager)**

Moreover, the manager stressed that he was already doing much for the community. As such, he only needed to align and link the projects in his charitable work to the business.

*I mean I was already doing a lot for my community; I just needed to link the projects that I was already doing to my company name and expand to other aspects of CSR.*  
**(Manager)**

It is clear from the preceding passage that CSR was implemented to help the organisation's poor performance, and the management was hoping that CSR would save the business.

#### **b) Combating absenteeism and low productivity through CSR**

Another reason for the implementation of CSR practices in the business was to combat absenteeism and low productivity. Bizri, Wahbi and Al Jardali (2021) posit that working for a socially responsible company provides employees with a sense of purpose and belonging. Employees are motivated to improve their work performance, which increases labour productivity whilst decreasing absenteeism and turnover.

This was confirmed by the manager, who revealed that the business initially faced an episode of absenteeism which negatively affected its productivity. To combat this menace, the manager disclosed that he had to familiarise himself with the labour law and employment acts to be able to identify where his business was lacking.

*I started by familiarizing myself with the labour and the basic conditions of the employment act. I wanted to make sure that I am doing what is expected by the law and ensure that my employees are happy ....//... (Manager)*

When asked to further explain how knowledge of the labour force could help address labour absenteeism and their subsequent poor productivity, the manager alluded that besides trying to abide by the law, he also wanted to know the cause of employee unhappiness to motivate them:

*I needed to make sure that I abide by the law and do what the employment acts*

*require. (...) I mean it would not do me any good to just do all the good deeds for the community if they are not within the scope of the law. And I also wanted to know what is it that I am doing wrong that makes my employees not happy from the legal perspective before I could decide what can make them motivated. (Manager)*

To achieve this, the manager encouraged the formation of trade unions in the organisation. According to Abd Razak *et al.* (2022), CSR is an internal process that protects employee rights and equity. One of the rights of employees at work is the ability to create and join a trade union. Hence, employers have a critical role to play in altering the existing trade union recognition process. The employer's CSR includes actions to protect union members from anti-union tactics. This validates the manager's assertion that employees did not have a trade union before implementing CSR in the business. In his words:

*I think because they were not aware of their rights, they did not even have a trade union. Therefore, after familiarizing myself with the acts, I encouraged the formation of trade unions. (Manager)*

Given that trade unions can be troublesome, and thus some business organisations want to get rid of them, it was critical to know why the manager had encouraged its formation. The manager, however, saw trade unions as essential in the bid to combat employee-related problems such as absenteeism and turnover. In the manager's words:

*For me, it was all about finding better and more effective resolutions to employee-related problems to be able to reduce employee turnover and improve employee satisfaction. I believed if there was a trade union in the workplace, my employees would find a platform to raise their concerns, and business performance would not be affected, as was the case in this business. (Manager)*

Further to the above, the manager attributed the success of CSR implementation to the formation of a trade union. This is because CSR has a significant role in improving work productivity, particularly when the employer is prepared to allow the trade union to engage in collective bargaining with the employer (Abd Razak *et al.* 2022). The manager noted the

success of including the trade union when deciding on employee-related activities. According to the manager:

*Trade union participation definitely contributed to the success of CSR implementation because we involved the representatives when deciding on the needs to target and the projects to introduce. (Manager)*

The plausible explanation for this may be connected to the fact that employees are now involved in the decision-making process in the organisation. As a result, employees are more likely to support the business brand that aligns their views and behaviours with the expectations of management and the public (Carlini and Grace 2021; Isaksson and Kiessling 2021).

### **5.8.2 Theme Two: Areas of CSR activities implemented**

The first study objective was to identify the nature and magnitude of CSR projects by the organisation under study. This is depicted in Figure 5.8 below. From the semi-structured interview, the CSR activities disclosed by the manager interviewed include environmental and employee-related activities.

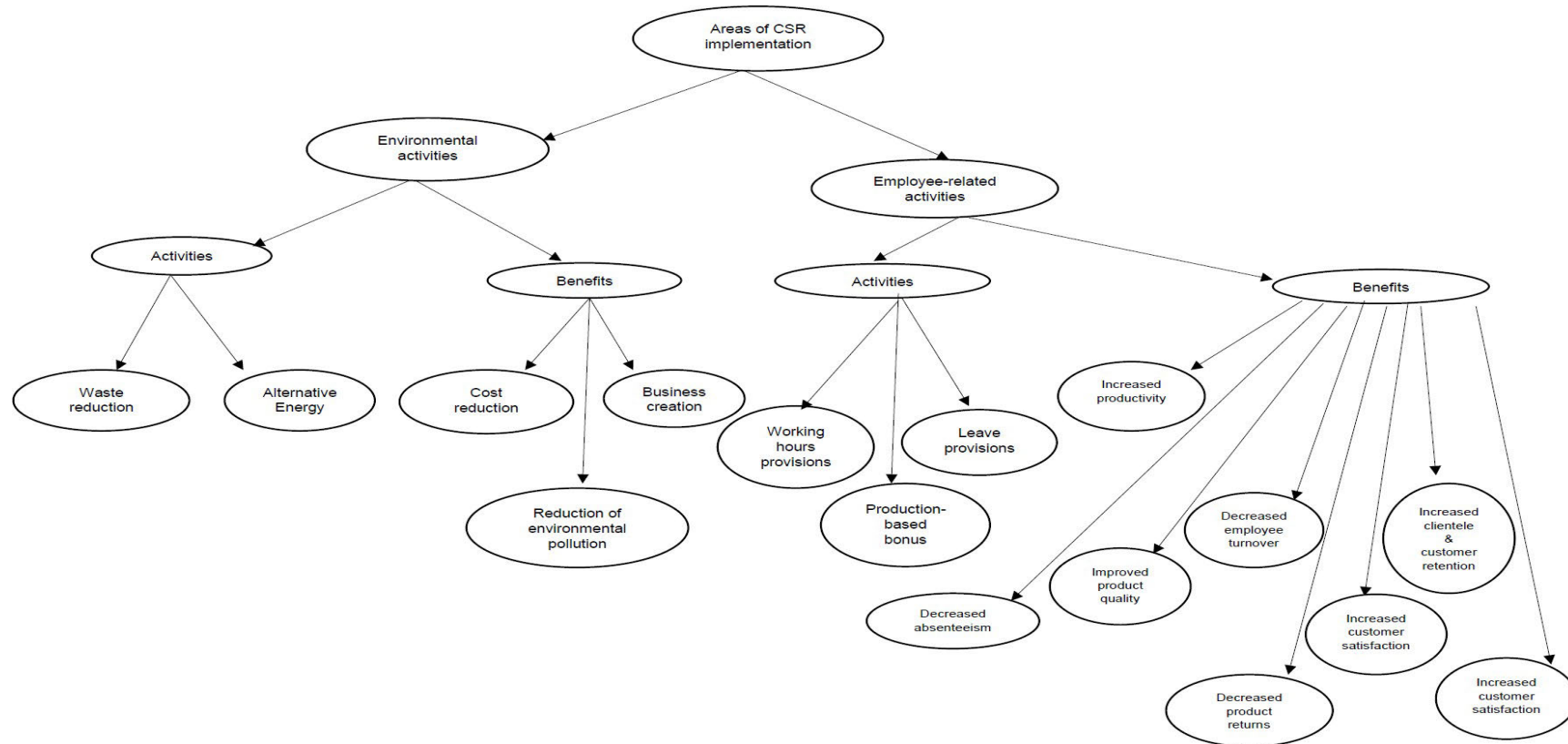


Figure 5-8: Visualisation of Theme 2: Areas of CSR activities implemented

(Based on research data 2022)

In the words of the Manager:

*I introduced environmental-related and employee-related CSR efforts to be able to improve the overall performance of my business. (...). (Manager)*

The environmental activities included waste reduction and alternative energy supply. Employee-related activities included working hours' provisions, leave and production- based bonuses.

### **Sub-theme 2.1: Environmental activities**

According to Ahmad *et al.* (2021b), SMEs often ignore the environmental realm of CSR. In other words, environmental commitment is not taken into account by SMEs. This is contradictory to the findings of this study. From the thematic analysis, it was revealed that the environmental-related activities implemented by the business include:

#### **a) Waste reduction**

Corporate entities use a variety of practices with common goals such as reducing waste, boosting resource efficiency, empowering employees, improving quality, and increasing productivity (Javed and Husain 2021). Consistent with this, it was uncovered that the company engaged in sustainable manufacturing by means of waste reduction. The manager disclosed that the company makes products out of by- products. This may likely increase the firm's efficiency and boost its productivity;

*Environmental activities that I introduced include waste reduction, whereby we make other products out of by-products that we usually throw away. We also use some of the "waste material" in the training sessions that we hold in the community that I support. (Manager)*

## **b) Alternative energy**

Alternative energy is another sustainable environmental-related activity introduced by the business. While this was initially planned to address the challenges of electricity in the country, in the end it was deemed more cost-effective and sustainable for the business. As the manager noted, the firm ended up saving much money that could have been used to pay for electricity.

*....although the use of alternative energy is one of the environmental activities; we introduced alternative energy to also overcome the load shedding challenge. However, we realized that using a solar system is much cheaper; as a result, we ended up using it. Especially on sunny days and save a lot of money that could have been used to pay for electricity. (Manager)*

The finding agrees with other scholars (Newman *et al.* 2020; Shahzad *et al.* 2020a) who alleged that efficiency gains due to alternative production methods and economic and environmental sustainability can lead to positive possibilities of improved employee retention and loyalty. It can therefore be said that CSR environmental- related activities hold numerous benefits for the business organisation.

### **Sub-theme 2.2: Employee-related activities**

Sarker and Afroze (2014), as cited in Al Masud, Hossain and Biswas (2021), contend that the key to sustaining a profitable business or a healthy economy is through the workforce's productivity. This may be increased through improved human resource procedures. A lengthy line of management studies have investigated the relationship between CSR and employee work satisfaction, loyalty to the firm and, ultimately, productivity (Glavas and Godwin 2013; Vlachos, Panagopoulos and Rapp 2013; Iqbal, Guohao and Akhtar 2017; Carlini and Grace 2021; Dobrosavljević and Urošević 2022; Kim and Kim 2021; Murshed *et al.* 2021).

According to Bikefe *et al.* (2020) stakeholders, particularly workers, are generally overlooked in the CSR projects undertaken by SMEs. This was not the case in this organisation.

Additionally, it was essential to know the reason why the manager introduced employee-related activities:

*I needed to include employee-related CSR efforts because I realized that the business was not performing as it used to. (Manager)*

This contradicts Bikefe and colleagues' (2020) argument that businesses tend to focus on CSR projects that fulfil the needs of all stakeholders except their most important assets, employees.

Another reason for engaging in employee-related activities was to improve employee retention. The excerpt from the managers' words is captured below:

*When I looked at my employee retention rate, I realized that I have very few employees who have been in the company since its establishment (...) and that every now and then I have employees leaving for better prospects and new employees joining the company. (...) I must say that was very expensive for me because I have to start over the recruitment process every time an employee leaves the company. When one university student came to do research on "employee satisfaction" in my company, I was shocked when I realize how demotivated my employees were. That could only be the reason why productivity levels were very low, absenteeism was skyrocketing, and many employees were leaving the company almost every year. (Manager)*

It was therefore critical to know the changes implemented by the business to improve employee satisfaction and business performance. From the interview, several employee-centric changes were implemented, amongst which are:

#### **a) Working hours provision and over-time payment**

From the interview, it was revealed that employee working hours were adjusted to align with the Basic Conditions of Employment Act. Overtime pay was introduced to compensate for

extended working hours beyond the basic time. In the manager's words:

*.... my employees used to work longer hours without overtime pay, so I had to make sure that their working hours are as per the act and anything above the working hour's provisions as stipulated in the act (the basic conditions of employment act) would be deemed overtime, and employees would be paid for the extra hours worked. (Manager)*

### **b) Leave provisions**

It was also noted by the manager that leave provisions were given to employees. It was gathered that clarity on leave entitlement was made to the employees:

*Another aspect was leave provisions. Although I never denied any employee the leave for family or personal reasons, it was never made clear to them how many days of annual, sick, and family responsibility leave they were entitled to. (Manager)*

### **c) Production-based bonuses**

Low productivity was a concern for the organisation, which led to the introduction of employee-related activities. In order to improve business productivity, the manager revealed that a production-based bonus was introduced in the organisation:

*... to encourage productivity I also introduced a production-based bonus where employees would be paid a basic salary and receive a bonus based on the quantity they produced...(Manager)*

Such production-based bonuses include productivity improvement and production without defects:

*...Employees are paid their normal rate, but to encourage productivity improvement, they are paid for the quantity produced. (...). In addition, they are paid for producing products with no defects. (Manager)*

The above findings, particularly the production and quality-based bonus, is essential to the organisation's financial performance. This supports the argument by Shaukat, Nawaz and Naz (2013), that improvements in financial performance have a direct association with embracing elements of marketing and production performance such as quality improvement, cost efficiency, speed of production and production flexibility.

### **5.8.3 Theme Three: Benefits obtained from CSR implementation**

From the previous theme, it was identified that the organisation in this study implemented environmental- and employee-related CSR projects. It was essential to establish the benefits experienced from these initiatives.

#### **Sub-theme 3.1: Benefits of implementing environmental-related CSR**

After indicating that environmental-related CSR was suggested to increase company performance, it was critical to determine whether this was accomplished. Achieving an increase in business performance would mean that Study Objective Three, which seeks to investigate ways in which CSR could influence the business performance of the organisation in the study, is achieved. As stated by Newman *et al.* (2020), CSR can increase business profits and its overall performance if these programs can lower production costs, lead to product differentiation and derive innovative managerial processes as well as technological upgrading. From the interview with the manager, the environmental-related activities benefits uncovered include:

##### **a) Cost reduction**

While the manager acknowledged that the cost of purchasing a solar system was capital-intensive, overall, the benefits exceeded the costs. The consequence of this is an increase in profits:

*Although the cost of purchasing a solar system cost an arm and leg, we noticed the decreased cost of production because of the use of solar systems. We are not paying as much as we used to when we relied on electricity, this subsequently led to higher*

*profits. (Manager)*

This is aligned with the findings of Higgs and Hill's (2019) study of SMEs' environmental responsibilities. Higgs and Hill established that the environmentally responsible operations that occurred, such as lowering electricity and transportation expenses, were driven by cost-savings and minimising dangers to the business's long- term sustainability.

### **b) Reduction in environmental pollution**

Another benefit of environmental-related activities for the business is the reduction in environmental pollution. According to various scholars (Lu *et al.* 2021a; Sudirman, Upe, Herman and Susilawaty 2021), this is critical given the concern of climate change and the need for a sustainable environment. It thus means that CSR activities help the business to achieve the green initiatives that are high in the country's National Development Goals:

*.....by not throwing away the waste material we have avoided polluting the environment and thereby contributed to the community through the training sessions that we hold. (Manager)*

### **c) business creation**

Equally important, it was found that the re-using of products creates a source of employment for others. This is very important given the high unemployment rate amongst young adults in South Africa. It can therefore be said that CSR implementation can help in addressing the unemployment gap in South Africa. The manager noted the following, which supports this assertion:

*...training sessions helped create more small businesses. Although we are small, together we make a bigger contribution to the economic development of the country. Collectively, we employ more people and they support our businesses through the purchases they make. (Manager)*

The findings of this study are consistent with Ojuando and Kihara (2021), who established that environmental conservation tactics have a favourable and considerable impact on the performance of plastic manufacturing enterprises in Kenya.

### **Sub-theme 3.2: Benefits gained from implementing employee-related activities**

Following the implementation of employee-related initiatives, the manager indicated having attained some benefits. This conforms to the third research aim, which examines ways in which CSR could improve business performance, as well as Study Objective Four, which investigates whether variables such as business reputation and network development play an important role in business performance.

#### **a) increase in productivity**

According to Štreimikienė and Ahmed (2021), an increase in employee morale is eventually directly associated with an increase in production. The authors warned business organisation managers to use CSR activities as a successful business approach to increase employee morale. Consistent with this, it was stated that due to the incentive initiatives introduced, employee productivity improved. It can therefore be said that the employees were motivated to work harder to earn more bonuses:

*Because of the incentives, which we introduced, productivity improved because employees wanted to get more pay; so they worked hard to be able to produce more.*  
**(Manager)**

This implies that there is a relationship between employee CSR initiatives and productivity improvement.

#### **b) Reduction in absenteeism**

According to Bizri, Wahbi and Al Jardali (2021), decreased absenteeism is amongst the benefits of working for a socially responsible business. It gives employees a feeling of purpose and belonging, and they are driven to reciprocate by giving back to the Organisation through improved job performance. From the interview, the manager revealed that employee

absenteeism has decreased since the implementation of employee-related activities:

*Absenteeism also decreased because if they are absent for just one day, they would not realize the benefits that come with being at work and producing more (...) without compromising the quality of the course. (Manager)*

**c) Improved product quality**

Improved product quality was another benefit gained from implementing employee-related activities. Since the employees are adequately incentivised for their production performance, as well as the quality of their production, it was understandable that the quality of the products also improved:

*After all, they were paid for producing quality (...) payment for the quality element so that employees do not rush through the production line to get incentives for quantity while neglecting quality. (Manager)*

**d) Decrease in employee turnover**

It was also uncovered from the interview that the business gained benefits by in the form of decreased employee turnover:

*We also realized that employee turnover had decreased (...) in the past, we used to have employees working a few months to one year, and then they left the company. After introducing these incentives, they tend to stay longer with us. (Manager)*

The above finding suggests the benefits of a conducive working environment through CSR employee-related initiatives. For example, Dobrosavljević and Urošević (2022) uphold that high employee turnover reflects employee unhappiness with the Organisation's work relationships, Organisational culture and environment, monetary remuneration, and other aspects of employee satisfaction. This means that employee commitment to continued employment reduces the likelihood of employees leaving the organisation. Consequently, a company might gain financially from lower employee turnover.

**d) Reduction in product returns due to defects**

Raja and Guru (2021) assert that a well-implemented CSR approach can provide several competitive benefits, namely greater access to finance and markets; higher sales and profitability; cost reductions in operations; and increased productivity and quality. Importantly, the incentives introduced for products without defects may significantly contribute to the quality of the products produced. This is testament to the fact that there is a reduction in product return from defects:

*From the marketing performance perspective, we experienced fewer product returns because we also focused on producing quality products that customers would appreciate. (Manager)*

The positive outlook of the above finding is that CSR implementation reduced the cost of re-doing the products and the payment of compensation to customers, as well as an improved reputation for the wonderful work that the business is doing.

**e) Increased customer satisfaction**

Another benefit of fewer defects in products is that it will improve the reputation of the business, build business trust and increase the satisfaction of the customers, which could contribute to increasing sales and customer loyalty. This is evident from the manager's statement:

*Most of our customers are satisfied with the products we produce and we have fewer complaints about product quality (...) the waiting period for them to receive our products is reduced (...) more people know about our business. I can say our customers are happier than they were initially. (Manager)*

The finding is in agreement with Lee and Hu's (2018) finding that Organisations should engage in innovative ways that can directly increase reputation, such as improving product quality, customer satisfaction and building consumer trust. Furthermore, an Organisation

can have the necessary reputation and ensure improved financial performance. This means that variables such as reputation improve business performance.

**f) Increased clientele and customer retention**

Paruzel, Klug and Maier (2021) assert that CSR is more than just giving back to the community, but is also linked to financial performance, business reputation, consumer purchasing decisions and customer commitment. This position is supported by the views of the manager who noted to have seen an increase in the business clientele after implementing CSR.

*Without any doubt, (...) we have increased our clientele after implementing CSR, mostly from referrals. We see more repeat customers coming to the business.*  
**(Manager)**

It was uncovered that most of the new customers were referrals, which suggests a high level of customer satisfaction and new network developments that resulted from the improved business reputation.

*....when we ask most of our new customers how they knew about our business, the majority say they are referrals by our current customers as well as people from the communities I serve.* **(Manager)**

This indicates that CSR may assist in securing a positive business reputation and strengthening consumer relationships (Fatmawati and Fauzan 2021), as well as improving its public image and reputation using humanitarian actions (Chanakira and Masunda 2019).

The preceding section provided an outline of the semi-structured interview with the manager. The discussions covered the year the business began practising CSR; the reasons for incorporating CSR into the Organisation; the type of CSR that the owner was practising in their personal capacity; the types of projects introduced after CSR was incorporated into the

medium-sized organisation; and the benefits of implementing CSR in the organisation. The next section discusses the results of the focus group discussions that took place with employees in the selected organisation.

## 5.9 Focus group discussion

This section describes the findings of the data collection procedure, summarizes the findings, and examines the conclusions gained from a focus group discussion with four organisation workers. The focus group discussion with the employee also addressed study objectives one and three.

### 5.9.1 Socio-demographic characteristics of the interviewed workers

The profiles of the employee are given in Table 5.17 The data show that three of the employees are above 40 years old, while only one is below 40 years old. The data also show that there was an equal number of males and females with a maximum work experience of 20 years and a minimum of 4 years. This suggests a high employee retention rate in the organisation. Each of the employees is in a different division or job area.

Table 5-17: Profile of employees

<b>Person</b>	<b>Age group</b>	<b>Experience</b>	<b>Gender</b>	<b>Job area</b>
Cheetah	41 years	20 years	Male	Seamstress
Elephant	55 years	4 years	Male	Quality control
Lion	44 years	10 years	Female	Sales assistant
Zebra	34 years	5 years	Female	Cutter

Source: Based on research data (2022)

## 5.9.2 Emerging themes and sub-themes from the semi-structured interviews with staff participants

The analysis of the data gathered from the semi-structured focus group discussion resulted in the identification of the themes and sub-themes highlighted in Table 5.18.

Table 5-18: Identified themes and sub-themes

Theme	Sub-theme
1. CSR implementation	Motives for implementation CSR Activities implemented
2. Benefits of CSR implementation	2.1 Business organisation benefits
3. Factors influencing productivity and quality improvement	Employee-related activities Incentives Working conditions
4. Effect of employee-related acts on employee performance	

Source: Themes based on research data (2022)

### 5.9.3 Theme One: CSR implementation

This Theme covers Study Objective One, which identifies the nature and magnitude of CSR projects done by the SME in the study. Before determining the nature of CSR activities, it was critical to understand the organisation's motive for engaging in CSR from the employees' perspective.

From the interview with the manager, it was noted that it took 20 years for the business to implement CSR. It was uncovered from the manager that CSR was integrated to drive the business performance. To further corroborate this, this theme explores CSR implementation in the business from the perspective of the employees'. As shown in Figure 5.9, the theme is explored under two sub-themes, namely motives for implementing CSR and the activities engaged in, in CSR implementation.

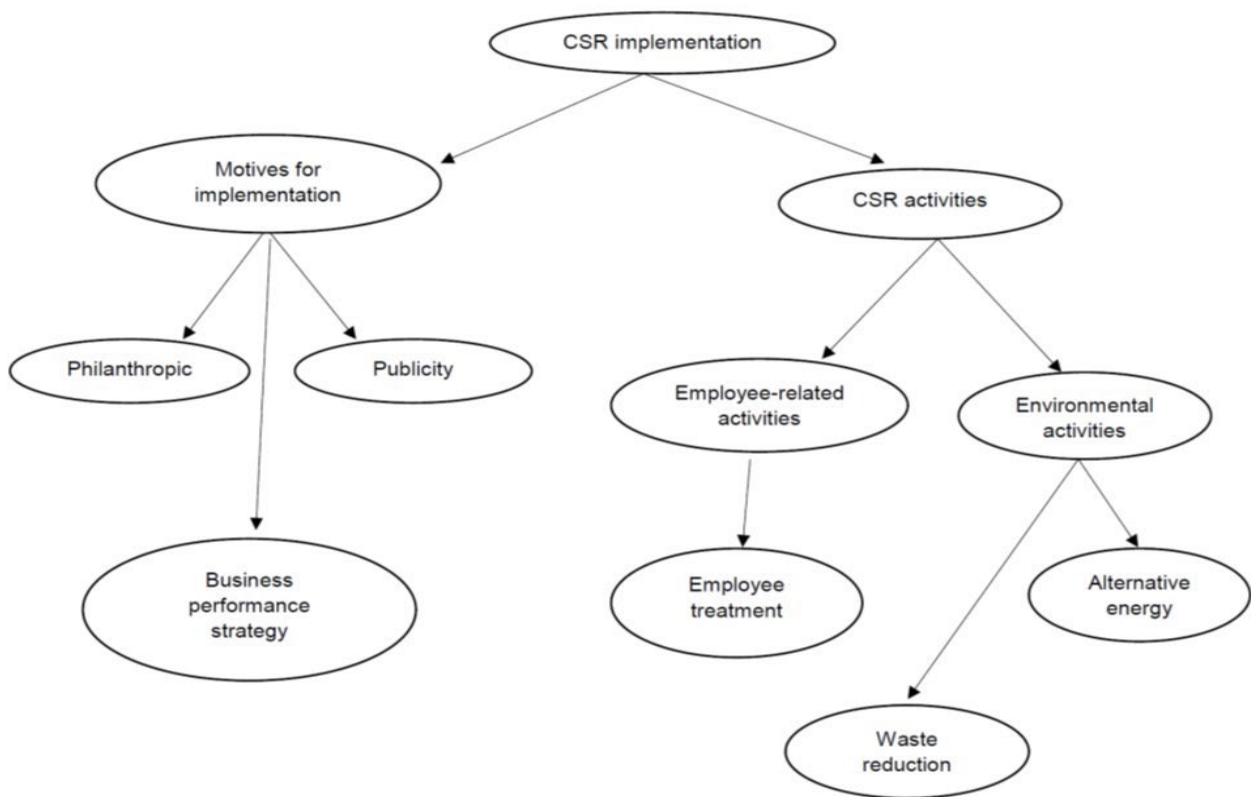


Figure 5-9: Visualisation of CSR implemented by employees

(Source: Based on research data 2022)

### 5.9.3.1 Sub-theme 1.1: Motives for implementation

From the interview with the manager, it was revealed that while the manager engages in charitable activities, CSR was only integrated into the business to help drive business performance. This view was supported by all the employees in the focus group discussion who affirmed that CSR was implemented due to the philanthropic nature of the manager in order to drive business performance and to create a form of publicity for the business.

### **a) Philanthropic**

According to one of the employees interviewed:

*Our boss is naturally a Philanthropic person; he has been involved in giving back in his personal capacity long before the business started practising CSR. He has been helping children in his area with finance for their studies, buying food for the needy and many other good acts. (...) all his “give back acts” have been done without any association with the company. He did all these from the goodness of his heart. I believe CSR implementation in this company helped him extend the good deeds to the greater community and other stakeholders. (Zebra)*

The aforementioned testimony is consistent with Jamali and Neville's (2011) views on CSR in SMEs. They contend that SMEs' approach to CSR lacks institutionalization and is mostly driven by religious motivation. The spontaneous philanthropic involvement of SMEs in developing countries arises from a sense of kindness towards workers and local communities.

Another employee, who noted the following, shared a similar sentiment:

*Initially, the owner pursued CSR as a sign of “Ubuntu” just from the goodness of his heart. However, later on, he started implementing it in the business. (Lion)*

It is evident from the preceding excerpt that SMEs do not have a formalised CSR practice. Their decision to participate in CSR is influenced by the owner's religious drive and goodwill.

### **b) Strategy to improve business performance**

From the interview conducted with the manager, he was explicit that the improvement of business performance was the reason for implementing CSR. Two of the employees also confirm this position:

*His move to introduce CSR in the business was to improve business performance not because he was obliged to do so. (Lion)*

*Although that was not the only reason, I do believe that the business gaining publicity was a strategy to improve business performance. (Zebra)*

This means that business publicity is the mediator for business performance.

### **c) Publicity**

According to Pacis, Almendrala, Paitone and Etrata Jr (2022), publicity is an undeniably effective instrument for increasing productivity, efficiency and profitability in fast-paced industries and businesses. This was uncovered in the discussions with the employees. They indicated that another motivation for the business to implement CSR was to gain publicity, which is like a form of advertisement. Zebra affirmed that the manager's desire to integrate his charitable work into the business was that his deeds would be associated with the company, which in turn, gives it good publicity:

*(...) because doing so would assist the company to have good publicity when his deeds are associated with the company. (Zebra)*

Echoing a similar view to Zebra, Lion added that CSR was introduced to gain publicity, which benefits the company in terms of sales.

*...// from what I understand, I think CSR was introduced to gain publicity which will help increase sales. (Lion)*

It is sufficient to say that integrating the manager's charitable work into the business's CSR practices acts as a promotional tool for the business. This is evident in the statement made by Lion that by doing good for the community, society becomes aware of the organisation's brand:

*...because by doing good for the community, society becomes aware of our brand. They started buying from us, this was also anticipated to increase Profitability. (Lion)*

Based on the preceding excerpts, one may deduce that CSR was implemented in this medium-sized organisation due to the owner's charitable character, in order to boost business performance and obtain exposure. The next sub-theme examines the nature of the organisation's CSR initiatives.

### **5.9.3.2 Sub-theme 1.2: CSR Activities implemented**

This sub-theme addresses Research Objective One, which attempts to determine the nature and magnitude of CSR programs undertaken by the medium-sized organisation under study. The findings of a study conducted by Luo, Zhang and Li (2022) demonstrate that socially responsible organisations prioritise employee safety, business performance development and environmental preservation. This can contribute to long-term financial performance. Luo and colleagues' (2022) findings, correspond with the findings of this study. From the interview with the manager, it was disclosed that the organisation engaged in environmental-related and employee-related CSR activities. The employees also confirmed this.

#### **a) Employee-related activities**

From the interview with the manager, the employee-related activities uncovered were working hours, over-time and leave provision. The employees added the following:

##### **i) Employee treatment**

Another employee-related act noted was employee treatment. Elephant illuminated the following:

*...// I also like to highlight that as part of employee-related acts, the company tried to make sure that it treats its employees with respect by making sure that they receive competitive pay and offered wide-ranging benefits, such as overtime, leave allowance (...). (Elephant)*

The above extract confirmed the manager's statement on an employee-related act, which makes provision for over-time payment, leave and productivity bonuses to the employee.

**b) Environmental-related activities**

From the interview with the manager, the environmental acts uncovered were waste reduction and alternative energy. The employees, who revealed the following, confirm this:

**i) Waste reduction**

According to Chapple, Paul and Harris (2005), waste reduction leads to reduced marginal costs and, as a result, larger scale economies. Cheetah highlighted that the company makes use of by-products to make fabrics. This resonates with the position of the manager:

*(...) environmental-related acts that we do include waste reduction that is achieved by making by-products out of fabrics that were deemed not useful, (...). (Cheetah)*

This leads to improved profits for the organisation due to lower variable costs.

**ii) Alternative energy**

Also confirming the use of alternative energy as an act of environmental-related activities, Cheetah noted the following:

*....alternative energy sources are used. (Cheetah)*

Environmental actions derived from this sub-section included waste reduction and the use of alternative energy sources. Following a discussion on the nature of CSR activities implemented in the organisation, it was appropriate to address the benefits realised because of these CSR initiatives. These are covered in the following theme.

#### 5.9.4 Theme Two: Benefits of CSR implementation

The second theme covers the third study objective, analysing ways in which CSR could influence the business performance of the organisation in the study. From the interview with the manager, it was uncovered that CSR implementation in the organisation presents numerous gains and benefits to the organisation. This theme explores, from the employees' perspective, the benefits of CSR implementation for the business. The organisational benefits of CSR are illustrated in Figure 5.10.

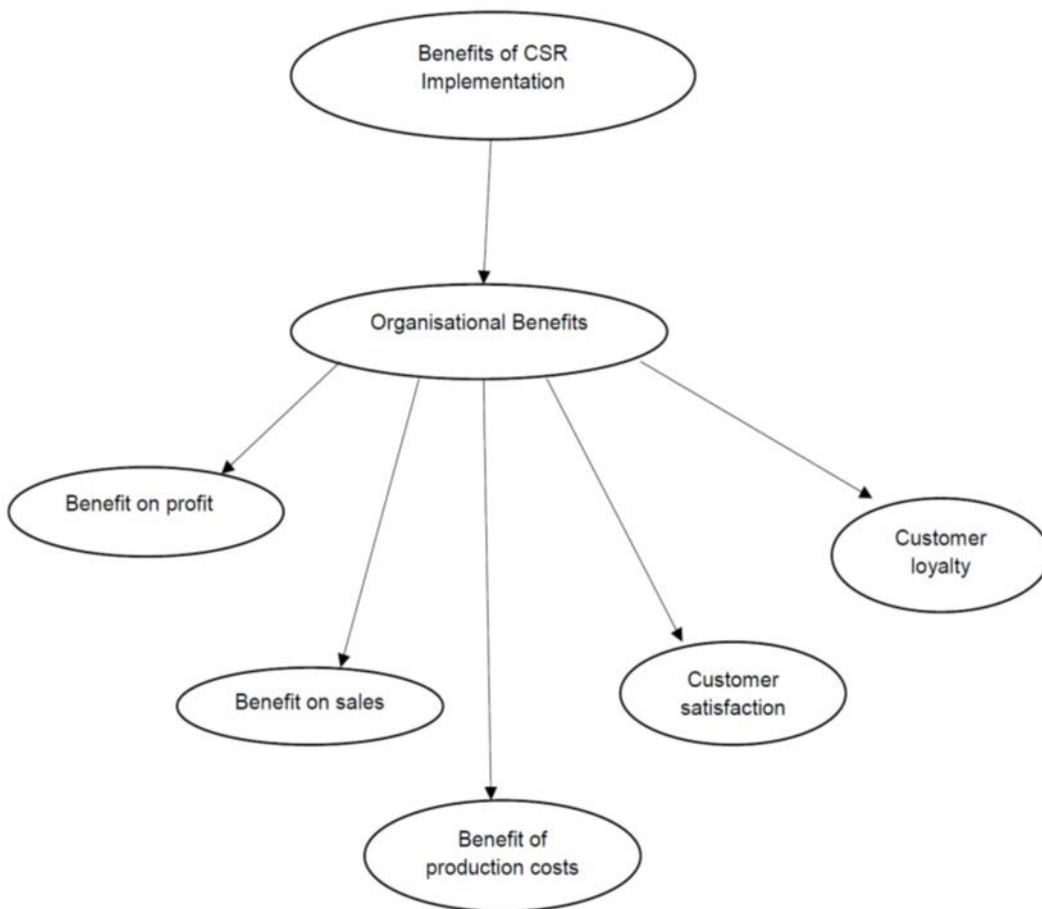


Figure 5-10: Visualisation of the benefits of CSR implementation by employees

(Source: Based on Research data 2022)

#### 5.9.4.1 Sub-theme 2.1: Business organisation benefits

From the focus group discussion with the employees, it emerged that the benefits that CSR implementation offers the business organisation include:

##### a) Increased profit

Contrary to the belief held by Friedman and other neo-classical economists that CSR has a negative influence on the organisation's financial performance and that the primary goal of a firm is to maximise profits (Bahta *et al.* 2020), it was uncovered from the focus group discussion that CSR implementation results in an increase in profits for the business. This was attributed to an increase in sales:

*I believe there is a relationship between increased sales and an increase in profits.  
(Zebra)*

This sub-theme was also connected to the environmental-related activities introduced by the business organisation.

*....the company introduced cost-efficient ways of manufacturing products, which leads to cost reductions in operations. With the reduced cost of operation, profits are bound to increase. (Zebra)*

This verifies the manager's claim that the alternate energy source increased business performance. In addition, Zebra pointed out that the organisation's capacity to boost efficiency leads to increased profitability:

*...// Yes (...) the company's ability to increase efficiency helps us improve profitability because of the decreased costs. (Zebra)*

Adding to this, Zebra mentioned that when employees make fewer mistakes, expenses are also reduced and profits are increased:

*... // No mistakes mean no cost of re-working the product or refunds. This equals more profits. (Zebra)*

While clarifying how a reduction in defects translates to an increase in profits, Zebra noted the following:

*The company will not spend money re-working the product, on product returns or lawsuits because of unhappy customers. Unhappy customers can make running a business very expensive. (Zebra)*

Elephant attributes the reduction of defects and improvements in the quality of products to employee-related efforts implemented by the organisation, which has changed the attitude toward the organisation, as observed by the manager:

*...this will take me back to employee-related efforts implemented by the company. (Elephant)*

Consequently, there is an increase in morale and employee commitment:

*...our attitude toward work changed after introducing these initiatives. And this was a positive change because our motivation and commitment improved. (Elephant)*

In a nutshell, one can agree that profitability is realised by the business through CSR implementation.

## **b) Increased sales**

As stated above, the profit increase is attributed to the increase in sales. Hence, it is sufficient to say that CSR benefits the business by means of an increase in sales. Sales increases, according to Lion, were attributed to brand awareness due to the charitable deeds of the business within the community. This supports the work of Chen *et al.* (2021), which established that CSR is regarded as a form of social good that tries to improve a company's image and reputation.

*CSR helped increase sales because by doing good for the community, society became aware of our brand and started buying from us. **(Lion)***

In order to ascertain whether an increase in sales can be solely attributed to CSR initiatives, the employees were asked if the sales before CSR implementation were bad. Lion acknowledged that sales were poor before CSR implementation and confirmed the position of the manager who said that CSR was implemented to increase business performance.

*It wasn't too good, but at the same time, there was no intense marketing or advertising. We relied mostly on word-of-mouth advertising, and the random distribution of pamphlets and street posters. After CSR implementation, sales improved. **(Lion)***

From the above passage, it is evident that the sales increase is credited to brand awareness.

### **c) Benefits on production and cost**

From the interview with the manager, it was noted that there was an increase in productivity after CSR implementation. The employees confirmed that CSR implementation resulted in better production. According to Cheetah,

*// Uhhhh (...) Not only did we experience increased profits, but productivity and quality were even better. **(Cheetah)***

Adding to the discussion, Elephant noted that the cost of production dropped due to the use of alternative energy, and it reinforced the view of the manager that the use of alternative energy results in cost reductions in the long-run:

*....the cost of making the products have dropped because we use solar energy instead of electricity to save the planet. **(Elephant)***

The excerpts above show a boost in sales because the organisation implements CSR

initiatives. Improved customer satisfaction was another advantage realized because of CSR. This is covered in more detail below.

#### **d) Customer satisfaction**

From the interview with the manager, customer satisfaction was revealed as amongst the benefits gained by the business after CSR implementation. This is re-affirmed by the employees who attribute the increase in customer satisfaction to the reduction of defects in the products.

*//... because of fewer or no defects in our products, customer satisfaction has increased. (Lion)*

Zebra also believed that the customers were happy to buy products that meet or exceed their expectations, thereby contributing to their satisfaction”:

*The customer will also be happy because they buy products that meet or exceed their expectations. (Zebra)*

According to Ye, Wang and Lu (2021), customer satisfaction influences a company's financial outcomes, and it acts as a significant and positive mediator in the CSR- business performance relationship. As such, improved customer satisfaction, lower customer turnover and increased customer loyalty may all directly lead to improved profitability.

#### **e) Customer loyalty**

According to Islam *et al.* (2021), customer satisfaction has a favourable impact on customer trust, retention and repeat purchase intention. It is only a satisfied consumer that is likely to trust the company and make repeat purchases, resulting in customer retention (Islam *et al.* 2021). As a result, customer satisfaction is the most significant predictor of client loyalty (Liu, Liu, Mo, Zhao and Zhu 2020b).

From the interview with the manager, it was gathered that there is customer loyalty because of CSR implementation. The employees who stressed the loyalty their customers showed to the business re-affirm this. According to Lion,

*...before we started CSR, fewer people knew about our business, and we received a lot of publicity after we started practising CSR. After that, more customers started buying from us and became loyal to your business. (Lion)*

The consequence of customer loyalty and trust results in repeat purchases and this supports the work of Simionescu and Gherghina (2014), who said that customer satisfaction indirectly improves profitability through repeat purchases.

*This resulted in the customers trusting us and being loyal to our brand. In that way they make repeat purchases and the retention rate increases. (Lion)*

As previously stated, managers should regard CSR as a strategic tool and a long-term operational practice to gain a competitive advantage (Isaksson and Kiessling 2021). It was found that customers' loyalty gave the business a competitive advantage, which suggests that CSR implementation contributes to the organisation's competitive advantage:

*Customers being loyal to our brand is also a competitive advantage to us because they will not want to do business with anyone but us. (Lion)*

Owing to the above and agreeing with Bello *et al.* (2019), CSR may be viewed as a marketing tool. The successful use of this tool may assist businesses in gaining a competitive edge. For example, Elephant adds that due to the fewer defects in the products produced there was no bad publicity, which in turn is linked to customer loyalty:

*...due to fewer defects in the products that we produce, we received fewer complaints and no bad publicity. Our customers became more loyal to our business because of some of these reasons. (Elephant)*

Based on the evidence presented above, it is clear that CSR is an effective tool for increasing customer loyalty and retaining customers in the Organisation under consideration in this study. The next theme delves into the elements that influence productivity and quality improvement.

### 5.9.5 Theme Three: Factors influencing productivity and quality improvement

One of the recurring benefits gathered from both the manager and the employees interviewed is that CSR led to increases in productivity and quality improvement. This theme explores the factors that influence the increase in productivity and quality improvement in the business after CSR implementation. As shown in Figure 5.11, three factors were uncovered, namely employee-related activities, incentives and working conditions. These are discussed below.

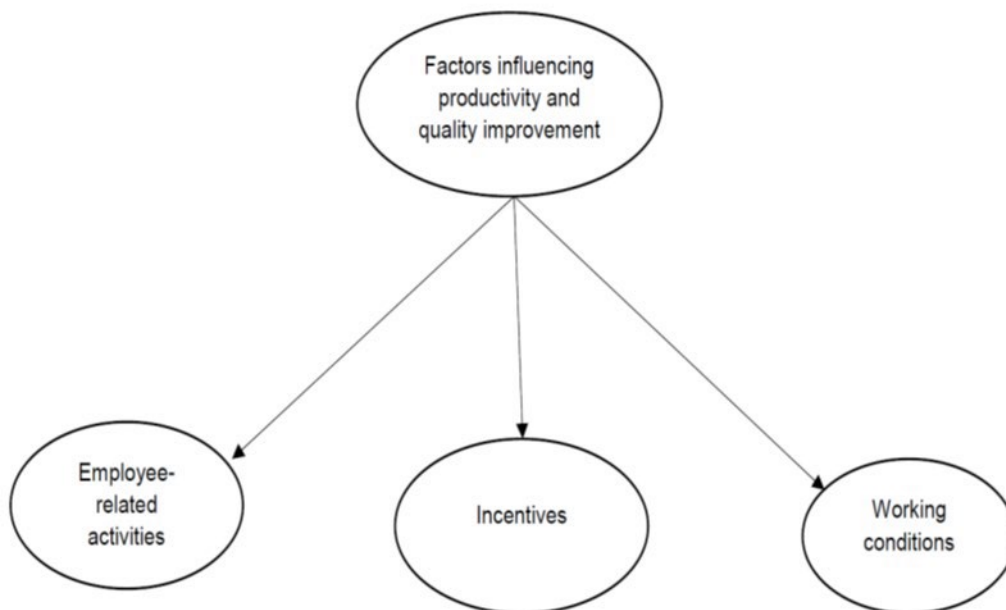


Figure 5-11: Visualisation of factors influencing productivity and quality improvement

(Source: Based on Research Data 2022)

### a) Employee-related activities

Cheetah attributes the improvement in the business productivity and quality of products to the introduction of employee-related activities.

*...// simply because employee-related CSR activities were introduced (...).*  
**(Cheetah)**

In Cheetahs' words:

*...doing so allowed us to feel appreciated and we wanted to improve our efforts and improve quality... we were also able to decrease the number of defects which could lead to decreased profitability and lesser salary and possibly less of other benefits that were introduced with CSR. **(Cheetah)***

Agreeing with Cheetah, Zebra was more explicit by detailing the employee-related introduction, which helped in productivity and quality improvement:

*...// Yes (...) I agree. The company introduced employee-related benefits like making sure we have good pay and working conditions were improved and aligned with the provisions of the basic conditions of the employment act. **(Zebra)***

According to Zebra's view, the employee-related activities introduced provide a form of stimulus for hard work-, which thus increased productivity:

*That was a motivation for us to work harder and it increased our loyalty to the company. Increased morale led to increased productivity. **(Zebra)***

The above statements are in line with Shafiq *et al.*'s (2014) argument that CSR implementation influences employee productivity and motivation.

## **b) Incentives**

From the manager interviewed, it was stated that employees were adequately incentivised in the form of overtime bonuses and production and quality bonuses. Elephant, who attributes the improvement in business productivity to the incentives provided, also confirms this:

*...// the business experienced productivity improvement because we were more dedicated and motivated by the incentives that were provided. (Elephant)*

## **c) Working conditions**

Working conditions was another notable factor influencing the business productivity and quality of products. Zebra believed that the improved working conditions stand out in all the CSR initiatives introduced. It was revealed that the company cares about the health, safety as well as well-being of the employee since CSR was implemented:

*What stands out for me is the improved working conditions that were introduced. The company now cares more about our health and safety as well as our well-being. (Zebra)*

Manurung *et al.* (2021), who contend that employee satisfaction improves because of fair treatment and good working conditions, support this stance. They argue that employees are more likely to be dedicated to the work they do, subsequently improving their performance and that of the organisation as a whole. The next theme discusses the effect of employee-related CSR initiatives on employee performance.

### **5.9.6 Theme Four: Effect of employee-related acts on employee performance**

Both the manager and the employees who participated in the interview have heralded employee-related acts as the cornerstone of the business performance. For example, it was stated from the interviews that the introduction of CSR employee-related acts led to positive

attitudes of the employees. This theme therefore explores how these changes in employees' behaviour benefit the business organisation. As shown in Figure 5.12, increased productivity, employee commitment and loyalty, decreased absenteeism and decreased employee turnover result.

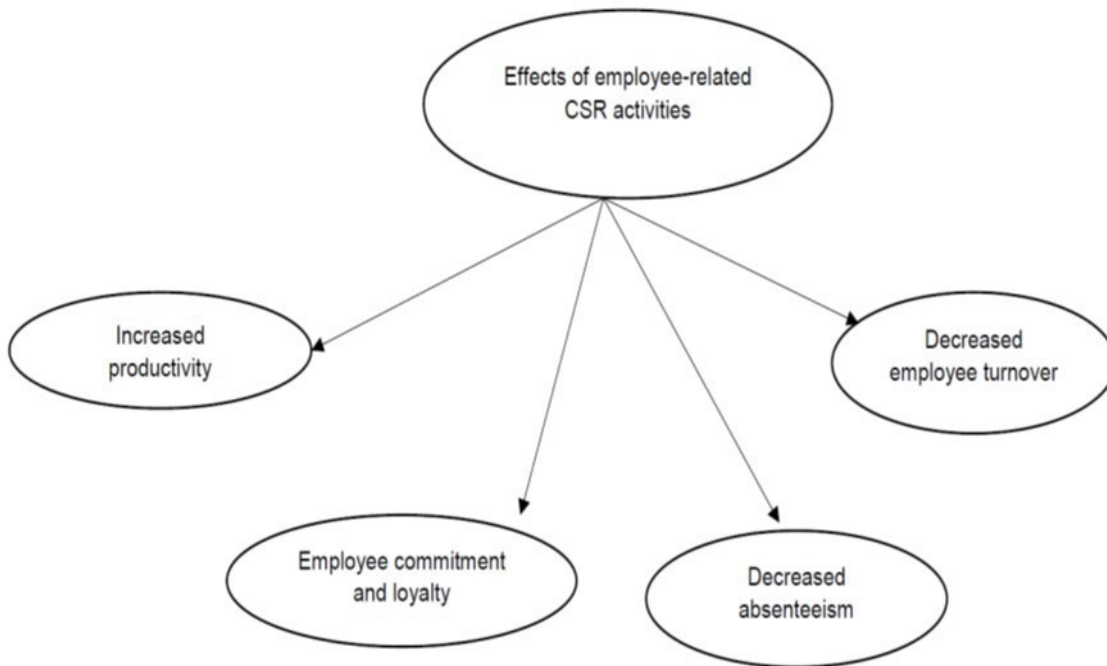


Figure 5-12: The effects of employee-related activities

(Based on Research data 2022)

From the interview, several benefits were uncovered, which include:

**a) Increases in productivity**

Lion noted the positive influence of employees' behaviour on the productivity of the business. She attributes this to the incentives schemes introduced:

*.....from my observation and experience, I believe that employees' behaviour changed for the best. For instance, one of the incentive schemes that was introduced is a production-based bonus. So our productivity levels increased because we knew that we would get additional pay for the quantity that we produced. (Lion)*

Zebra concurs with a colleague by stating the following:

*...production-based incentives made us want to produce more knowing that we would benefit. (...). (Zebra)*

Briefly, one could infer that the benefits of earning more pay drive an increase in production. This suggests that incentivising employees increases their work ethics.

#### **b) Employee commitment and loyalty to the company**

Employee turnover poses a challenge to every organisation. As such, having loyal and committed employees helps the organisation in many ways, including saving in the costs of hiring and retraining. From the focus group discussion, it was uncovered that employee-related acts promote employees' loyalty and commitment to the business organisation:

*...// also (...) this improved our commitment to the company. (Elephant)*

Elephant further mentioned that due to the good deeds of the company, the employees become their number one defender, as well as cheerleader - leading the company's praise:

*Thank you, because of the good things that the company does for us, we end up being loyal to the company. I defend this company at all costs. I always boast about the good deeds that the company does for us. (laughs). (Elephant)*

### c) Absenteeism reduction

Absenteeism has always been noted as a symptom associated with employee dissatisfaction and demotivation. The finding from the focus group discussion suggests that CSR, through employee-related acts, helps mitigate labour absenteeism. Elephant noted that employees did not want to miss work due to the incentives in place. In her words:

*We all made sure that we do not miss work because doing so would mean lesser benefits. (Elephant)*

Another area that benefitted the employees comes in the form of monetary rewards on sales completed.

*...// absolutely, my division also receives a commission which is based on the number of sales we complete (...) this is over and above the basic pay that we receive. (Lion)*

Employees' monetary rewards, such as commission, clearly motivated them to come to work every day. Employees wanted to earn the benefits given and absenteeism decreased.

### d) Employee turnover reduction

Equally, and as noted in the interview with the manager, turnover significantly reduced after the introduction of employee-related initiatives. The plausible explanation for this is that employees' attitudes change due to the positive work conditions.

*Yes, employee-related initiatives resulted in reduced employee turnover and associated costs like job advertisement and the whole recruitment process leads to better profits. (Cheetah)*

*Yes, it is... since we started practising CSR, there have been fewer employees leaving or joining the company (low employee turnover). (Elephant)*

The above extract indicates that by actively engaging in CSR efforts, costly societal issues such as high staff turnover may be avoided (Masum, Aziz and Hassan 2020). This is sufficient to demonstrate a link between CSR and financial performance because high staff turnover subsequently has cost implications for the business.

In summary, one could infer that the introduction of employee-related activities positively influenced employee behaviour. It was gathered that employees became more committed and motivated, which results in an increase in productivity, and a reduction in labour absenteeism and turnover. Furthermore, the organisation experiences an increase in sales and profits.

### **5.10 Proposed conceptual framework**

In summary, the qualitative data integrates both the interview section with the manager and the focus group discussion with four employees of the company to establish the importance of CSR implementation. The data gathered provides rich insight into how CSR practices can help transform the business performance of SMEs in South Africa. There was consensus that the business had to introduce CSR due to the philanthropic nature of the manager, as well as to drive business performance. There was also a consensus that the business introduces environmental-related activities and employee-related activities. Through this, the organisation gained from CSR practices. The employees gained through the numerous incentives and bonuses introduced which consequently increases their work performance and work ethics. For the organisation, there was an increase in sales, profits, and reductions in turnover and absenteeism. The organisation also experience fewer product defects, which consequently leads to customer satisfaction and gained their loyalty. Figure 6.16 illustrates the benefits of CSR implementation in the company. The image visibly showed that customer satisfaction and loyalty were achieved by the organisation, which in turn leads to an increase in productivity. Islam *et al.* (2021) opine that customer satisfaction has a positive influence on customer trust, retention and repeat purchase intention. This is because only a happy customer is inclined to trust the business and make repeat purchases, leading to customer retention. Hence, customer satisfaction is recognized as the most important

indicator of customer loyalty. It also leads to increased customer retention (Liu *et al.* 2020).

Plausibly, the conceptual framework suggests an association between customer satisfaction and loyalty. It is sufficient to assume that customer loyalty, customer satisfaction and business image/reputation may all have an impact on customer retention. This implies that a consumer is expected to stay with the company for a long time because they are loyal to the business, are satisfied with the company or its products, and are satisfied with the company's reputation.

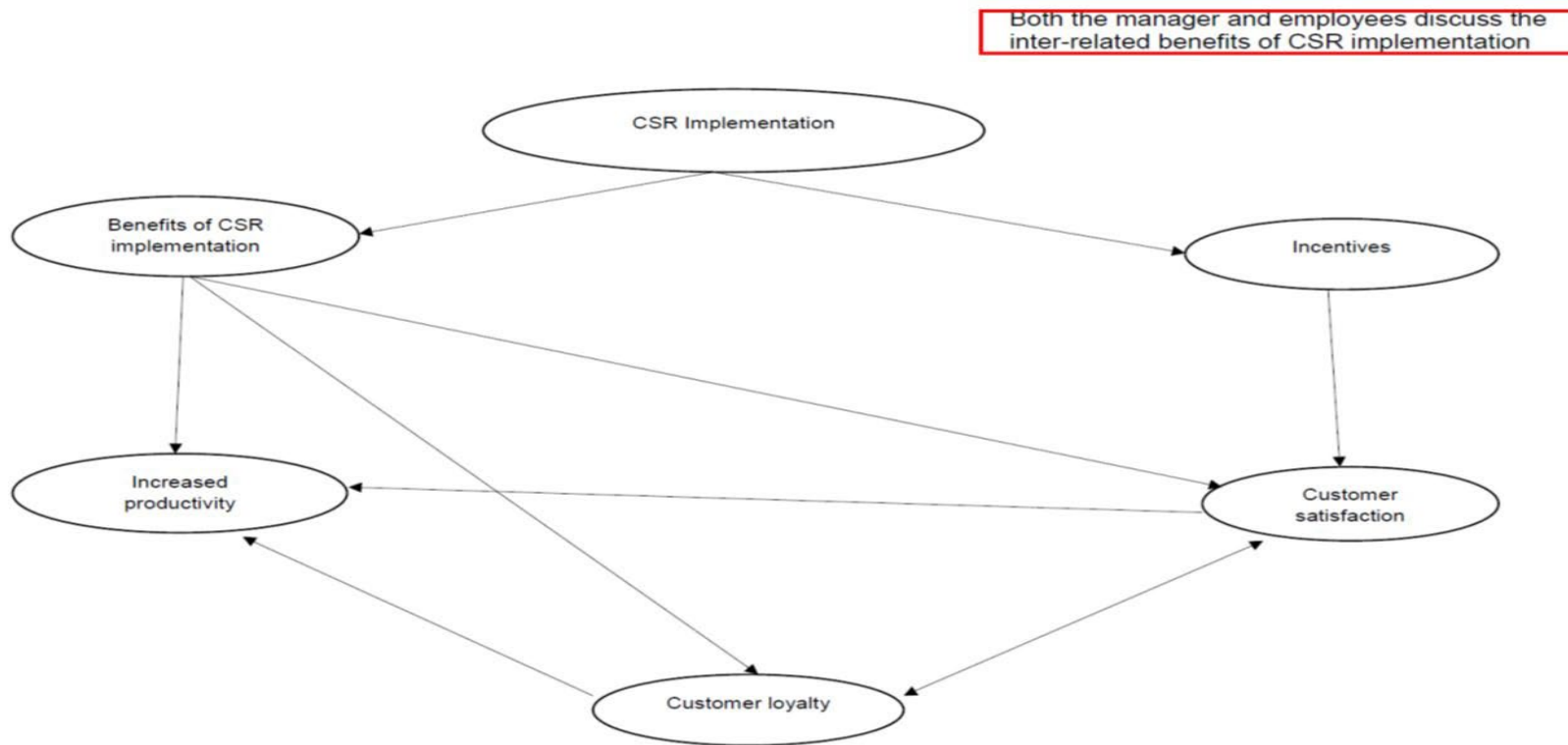


Figure 5-13: A proposed conceptual framework  
(Source: Based on Research data 2022)

## **5.11 Summary**

This chapter reported the findings of an inquiry that used quantitative techniques as well as thematic analysis from a semi-structured interview and focus group interviews. The magnitude of the influence of CSR on corporate performance was quantified using quantitative techniques. The researcher used factorial ANOVA to examine the effects and interactions between study variables. Thematic analysis from the interview and focus group discussions expedited the report on the nature of CSR projects and the perceived influence of CSR on the business performance of the identified medium-sized organisation. This chapter concluded with a conceptual framework, which suggests an association between customer satisfaction and loyalty. It is sufficiently assumed that customer loyalty, customer satisfaction and business image/reputation may all have an impact on customer retention. This implies that a consumer is expected to stay with the company for a long time because they are loyal to the business, are satisfied with the company or its products, and are satisfied with the company's reputation.

The next chapter will provide discussions of the research findings presented in this chapter. This will contain a synopsis of the theoretical direction as well as the accomplishments of the research objectives.

## **CHAPTER SIX: RECOMMENDATIONS AND CONCLUSION**

### **6.1 Introduction**

The previous chapter presented the findings of a study that investigated the influence of CSR on the business performance of a medium-sized organisation that incorporated CSR into its business operations. The findings on the magnitude of the influence of CSR on business performance was quantified and analysed using quantitative methods. In addition, the interview and focus group discussions were analysed using thematic analysis. This chapter provides the recommendations and conclusions of the study.

CSR has traditionally been regarded as a strategic management tool used to improve the business performance of large organisations. The purpose of this study was to investigate whether CSR could influence the business performance of a socially responsible medium-sized organisation.

In order to achieve the aim of this study, research objectives were developed. The following section provides an overview of the theoretical orientation of this study. This will be followed by an empirical overview, achievement of research objectives, implications of findings, limitations and scope, and recommendations for future research.

### **6.2 Overview of theoretical orientation**

The theoretical foundation of this study was built on the use of CSR as a tool to improve the business performance of SMEs. The literature review was included in two chapters of this study (that is, Chapters 2 and 3). These chapters provided a broad overview of CSR concepts and history, both in the global and the South African contexts. They also discussed the impact of CSR on business performance and the theoretical framework of this study.

The first literature review chapter (that is Chapter 2) presented the history and evolution of CSR from ancient times to its status as a strategic tool for sustainable development as well as the main contributors in CSR literature. Chapter 3 discussed the significance of CSR as

a strategic tool for improving business performance. Business performance was sub-divided into financial, marketing and human resource performance variables. Profitability, production costs, sales growth, customer retention, labour turnover, labour absenteeism, and labour productivity are business performance measures considered. Furthermore, the arguments for and against CSR were deliberated in order to determine whether CSR can improve business performance. These arguments were founded on a review of empirical studies that investigated the relationship between CSR and business performance. The chapter also investigated the impact of CSR initiatives implemented by businesses in other countries. It highlighted the experiences of various countries that have implemented CSR. Chapter 3 concluded with the discussion of CSR and business performance theories such as the Ubuntu perspective, Stakeholder and Triple bottom-line theories. These theories served as the foundation for this study.

The following section describes the type of empirical research conducted during the study period, as well as the basis that assisted the researcher in reaching study conclusions. This includes the logical steps taken in carrying out this research.

### **6.3 Empirical overview of the study**

There are two levels of scientific research, namely theoretical and empirical research. Evidence, data proofing or strong confirmation of a theory or hypothesis in probability terms is referred to as empirical data (Cohen, Manion and Morrison 2007). Empirical research is commonly used in the natural or social sciences to construct theories or test theories based on empirical evidence (Houy, Fettke and Loos 2010). Bhattacharjee (2012) affirms that the goal of theory is to develop abstract concepts about a natural or social phenomenon, and the empirical level assesses how well these concepts reflect observations of reality, with the ultimate goal of developing better theories. In other words, empirical research is the gathering of evidence for or against a specific theory, and it entails planned research designs for gathering empirical data (Nicholson 2003).

This research was conducted using inductive logic scientific research methods. The level of support required to draw conclusions is determined by the amount of data and information provided to the researcher. As a result, this study was carried out in accordance with the logical stages of planning and preliminary investigation, theoretical embedding, empirical investigation, and systematic documentation (van den Akker 1999). The application of these stages in the development of empirical research are discussed below:

**Step 1:** *Preliminary investigation* entails conducting a thorough and systematic investigation of problems and context (van den Akker 1999). This included conducting a literature review of CSR in SMEs and its impact on business performance. Case studies on the evolution of CSR and on current CSR practices were used to define and better understand the research problem and the importance of this study for SME development. As a result, the research topic was formed, goals and objectives were established, research questions were created, and a formal proposal was developed.

**Step 2:** The *theoretical embedding* entails attempting to apply cutting-edge knowledge in articulating the theoretical rationale for design choices (van den Akker 1999). To achieve this, CSR theories such as the Stakeholder Theory, Triple Bottom-line theory and Ubuntu perspectives were discussed, as well as the rationale for employing these theories.

**Step 3:** An *Empirical investigation* was conducted on the practicability and effectiveness of CSR as a business performance tool in real-world settings for the intended target group (SMEs). Document analysis was performed using the records of a medium-sized organisation that participated in the study. Pre- and post-CSR data influences on financial, marketing and human resource performance were provided. The empirical investigation also included a semi-structured interview with the manager and focus group interviews with employees from various departments of this organisation.

**Step 4:** Both quantitative and qualitative data sets were *analysed and interpreted*. Data for quantitative research was gathered from a CSR-practising SME. The data were coded in a language that allows for clear and direct writing in systematic and standardised tables.

These tables were then analysed. For qualitative methods, thematic analysis was employed. This analysis makes use of information from employee focus groups and management interviews. The purpose of the study was to ascertain employee and management perceptions of CSR.

**Step 5:** Reporting emphasises systematic documentation and reflection on the entire study (van den Akker 1999). The data collection, analysis and findings of this study are described in detail in order to contribute to the advancement of literature on CSR in SMEs and business performance, as well as the development of methodology. Figure 6.1 illustrates the entire process.

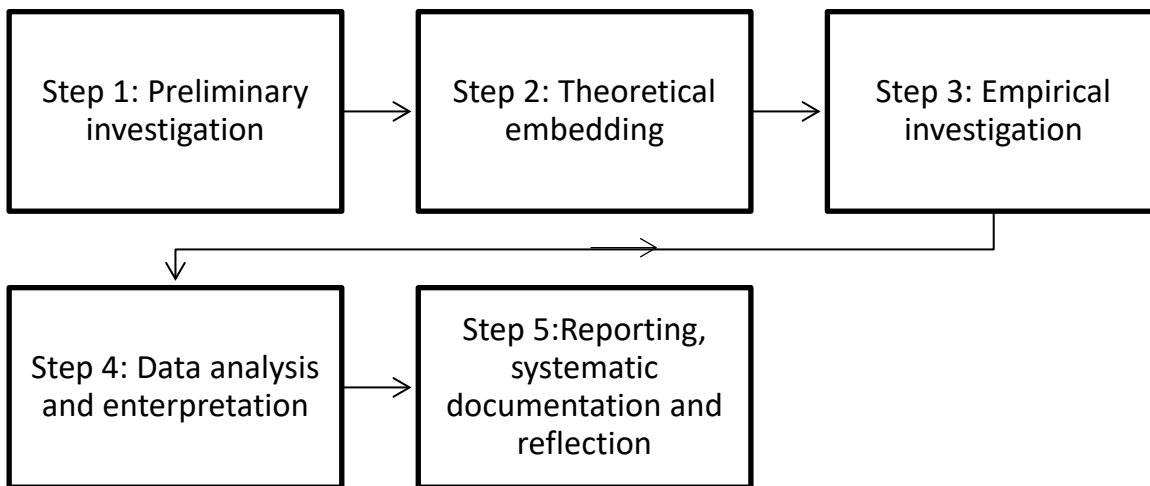


Figure 6-1: Research process

(Based on the process of research 2022)

The section that follows provides a summary of the research findings obtained through the research process described in this section.

## 6.4 Summary of study findings

The findings of this study show that a medium-sized manufacturing enterprise in the eThekweni Metropolitan area has a positive attitude and is concerned with CSR. The owner of the organisation that participated in the study was inspired to practise CSR because of his humanity and Ubuntu. When introduced in the organisation to improve business performance, CSR produced positive results. Given the South African economy's severe unemployment, the organisation's positive attitude towards CSR without practical results in this research will not hold water.

Amidst their importance and contribution to economic growth, SMEs in South Africa face a number of obstacles that impede their growth and development. Aside from funding and access to finance, the medium-sized enterprises in eThekweni Metropolitan area fail to adopt, implement, and practise long-term sustainability strategies such as CSR. This was highlighted on section 4.7.4 on the challenges in the data collection phase. As a result, the high rate of medium-sized manufacturing business failures leads to business closures and generally high unemployment rates in the economy.

Taking into account the preceding discussion, the findings of this study show that the owner of a medium-sized manufacturing enterprise in this study initially practised community-related CSR. When the owner recognised the need to improve business performance, he implemented employee and environmental CSR.

The following are the primary reasons for implementing an employee and environmental CSR strategy:

- Unlike large corporations where CSR is formalised and integrated into business strategy, the owner of the medium-sized manufacturing organisation participated in community charitable projects in his own time, unrelated to the business.
- It was revealed that CSR was implemented primarily to improve business performance and combat absenteeism and high labour turnover. Employee-related

CSR activities such as working hours' provisions, leave and production- based bonuses were implemented to achieve this. Waste reduction and alternative energy supply were also introduced as environmental activities to reduce costs and improve business performance.

Following the implementation of CSR, the organisation realised some benefits that improved its business performance. These were some examples:

- Profits increased and environmental pollution decreased.
- By-products were re-used to teach community members how to stitch. This provided a source of income for others.
- Employee productivity increased. Employees worked harder to earn more bonuses; absenteeism decreased; and product quality improved as a result of the incentives.
- The company also benefited from lower employee turnover, lower product rework costs, and an improved reputation.
- Fewer product defects improved the company's reputation, increased business trust, and increased customer satisfaction. As a result, sales and customer loyalty increased.
- The improved business reputation resulted in increased customer satisfaction and new network developments.

The following were discovered while analysing the organisation's performance using quantitative data obtained from business records:

CSR improved business performance

- Profitability and production costs were related to financial performance in the study organisation.
- Furthermore, increased sales and customer retention led to improved marketing performance.
- Even though labour turnover and absenteeism had no relationship with human

resource performance, there was a positive relationship between labour productivity and human resource performance.

The following section assesses whether the study objectives stated in Chapter One of this study have been met. Each study objective will be outlined, and the results will be explained in relation to how the objective was met.

## **6.5 Achievement of study objectives**

The purpose of this study was to investigate the influence of CSR on the business performance of a medium-sized manufacturing organisation in eThekweni metropolitan area. For this study, three objectives were developed. Study Objective Two, which explored whether CSR is a suitable tool for improving the business performance of the SME in the study, was achieved through document analysis of the organisations' annual records.

From the discussions with the manager and employees, the following objectives were achieved. These include Objective One, which identified the nature and magnitude of CSR practice by the medium-sized organisation under study. Study Objective Three, which analysed ways in which CSR could influence the business performance of a selected organisation in the study.

**Study Objective One: To identify the nature and magnitude of CSR practice by the medium-sized organisation that participated in the study.**

The findings of this study revealed that the owner had been practising CSR long before it was adopted into the organisation. Initially, the manager sent food parcels to the destitute and sponsored children's education. As part of the organisation's CSR efforts, environmental and employee-related CSR activities were implemented. Waste reduction and alternate energy sources were amongst the environmental efforts. Employee activities, on the other hand, included work hours and leave policies, as well as performance-based bonuses.

**Study Objective Two: To explore the suitability of CSR as a strategy to improve the business performance of the selected medium-sized organisation.**

Implementation of CSR improved business performance. The pre- and post- CSR changes were met.

Profitability has a relationship with financial performance. This implies that any increase in profitability results in an increase in the financial performance of the organisation under study. Similarly, production cost has a relationship with financial performance in the organisation that participated in the study.

Sales has a relationship with marketing performance, implying that any increase in sales results in improved marketing performance of the organisation that participated in the study. Furthermore, a positive relationship between customer retention and marketing performance exists. However, the variances are not equal and the mode of change from pre- to post-CSR are not homogeneous.

Labour turnover and labour absenteeism have no relationship with the human resource performance of the organisation that participated in the study. The null hypothesis of no relationships is accepted. However, a positive association exists between labour productivity and human resource performance.

**Study Objective Three: To analyse ways in which CSR could influence the business performance of the selected medium-sized organisation that participated in the study.**

According to the findings of the study, both environmental and employee-related actions benefited the organisation in the study. The organisation experienced cost savings, decreased environmental pollution, and assisted the community in creating business utilising by-products as part of its environmental actions. Employees' activities boosted productivity, decreased absenteeism, improved product quality, decreased employee turnover, reduced product returns due to defects, increased customer satisfaction, and increased clientele as well as customer retention.

## **6.6 Implications of results**

The findings of this study add to the existing literature on CSR and the business performance of South African SMEs. There is a dearth of literature on the importance of implementing strategic CSR to improve the business performance of SMEs. According to the findings of this study, CSR is essential for improving the business performance of SMEs.

This study also highlighted the advantages gained by a sampled medium-sized organisation that incorporated CSR into its business operations. As such, it adds to the body of knowledge by developing a CSR framework, as indicated in Table 6.1. The intention is to help SME managers implement a strategic and cost-effective CSR that has a positive impact on the organisation's performance.

Table 6-1: A proposed framework to guide manufacturing SMEs to practice CSR

<p><b>STEP ONE</b></p>	<p><b>IDENTIFY ORGANISATIONAL STAKEHOLDERS</b></p> <ul style="list-style-type: none"> <li>- Who are primary and secondary stakeholders?</li> <li>- Who are definitive, dominant or discretionary stakeholders?</li> </ul>
<p><b>STEP TWO</b></p>	<p><b>IDENTIFY COST-EFFECTIVE CSR ACTIVITIES</b></p> <p><b>What are the community-related CSR activities?</b></p> <ul style="list-style-type: none"> <li>- Hiring from the community</li> <li>- Charitable acts</li> <li>- Internships and scholarships</li> <li>- Teaching local community members a skill</li> <li>- Supporting other entrepreneurs through training</li> <li>- Supporting local communities during disasters</li> </ul> <p><b>What are the environmental-related CSR activities?</b></p> <ul style="list-style-type: none"> <li>- Waste reduction through recycling</li> <li>- Use of alternative source of energy</li> <li>- Creating paperless environment</li> <li>- Introduce environmental friendly processes</li> <li>- Implement management systems like ISO 14000 and ISO 16000</li> <li>- Use energy saving appliances</li> <li>- Switch off electrical appliances after use and over weekends and holidays</li> </ul> <p><b>What are the employee-related CSR activities?</b></p> <ul style="list-style-type: none"> <li>- Improve standard of living</li> <li>- Ensure health and safety compliance</li> <li>- Fair labour practice</li> <li>- Comply with employment acts</li> <li>- Bonuses for productivity and quality</li> <li>- Offer educational support</li> <li>- Ensure employee training and development</li> <li>- Provide support to those affected by HIV/AIDS</li> <li>- Provide counselling to alcoholics</li> <li>- Offer educational support</li> </ul>

	<ul style="list-style-type: none"> <li>- Ensure employee training and development</li> <li>- Provide support to those affected by HIV/AIDS</li> <li>- Provide counselling to alcoholics</li> </ul>
<b>STEP THREE</b>	<p><b>IDENTIFY ORGANISATIONAL OUTCOMES</b></p> <p>Examples may include the following:</p> <ul style="list-style-type: none"> <li>- Cost reduction</li> <li>- Increased profits</li> <li>- Business creation from skills training</li> <li>- Increased productivity</li> <li>- Reduction in environmental pollution</li> <li>- Reduced absenteeism</li> <li>- Decrease in employee turnover</li> <li>- Reduced product returns due to defects</li> <li>- Increased customer satisfaction</li> <li>- Increased customer retention</li> </ul>

Source: Based on the findings of the study (2022)

According to the CSR framework presented in Table 6.1 above, an organisation should first identify key/influential stakeholders and their expectations (Stakeholder theory). Thereafter, it fulfils its economic, social and environmental obligations to its stakeholders by developing CSR activities (Triple Bottom-line theory). An Organisation's ability to meet the expectations of its stakeholders results in satisfied stakeholders and improved business performance.

After highlighting the managerial implications of this study and its contribution to the body of knowledge, the following section discusses management recommendations as well as future research areas.

## **6.7 Recommendations**

Following a discussion of the findings of the study and the subsequent conclusions reached, the recommendations listed below are made to medium-sized organisations planning to implement CSR as a business performance tool, as well as SMEs business support units, to encourage and formalise CSR implementation in SMEs:

Managers, employees, trade unions and the community should all be involved in CSR planning and implementation. Involving them may be beneficial in ensuring that relevant initiatives that meet the expectations of stakeholders are implemented. This presupposes that at every stage of CSR implementation, there should be collaboration amongst SME managers, employees, trade unions and communities.

Manufacturing SMEs should be at the forefront of developing long-term CSR initiatives that will improve their business performance. To achieve this, SME owners should incorporate CSR into their businesses as soon as possible in order to reap the greatest benefits from CSR initiatives.

Medium-sized organisations should be encouraged to keep meticulous records of all business transactions. This includes their CSR initiatives, as well as their business performance records, in order to assess the effect of CSR on their business performance.

Standardised measuring tools that meet the various SMEs' business specificities should be developed for and by SMEs seeking to assess the influence of their CSR implementation on their business performance. This will remove some of the obstacles to CSR implementation by SMEs if they recognise the impact that CSR has on their performance.

Medium-sized organisations should be encouraged to implement cost-effective employee and environmental related CSR projects, as this has been shown to improve business performance and sustainability.

## **6.8 Recommendations for further research**

Further research in SMEs is required on the following topics:

- A study on the influence of CSR on the business performance of a manufacturing medium-sized organisation using different business performance measures.
- A comparative study of the impact of CSR on the business performance of medium-sized organisations in various countries.

- A study comparing the impact of CSR on the business performance of SMEs and large corporations.
- The applicability of the influence of CSR on the business performance of SMEs in various sectors of economic activity, including large corporations.

## **6.9 Limitations and scope**

This section discusses the limitations and scope of the study. The scope of the study refers to the study parameters under consideration, whereas the study limitations are flaws in the research design that may influence the research outcomes and conclusions (Simon and Goes 2013; Ross and Bibler Zaidi 2019).

The first limitation of the study is the nature of the sample. The study primarily focused on a SMEs organisation located in Clairwood, in the eThekweni municipal district. This organisation implemented CSR in 2006. The findings of this study cannot be generalised. However, they may be used to contribute to the theory of CSR and its impact on business performance.

Furthermore, identifying SMEs that practise CSR was time-consuming because this information is not available from the Durban Chamber of Commerce, DTI, or other SME platforms. Even when CSR-practising SMEs are identified, the majority do not keep records of their activities and could not provide reports on their business performance.

## **6.10 Conclusion**

This is the final chapter of this research. The theoretical and empirical overview, summary of findings, achievement of study objectives, implications of the findings, and recommendations for managers and future research were all discussed.

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## APPENDIX A: DOCUMENT ANALYSIS

The influence of Corporate Social Responsibility on business performance of a medium-sized manufacturing enterprise in eThekweni metropolitan area

### Company profile

Where is your business situated?

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Which type of manufacturing industry are you operating in?  
(E.g. textile/clothing, metal, automotive, etc.). Please indicate your product range.

---

When was the business established?

---

How long has the business been practicing CSR?

---

Please specify the number of your full-time and part-time employees.

---

Is your business affiliated to a bargaining council? If yes, indicate the council you are affiliated with.

---

Are your employees unionised? If yes, please indicate the trade union that they belong to.

---

The following section relates to the company's performance before and after practicing CSR. Please provide quarterly performance figures in percentages (%) ONLY, not in Rands.

**Please keep in mind that after analysing the data below, I will conduct follow-up interviews to gain a better understanding of the figures provided.**

## **APPENDIX B: DATA SPREADSHEET**

**PLEASE SEE THE NEXT PAGE.**

<b>PRE-CSR PERFORMANCE</b>	<b>Year 1 (2013)</b>				<b>Year 2 (2014)</b>				<b>Year 3 (2015)</b>			
<b>BUSINESS PERFORMANCE VARIABLES</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Financial Performance:</b>												
(1) Profitability	1.1%	6.8%	8.2%	14.9%	18.7%	16.2%	22.6%	20.8%	26.6%	24.7%	25.4%	24.2%
(2) % Market share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(3) % Production costs	15%	15%	15%	15%	20%	20%	20%	20%	25%	25%	25%	25%
<b>Marketing Performance</b>												
(1) % Sales	1.1%	6.8%	8.2%	14.9%	18.7%	16.2%	22.6%	20.8%	26.6%	24.7%	25.4%	24.2%
(2) Customer retention	50%	50%	50%	50%	40%	55%	65%	60%	65%	65%	65%	65%
(3) % product returns	0	0	0	0	0	0	0	0	0	0	0	0
<b>Human Resource Performance:</b>												
(1) Employee turnover rate	0	0	0	0	20%	0	0	0	0	6.7%	0	0
(2) Absenteeism rate	6.9%	5.6%	2.8%	13.9%	27.8%	8.3%	6.9%	11%	12.5%	6.9%	1.4%	28%
(3) Labour productivity rate	9.26%	9.0%	9.12%	9.57%	13.0%	13.2%	13.6%	13.9%	14.8%	14.2%	18.5%	20.8%
<b>POST-CSR PERFORMANCE</b>												
	<b>Year 1 (2017)</b>				<b>Year 2 (2018)</b>				<b>Year 3 (2019)</b>			
<b>BUSINESS PERFORMANCE VARIABLES</b>	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Financial Performance:</b>												
(1) Profitability	31.6%	31.9%	32.0%	32.6%	32.9%	34.4%	36.8%	37.9%	38.9%	39.1%	39.2%	39.9%
(2) % Market share	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
(3) % Production costs	10%	10%	10%	10%	10%	15%	15%	15%	12%	13%	13%	15%

<b>Marketing Performance:</b>												
(1) % Sales	31.6%	31.9%	32.0%	32.6%	32.9%	34.4%	36.8%	37.9%	38.9%	39.1%	39.2%	39.9%
(2) Customer retention	75%	70%	80%	80%	70%	75%	75%	65%	75%	80%	100%	100%
(3) % product returns	0	0	0	0	0	0	0	0	0	0	0	0
<b>Human Resource Performance:</b>												
(1) Employee turnover rate	3.3%	0	0	0	0.3%	0	0	0	0	0	0	0
(2) Absenteeism rate	1.4%	0	0	9.1%	6.9%	2.8	0	6.9%	2.8%	0%	0%	4.2%
(3) Labour productivity rate	27.5%	27.3%	27.2%	28.5%	37.7%	37.5%	37.6%	38.7%	41.2%	45.5%	46.5%	48.9%

## APPENDIX C: INTERVIEW GUIDE



**Title: The influence of corporate social responsibility on business performance of a medium-sized manufacturing enterprise in eThekweni Metropolitan area**

Interview questions will be based on the information gathered from document analysis (i.e. business performance figures, as measured by financial, marketing, and human resource performance).

The following will also be asked to probe further discussions.

- 1) When did the company start practicing CSR?
- 2) Were you employed by this company prior to its CSR implementation?
- 3) Is CSR incorporated in your business strategy?
- 4) What has motivated you to implement CSR?
- 5) What are the employee, community and environmental activities that you engage in?
- 6) How do you decide on CSR activities to engage in?
- 7) In which areas does your company find the implementation of CSR the most challenging

The following questions will be based on the performance figures provided

- 1) Are the changes observed in the documents related to CSR participation?
- 2) Have you observed any changes in your profits, sales, employees and production costs since you started part taking in CSR?
- 3) Do you think the changes experienced are resulting from CSR participation?
- 4) Are there any changes that were made in the business that could've led to changes in business performance?
- 5) What are the benefits of CSR in the organisation?

## APPENDIX D: INTERVIEW TRANSCRIPTS

### Semi-structured interview Transcript

This interview transcript is a verbatim account of the exchanges that took place during the interview; however, nonverbal behaviour was recognized using symbols. Short pauses in speech are marked by the dots (...), whereas interruptions are denoted by forward slash (/). Underlined are the speaker's emphasised words and phrases. An assistant moderator who took notes during the facilitation process assisted the facilitator, Itumeleng Maome.

Management interview took place on Wednesday, August 4, 2021, at 2 p.m.

Facilitator	Good morning Sir
Manager	Good morning to you too Ma'am.
Facilitator	As I have previously introduced myself, I am Itumeleng Maome and with me is my assistant who will be take on the role of a scribe in this interview session... (...). When was the business established?
Manager	We started operating in 1996...
Facilitator	...And when did you start practicing CSR?
Manager	We implemented CSR in 2016.
Facilitator	Oh, you implemented CSR (...) Uhmhhh, twenty years after the company started operating! That was long after the inception of the company (...) Why did it take you so long?
Manager	I have been doing charity work before I even start this company, and continued doing so in my personal capacity for a very long time after it was established. It is just that it was not under the company, it was in personal capacity.
Facilitator	What were the reasons for implementing CSR under the company?

Manager	Over the past few years, I realized that business performance was declining (...). I attended a few SME seminars to enhance my business skills. In one of many that I attended, there was a presenter who was encouraging SMEs to practice CSR and emphasized on the benefits we could realize. That is when I thought of bringing my charitable work to the company, so that my efforts are associated with my business... (...) I mean I was already doing a lot for my community; I just needed to mention my company name and expand to other aspects of CSR.
Facilitator	How did you decide on the CSR activities/projects to engage in? Do you perhaps have CSR committee?
Manager	I do not have CSR committee. I continued with the activities that I was doing in my personal capacity to start with. Then I requested the community leaders and trade union representatives to advise me on the needs of the community and employees respectively. The community leaders' concern was on skills based training, while employees' representatives seemed to be concerned about the working hours and salaries. I introduced the initiatives that will respond to these needs.
Facilitator	So you only included two stakeholders... (...) the community leaders and employee representatives when deciding on CSR projects to introduce. (...) why is that the case?
Manager	...// yes... (...) For a small business like mine, I found these two to be the most influential stakeholders, followed by customers; and customers' concern revolves around quality and fair pricing. Subsequently, we achieve better quality through employees, by being productive and producing quality products.
Facilitator	Which CSR projects were you doing before integrating it in the company? Which ones did you add?
Manager	I was already doing society-related CSR like giving food parcels to the home-less and sponsoring children's education. As part of the business I contributed towards the building a library in my community. I use a community hall as a training centre where I train people in this community to use sewing machines, when they are knowledgeable enough; I help them start their own businesses. So when I get big contracts, I refer smaller ones to the businesses that I assisted so that they can built their own clientele and start making money.
Facilitator	That is interesting, Isn't that taking business from you?

Manager	Not at all, there are many fishes in the water, and I cannot cater for all businesses that need my help. So why not help businesses that are smaller than mine?
Facilitator	Wow, spoken like a true Samaritanian.
Manager	I believe in uplifting people in my community, and this is the perfect way of making sure that community is sustainable, when we are all able to help ourselves.
Facilitator	...// That is true... (...) You mentioned that you expanded to other aspects of CSR... Besides community-based projects, which other projects did you implement?
Manager	I introduced environmental-related and employee-related CSR efforts to be able to improve the overall performance of my business. (...) Environmental activities include waste reduction, whereby we made other products out of by-products that we usually throw away. We also use some of the “waste material” in the training sessions that we hold at Malukazana area. In addition, we introduced alternative energy sources. (...) Well although the use of alternative energy is one of the environmental activities, we introduced the alternative energy to also overcome load shedding.
Facilitator	...// So have you benefited from these environmental related activities?
Manager	Yes, definitely, we have benefited. (...) Although the cost of purchasing a solar cost an arm and leg, we noticed decreased cost of production because of the use of solar systems. We are not paying as much as we used to when we relied on electricity, this subsequently led to higher profits.  And by not throwing away the waste material we have avoided polluting the environment and thereby contributed to the community through the training sessions that we hold.
Facilitator	That is good to hear. (...) And why did you introduce employee-related efforts in particular?
Manager	I needed to include employee-related CSR efforts because I realized that my employees were demotivated, productivity levels were very low, absenteeism was skyrocketing, and many employees were leaving the company almost every year.
Facilitator	What did you do to overcome these challenges? Which CSR related projects did you introduce?

Manager	I started by familiarizing myself with the labour and the basic conditions of employment act. I wanted to make sure that I am doing what is expected by the law and ensure that my employees are happy ....//...
Facilitator	Why did you familiarize yourself with the above acts in particular?
Manager	Because for me to be seen as a good citizen, I needed to make sure that I abide by the law. (...) I mean it wouldn't do me any good to just do all the good deeds if they aren't with the scope of the law.
Facilitator	You mention a valid point here... So would you say that you introduced CSR because the law expects it?
Manager	Partly yes. I was already doing CSR in my personal capacity. (...) Doing good is part of my character... But to benefit my business, I had to follow what the law expects of me.
Facilitator	So, you were not forced to practice CSR.
Manager	No one at all. I incorporated CSR in my business because of the anticipated benefits, not because I was trying to avoid some punishment.
Facilitator	...// Ok we have diverted a little bit from the employee related CSR. (...) So employee-related activities did you introduce?
Manager	Firstly, my employees used work longer hours, so I had to make sure that their working hours are as per the act and introduce overtime pay when employees are working outside the working hour provisions as per the BCEA. To encourage productivity I introduced production-based bonus where employees would be paid basic salary and receive bonus based on the quantity they produced...
Facilitator	...// Please explain this works?
Manager	...Employees are paid their normal rate, but to encourage productivity improvement, they are paid for quantity produced. (...). In addition they are paid a performance based bonus for producing products with no defects, this is in addition to payment they receive for selling more products or recruiting more customers to do business with us.
Facilitator	Errrr... employees are paid more for their production (in quantity), for the quality and for sales completed. (...) I feel like there more money going out for these benefits. How do you benefit? (...) Do you even benefit?
Manager	...// absolutely, this is evident in our annual reports as you have seen them.

Facilitator	True, I realized that human resources, financial and marketing performance improved after CSR was implemented. Please explain how this was possible.
Manager	Although we increased the benefits for employees and the costs subsequently increased...(…) the benefits surpassed the costs of these benefits.
Facilitator	...// Uhhh... what are the benefits?
Manager	<p>As a result of the incentives which we introduced, productivity improved because employees wanted to get more pay; so they worked hard to be able to produce more. Absenteeism also decreased because if they are absent for just one day, they would not realize the benefits that come with being at work and producing more without compromising quality of course because they also got paid for producing quality. Payment for quality element was so that employees do not rush through the production line to get incentives for quantity while neglecting quality. We also realized that employee turnover had decreased. In the past, we used to have employees working few months to one year, and then they left the company. After introducing these incentives, they tend to stay longer with us.</p> <p>From the marketing performance perspective, we experienced fewer product returns because we also focused on producing quality products that customer would appreciate. Most of our customers are satisfied with the products we produce and we have less complaints about product quality or the waiting period for them to receive our products. I can say our customers are happier that they were initially.</p>
Facilitator	Can you attribute their happiness to the changes you have made?
Manager	Without any doubt. We have our clientele after implementing CSR. We see more repeat customers coming to the business. Moreover, when we ask most of our new customers how they knew about our business, majority say they are referrals by our current customers as well as people from the communities I serve.
Facilitator	Does this mean that you now spent less on advertising
Manager	I cannot remember when last that I did intense advertising or marketing. I get more customers without paying a cent on advertising. (...) this is all thanks to the good deeds we do for the communities and our

	employees...(…) we are paying indirectly and the benefits are even more.
Facilitator	Interesting...(…) How would you say you benefit financially?
Manager	<p>This is through the decreased cost of production as employees are able to produce more products, thereby saving time, which is equal to money. The decrease in employee turnover means that we do not have to spend money on the recruitment process. Furthermore, decreased cost of advertising means that the company is saving money, which we could have used for advertising. (...)</p> <p>These reduced costs have led to increase in profit as a result. (...) So yes, financial benefits are experienced as through CSR.</p>
Facilitator	Wow, would you like to add anything?
Manager	Errrr, Yes! (...) As part of employee CSR initiatives, I also set employee salaries just above the industry rate. This increased the costs but resulted in higher employee retention. It made them to be more loyal and to want to stay with this company.
Facilitator	So can we say that higher pay made employees to be loyal?
Manager	Yes, that's correct, they did not complain about salary anymore and they worked harder. I would say it motivated them.
Facilitator	I see! Do you have anything else to add?
Manager	Uhhhh! Nothing at all
Facilitator	Did CSR implementation influence organisational culture?
Manager	CSR initiatives have a direct impact on organisational culture since they influence what is expected and rewarded. (...) As I mentioned when I was explaining employee related CSR efforts, employees understood what the company expected of them and the rewards they would obtain when they met these expectations. Therefore, this created a culture of always wanting to do what is best, punctuality, improved work ethic. We can confidently say that CSR boosts employee morale; it results in reduced waste, improves efficiency, and successful teamwork achieving common goals.
Facilitator	Thank you. Are there any changes that the business made that could have led to changes in business performance?
Manager	Nothing much, the changes that the company made between CSR implementation period and now all relate to CSR. (...) for example, our employees now go for industry specific trainings and workshops that

	are meant to enhance their skills. (...) This relates to employee-related CSR efforts that I have already explained. So, No! There are no none-CSR related changes that are made so far.
Facilitator	Oh! That's great! (...) Describe the challenges you are facing regarding CSR implementation.
Manager	<p>Our main concern was whether the community and employees would be receptive to our projects. However, involving employee representatives and trade unions when deciding on projects to introduce really helped us focus on what is important for these stakeholders. (...) Had we just dived in with our own initiatives without these consultations, our projects would have not responded to the needs of these stakeholders.</p> <p>A huge challenge to CSR implementation was lack of resources, including funds, human capital, knowledge, and experience. A lack of understanding of how CSR might be included into a company's mission, vision, objectives, and goals was also a problem.</p>
Facilitator	How did you overcome these challenges?
Manager	<p>Before the inception of CSR, we had secured some funding that allowed us to invest more on CSR efforts. The trainings that employees attend are usually free of charge, and offered by the department of trade and industry, and small enterprise development agency. We usually obtain a calendar of events from these organizations and make sure that employees attend to improve their skills and knowledge. (...).</p> <p>As for linking CSR with objectives...(...) uhhha, this was a trial and err, but we keep on becoming better and better. Hence, we are benefiting from our efforts.</p>
Facilitator	In which areas does your company find the implementation of CSR the most challenging
Manager	It is mostly in the environmental aspect of CSR efforts is most challenging, mainly because our business is small. (...) It is difficult, or rather too expensive to implement some environmental-related projects. (...) But we tried to minimise waste by reusing waste material for teaching lessons in the community and making other products like piping with by-products.
Facilitator	Thank you. Do you want to add anything?

Manager	Um, No! I think I have said everything that I had to share. (...) Unless if you have further questions.
Facilitator	<i>(Pages through list of questions)</i> Not from my side, I think I have asked more that I had scheduled.
Facilitator	Are there other variables, such as business reputation, network development, trade union participation, company age, that played an important role in business performance improvement?
Manager	<p>Uhhh, I would say business reputation and network development are the products of CSR participation. In other word, we had more brand awareness after associating CSR with business name, and our reputation improved from being unknown to being well known for doing good deeds. This subsequently strengthened our networks with customers and suppliers alike. (...). We have customers that are more loyal and suppliers are more willing to work with us. Even the financiers are willing to give us funds when needed because we are now performing better. //</p> <p>Trade union participation definitely contributed to the success of CSR implementation because we involved the representatives when deciding on the needs to target and the projects to introduce.</p> <p>Um, as for the company age, (...) I think my age rather <i>(smiles)</i>. I know I might sound pompous..., but the skills that I acquired through my private charitable works and running this business helped to better manage the company efforts better than I would if I had no working experience.</p>
Facilitator	Thank you. Is there anything more you'd want to say?
Manager	No. I believe I addressed the most of the questions you posed.
Facilitator	<p>Thank you so much for allowing access to your company's most sensitive information and making time for this interview.//</p> <p>I will contact you to arrange for the focus group interview with your staff.</p>
Manager	I thank you, you can tentatively do that with the receptionist now, and we will confirm closer to the date.
Facilitator	Thank you once again <i>(does elbow bump)</i>
Manager	I cannot wait to read your work (...) and maybe implement some of your suggestions.
Facilitator	I will definitely share my findings, and advise accordingly.

The meeting ended at approximately 15:15.

### Focus group interview with Company employees

The interview was held on Tuesday, November 9, 2021, at 9 a.m.

Five interviewees were identified for the focus group interview by animal names displayed on the table in front of them. The interviewer used the participants' pseudonyms throughout the interviews. However, the participants recorded their true names alongside the pseudo names on the attendance register so that the researcher could easily identify the individuals later if clarification was required. The facilitator, Itumeleng Maome, was assisted by an assistant moderator who took notes during the facilitation process.

Facilitator	Good morning everyone!					
Interviewees	Good morning!					
Facilitator	<p>My name is Itumeleng Maome, I am a doctoral student in the Faculty of Management Sciences at Durban University of Technology. I'm here to conduct interviews for my research on the influence of corporate social responsibility on small and medium-sized business performance. My assistant moderator for this interview session is with me. I'd like to thank you for agreeing to participate in this focus group interview. I'd like to begin by welcoming you to this interview.</p> <p>To protect your privacy, I have name cards with animal names; please select one, and we will use that name as your pseudonym (participants picked name cards and placed them in front of themselves).</p> <p>Please identify yourself by indicating from my right hand your name (as it appears on the name card in front of you), age, job area, and the number of years you have worked for this company.</p>					
Interviewees	<i>(Each participant read the name cards and introduced themselves as per instructions)</i>					
	Pseudo name	Age	Gender	Job area	Number of years	n the compar
	Cheater	41	Male	Seamstress	20 years	

	Elephant	55	Male	Quality controller	4 years	
	Lion	44	Female	Sales assistant	10 years	
	Zebra	34	Female	Cutter	5 years	
Facilitator	<p>Thank you everyone for the introduction. I would like us to go through the consent forms; I will read loud as we go through the form together (...) After reading the forms, we will then sign confidentiality to assure you that your responses for this interview session are safe. <i>(The facilitator read the consent form loudly, with the participants, each reading along silently, before signing, the facilitator asked if they have questions).</i></p> <p>Do you have any questions before we can start with the interview questions?</p>					
Lion	<p>In terms of confidentiality... does it cover you not sharing our real names and responses with our manager/ employer or it is just for your recording purposes?</p>					
Facilitator	<p>It also covers not sharing your real names with the employer or manager and for recording purposes as well.</p>					
Lion	<p>... Ok, thank you</p>					
Facilitator	<p>Any further questions?</p>					
Interviewees	<p><i>(All silent)</i></p>					
Facilitator	<p>OK, let us all sign the confidentiality and consent forms <i>(Participants signed the forms).</i></p> <p>Please note that your responses reflect your opinion or understanding on the subject for discussion, and they are all equally important for this study. So feel free to express yourselves. However, please keep your response short and to the point to be able to stick to the one-hour lunchtime as allocated by your manager.</p> <p>For control purposes, please raise your hand if you want to answer a question or add to your colleague's response. Is that ok? (...).</p>					

Interviewees	Yes ( <i>All answer simultaneously</i> )...
Facilitator	(...) ( <i>Pages through the attendance register</i> ) (...) I see that you have all been working for this company since it started implementing CSR, right. (...)
Interviewees	( <i>All nod in agreement</i> ) Yes!
Facilitator	... // Great! What were the reasons for implementing CSR? ... // Do you have any idea?
Zebra	Our boss is naturally a Philanthropic person; he has been involved giving back in his personal capacity long before the business started practicing CSR. He has been doing helping children in his area with finance for their studies, buying food for the needy and many other good acts. (...) all his “give back acts” have been done without any association to the company. He did all these from the goodness of his heart. I believe CSR implementation in this company helped him extend the goods to the greater community and other stakeholders. (...) because doing so would assist the company to have a good publicity when his deeds are associated with the company.
Facilitator	I see (...)
Lion	...// From what I understand, I think CSR was introduced to gain publicity which will help <u>increase sales</u> because by <u>doing good for the community</u> , the society become <u>aware of our brand</u> start buying from us, this was also anticipated to the <u>increase profitability</u> .
Facilitator	Would you say that sales performance wasn't as good that is why CSR was introduced?
Lion	It was good given that there was no intense marketing or advertising. We only relied on word of mouth advertising. So after CSR implementation, sales improved. I believe it was also because of the good that company is doing, now through CSR
Facilitator	// You mentioned increase in profitability? Please elaborate.

Zebra	Increased profits were anticipated because the also company introduced <u>cost efficient ways</u> of manufacturing products, which leads to <u>cost reductions in operations</u> .
Facilitator	I see (...) So did the company experience increased profits and reduced costs of operations after implementing CSR?
Cheater	// Uhhhh (...) Not only did we experience increased profits, but <u>productivity and quality</u> was even better. And both profit and a social objectives were realised.
Facilitator	In your opinion, why was productivity and quality better? (...)
Cheater	...// Simply because <u>employee related CSR activities</u> were introduced (...) doing so allowed the employees to feel appreciated and they wanted to improve their efforts and improve quality so as to decrease the number of defects which could lead to decreased profitability and lesser salary and possibly less of other benefits that were introduced with CSR.
Zebra	...// Yes (...) I agree. The company introduced employee-related benefits like making sure we have a <u>good pay, provided training to employees who lacked some skills, and working conditions were improved and aligned with the provisions of the basic conditions of employment act</u> . That was motivation for us to work harder and increased our loyalty to the company. Increased morale led to increased productivity.
Facilitator	How does increased morale lead to increased productivity?
Elephant	...// The business experienced productivity improvement because we were more dedicated and motivated by the incentives that were provided.
Facilitator	That is great to hear (...) Lion, would you like to add on the reasons CSR was introduced?
Lion	In addition to what has been said (...) businesses are urged also to make <u>meaningful contributions</u> to <u>uplift and empower</u> the society in which they operate (...) so engaging in CSR in the business capacity is a way of making sure that the business is taking some responsibility for the society in which it is operating.
Cheater	..// That's true, (...) participating in CSR helped the business to gain <u>community support, employees</u> and other stakeholders are happy

	and the business prospers. This is evident in our performance now when compared to before the company started practicing CSR.
Facilitator`	Now that you mentioned stakeholders. What are the employee, community, and environmental activities that your company engage in?
Lion	// (...) Ummmm, the community related projects are the charitable acts such as sponsorships, feeding the hungry/the needy, community training, and contributions to community projects. Employee-related acts to name a few are (...), health and safety, training and development to mention a few. Uhmhhh (...)
Facilitator	Is there anyone who is willing to add on? (...) Cheater do you have something to say?
Cheater	// Oh, yes! (...) environmental-related acts include waste reduction that was achieved by making by-products out of fabrics that were deemed not useful, (...) also, alternative energy sources were used.
Elephant	...// I also like to highlight that as part of employee related acts, the company tried to make sure that it treats its employees with respect by making sure that they receive a competitive pay and offered wide-ranging benefits, (...) and the economic related acts was trying to remain profitable which it prioritize on doing well.
Facilitator	Hmm, (...) that is good to hear. So how did employee react to introduction of these employee-related acts? Did it change their work patterns/behaviour? (...) Lion? Anything to add?
Lion	Errr (...) from my own observation and experience, I believe that employees' behaviour changed for the best. For instance, one of the incentive scheme that was introduced is production-based bonus. So our productivity levels increased because we knew that we would get additional pay for quantity that we produced.
Facilitator	... // Do you think that was a good thing? (...) that the incentives were production-based?
Lion	...// Absolutely, I mean this is over and above our normal pay. So it was a motivation for us to work harder.
Elephant	...// Also (...) this improved our commitment to the company. We all made sure that we do not miss work because doing so would mean lesser benefits.

Facilitator	So we can safely say absenteeism rate decreased because of the incentives. (...) Is that so?
Elephant	Partly, YES! There <u>no way</u> we are going to miss work because that will mean lesser pay.
Facilitator	Zebra, what are your thoughts?
Zebra	My colleagues are right, production-based incentives made us to want to produce more knowing that we would benefit. (...) but over and above this incentive, when the company introduced training and development, this helped us improve our skills and it was evident in the quality of products that we were making.
Facilitator	What type of training and development did you receive?
Zebra	It was skills-based training; we receive training every time a new machinery is purchased. Sometimes we receive time-management training... (...) in fact I think it was useful because we learnt the importance of being on time, and how the company benefits.
Facilitator	...// Elephant, do you want to say something?
Elephant	...// Yes, I wanted to add that the skills-based training also include the alternative ways of manufacturing to ensure that we decrease the number of defective products.
Facilitator	Ohhh, I see! Have the alternative ways been beneficial? How so?
Elephant	Yes, they have been beneficial.... For instance, the new technology that we recently introduced allows the company cut down on the use of electricity without decreasing our production levels.
Zebra	...// we can say that the new methods that have been introduced are cost-effective, and subsequently lead to increased profits.
Facilitator	(Nods)... I see (...). Before we move to financial gains resulting from CSR, Lion (...) you wanted to say something. (...)
Lion	...// from my division we also receive time management training plus sales training (...) how to convince customers to buy our products. This helps us increase our sales.
Facilitator	Do you also receive incentives for increased sales?
Lion	...// Absolutely, my division also <u>receives commission</u> which is based on the number of sales we complete (...) this is over and above the basic pay that we receive.

Facilitator	It is quite clear that the incentives introduced as part of CSR are beneficial in ensuring commitment and motivation to do your job. Is there any other initiative that encouraged you to work harder or become more committed and motivated? Cheater? (...) what can you say?
Cheater	What stands out for me is the improved working conditions that were introduced. The company now cares more about our health and safety as well as our well-being. <i>(keeps quite)</i>
Facilitator	How so? Please elaborate.
Cheater	The company introduced medical aid subsidy and health and safety signage is more visible all around the company. This makes me want to be in this company forever. Do not get me wrong (...) I have always liked working for this company, but when we received medical aid subsidy, I knew that I will be in this company until I retire.
Facilitator	WOW! Who else has the same sentiments?
Elephant, Lion and Zebra	(ALL) We all do.
Lion	I feel like I am <u>valued</u> , <u>appreciated</u> , and <u>care for</u> .
Elephant	...// I share the same feelings, I have good things to say to everyone I meet. I am proud to be part of this company.
Facilitator	Your smiles says it all. I can tell you are all happy with the employee-related CSR initiatives introduced. (...) Elephant, I see you want to say something (...) Please go ahead.
Elephant	Thank you, because of the good things that the company does for us, we end <u>up being loyal to the company</u> . I defend this company at all costs. I always boast about the good deeds that the company does so much that I think my family and friends would not even think twice if they are called to work here. <i>(laughs)</i>
ALL	<i>(All laugh)</i>
Facilitator	You are such a good storyteller (...) you may go ahead.
Elephant	Yes, as I was saying, the initiatives introduced made us to be motivated and helped the business attract more talented and loyal employees because of the good things we boast about.

Facilitator	That is great. I assume this is a mutual feeling to you all.
ALL	Yes, that is exactly how we feel.
Facilitator	Thank you. Anything to add Cheater?
Cheater	Yes, employee related initiatives resulted in reduced employee turnover and associated costs like job advertisement and the whole recruitment process leads to better profits.
Facilitator	Perfect, now we shift our attention to the financial gains of CSR initiatives... (...) Does CSR initiatives boost profits?
Lion	I think CSR initiatives may potentially boost company profitability through a variety of routes, including reduced employee turnover and reduced operating expenses, and ability to attract more talented, loyal, and motivated employees
Facilitator	Zebra, do you want to add?
Zebra	...// Yes (...) the company's ability to increase efficiency helps <u>us</u> improve profitability because the costs decreases when <u>we</u> make sure that make products without defects. The company will not spend money reworking on the product, on product returns or lawsuits because of unhappy customers. Unhappy customers can make running a business very expensive.
Facilitator	Ahaaa! <u>Unhappy customers</u> , can you boldly say that there a relationship between <u>customer happiness</u> , and profitability?
Elephant	Absolutely, this will take me back to employee-related efforts implemented by the company. As we previously mentioned, our attitude toward work changed after introducing these initiatives. And this was a <u>positive change</u> because our morale and commitment improved. When we as employees are happy, we are more productive and make less mistakes or defective products. No mistakes means no cost of reworking on the product or refunds. This equals more profits. The customer will also be happy because they buy products that meet or exceed their expectations.
Lion	//...Also, because of fewer or no defects in our products, customer satisfaction has increased. This resulted the customers <u>trusting us and being loyal to our brand</u> . In that, way they make repeat purchases and the retention rate increases... (...)
Facilitator	Interesting! (...) you can continue.

Lion	Customers being <u>loyal to our brand</u> is also a competitive advantage to us because they will not want to do business with anyone but us.
Facilitator	In your opinion, <u>customer loyalty</u> was the result of the CSR efforts of the company...//
Lion	Definitely, before we started CSR, fewer people knew about our business, we received a lot of <u>publicity</u> after we started practicing CSR. After that, more customers started buying from us and became loyal to your business.
Facilitator	Would you then say that CSR was used as a <u>publicity stunt</u> ? (...) I'm asking this because your business received publicity after CSR. Was this <u>part of the plan</u> ?
Lion	Partly a publicity stunt... (...)
Zebra	// Let us not take away the fact that the owner/ manager started doing CSR in his personal capacity without even mentioning the business, so to say it was a publicity stunt takes away the fact that he did it for the people and not only for the business
Lion	..// That is not what I meant, but somehow, the focus shifted from "wanting to do good for the people" to "doing well for the business to benefit" (...) in both cases, there is social benefit element.
Facilitator	That is an interesting perspective... (...) you can continue.
Participants	<i>(All silent)</i>
Facilitator	Does anyone have anything to add? Either on human resources, financial or marketing performance after CSR?
Elephant	Just to add that due to less defects in the products that we produce, we received less complaints and no bad publicity. Our customer became more loyal to our business because of some of these reasons.
Facilitator	You are onto something. Were there any complaints before you started CSR
Lion	Yes, although not too many, there were concerns about the quality and some errors in the products.
Facilitator	Did this somehow lead to bad publicity?
Lion	There was nothing written in the press or said about the business, because we would refund customers who were happy with our

	products... (...) Nevertheless, we never had as many customers as we do now.
Facilitator	It makes sense... (...) How did the returns affect the business?
Lion	We sold less products because some were defective. I suppose there was financial impact of these as well. Our manager/ owner will know better as he also does our books
Facilitator	Oh, yes! We discussed this in our interview with him. Do you have anything else to add?
Participants	<i>(All silent)</i>
Facilitator	I think this brings us to the end of our discussion then... (...) I would like to thank you all for sacrificing your lunch hour and making time for this discussion. We are just over an hour, if you have nothing more to add we can end the meeting before your manager comes looking for you. <i>(laughs)</i>
Participants	<i>(All laugh)</i>
Facilitator	From the bottom of my heart, thank you all.
Participants	<i>(All)</i> Thank you
<i>The meeting disbands at 11am</i>	

## APPENDIX E: LETTER OF INFORMATION



### LETTER OF INFORMATION

**Title of the Research Study:** The influence of Corporate Social Responsibility on business performance of a medium-sized manufacturing enterprise in eThekweni Metropolitan area

**Principal Investigator/s/researcher:** Itumeleng Judith Maome; Master of Business Administration

**Co-Investigator/s/supervisor/s:** Professor Dumisani Robert Walter Zondo; Doctor of Commerce

#### **Brief Introduction and Purpose of the Study:**

Despite their importance in the South African economy, SMEs' performance is a major source of worry. When they first start, companies confront formidable obstacles, particularly in terms of becoming financially viable and sustainable. SME survival and expansion are critical because of the significant role they play in the country. Even though this is only seen in large corporations, research has demonstrated that corporate social responsibility may boost company performance. The goal of this research is to study the effect of CSR on the performance of manufacturing SMEs in eThekweni, to add to theoretical discussions and assist SMEs to improve their performance and long-term viability.

#### **Outline of the Procedures:**

##### **Analysing company records**

The records of a participating business will be collected. Document analysis will be conducted using these records. The type and scope of CSR will be determined, as well as the company performance before and after CSR.

### **Focus group interviews**

Semi-structured interviews and focus group interview will be held with the manager and employees respectively.

**Risks or Discomforts to the Participant:** There are no risks to the participants.

**Benefits:** Not applicable.

**Reason/s why the Participant May Be Withdrawn from the Study:** Participation is voluntary. Participants may withdraw at any stage of the research.

**Remuneration:** Research participants will not receive any form of remuneration.

**Costs of the Study:** Participants will not be expected to pay for any costs of the study.

**Confidentiality:** company names and participants will not be disclosed. If need be, they will be given pseudo names

**Research-related Injury:** Not applicable to this research.

### **Persons to Contact in the Event of Any Problems or Queries:**

Please contact the researcher DUT Itumeleng Judith Maome

Tel: 031 373 5137

Email: [judith@dut.ac.za](mailto:judith@dut.ac.za)

### **My supervisor**

Professor Dumisani Robert Walter Zondo Tel: 0313736831

Email: [dumisaniz@dut.ac.za](mailto:dumisaniz@dut.ac.za)

Institutional Research Ethics administrator on 031 373 2900.

Complaints can be reported to the DVC: TIP, Prof F. Otieno on 031 373 2382 or [dvctip@dut.ac.za](mailto:dvctip@dut.ac.za).

### **General:**

Potential participants must be assured that participation is voluntary and the approximate number of participants to be included should be disclosed. A copy of the information letter should be issued to participants. The information letter and consent form must be translated and provided in the primary spoken language of the research population e.g. isiZulu.

## APPENDIX F: CONSENT



### CONSENT

#### Statement of Agreement to Participate in the Research Study:

I hereby confirm that I have been informed by the researcher, \_\_\_\_\_ (name of researcher), about the nature, conduct, benefits and risks of this study Research Ethics Clearance Number: \_\_\_\_\_

I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.

I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.

In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.

I may, at any stage, without prejudice, withdraw my consent and participation in the study.

I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.

I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

\_\_\_\_\_  
Full Name of Participant

\_\_\_\_\_  
Date Time

\_\_\_\_\_  
Signature / Right Thumbprint

I,\_\_\_\_(name of researcher) herewith confirm that the above participant has been fully informed about the nature, conduct and risks of the above study.

\_\_\_\_\_  
Full Name of Researcher

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Full Name of Witness (If applicable)

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
**Full Name of Legal Guardian (If applicable) Date    Signature**

## APPENDIX F: GATEKEEPERS LETTER



27 July 2018

Itumeleng Judith Maome  
Durban University of Technology  
ML Sultan  
Durban  
4001

Dear Itumeleng

RE: PERMISSION TO CONDUCT RESEARCH

This letter serves to confirm that the Durban Chamber of Commerce and Industry hereby acknowledges and approves the research to be conducted through the Durban Chamber of Commerce and Industry for the completion of Itumeleng's PhD: *The impact of Corporate Social Responsibility on Business Performance of Medium-sized enterprises in eThekweni Municipality*.

Please note that the data collected must be treated with due confidentiality and anonymity. This information is also provided by the Durban Chamber of Commerce and Industry on the condition that a copy of the final research output will be given to the Chamber for its information purposes.

Yours faithfully



Yolan Nagoor

Manager: Policy and Advocacy