

**ASPECTS INFLUENCING DECISION-MAKING REGARDING
RESPONSIBLE BUSINESS PRACTICES IN SMMEs IN THE
TSHWANE DISTRICT**

by

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“Aspects influencing decision-making regarding responsible business practices in SMMEs in the Tshwane district”

I declare that the above dissertation/thesis is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

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DATE

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“Behind every successful woman is herself.” ~ Anonymous

ABSTRACT

While the concept of Corporate Social Responsibility (CSR) is widely used, it is not seen as the most appropriate to describe responsible business activities in Small, Medium and Micro-sized Enterprises (SMMEs). The concept of Responsible Business Practices (RBP) is better suited to SMMEs, although the theory is still based in the broader literature of CSR. Choices and decisions made by the owners/managers of SMMEs regarding the expenditures for RBP may reflect various influences. These influences may be conscious and purposely orientated toward a personal set of beliefs, but may also be indirectly, subconsciously influenced. This research will explore the influences behind expenditure decisions. Structured questionnaires will be used to reveal conscious influences that play a role in decision-making in SMMEs. The primary objective of this study is to investigate the aspects that consciously influence the decision-makers at SMMEs in Tshwane, South Africa, to expend resources on RBP. The study also aims to determine the awareness of, perceptions about and attitudes towards RBP among SMME decision-makers, as well as to determine the RBP activities SMMEs are involved in. Relationships between the extent of RBP engagement and the level of RBP awareness, the activities involved in, and the respondents' highest level of education will be discussed. Key differences between the respondents' age, highest level of education and gender with regards to the influencing aspects are also covered. The study contributes to the body of knowledge on individual-level studies in the RBP field and makes a contribution to the South African SMME literature that focuses on the doing of responsible business. It also addresses the gap in RBP knowledge by investigating the influences on RBP decisions in SMMEs, as the small business decision-making processes might prioritise influencing aspects differently than that in larger organisations.

Key terms: Responsible business practices, Small, medium and micro-sized enterprises, Corporate social responsibility, Decision-making, Small businesses, Responsible business.

LIST OF ABBREVIATIONS & ACRONYMS

CSBP –	The Centre for Small Business Promotion
CSR –	Corporate Social Responsibility
GEM –	Global Entrepreneurship Monitor
IDC –	Industrial Development Corporation
NEF –	The National Empowerment Fund
NSBA –	National Small Business Act 102 of 1996
NSBAA –	National Small Business Amendment Act 26 of 2003
RBP –	Responsible Business Practices
SARS –	South African Revenue Service
SEDA –	Small Enterprise Development Agency
SEFA –	Small Enterprise Finance Agency
SMME –	Small, medium and micro-sized enterprise
TEA –	Total Entrepreneurial Activity
PAYE –	Pay As You Earn
VAT –	Value Added Tax
CSBP –	The Centre for Small Business Promotion
CSR –	Corporate Social Responsibility
GEM –	Global Entrepreneurship Monitor

TABLE OF CONTENTS

DECLARATION	I
ACKNOWLEDGEMENTS.....	II
ABSTRACT.....	III
LIST OF ABBREVIATIONS & ACRONYMS.....	IV
TABLE OF CONTENTS	V
LIST OF FIGURES	X
LIST OF TABLES.....	XI

CHAPTER 1

INTRODUCTION AND RATIONALE OF THE STUDY	1
1.1 INTRODUCTION.....	1
1.2 BACKGROUND TO THE STUDY	1
1.3 MOTIVATION FOR THE STUDY	3
1.4 RESEARCH OBJECTIVES.....	4
1.4.1 Primary objective	4
1.4.2 Secondary objectives.....	4
1.5 RESEARCH DESIGN AND METHODOLOGY	5
1.5.1 Primary research	5
1.5.1.1 Target population	5
1.5.1.2 Sampling plan	6
1.5.1.3 Data-collection method	7
1.5.1.4 Data processing and analysis	7
1.5.2 Secondary research.....	8
1.6 CHAPTER LAYOUT	8

CHAPTER 2

SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES	11
2.1 INTRODUCTION.....	11
2.2 SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES IN SOUTH AFRICA....	11
2.2.1 Definition of SMMEs	12
2.2.2 Classification of SMMEs	14
2.2.3 Reasons for the existence of SMMEs	15
2.2.3.1 Distinguishing factors and contributions	16
2.2.4 SMMEs in Tshwane, Gauteng	17

2.3	MANAGING SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES	17
2.3.1	Planning	18
2.3.2	Organising	21
2.3.3	Leading.....	22
2.3.4	Controlling	24
2.3.5	Decision-making in SMMEs	25
2.3.6	Managerial competencies needed to manage an SMME	29
2.4	FAILURE AND GROWTH IN SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES	31
2.4.1	Reasons for discontinuance and failure of SMMEs	32
2.4.2	SMME growth	34
2.5	CONCLUSION	36

CHAPTER 3

RESPONSIBLE BUSINESS PRACTICES.....	38
3.1 INTRODUCTION	38
3.2 UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY	38
3.2.1 Corporate social responsibility defined.....	39
3.2.2 Corporate social responsibility models.....	42
3.2.3 Responsibilities to stakeholders.....	44
3.2.3.1 Stakeholder theory	45
3.2.3.2 Shared value	46
3.2.3.3 Social capital	47
3.2.4 Corporate social responsibility in SMMEs	48
3.3 RESPONSIBLE BUSINESS PRACTICES	49
3.3.1 Responsible business practices in SMMEs.....	50
3.3.1.1 Business benefits	52
3.3.1.2 Community benefits	52
3.3.1.3 Other motivating factors and key barriers	53
3.3.2 Elements of RBP for the SMME	54
3.3.3 RBP decision-making	55
3.4 CONCLUSION	56

CHAPTER 4

RESEARCH METHODOLOGY	58
4.1 INTRODUCTION	58
4.2 THE RESEARCH PROCESS	59
4.3 RESEARCH DESIGN.....	61
4.3.1 Type of study	61
4.3.2 The purpose of the research.....	62

4.3.2.1	Exploratory studies	62
4.3.2.2	Explanatory studies	62
4.3.2.3	Descriptive studies	62
4.3.3	Research approach	62
4.3.3.1	Deduction	63
4.3.3.2	Induction	63
4.3.4	Methodological approach.....	63
4.3.4.1	Mono method: quantitative or qualitative	64
4.3.4.2	Multi-method: quantitative or qualitative	64
4.3.4.3	Mixed-methods	64
4.3.5	Research strategy.....	65
4.3.5.1	Experiment	65
4.3.5.2	Case study	66
4.3.5.3	Action research	66
4.3.5.4	Grounded theory	66
4.3.5.5	Ethnography	66
4.3.5.6	Archival research	67
4.3.5.7	Survey	67
4.3.6	Time dimension	67
4.3.6.1	Longitudinal	67
4.3.6.2	Cross-sectional	68
4.4	RESEARCH METHODOLOGY	68
4.4.1	Population.....	68
4.4.2	Sampling strategy.....	68
4.4.2.1	Sampling method	69
4.4.2.2	Sample size	71
4.4.3	Research instrument.....	72
4.4.3.1	Question sequence	72
4.4.3.2	Question content	73
4.4.3.3	Question format	74
4.4.4	Primary data-collection method.....	77
4.5	DATA ANALYSIS	77
4.5.1	Descriptive statistical analysis.....	78
4.5.2	Inferential statistical analysis	79
4.5.3	Reliability and validity	81
4.6	ETHICAL CONSIDERATIONS.....	82
4.7	CONCLUSION	84

CHAPTER 5	
RESEARCH RESULTS	85
5.1 INTRODUCTION	85
5.2 DEMOGRAPHIC PROFILE	85
5.2.1 Gender	86
5.2.2 Age	86
5.2.3 Highest level of education	87
5.3 PROFILE OF THE SMMEs	89
5.3.1 Business sectors	89
5.3.2 Job title of respondents in their business	91
5.3.3 Number of employees employed	91
5.3.4 Suburbs in which SMMEs are located	92
5.4 AWARENESS, PERCEPTIONS, ACTIVITIES AND INFLUENCES OF RBP AMONG SMMEs	93
5.4.1 Awareness of the RBP concept among SMMEs	94
5.4.2 Attitudes and perception of RBP among SMMEs	97
5.4.3 Involvement of SMMEs in RBP activities	100
5.4.4 Aspects influencing decision-making regarding RBP	101
5.5 KEY RELATIONSHIPS	102
5.5.1 The extent of engagement in RBP and the level of RBP awareness	103
5.5.2 Extent of engagement in RBP and RBP activities	104
5.5.3 Extent of engagement in RBP and the highest level of education	107
5.5.4 Aspects influencing RBP decision-making and SMME sectors	108
5.5.5 Key differences between variables	111
5.5.5.1 Age groups and the extent of involvement in RBP	111
5.5.5.2 Age groups and the aspects influencing RBP decision-making	112
5.5.5.3 Size of the SMME and the business's perceptions of RBP	113
5.5.5.4 Level of education and RBP decision-making	114
5.5.5.5 Gender and RBP decision-making	115
5.5.6 Correlation analysis	116
5.6 SUMMARY OF THE FINDINGS	117
5.7 CONCLUSION	119
CHAPTER 6	
CONCLUSIONS AND RECOMMENDATIONS	120
6.1 INTRODUCTION	120
6.2 RESEARCH OBJECTIVES AND CONCLUSIONS	120
6.2.1 Primary objective	121
6.2.2 Secondary objective 1	122
6.2.3 Secondary objective 2	122

6.2.4	Secondary objective 3	123
6.2.5	Secondary objective 4	124
6.2.6	Secondary objective 5	125
6.2.7	Secondary objective 6	127
6.3	LIMITATIONS OF THE STUDY.....	129
6.4	FUTURE RESEARCH SUGGESTIONS.....	130
6.5	CONCLUSION	131
LIST OF REFERENCES.....		132
APPENDIX A ETHICAL CLEARANCE CERTIFICATE		144
APPENDIX B QUESTIONNAIRE		146
APPENDIX C FIELDWORKERS CONFIDENTIALITY FORMS.....		153
APPENDIX D LANGUAGE EDITING CERTIFICATE		158
APPENDIX E DATA SET		160

LIST OF FIGURES

Figure 1.1: Flow of chapters	9
Figure 2.1: The management functions	18
Figure 2.2: The decision-making process	26
Figure 3.1: The pyramid of CSR	42
Figure 3.2: The three-domain model of CSR	43
Figure 4.1: The research process.....	60
Figure 4.2: Methodological approaches.....	64
Figure 5.1: Gender composition (n=84)	86
Figure 5.2: Age of respondents (n=82)	87
Figure 5.3: Highest qualification of respondents (n=84).....	88
Figure 5.4: Distribution of SMMEs in the different sectors (n=83)	89
Figure 5.5: Detailed distribution of SMMEs in the different sector components (n=83) .	90
Figure 5.6: Title of respondents in their business (n=82)	91
Figure 5.7: Number of employees (n=74)	92
Figure 5.8: Main decision-maker of SMME (n=161).....	93
Figure 5.9: Respondents limited by financial expenditure (n=161).....	94
Figure 5.10: Awareness of the RBP concept (n=131).....	95
Figure 5.11: Extent of involvement in RBP (n=131)	95
Figure 5.12: Reasons for not engaging in RBP (n=42)	96
Figure 5.13: Current involvement of SMMEs in socially responsible activities	101

LIST OF TABLES

Table 2.1: Small businesses as defined in the NSBA	13
Table 2.2: The fundamentals of organising.....	22
Table 2.3: Growth indicators.....	36
Table 3.1: Definitions of CSR	40
Table 3.2: Differences in CSR between large and small firms	48
Table 3.3: Most common terminologies among small businesses.....	50
Table 3.4: Benefits for SMMEs that partake in RBP	51
Table 4.1: Objectives of the study.....	58
Table 4.2: Descriptors of the research design of this study.....	61
Table 4.3: Sections in the questionnaire	73
Table 4.4: Aspects found to influence RBP decision-making	74
Table 4.5: Format of questions	76
Table 5.1: Number of employees employed (n=74)	92
Table 5.2: Level of agreement (percentage of respondents) per statement	97
Table 5.3: Factor loadings	99
Table 5.4: Theme labels	99
Table 5.5 The extent to which aspects influence RBP decision-making.....	102
Table 5.6: Cramer's V result: relationship between extent of RBP engagement and RBP awareness	103
Table 5.7: Cross tabulation: extent of RBP engagement and RBP awareness	104
Table 5.8: Cramer's V result: relationship between the extent of RBP engagement and RBP activities	104
Table 5.9: Cross-tabulation: extent of RBP engagement and SMME activities	106
Table 5.10: Cramer's V result: relationship between the extent of RBP engagement and highest level of education	107
Table 5.11: Cross tabulation: extent of RBP engagement and education level	107
Table 5.12: Cramer's V result: relationship between aspects influencing engagement in RBP and SMME sector	108
Table 5.13: Cross tabulation: RBP engagement and SMME sectors	109
Table 5.14: Kruskal-Wallis test results: age groups and RBP involvement	112
Table 5.15: Kruskal-Wallis test results: the age groups and aspects influencing RBP decision-making.....	113
Table 5.16: Kruskal-Wallis test results: size of the SMMEs the business's perceptions of RBP	114
Table 5.17: Kruskal-Wallis test results: highest level of education and aspect influencing RBP decision-making	115

Table 5.18: Mann-Whitney test results: gender and the aspects influencing RBP decision-making.....	116
Table 5.19: Measure of the strength of the association test results	117
Table 5.20: Main findings	117

CHAPTER 1

INTRODUCTION AND RATIONALE OF THE STUDY

1.1 INTRODUCTION

This study focuses on the various aspects influencing the decision-making process in formal small, medium and micro-sized enterprises (SMMEs) when expenditures for responsible business practices (RBP) are being considered. RBP refers to the practices or activities that businesses follow or partake in to act responsibly toward its stakeholders and the operating environment.

The choices and decisions made by the SMME decision-makers regarding the expenditures for RBP may reflect various influences. These influences may be conscious and purposely orientated toward a personal set of beliefs, but may also be as a result of an indirect, subconscious influence. This research will explore the influences behind expenditure decisions. Structured questionnaires will be used to reveal conscious influences that play a role in decision-making in SMMEs.

This chapter will unfold in the following sections: firstly, the background and motivation is presented; secondly, the purpose and objectives of the research will be stated; thirdly, the proposed research design will be presented; and the chapter will end with a layout of all the chapters to follow.

1.2 BACKGROUND TO THE STUDY

The responsible business strives to positively affect the community and environment in which it operates. Responsible businesses take responsibility for all the stakeholders affected by their operations and focus on the evolution of healthier communities and more successful businesses. While the concept and approach of RBP is gaining momentum, the academic research on motivations for partaking in RBP has been lacking, as most of the research focuses on larger businesses (Dincer and Dincer, 2013; Perrini, Russo and Tencati, 2007; Moore and Spence, 2006) and on the broader literature of corporate social responsibility (CSR). This study will examine the aspects that influence the decision-makers in SMMEs to spend resources on RBP.

SMMEs are an important aspect of any developing country's economy. According to the FinScope South Africa Small Business Survey (FinScope, 2010), there were nearly six million small businesses in South Africa in 2010. While the term SME (small and medium-sized enterprises) is used internationally, SMME (small, medium and micro-sized enterprises) is the official term used by the Department of Trade and Industry (DTI) in South Africa. SMMEs are not restricted to formally registered enterprises (such as close corporations, private and co-operative enterprises) but include informal and non-VAT (Value Added Tax) registered enterprises, such as survivalist street-trading enterprises, backyard manufacturing and services, and occasional home-based evening jobs (DTI, 2008). SMMEs in the informal sector occur mainly in rural areas, and the majority of informal businesses are categorised as micro enterprises. The formal sector comprises of businesses that have continuous trade and are captured by several business registers and therefore are reasonably well known (DTI, 2008). For the purpose of this study, only formal businesses will be investigated since they have a continuous income from trade, and are therefore more likely to expend resources on RBP.

Currently, society demands social responsibility actions from all businesses, including SMMEs (Dincer and Dincer, 2013). Responsible businesses strive to positively affect the community and environment in which it operates. Each business thus takes responsibility for their actions and focuses on the evolution of healthier communities and more successful businesses. The term 'RBP' is used in this study to indicate the practices SMMEs follow or partake in to act responsibly towards their stakeholders and their operating environment. The Institute for Business Ethics (2010) points out that RBP is important for the success of SMMEs. Successful SMMEs use their social programmes to strengthen their image and to become more competitive (Dincer and Dincer, 2013; Jenkins, 2006).

The European Commission (2013) identified other motivating factors encouraging SMMEs to engage in RBP, namely: (1) tangible benefits such as positive economic outcomes, and intangible business benefits such as reputation and trust; (2) personal values which are part of the business's overall culture; (3) institutional factors such as legal requirements; and (4) to fulfil stakeholder expectations.

While the motivation for partaking in RBP originates from various sources, the conscious decision to do so still resides with the main decision-makers of the SMME. The decision-makers seek and evaluate information and alternatives before coming to a conclusion. Decision-making in SMMEs is different from that in larger businesses as the process begins with, and involves the owner/manager to a large extent (Hsu and Cheng, 2012; Walsh and Lipinski, 2009). Large businesses tend to have a structured framework with a clear hierarchy in decision-making (Walsh and Lipinski, 2009; Garengo, Biazzo and Bititci, 2005), and decisions will not typically be subject to personal influence. In SMMEs, the ownership and control mostly resides with the same person which lends legitimacy to the personal decisions made on how to expend business resources, such as RBP-related initiatives (Jenkins, 2006). The decision-makers in SMMEs mainly draw on their experience, knowledge and a variety of social ties to guide their judgement (Westhead, Ucbasaran and Wright, 2009). Therefore, it is clear that the decisions to utilise business resources for RBP are influenced by various aspects that differ between small and large businesses (Dincer and Dincer, 2013; Hsu and Cheng, 2012; Moore and Spence, 2006).

1.3 MOTIVATION FOR THE STUDY

The problem to be investigated pertains to the fact that RBP related to SMMEs has been researched and identified in countries such as Italy (Coppa and Sriramesh, 2013; Perrini *et al.*, 2007), India (Gupta, Sukhmani and Kalra, 2012), Singapore (Lee, Mak and Pang, 2012), England (Moore, Slack and Gibbon, 2009), Germany (Hamman, Habisch and Pechlaner, 2009) and Turkey (Dincer and Dincer, 2013), but similar studies have not been undertaken in South Africa. It has also been found that studies specifically examining decision-making processes in SMMEs are lacking (Musso and Francioni, 2012) and this is also the case when considering the decision-making specifically regarding RBP activities (Dincer and Dincer, 2013; Fatoki and Chilya, 2012; Hsu and Cheng, 2012; Perrini *et al.*, 2007; Lepoutre and Heene, 2006; Moore and Spence, 2006). The main issue that has not been adequately addressed relates to the aspects that influence decision-makers in SMMEs to utilise business resources and funds for RBP, that may or may not provide financial returns for the business (Dincer and Dincer, 2013;

Parboteeah, Hoegl and Cullen, 2008; Hauser, Cushman, Young, Jin and Mikhail, 2007).

The problem that can be concluded from the above paragraph is that research on the aspects influencing RBP decision-making in South African SMMEs is lacking. This study will contribute to the body of knowledge on individual level studies in the RBP field and will make a contribution to the South African SMME literature on doing responsible business. It also confirms the existence of many aspects that influence SMMEs to spend their resources on RBP.

The following research question is set: *What aspects influence the decision-making regarding responsible business practices in SMMEs in Tshwane?*

1.4 RESEARCH OBJECTIVES

In the section above, the research problem was discussed. The motivation for the study presents the groundwork for the objectives of this study. This section will present the primary and secondary objectives that have been formulated for the study.

1.4.1 Primary objective

The primary objective of this study is:

To investigate the aspects influencing RBP decision-making in SMMEs in Tshwane.

1.4.2 Secondary objectives

In order to achieve the primary objective, the following secondary objectives have been formulated:

- To determine the awareness of RBP among SMME decision-makers.
- To determine the RBP activities that SMMEs in Tshwane are involved in.
- To determine the attitudes and perceptions of SMME decision-makers towards RBP.
- To identify specific aspects influencing SMME decision-makers in the RBP decision-making process.

- To identify the relationship between the extent of engagement in RBP and (a) the level of RBP awareness; (b) each of the RBP activities involved in; and (c) the respondent's highest level of education.
- To identify the differences between the (a) age; (b) level of education; and (c) gender of the SMME decision-maker with regard to the aspects influencing RBP decision-making in SMMEs.

This chapter only reveals the primary and secondary objectives formulated to address the research problem. During data analysis, it was evident that hypotheses had to be formulated to address additional relationships that were not initially envisaged. This will be discussed in detail together with the motivation thereof in Chapters 5 and 6.

1.5 RESEARCH DESIGN AND METHODOLOGY

The research methodology for this study consisted of two phases, namely primary and secondary research. After the data had been collected, it was processed and analysed. The two phases will be discussed, followed by an explanation of the data processing and analysis process.

1.5.1 Primary research

This section will discuss the primary research process. A brief discussion of the target population, sampling plan, data-collection and data processing and analysis of this study will be provided (refer to Chapter 4 for an in-depth discussion to outline the research design and methodology).

1.5.1.1 Target population

The primary research phase of this study involved the decision-makers in SMMEs in Tshwane. The SMME definition for the study is as per the National Small Business Act (NSBA) 102 of 1996 and the National Small Business Amendment Act (NSBAA) 26 of 2003. The population of this study consisted of SMMEs from the three largest formal SMME sectors, based in Tshwane, the Gauteng province of South Africa. The SMMEs are all listed on the online database, Brabys (www.brabys.com).

1.5.1.2 Sampling plan

The units of analysis for this study were decision-makers in formal SMMEs in Tshwane. A sample was drawn from the population for research purposes. The two different sampling methods used in this study are discussed in the following paragraphs.

Firstly, participants for the study were identified by using a nonprobability sampling method, namely purposive sampling. A purposive sampling method is followed when the researcher chooses participants arbitrarily based on their unique characteristics (Cooper and Schindler, 2011). For this study, the participants identified were SMMEs listed on the online directory (public domain), Brabys. The Brabys directory publically lists all the contact details of any business that enters into an agreement to be listed for an annual fee. Businesses were searched by sector component (financial intermediation; insurance; real estate; business services; wholesale trade; retail trade; motor vehicle repair; motor cycle repair; personal good; household goods; hotels; restaurants; and manufacturing). Each listing found during the online search was analysed to determine whether it qualified as an SMME. SMMEs were thus identified by scrutinising their websites (if applicable) and/or contacting the contact person of the business (as listed on Brabys) via telephone.

Finally, after a list of all the appropriate SMMEs had been compiled, a sample was taken from the list by using systematic sampling as a probability sampling method. This method is deemed applicable because the South African Revenue Service (SARS) restricts access to the SARS Value Added Tax (VAT) and Pay As You Earn (PAYE) databases of registered SMMEs. Apart from the SARS database, there is hardly any database enabling one to estimate the size of the formal SMME population in South Africa (DTI, 2008:58). A systematic sample can be determined without the availability of an accurate list of the entire population by substituting the number of elements in the sample frame for the size of the population (Cooper and Schindler, 2011). This method followed four steps as suggested by Cooper and Schindler (2011:378) and is discussed in detail in Chapter 4, Section 4.4.2.1.

SMMEs that form part of the sample as identified by means of this formula were contacted telephonically to explain the study and to determine if the SMME was

willing to participate in the study. If the SMME agreed to the conditions (and participation), questionnaires were distributed to them by a trained fieldworker.

1.5.1.3 Data-collection method

Primary data was collected by two fieldworkers. After evaluating the various methods of data collection, the communication approaches were compared. Factors that were taken into account are the cost of distribution, the response rate of participants, the speed with which the researcher could gather the data required and the quantity and quality of data that the method would allow. After careful consideration, it was decided to use mainly a face-to-face meeting method where the fieldworkers were present while the participant completed the questionnaire. A small number of respondents preferred to receive an electronic copy via email which was returned to the fieldworker after completion.

A total of 150 completed questionnaires were expected at the end of the data-collection procedure (as per the University of South Africa's requirements). However, as detailed in Chapter 4, a total of 170 questionnaires were handed out and 164 responses were received. The data analysis included all 164 responses.

The data-collection instrument that was be used to collect the primary data is a structured questionnaire. Questionnaire design is discussed in detail in Chapter 4. The questionnaire was reviewed by a qualified statistician from a data viewpoint and three colleagues from a respondent perspective. On finalisation of the questionnaire, organisation in the identified sample were contacted by telephone to explain the study to them and to determine if the SMME were willing to participate in the study. Hand-delivery or emailing of copies of the questionnaire to the respondents, depending on their preference, ensured that the questionnaires were delivered and collected. Data was collected in an ethical manner. The ethical considerations are discussed in Chapter 4 Section 4.6.

1.5.1.4 Data processing and analysis

The questionnaires were coded to ease data capturing. The data was captured into a Microsoft Excel spreadsheet and exported to a statistical package, namely Statistical Packages for the Social Sciences (SPSS) version 23, to produce tables and perform statistical analysis. Thereafter, the descriptive statistical analysis was performed where the data was summarised by means of figures and tables. The

next step was to conduct the inferential statistical analysis and to develop and test hypotheses forthcoming from the statistics. The research results are discussed in Chapter 5 of this dissertation.

1.5.2 Secondary research

The first phase of the empirical study comprised of a comprehensive literature review on the various concepts in relation to the primary research of this study. The main source of secondary data for this study was the World Wide Web (WWW), academic articles and other reputable published scholarly material such as textbooks, dissertations and theses (refer to the list of references included in the dissertation). Literature to discuss the aim of the study was shortened and simplified and is discussed in Chapters 2 and 3.

1.6 CHAPTER LAYOUT

This section presents the chapter layout of this dissertation, followed by a description of the content of each chapter. Figure 1.1 below outlines the flow of the chapters.

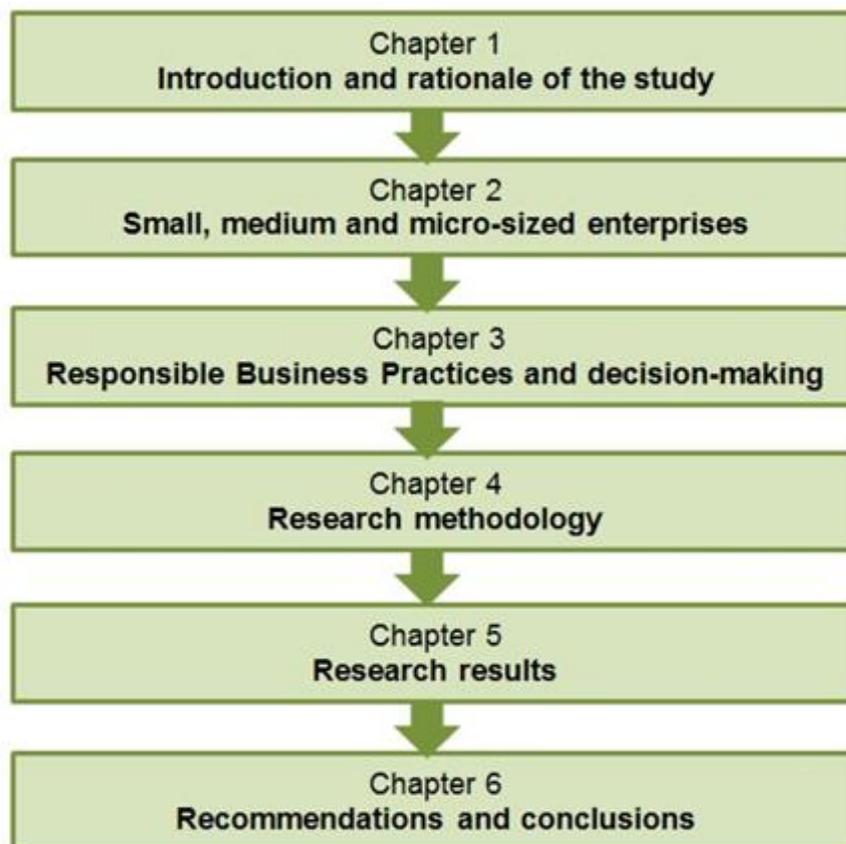


Figure 1.1: Flow of chapters

Chapter 1: Introduction and rationale of the study

Chapter 1 presents a brief overview of the background to the study, the problem statement and research statement, and also includes a discussion of the primary and secondary research objectives and the research design.

Chapter 2: Small, medium and micro-sized enterprises

Chapter 2 forms part of the literature review focusing on SMMEs in general and, in South Africa, in particular. The chapter will consist of a comprehensive study of SMMEs, their management functions (including the decision-making process) as well as failure and growth in SMMEs.

Chapter 3: Responsible Business Practices and decision-making

Chapter 3 provides a thorough literature review focusing on the knowledge base of CSR and CSR in SMMEs, RBP, and the importance of RBP for SMMEs.

Chapter 4: Research methodology

Chapter 4 presents a detailed explanation of the methodology used in the study. This chapter includes the primary sources where the required information was obtained and will describe the research design, the data-collection process which made use of a structured questionnaire, and all the methods utilised in the process of analysing the data.

Chapter 5: Research results

Chapter 5 provides a detailed examination and analysis of the collected data. The first part of the chapter contains the descriptive analysis of the research findings and the second part discusses the inferential analysis of the research findings.

Chapter 6: Recommendations and conclusions

Chapter 6 presents the recommendations and conclusions of this study. This chapter addresses the research aims and objectives. The findings of the study are discussed in relation to the research objectives and the limitations and recommendations for future research are also presented.

The ethics certificate of the study, the questionnaire, and fieldworker documentation will be included in the appendices.

CHAPTER 2

SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES

2.1 INTRODUCTION

Small, medium and micro-sized enterprises (SMMEs) play a vital role in the economic and social environment of a country, especially in those of developing countries with major employment and income distribution challenges, such as South Africa (Cant, Wiid and Hung, 2013). The South African government is facing a major challenge in alleviating poverty and creating more sustainable employment for the population. This is evident when observing the unemployment rate of 26.7% in the first quarter of 2016 (Statistics South Africa, 2016), an increase of 1.6% (up from 25.1%) in 2014 (Statistics South Africa, 2015). The development of SMMEs is an essential strategy for limiting such a high unemployment rate in a country's economy (Ngwenya, 2012; Monks, 2010). According to the most recent FinScope South Africa Small Business Survey (2010), there were nearly six million small businesses in South Africa in 2010, and in Gauteng 17% of the population are small business owners. These small businesses create an estimated six million additional employment opportunities.

The purpose of this chapter is to review the existing literature on SMMEs. The topic is introduced by defining what an SMME comprises in a South African context. The reasons for the existence of SMMEs in Tshwane, located in Gauteng, will then be discussed. The management of SMMEs will be discussed in detail by means of the four functions of the management process. Decision-making as a management task is further discussed as it forms an important part of the study. Finally, mention will be made of the managerial competencies and skills that are required when managing an SMME, as well as identifying possible failure and growth factors for SMMEs.

2.2 SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES IN SOUTH AFRICA

While the term SME (Small, and medium-sized enterprises) is used internationally, SMME (small, medium and micro-sized enterprises) is the official term used by the

Department of Trade and Industry (DTI) in South Africa. SMMEs are not restricted to formally registered enterprises (such as close corporations, private and co-operative enterprises) but include informal and non-VAT registered enterprises such as survivalist street-trading enterprises, backyard manufacturing and services, and occasional home-based evening jobs (DTI, 2008). SMMEs in the informal sector occur mainly in rural areas, and the majority of informal businesses are categorised as micro enterprises. The formal sector comprises of businesses that have continuous trade and are captured by several business registers and therefore are reasonably well known (DTI, 2008). For the purpose of this study, only formal SMMEs were investigated since they have a continuous income from trade and are therefore more likely to expend resources on RBP.

2.2.1 Definition of SMMEs

Dincer and Dincer (2013) state that SMMEs have specific characteristics that distinguish them from larger businesses. While these characteristics can differ between countries and cultures, SMMEs are generally independent, multi-tasking, and cash-limited. SMMEs are typically based on personal relationships and informality, as well as being actively managed by the owners which makes them highly personalised. SMMEs are largely local in their area of operation and largely dependent on internal sources to financial growth.

The most widely used framework for SMMEs in South Africa is set out in the NSBA and the NSBAA. The NSBA defines a small business as a “...*separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried in any sector or subsector of the economy [...] and which can be classified as a micro-, a very small, a small or a medium enterprise...*”. The NSBA indicates 11 sectors; the number of employees; and the total turnover that is important in defining SMMEs. The number of employees needs to be between five and 200 and the business should have a total annual turnover of between R0.20m and R51m. The framework that depicts the important criteria that a business must possess to be classified as a micro-, a very small, a small or a medium enterprise, is indicated in Table 2.1 below.

Table 2.1: Small businesses as defined in the NSBA

Sector or subsector in accordance with the Standard Industrial Classification (SIC)	Size of class	The total full time equivalent of paid employees	Total turnover	Total gross asset value (fixed property excluded)
	Medium	100	R5m	R5m
	Small	50	R3m	R3m
	Very small	20	R0.50m	R0.50m
	Micro	5	R0.20m	R0.10m
	Medium	200	R39m	R23m
	Small	50	R10m	R6m
	Very small	20	R4m	R2m
	Micro	5	R0.20m	R0.10m
	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5m	R2m
	Micro	5	R0.20m	R0.10m
	Medium	200	R51m	R19m
	Small	50	R13m	R5m
	Very small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
	Medium	200	R26m	R5m
	Small	50	R6m	R1m
	Very small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
	Medium	200	R39m	R6m
	Small	50	R19m	R3m
	Very small	20	R4m	R0.60m
	Micro	5	R0.20m	R0.10m

Wholesale trade, commercial agents and allied services	Medium	200	R64m	R10m
	Small	50	R32m	R5m
	Very small	20	R6m	R0.60m
	Micro	5	R0.20m	R0.10m
	Medium	200	R13m	R3m
	Small	50	R6m	R1m
	Very small	20	R5.10m	R1.90m
	Micro	5	R0.20m	R0.10m
	Medium	200	R26m	R6m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.60m
	Micro	5	R0.20m	R0.10m
	Medium	200	R26m	R5m
	Small	50	R13m	R3m
	Very small	20	R3m	R0.50m
	Micro	5	R0.20m	R0.10m
	Medium	200	R13m	R6m
	Small	50	R6m	R3m
	Very small	20	R1m	R0.60m
	Micro	5	R0.20m	R0.10m

Source: NSBA (1996)

2.2.2 Classification of SMMEs

The framework shown in Table 2.1 indicates the classification of small businesses in South Africa according to the NSBA.

The five classifications according to the NSBA are as follows (Abor and Quartey, 2010):

- ***Survivalist enterprise***
The income generated by a survivalist enterprise is less than the minimum income standard or the poverty line. This category is considered pre-entrepreneurial but in practice, forms part of micro enterprises.
- ***Micro enterprise***
The annual turnover generated is less than the minimum VAT registration limit. Micro enterprises employ a maximum of 5 employees. Examples of micro enterprises include informal convenience shops and private minibus taxis.
- ***Very small enterprise***
These enterprises employ fewer than 10 employees, except for the mining, electricity, manufacturing and construction sectors which lists fewer than 20 employees. These enterprises have access to technology and operate in the formal market.
- ***Small enterprise***
The upper limit for this classification is 50 employees. Small enterprises are generally more established than very small enterprises.
- ***Medium enterprise***
The maximum number of employees differs between sectors and ranges from 100 to 200. Generally, these enterprises have an additional management layer.

2.2.3 Reasons for the existence of SMMEs

According to the Survey of Employers and the Self-employed (SESE) in South Africa, the main motive for starting an SMME is due to unemployment with no alternative source of income being available (Statistics South Africa, 2014). While it has been proved that SMMEs strengthen economic growth and create jobs, there are a number of reasons why SMMEs exist. SMMEs exist due to the fact that they contribute differently to the economy than larger businesses. Other reasons are reflected in the distinguishing factors of SMMEs and the contributions SMMEs make to the economy as discussed in the following section.

2.2.3.1 Distinguishing factors and contributions

Nieman (2006) identified seven factors that set SMMEs apart from larger businesses. SMMEs make major contributions to the economy by tending to:

- **Create ease of entry and start-up for new and promising entrepreneurs**

Potential entrepreneurs can enter the economy as small business ventures, since relatively few resources are usually required. Many large businesses initially start out as small businesses and grow into larger ones.

- **Maintain a close relationship with customers and the community**

SMMEs may attract customers through personalised services and personal attention, and tend to be in close touch with the local community.

- **Form a vital link in the supply chain**

SMMEs are often located where larger businesses would not consider situating themselves. In addition, the small businesses are vital in the supply and distribution chains of larger businesses.

- **Provide employees with comprehensive learning experiences**

SMMEs offer employees a variety of learning experiences compared to more specialised jobs in larger businesses.

- **Develop risk takers**

Entry into the small-business market is relatively easy and therefore entrants are exposed to risk (and rewards) quickly and on a small scale.

- **Generate new employment**

SMMEs create job opportunities and also serve as a training ground for employees.

- **Fill gaps left by larger businesses**

Larger businesses may leave gaps for a number of reasons, including failure to identify new opportunities; refusal to change the organisational culture; unwillingness to make technological changes; politics and internal fighting.

From the above it can be seen that SMMEs are vital for a country's economy. The following section will focus on SMMEs in South Africa, more specifically in Tshwane, Gauteng.

2.2.4 SMMEs in Tshwane, Gauteng

According to figures released by the Department of Trade and Industry (DTI), 48% of South Africa's formal SMMEs were located in Gauteng in 2008 (DTI, 2008), and in 2010, a total of 17% of the Gauteng population were small business owners (FinScope, 2010). Gauteng is the smallest province in South Africa, but is also the most populous. Gauteng has three metropolitan municipalities, namely City of Johannesburg; City of Tshwane; and Ekurhuleni. This study will focus on the City of Tshwane Metropolitan Municipality area that consists of seven different regions with a number of different areas (City of Tshwane, 2012).

Formal SMMEs in Gauteng, across all municipalities, are largely concentrated in three sectors, broadly labelled as (a) Financial Intermediation Insurance; Real Estate; and Business Services (44%); (b) Wholesale and retail trade; Repair of motor vehicles and motor cycles; Personal and household goods; Hotels and restaurants (23%); and (c) Manufacturing (11%) (DTI, 2008). These three sectors will be represented in the study since they are where most formal SMMEs are concentrated. The DTI has, since 2008, not released a new report and therefore this version was used.

The SMMEs in the three major sectors discussed above all have owners/managers who are responsible for the managerial activities of the business. The next section will describe the management process in SMMEs.

2.3 MANAGING SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES

Management is a structured process of interrelated activities that are designed to produce a specific output (Brevis and Vrba, 2014). Management is furthermore necessary to combine and direct the resources of the business in order to achieve their goals as efficiently and productively as possible (Van Aardt, 2013). This process indicates that people (human resources), capital (financial resources), physical resources, raw materials, components, information and entrepreneurial skills are required to produce products and/or services, create employment opportunities, make a profit, achieve organisational goals, and contribute to the wealth of society. The process of transforming inputs into outputs requires four fundamental management tasks or functions. Without an underlying understanding

and appreciation of these fundamentals, SMMEs are more likely to fail. The basic functions of managers are planning, organising, leading and control. These fundamental functions as illustrated in Figure 2.1, should be undertaken continuously for the entire business.

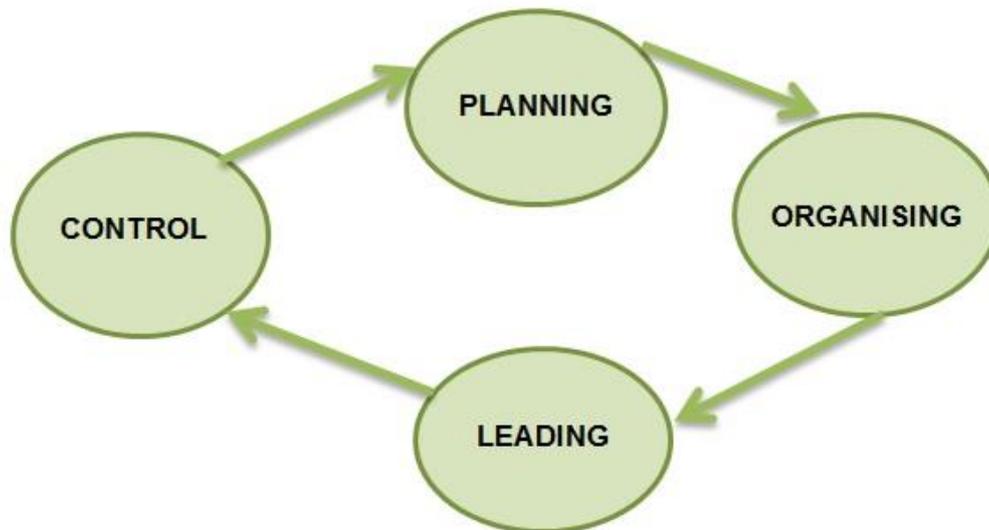


Figure 2.1: The management functions

Source: Brevis and Vrba, 2014

Each of the four fundamental management functions will now be discussed in greater detail, and in an SMME context.

2.3.1 Planning

The first function, namely planning, essentially consists of five components that the business should examine and include in their business practices:

- (1) determining the vision, mission and goals;
- (2) identifying alternatives to reaching the goals;
- (3) evaluating and reaching a decision from among alternatives;
- (4) finding the resources needed for the task within a complex environment; and
- (5) implementation control (Brevis and Vrba, 2014; Brinckmann, Grichnik and Kapsa, 2010).

Van Aardt (2013) adds that planning involves forming an overall strategy for achieving the set goals and developing a comprehensive order of plans to integrate and co-ordinate business activities.

SMME owner/managers use different types of plans that include the following (Brevis and Vrba, 2014; Van Aardt, 2013; Nieuwenhuizen, 2011):

- ***Strategic and long-term plans***

Strategic or long-term plans apply to the entire business and are developed by top-level management, which in an SMME is most likely the owner/manager. It will involve the creation of a vision and mission statement, and plans with a timeframe of more than three years.

- ***Tactical or medium-term plans***

Tactical or medium-term plans specify the details of how the overall goals are to be achieved. These plans are carried out by middle management for the various functional departments. Tactical plans are more specific than strategic plans and the focus is usually on functional areas such as marketing, finance, operations and human resources.

- ***Short-term plans***

Short-term plans cover one year or less. They focus on carrying out the tactical plans to achieve the operational goals. Short-term plans are usually developed by first- and lower-level management.

- ***Specific and directional plans***

Specific plans are clearly defined and leave no room for interpretation, while directional plans set general guidelines but allow for greater flexibility.

- ***Single-use and standing plans***

Single-use plans are once-off plans specifically designed to meet the needs of unique situations, while standing plans are on-going plans that provide guidance for activities that are repeatedly performed.

Implementing strategic plans will help achieve long-term goals, whereas the tactical plans only assist in meeting short-term goals. The short-term goals will merely allow SMME owners/managers to survive in the immediate future, and not

setting strategic long-term goals can pose serious threats to the business' longevity (Choo, Mazzarol and Reboud, 2014).

The above-mentioned types of plans must also be realistic and flexible. When setting objectives to meet these plans, there are certain criteria to follow, namely that the objectives must be specific, measurable, reasonable, prioritised, consistent, the timing must be specified, persons responsible must be identified, and it must be adaptable to changing circumstances (Nieuwenhuizen, 2011).

Nieuwenhuizen (2011) substantiates the need for a set planning process which includes objectives that meet the above-mentioned criteria, by identifying eight steps SMMEs can follow for a successful planning process:

- **Step 1** - Identify opportunities and threats in the external environment of the SMME.
- **Step 2** - Formulate objectives for the business. The SMME owner/manager should determine what he/she wants to achieve.
- **Step 3** - Make assumptions and draw up plans of action. While many factors might be uncertain, the SMME owner/manager must make certain assumptions in order to draw up the plan of action.
- **Step 4** - Identify alternative plans of action to reach the objectives.
- **Step 5** - Analyse and consider alternative plans of action.
- **Step 6** - Choose a final plan for the SMME to reach the objectives.
- **Step 7** - Draw up a budget.
- **Step 8** - Implement the plan.

Planning is an essential phase in all businesses. Following the above steps will ensure that the SMME sets objectives and ultimately achieves them. It can also ultimately lead to a number of positive effects such as helping the business to predict better and to prepare for future challenges (Wiltbank, Dew, Read and Sarasvathy, 2006). It also allows for more rapid decision-making (Delmar and Shane, 2003) and enables the business to control goal achievement, as well as enabling communications with internal and external stakeholders (Brinckmann *et al.*, 2010).

Choo *et al.* (2014) state that much of the planning within SMMEs is short-term, operational and intuitive. It is also usually informal due to lack of time, resources and competency. While planning is critical for the SMME, there are certain factors that influence the planning responses of SMME owners/managers. These factors include their entrepreneurial orientation and their perception of the risk they face in relation to the uncertainty of the operational environment (Mazzarol and Reboud, 2009). The term 'entrepreneurial' refers to three components – innovativeness, proactiveness and risk-taking (Anderson, Covin and Slevin, 2009). The entrepreneurial orientation of the SMME is the owner/manager's strategic posture towards entrepreneurship or the decision-making practices, managerial philosophies and strategic behaviours that are entrepreneurial in nature, and the perceived risk is generally influenced by the entrepreneurial orientation (Anderson, Kreiser, Kuratko, Hornsby and Eshima, 2014). Mazzarol and Reboud (2009) state that individuals who are highly entrepreneurial will be less formal and structured in their planning responses than their less entrepreneurial counterparts. This confirms the statement made by Choo *et al.* (2014) that planning in SMMEs is usually informal.

The findings of Brinckmann *et al.* (2010) correspond with the above statements and the fact that planning increases the performance of both new and established SMMEs. Therefore, this section can be concluded by stating that SMMEs should take planning more seriously in order to capitalise on opportunistic trends and to prevent potential threats for the purpose of growth and survival (Choo *et al.*, 2014).

2.3.2 Organising

The second management function, organising, involves developing a framework or structure to indicate how people and other resources are acquired and distributed in efforts to achieve the goals and objectives set in the planning phase (Brevis and Vrba, 2014; Van Aardt, 2013). The success of the business depends on how well the resources are coordinated and organised, and therefore, the organising process should always be logical and systematic (Nieuwenhuizen, 2011).

The organising process involves delegating tasks, putting in place reporting structures, and deciding how many people supervisors will be overseeing (Van Aardt, 2013). Du Toit, Erasmus and Strydom (2010) also specify five fundamentals

of organising that a small business owner/manager can use when organising their business. The fundamentals of organising are reflected in Table 2.2.

Table 2.2: The fundamentals of organising a business

Fundamental	Description of fundamental
Designing jobs	The determination of an employee's work activities and responsibilities.
Departmentalisation	The grouping together of activities into a division, i.e. the forming of departments.
Establishing reporting relationships	Establishing reporting lines to determine who reports to whom.
Establishing authority relationships	Assigning responsibility, authority and accountability to each position.
Co-ordinating activities	Linking of activities of various departments in the business into a single integrated unit.

Source: Adapted from Du Toit, Erasmus and Strydom (2010)

As previously stated, SMMEs are more likely to have informal business structures, allowing for employees to be in constant communication with the owner/manager of the business. In conclusion, it is also important to note that this regular interaction leads to social relations being established and to teamwork being promoted (Du Toit *et al.*, 2010).

2.3.3 Leading

The third management function, leading, refers to the human resources (people or employees) of the business and motivating them in such a way that their voluntary actions are aligned with previously formulated plans (Lazenby, 2014) and that they voluntarily cooperate or work together to achieve objectives (Nieuwenhuizen, 2011). Leadership involves influencing, inspiring, and motivating employees, as well as communicating effectively and directing the activities of others to achieve goals (Du Toit *et al.*, 2010).

According to Brevis and Vrba (2014), leaders are able to influence others because they possess power. Power is one of the components of leadership, and is the potential to influence behaviour, to change the course of events and the overcome

resistance. The different sources of power for any leader, as listed by Brevis and Vrba (2014) include:

- **Legitimate power** - A leader's legitimate power is based on his position within the business.
- **Reward power** - Leaders have the power to reward and punish employees.
- **Referent power** - Stems from the charisma of the leader and whether he is liked and respected.
- **Expert power** - Stems from a person's knowledge and expertise.

Except for power, other components of leadership are (1) authority, which denotes the right of a manager to give commands to employees; (2) responsibility, which is the obligation to achieve the organisational goals by performing certain required activities; (3) delegation, which is the process of assigning responsibility and authority to others down the chain of command; and (4) accountability, which is the evaluation of how well individuals meet their responsibilities (Du Toit *et al.*, 2010).

Different contemporary approaches to leadership have been identified (Brevis and Vrba, 2014; Du Toit *et al.*, 2010) that apply to all levels of managers and imply that managers at all levels are stronger leaders if they convey the vision of their section, department, group or team to their employees. The first approach is charismatic leadership. Charismatic leaders have referent power, as discussed above, and show traits such as self-confidence, vision, unconventional behaviour and environmental sensitivity (Brevis and Vrba, 2014). The second approach, transactional leadership, involves the exchange of rewards for compliance (Lazenby, 2014). Transactional leaders have reward power, as discussed above, and motivate their employees by appealing to their self-interest. The third approach, transformational leadership, is the process in which leaders and employees raise each other to higher levels of morality and motivation (Brevis and Vrba, 2014). Transformational leadership is the most desirable in most business contexts because it improves employee satisfaction, trust and commitment (Barling, Slater and Kelloway, 2000). Due to the small operating environment of SMMEs, transformational leadership can be particularly relevant as leaders

communicate their vision directly to employees (Franco and Matos, 2013). However, the study by Franco and Matos (2013) found that transactional leadership is in fact more effective than transformational leadership in SMMEs. It was also found that while there is no pure leadership style that is faithfully followed by SMME leaders, different leadership styles influence outcomes and performance of the SMME in different ways (Franco and Matos, 2013).

To conclude, leadership in SMMEs should be dynamic and flexible (Nieuwenhuizen, 2011). SMME owners/managers, as entrepreneurs, need to assess the abilities and experience of their workforce on a regular basis in order to determine the leadership style that is needed.

2.3.4 Controlling

The final function of management, controlling, suggests that the management of a business should constantly check that the business is on the right course to attain its goals (Byrd and Megginson, 2013). The control function also allows for identifying and rectifying any deviations from the organisational plans (Brevis and Vrba, 2014). This function is exercised when management ensures that people carry out plans and instructions (Nieuwenhuizen, 2011).

According to Du Toit *et al.* (2010), SMMEs should follow the following steps in a control process:

- **Step 1** – Determine and communicate standards and methods against which performance will be measured. The standards must be realistic, clear and acceptable to everyone concerned.
- **Step 2** – Measure the actual performance. Control is a continuous and repetitive process, and the performance reports must be quantifiable and reliable. Regularity of the measurement will depend on which activity in the SMME is being controlled, and deviations from the set standards should be detected as soon as possible.
- **Step 3** – Evaluate deviations. Should deviations occur, it must be interpreted in accordance with the set standards. The reason for the deviation must also be determined.

- **Step 4** – Take corrective action if the performance does not meet the standards of the SMME. Actual performance can be improved to meet the set standards, strategies can be revised to accomplish standards, or performance standards can be lowered or raised to make them more realistic.

Control is the final step in the management process, and the starting point for planning and strategic management. As shown in Figure 2.1, the process is continuous. Effective control systems are characterised by the extent to which planning and control are integrated (Du Toit *et al.*, 2010).

2.3.5 Decision-making in SMMEs

While the general management tasks of planning, organising, leading and control typically remain the primary task of the SMME owner/manager, new employees might be appointed to assist in the day-to-day functions of the business as the business grows. Management of any business should possess a number of different skills in order to perform various management tasks. There are also a number of different managerial levels, each with different functional areas that may include finance, operations, purchasing and supply, information, human resources, procurement, research and development, public relations and marketing (Brevis and Vrba, 2014; Nieuwenhuizen, 2011; Du Toit *et al.*, 2010). These functional areas are essential for business growth and success, and while these are all specialised areas of management which require specialist skills, managers in each area will still plan, organise, lead and control. Regardless of the management area, managers are required to perform certain managerial roles (Brevis and Vrba, 2014). The roles were identified by Henry Mintzberg (Mintzberg, Raisinghani and Théorêt, 1976) and can be classified as information, decision-making and interpersonal roles. For the scope of this study, only the decision-making role will be discussed.

Decision-making can be defined as the process of making choices among desirable alternatives (Edwards, 1954). Decision-making cannot be understood simply by studying final decisions as there is an emotional, perceptual and cognitive process involved that finally leads to the choice of an alternative (Svenson, 1979). The decision-maker seeks and evaluates information and

alternatives before coming to a conclusion. Etzioni (2014:7) describes the decision-making process as follows: *“One defines one’s goal, figures out alternative ways to reach this goal, and then compares the costs of these alternative pathways. One then chooses the least costly course that contributes most to goal achievement”*. The vision of the business and that which needs to be achieved should always be kept in mind. Brevis and Vrba (2014) substantiate Etzioni’s definition of the process by describing it as a set of phases that individuals or teams should follow in order to increase the probability that their decisions will be optimal. Optimal decisions will lead to the maximum achievement of goals and objectives.

Strategic decisions lead to the commitment of resources and people to certain courses of action (Jansen, Curşeu, Vermeulen, Geurts and Gibcus, 2013). These strategic decisions are made by following a decision-making process that consists of a number of stages or phases which are shown in Figure 2.2.

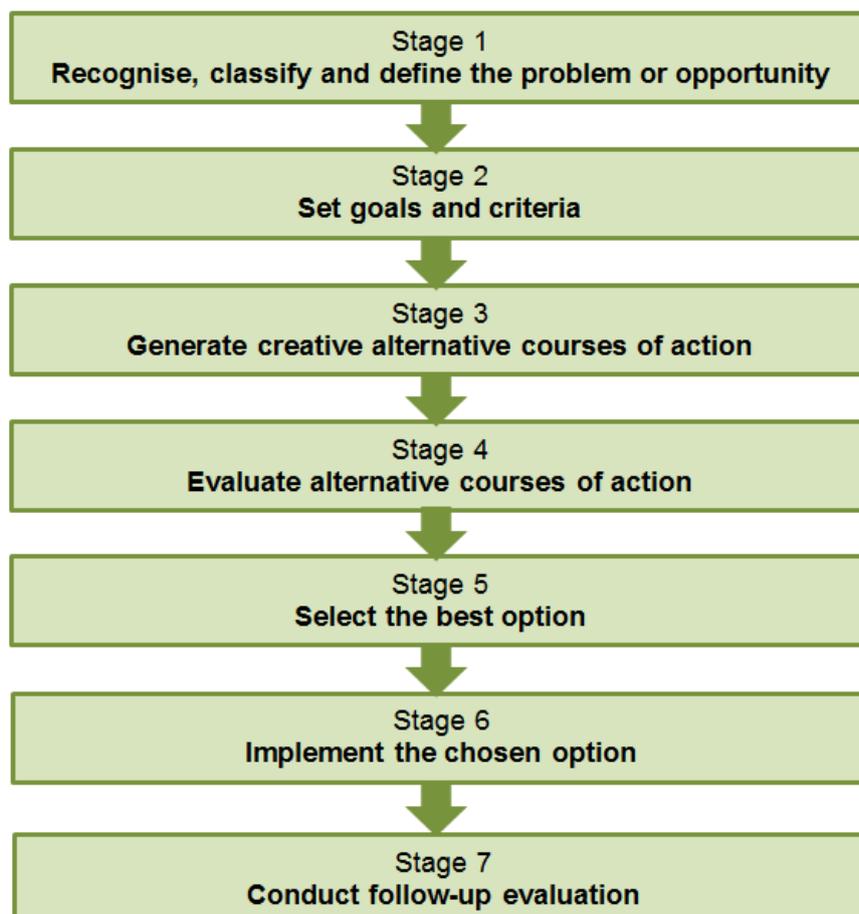


Figure 2.2: The decision-making process

Source: Brevis and Vrba, 2014

1. During stage one, the opportunity or problem is recognised and classified in terms of the type and condition of the decision that needs to be made. After it has been classified, the opportunity or problem should be accurately defined.
2. During stage two, the goals are set that state when the decision should be accomplished. The organisational goals give the decision-making process purpose and direction.
3. During stage three, a systematic effort should be made to identify as many courses of action as possible. In this stage, innovation and creativity play a major role. The number of options identified should be limited by the time and cost associated with the decision.
4. During stage four, the options identified in stage three will be evaluated in terms of strengths and weaknesses, advantages and disadvantages, benefits and costs.
5. During stage five, the options should be evaluated against the goals that were set during stage two in order to select the best option.
6. During stage six, appropriate steps should be taken to ensure that the selected option is properly implemented.
7. During stage seven, the decision that was set into motion should be evaluated to provide the necessary feedback regarding its outcome.

These activities can be applied to various decisions being made in a business or SMME. The aspects that can influence and have an impact on all the stages, and decision-making in general, include peer pressure (Hanson and Moore, 2013; Westerman, Beekun, Stedham and Yamamura, 2007), emotions (Stanley, 2010), ethics (Hanson and Moore, 2013), financial position (Rodgers and Gago, 2004), cognitive style and personality (Filbeck, Hatfield and Horvath, 2005), culture (Dimitratos, Petrou, Plakoyiannaki and Johnson, 2011; Westerman *et al.*, 2007), integrity and honour (Hanson and Moore, 2013), age, gender, moral maturity, religious beliefs (Hanson and Moore, 2013; Phipps, 2012; Hilary and Hui, 2009), and social media (Power and Phillips-Wren, 2011).

Decision-making is one of the critical drivers of organisational performance, and non-alignment will likely lead to problems in the medium to long term (O'Regan, Sims and Ghobadian, 2005). Other problems have been highlighted in studies by Gaskill, Van Auken and Manning (1993), and Stokes and Blackburn (2002) who

found that failure to make timely business decisions proves harmful to a business and may lead to business failure. This was confirmed in a study done by Ahmad and Seet (2009). Gaskill *et al.* (1993) also found that poor decision-making was due to inadequate decision-making skills that it ultimately led to financial problems. Decision-makers who are better equipped to act in a decision situation will rely on their skills to navigate through it. The higher their confidence level and level of risk acceptance, the higher their decision effectiveness will be (Jansen *et al.*, 2013) and this will enable them to make definitive decisions that will commit resources to a course of action.

Decision-making in SMMEs is different from that in larger businesses where decisions will not typically be vulnerable to personal influences. Decision-makers in SMMEs are the central point where all business activities start and they have a considerable influence on the SMMEs' (future) direction (Hammann *et al.*, 2009). The decision-makers in SMMEs mainly draw on their experience, knowledge and variety of social ties to form their judgement (Westhead, *et al.*, 2009). In SMMEs, the processes begin with and highly involve the owners/managers, unlike large businesses that tend to have a structured framework with a clear hierarchy in decision-making (Garengo, *et al.*, 2005; Walsh and Lipinski, 2009). In SMMEs the ownership and control mostly reside with same person and this lends legitimacy to the personal decisions made on how to expend business resources (Jenkins, 2006).

Decision-makers making the conscious, voluntary decision to spend business resources on RBP, which is closely related to corporate social responsibility and business ethics, may also find other decision-making models useful. Ethical decision-making models, such as the one by Rest (1986), are designed to explain the process of decision-making of individuals, not of organisations. Since SMME decision-making processes begin with and highly involve the owner/manager (Hsu and Cheng, 2012; Walsh and Lipinski, 2009), the ethical decision-making process is therefore also relevant to this literature study.

In essence, there are four stages to ethical decision-making for individuals: In the first stage, the moral issue needs to be recognised. With regard to this study, the issue will be the need for the SMME to act responsibly, in a specific way, towards

their stakeholders. In the second stage, a moral judgment has to be made, followed by an intention to act (stage three). The final stage is the actual acting on the intention, whereby the SMME will fulfil the socially responsible act towards the relevant stakeholder/s (Rest, 1986). RBP decision-making will be discussed in Chapter 3 after the theory base for the concept has been explained.

All of the management tasks discussed in the previous sections require some skills and competencies from the owners/managers of the SMME to fulfil his/her role. These skills and competencies will be discussed next.

2.3.6 Managerial competencies needed to manage an SMME

Certain managerial competencies are required by the effective owner/manager of an SMME to enable him/her to perform all the management tasks. Van Aardt (2013) states that there are a number of aspects which will contribute to the success of a small business, including that the owner/manager should be skilled in their field; possess expertise and knowledge in their area of specialisation; are not averse to taking risks; are driven by a need for achievement; are committed to their business; possess perseverance and confidence; are able to maintain good personal relationships with stakeholders; are directly involved with the business; and have knowledge of the different functional areas of management in the business. Nieuwenhuizen (2011) adds to these characteristics by indicating that an owner/manager must be able to communicate formally and informally; plan and do administrative tasks such as allocating resources, budgeting, time management and monitoring progress; must be a supporter of teamwork; must be a visionary leader and be able to take strategic action; they should be have a global awareness; and finally they should manage themselves – having a personal drive and balanced work and private life. Brevis and Vrba (2014) substantiate these competencies by stating that management is a process, and through this process, the manager must work with and through others, achieve goals and objectives, balance effectiveness and efficiency, make the most of limited and scarce resources and cope with a changing environment. These skills are acquired through management training and development. It is often described as an art because many of the skills cannot be learned from a book or in a classroom – it

requires practice (Brevis and Vrba, 2014). The failure or growth of an SMME depends on successful management.

There are certain skills needed for successful business management that will also determine the SMME's potential for growth (Nieman, 2006). An SMME will demand the following attributes from the owner/manager:

Self-development	An SMME owner/manager should know themselves and their strengths and weaknesses. In doing so, they can develop more realistic and achievable goals. Self-development skills can be acquired through education and working experience.
Networking	An SMME owner/manager should purposefully strive to make formal and informal contacts and form relationships. Formal and informal networks can be used to obtain resources and opportunities for their SMMEs.
Relationship marketing	The aim of relationship marketing is to build long-term relationships that could be mutually beneficial to the business and its stakeholders.
Time management	In SMMEs, time is a limited resource, as the staff numbers are low. Schedules should be kept and duties should be delegated to employees.
Stress management	Sources of stress can be personal or work-related and could include, but are not limited to financial, family and social stressors.
Presentation skills	Professional quality presentations of plans or ideas help communicate information effectively.
Negotiation skills	Negotiations of various intensities take place daily, and the entrepreneur must strive to reach a common understanding with other parties.
General business management skills	General business management skills include planning, budgeting and security of the business.
Financial management	Specific financial instruments are needed to generate growth and income, for example, through the extension of credit or longer payment terms from suppliers.
Risk management	This is the process of making the right decision.
Record keeping	Record keeping provides the information necessary to run an SMME successfully. Effective record keeping allows the

	entrepreneur to evaluate the business on a weekly or monthly basis.
Computer skills	Using the relevant computer applications can result in better time management for the SMME. The Internet and Email are both very useful and essential business tools.
Management	An SMME owner/manager must be efficient and effective in executing all the daily tasks of the business. These tasks include buying, pricing, training, supervising, motivating staff and making decisions.

An SMME owner/manager must reconcile what they want and what they are willing to risk (Nieman, 2006). All of the above skills are important for SMME growth, and although managers are not necessarily required to have all of them, a combination of some of the skills is beneficial. Growth in SMMEs will be discussed further in the following section.

2.4 FAILURE AND GROWTH IN SMALL, MEDIUM AND MICRO-SIZED ENTERPRISES

While South Africa has one of the highest unemployment rates in the world, it has also emerged as one of the lowest-ranking developing countries in terms of the Total Entrepreneurial Activity (TEA), according to the 2015/16 Global Entrepreneurship Monitor (GEM) report. The TEA is the central indicator for the GEM report, and represents the percentage of individuals who are early-stage entrepreneurs, that is, those in the process of starting or having just started a business. The South African rates for 2015 are as follows: 5.5% of the adult population are engaged in nascent entrepreneurship (entrepreneurs who have not paid salaries or wages for three months); 3.8% are new business owners; and 9.2% are total early-stage entrepreneurs.

While there has been a gradual year-on-year improvement between 2003 and 2013 (Herrington & Kew, 2013), South Africa's overall ranking in 2015 (38th out of 60 countries) remains significantly below the median for the GEM sample, reversing the positive trend shown up to 2013 (Herrington & Kew, 2015). Another surprising fact, given the high unemployment rate in the country, was that opportunity-driven rates for early-stage entrepreneurial development have increased from 57.0% in 2005 to 71.3% in 2014. However, in 2015 this statistic

was only 65.7%, which is now below the Africa region's average. The necessity-driven rates that have decreased from 39.5% in 2005 to 30.3% in 2013 have now increased again to 33.2% in 2015. This figure suggests that currently, 33.2% of the TEA is where individuals start a business out of necessity for survival, when there is no other source of income and the individual cannot get formal employment. These entrepreneurs do very little analysis and/or preparation before starting the business. The statistics also suggest that 65.7% of the TEA is where individuals decide to pursue an opportunity irrespective of whether there are other employment options available. The businesses driven in this way is more likely to survive and employ people.

Overall, although South Africa is rated 38th out of 60 countries in terms of TEA (Herrington & Kew, 2015), it portrays a positive trend for established businesses in South Africa. According to the GEM report (2015), TEA has increased since 2001 and although declining slightly in 2014 (from 2.9% in 2013 to 2.7% in 2014), it has increased to the highest point yet (3.4% of the population). A major concern is the discontinuance rate that continues to increase (up from 3.9% in 2014 to 4.8% in 2015), which means that more businesses are closing than are starting. The reasons for discontinuance are varied and will be discussed in the following section.

2.4.1 Reasons for discontinuance and failure of SMMEs

While there is no clear consensus in literature as to what business failure is, the extreme definitions of failure include: (1) the discontinuance of a business for any reason; and (2) the formal bankruptcy proceedings (Ropega, 2011). Ropega (2011) states that the 'why' and 'how' of failure should be understood as business failure is not a sudden event, but a dynamic process.

Various reasons for the failure of SMMEs have been identified by different studies. The FinScope (2010) survey found that the biggest obstacles to growing an SMME in South Africa are: (1) space to operate; (2) competition; and (3) access to finance. The main reasons for business discontinuance as identified by the GEM (2013) are: (1) the business no longer being profitable; (2) the business experiencing problems with getting finance; and (3) due to personal reasons.

However, some reasons for discontinuance could well be seen as positive, such as the opportunity to sell, pursuing another opportunity or retiring.

When analysing the causes of failure as found in a number of studies, Ropega (2011) indicated that the most prevalent causes of failure in small businesses were: (1) inadequate management skills or poor knowledge of the business, which may result in lack of strategy for the business; (2) factors in the corporate finance area, including too much debt, poor capital management, too low initial capital; (3) deficits in the area of marketing and distribution, inappropriate pricing policy and inappropriate deals to market needs; (4) lack of employee motivation and errors of management; (5) lack of qualified staff; (6) reluctance to introduce new solutions; and (6) old technology.

Cant and Wiid (2013) found that SMMEs in South Africa are faced with a variety of external and internal variables which affect their day-to-day business and long-term success and survival. The results of the study by Cant and Wiid (2013) indicate that crime, government legislation, unemployment and inflation and interest are key macro environmental variables that affect SMMEs in South Africa. Wrong pricing strategies, low demand for products, the location of the business and knowledge of the target audience are all main marketing variables that have been found to negatively affect SMMEs in South Africa.

From 2011 to 2012 there was a decline in permanent employment in South African SMMEs (SBP Alert, 2013) and the hindrances that were identified include a lack of demand, a lack of skills, and poor labour relations. Businesses with a larger proportion of unskilled staff are less likely to be growing than those with smaller proportions. This implies that there is a limited capacity for absorbing unskilled labour into SMMEs, and that this is compounded by the shortage of skilled labour in South Africa (SBP Alert, 2013).

The failure of SMMEs seems a world-wide problem and governments are trying to improve the situation by establishing support programmes for the SMME sector. The SBP Alert (2013) states that many SMMEs represent a first attempt at entrepreneurship, and assistance in the forms of training, finance or exposure to markets can therefore be greatly beneficial. The South African government

currently has the following initiatives, facilitated by the DTI (not dated) and associated organisations, to support SMMEs:

- ***The Centre for Small Business Promotion (CSBP)***

The CSBP is a directorate in the DTI that is responsible for SMME policy-related matters and support programmes.

- ***Small Enterprise Development Agency (SEDA)***

SEDA was established in 2004 and provides business development and support services for small enterprises through its national network, in partnership with other role players in the small enterprise support.

- ***Small Enterprise Finance Agency (SEFA)***

SEFA's mandate is to foster the establishment, survival and growth of SMMEs and contribute towards poverty alleviation and job creation.

- ***The National Empowerment Fund (NEF)***

The NEF offers funding and non-funding business support.

- ***Industrial Development Corporation (IDC)***

IDC provides finance for industrial development projects and promotes economic growth.

- ***Numerous provincial agencies***

In Gauteng, the agencies are the Gauteng Enterprise Propeller and the Gauteng Economic Development Agency.

Since so many SMMEs are failing, it is even more important to note how important it is to achieve business growth. The growth of SMMEs will be discussed below.

2.4.2 SMME growth

Business growth is essential to entrepreneurial success. While financially secure businesses are generally regarded as successful, they are not necessarily growing. Most SMME owners do aspire to grow their businesses (Nieman, 2006). Growth can be viewed according to financial, strategic, structural, organisation or image indicators, with the financial indicator being the most important for SMMEs

(Nieman, 2006). The growth indicators for SMMEs are shown in Table 2.3 (on the next page).

Table 2.3: Growth indicators

Growth indicators	Implications
Financial	An increase in turnover, costs, assets, investments, profits and/or value.
Strategic	Changes taking place in the business through mergers or acquisitions, new product or market developments, by becoming self-sustainable or obtaining a competitive advantage.
Structural	Changes taking place in the business in terms of managerial roles, number and responsibilities of employees, communication links and reporting relationships.
Organisational	Changes taking place in the business such as processes utilised, organisational culture, leadership style and attitudes of management toward the staff.
Image	Changes taking place in the business such as becoming more formal, moving to new premises or a new environment and redecorating the premises.

Source: Adapted from Nieman (2006)

In addition to the indicators in Table 2.3, there are various factors that may influence the rate of growth in an SMME. These factors can be classified as uncontrollable external environmental factors, and controllable internal environmental factors. When considering a study on SMME growth by Obeng, Robson and Haugh (2014), it was found that businesses led by younger entrepreneurs tended to grow faster than businesses led by older owners/managers. It was also found that business size was positively associated with employment growth.

2.5 CONCLUSION

SMMEs play a vital role in the social and economic environment of developing countries such as South Africa. These businesses have an important role to fulfil, especially in alleviating unemployment in the country. Having noted the importance of SMMEs, governments are supporting them in many ways. In South Africa, there are support organisations, such as SEDA and CSBP, to assist SMMEs in developing and growing their businesses. However, the management

tasks of planning, organising, leading, and controlling still resides with the SMME itself. Decision-making plays an important role in the management of a business and is also a critical driver of organisational performance. SMME decision-making differs from that in large businesses and is mostly informal with strong personal influences emanating from the owners or managers.

This chapter highlighted the function and importance of SMMEs as well as the management tasks and roles necessary to successfully manage an SMME. In the next chapter RBP will be discussed.

CHAPTER 3

RESPONSIBLE BUSINESS PRACTICES

3.1 INTRODUCTION

The concept of Responsible Business Practices (RBP) is based in the broader literature of Corporate Social Responsibility (CSR). It indicates the practices that businesses use, or activities they partake in to act responsibly toward their stakeholders and their operating environment. The responsible business strives to positively affect the community and environment they operate in. Responsible businesses take responsibility for all the stakeholders affected by their operations and focus on the evolution of healthier communities and more successful businesses. While the concept and approach of RBP is advancing in application, the academic research on motivations for partaking in RBP has lagged, as most of the research focuses on larger businesses (Campin, Barraket, Luke, 2013; Dincer and Dincer, 2013; Perrini *et al.*, 2007; Moore and Spence, 2006), and on the broader literature of CSR.

Society demands social responsibility actions from all businesses. Acting responsibly towards and contributing to the local community and environment will lead to mutual respect, a stronger image for the SMME, and even to an increase in profits for SMMEs (Moore and Spence, 2006). The decision to act responsibly and spend business resources on RBP is influenced by various aspects that differ between small and large businesses (Dincer and Dincer, 2013; Moore and Spence, 2006). These influences may be conscious and purposely orientated toward a personal set of beliefs, but may also be as a result of an indirect, subconscious influence.

The purpose of this chapter is to review the existing literature on RBP. The chapter begins with an introduction which is followed by a review of the broader literature base of CSR as well as RBP.

3.2 UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility (CSR) came into existence in the 1950s, with Howard Bowen's (1953) book "Social responsibilities of the businessman" as the

first published material on CSR. Carroll (1991) awarded Bowen the title of “Father of CSR”. The concept was then further developed during the 1970s and 1980s, and started gaining global attention from 1990 onwards (Nejati and Amran, 2013). While CSR continued its quest to find business legitimacy, significant advances were made in the early 2000s (Carroll and Shabana 2010). During this time the community became fascinated with the notion of sustainability, and this became an integral part of all CSR discussions. Studies still provide slightly different definitions for the term, but what the concept entails is agreed upon throughout the literature.

3.2.1 Corporate social responsibility defined

CSR is a well-known concept that, although difficult to define, can be described as a business’s responsibility to sustain itself through balanced relationships with society and the environment in which it operates (Faragher, 2008). The European Commission (2013) defines CSR as a concept whereby companies integrate social and environmental concerns in their business operations in their interaction with their stakeholders on a voluntary basis.

A summary of the most frequently used definitions of CSR in literature and on the Internet was compiled by Dahlsrud (2008) and the top ten definitions can be seen in Table 3.1 (on the next page). The frequency counts on the Google results for each definition were categorised to five different dimensions of CSR, namely, environmental (the natural environment), social (the relationship between the business and society), economic (socio-economic or financial aspects), stakeholder (stakeholders or stakeholder groups) and voluntariness (actions not prescribed by law). Dahlsrud’s (2008) study indicates that 97% of the definitions analysed included three or more of these dimensions.

Table 3.1: Definitions of CSR

Definition source	Definition	Dimensions
Khoury <i>et al.</i> , 1999	Corporate social responsibility is the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.	Stakeholder Social Environmental Economic
World Business Council for Sustainable Development, 1999	The commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life.	Stakeholder Social Economic
Business for Social Responsibility, 2000	Business decision making linked to ethical values, compliance with legal requirements and respect for people, communities and the environment.	Voluntariness Stakeholder Social Environmental Economic
Business for Social Responsibility, 2000	Operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations that society has of business. Social responsibility is a guiding principle for every decision made and in every area of a business.	Voluntariness Stakeholder Economic
World Business Council for Sustainable Development, 2000	Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large.	Voluntariness Stakeholder Social Economic
Commission of the European Communities, 2001	A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.	Voluntariness Stakeholder Social Environmental Economic

Definition source	Definition	Dimensions
Commission of the European Communities, 2001	Corporate social responsibility is essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment.	Voluntariness Social Environmental
Business for Social Responsibility, 2003	Corporate social responsibility is achieving commercial success in ways that honour ethical values and respect people, communities and the natural environment.	Voluntariness Stakeholder Social Environmental Economic
Commission of the European Communities, 2003	CSR is the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.	Voluntariness Stakeholder Social Economic
IBLF, 2003	Open and transparent business practices based on ethical values and respect for employees, communities and the environment, which will contribute to sustainable business success.	Voluntariness Stakeholder Social Environmental Economic

Source: Dahlsrud, 2008:7-11

An analysis of the definitions in Table 3.1 reveals that ‘Social’, followed by ‘Economic’ and ‘Stakeholder’ are the most prominent dimensions of CSR. This indicates that the relationship between business and society is the most vital when considering how the business operates in terms of responsibility and sustainability. These dimensions are also evident in the core characteristics of CSR. While very few descriptions of CSR will include them all, these are the main aspects around which definitions centre (Crane, Matten and Spence, 2014a):

- **Voluntariness** – Going beyond what is prescribed by the law.
- **Internalising or managing externalities** – the positive and negative side-effects of economic behaviour not taken into account during a business’s decision-making process.

- **Multiple stakeholder orientation** – responsibilities towards all stakeholders, including shareholders.
- **Alignment of social and economic responsibilities** – businesses can benefit economically by being socially responsible.
- **Practices and values** – CSR is about a philosophy or set of values that underpin the business practices and strategies dealing with social issues.
- **Going beyond philanthropy** – it is not only about helping the less fortunate, but about how the core business functions impact upon society.

When considering the above it can be concluded that the wider aim of CSR is thus to create higher standards of living, while preserving the profitability of the business, for people both within and outside the business (Fatoki and Chiliya, 2012).

3.2.2 Corporate social responsibility models

Carroll's pyramid (1991:42), as shown in Figure 3.1, indicates four components in CSR, namely economic, legal, ethical and philanthropic responsibilities.



Figure 3.1: The pyramid of CSR

Source: Carroll, 1991:42

The four components can be viewed as a process by which managers identify and accommodate the interests of those affected by their organisation's actions (Hsu and Cheng, 2012). Businesses should not fulfil these in sequential fashion – each is to be fulfilled at all times.

The pyramid, although well known as the foundational work of Carroll, has been criticised by Crane *et al.* (2014a) for the inherent assumption of a hierarchical relationship among the domains. In justification of this criticism, Crane *et al.* (2014a) developed a model that is based on the assumption that the domains, though somewhat distinct, are still interwoven and inseparable. The model indicates that philanthropic activities are not a separate domain, but are part of the ethical and/or economic categories. Crane *et al.* (2014a), assumes that their model embraces all the relevant aspects of CSR. This three-domain model is illustrated in Figure 3.2.

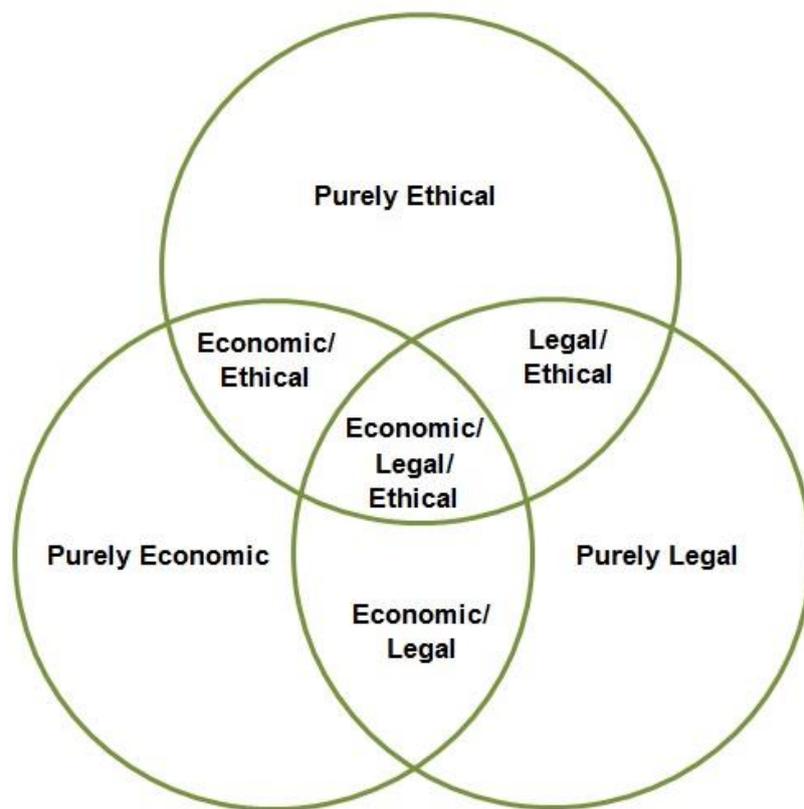


Figure 3.2: The three-domain model of CSR

Source: Crane *et al.*, 2014a

The three-domain model portrays the relationships between the three central CSR domains and can be seen as more appropriate by which to categorise CSR activities.

The economic domain involves activities with a direct or indirect positive economic impact on the business, much like in Carroll's pyramid model. This domain is based on two criteria, namely the maximisation of profits and/or the maximisation of shared value. The legal domain of CSR pertains to the business's responsiveness to legal expectations and the compliance to regulations and legal amendments made by government. The ethical domain refers to the ethical responsibilities of the business based on moral principles despite their lack of positive economic impact.

Now that it is evident why CSR exists and where it came from, it can be concluded that businesses clearly have an impact on society beyond only their economic role. Society, or stakeholders, have certain expectations of the business and form the most important part of the 'S' (social) in CSR. It is the duty of the responsible business to keep the expectations that stakeholders have in mind throughout all their operations.

3.2.3 Responsibilities to stakeholders

It is important for businesses to recognise that they have a responsibility towards all stakeholders (Brevis and Vrba, 2014). Stakeholders can be defined as *"...any group or individual who can affect, or is affected by, the achievement of the organisation's objectives"* (Freeman, 1984:46). It is *"an individual or a group that claims to have one or more stakes in an organisation"* (Carroll and Buchholtz, 2015:90). The definition by Freeman has not changed in more than 30 years, which indicates that the concepts are still valid today.

The stakeholders of a business, as defined above, can be divided into two groups, namely, primary and secondary stakeholders (Carroll and Buchholtz, 2015):

- ***Primary stakeholders***

Primary stakeholders are the stakeholders without whose continuing participation a business cannot continue. Primary stakeholders typically

include the owners, shareholders and investors, employees and managers, suppliers and other partners, local communities and customers.

- **Secondary stakeholders**

Secondary stakeholders are those who influence or affect the business but they are not engaged in transactions with the business and are not essential to its survival. Secondary stakeholders typically include the media, the government and regulators, competitors and the country as a whole.

The organisation must engage with both primary and secondary stakeholders for them to contribute to the organisation's existence. Stakeholder engagement, in broad terms, is the process of involving individuals and groups that either affect or are affected by the activities of the organisation. Reed (2002), Porter and Kramer (2006), Porter and Kramer (2011), Hammann *et al.* (2009) and many others agree that stakeholder engagement is a key concept in the fields of business and society, business ethics and management.

Once stakeholders have been identified and engaged, the relationships with them should be managed. Managing the relationships with stakeholders will hold both tangible and intangible long-term rewards for the organisation (Carroll and Buchholtz, 2015). Engaging with stakeholders on a transactional (relationship) level is the highest goal of stakeholder management. This is the most developed level and is characterised by communication, interactiveness and resource adequacy (management spending resources on stakeholder transactions). New products, stronger supply chains and a more diverse workforce are all benefits that the organisation might experience when reaching this level (Carroll and Buchholtz, 2015). Once an organisation reaches this level, it is necessary for them to maintain the relationship with their stakeholders. Stakeholder relationship management is one of the trends expected to shape CSR in the future. The implication of this is that SMME owners/managers who accept CSR need to be acquainted with the stakeholder theory, which can be seen as the most influential theory in CSR (Crane *et al.*, 2014a).

3.2.3.1 Stakeholder theory

The stakeholder theory was originally proposed by Freeman (1984) and seeks to explain the relationship between the business and its external environment, as

well as its behaviour within this environment (Mainardes, Alves and Raposo, 2011). All businesses, including SMMEs, are encouraged to consider their responsibilities toward stakeholders with the goal of integrating economic, social and environmental concerns into their strategies, their management tools and their activities (Russo and Perrini, 2010). These days, businesses can no longer have profits as their solo objective, as success is also based on their stakeholder relationships, which encompasses many responsibilities, most importantly, acting responsibly towards the society and environment (Russo and Perrini, 2010).

The basic premises of the stakeholder theory, according to Jones and Wicks (1999) and Savage, Bunn, Gray, Xiao, Wang, Wilson and Williams (2010), are:

- the business enters into relationships with many groups that influence or are influenced by the business, i.e. stakeholders;
- the theory focuses on the nature of these relationships in terms of processes and results for the business and for stakeholders;
- the interests of all legitimate stakeholders are of intrinsic value;
- the theory focuses upon management decision-making;
- the theory explains how stakeholders try and influence organisational decision-making processes so as to be consistent with their needs and priorities; and
- organisations should attempt to understand and balance the interests of stakeholders.

With regards to CSR, the stakeholder theory demonstrates the importance of building trustworthy relationships and maintaining a good reputation with all stakeholder groups for the business's on-going success. Maintaining and managing the relationships with these stakeholder groups in a sustainable manner also requires certain drivers, which are the intangible assets that form part of the shared value and social capital of a business as discussed in the section below.

3.2.3.2 Shared value

The concept of shared value forms part of the stakeholder theory. It involves creating economic value (profit) in a way that also creates value for society by addressing its needs and challenges. It is the “*policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the*

economic and social conditions in the communities in which it operates” (Porter and Kramer, 2011:6). In essence, shared value creation focuses on identifying and expanding the connections between societal and economic progress (Porter and Kramer, 2011). The roots of shared value are in the interdependence of the competitiveness of a business and the health of the community around it. The business needs a successful community to create a demand for its products, and the community needs a successful business to provide jobs and wealth creation opportunities (Crane, Palazzo, Spence and Matten, 2014b).

Shared value is not only about social responsibility, philanthropy, sustainability, personal values or ‘sharing’ the value that already exists within a business. It is a new way of achieving economic success by expanding the total pool of both the social and economic value. For this reason it should be at the centre of what a business does (Porter and Kramer, 2011). Organisations should look for opportunities to create shared value in areas that are the most important to them. Opportunities that are closely related to the organisation’s existing business will be the most rewarding, and will most likely create a competitive advantage for the business.

3.2.3.3 Social capital

Social capital can be defined as the ability to secure or obtain resources, knowledge and information through relationships with and between individuals, communities and stakeholder groups (Hamman, 2015). It is about networks and ties and these can be between internal and external (both primary and secondary) stakeholders. Social capital has three dimensions according to the Network for Business Sustainability South Africa (2014):

1. **Social networks** – In this dimension, an individual’s social capital will depend on the number and strength of the individual’s ties and their position in a network. This dimension goes beyond the characteristics of individuals to also examine the relationships among individuals in a network.
2. **Trust and reciprocity** – This dimension focuses less on the number of ties, but more on the quality of relationships. Focus is on the degree of interpersonal, generalised and institutional trust. Reciprocity indicates an

individual's willingness to share resources in the expectation that the recipient would reciprocate in similar circumstances.

3. **Shared norms and values** – This dimension emphasises that if individuals and organisations share common norms and values, effective communication and collective action will be enhanced.

Social capital consists of reputation, trust, legitimacy, norms and networks, and SMMEs are more willing to gain these intangible assets than larger businesses (Porter and Kramer, 2011). According to Perrini (2006), in terms of sustainability, SMMEs exist to create value for different stakeholders, and through their social capital they are able to promote career success and executive compensation. In addition, they are able to create more intellectual capital and strengthen the supplier relations and information sharing among organisations. These are enabled by drivers such as networking, innovation, trust and legitimacy, which are all aspects of social capital in SMME business models (Network for Business Sustainability South Africa, 2014; Russo and Perrini, 2010; Perrini, 2006).

The study by Perrini (2006) suggests that research on large businesses should be based on stakeholder theory, while research on CSR in small businesses, should be based on the concept of social capital. However, SMMEs should still learn from both the stakeholder theory (including shared value) and the notion of social capital in order to engage successfully in socially responsible business.

3.2.4 Corporate social responsibility in SMMEs

CSR is mostly implemented by large businesses. While small businesses may be individually small, their total cumulative impact on the community and society is significant (Nejati and Amran, 2013). Some of the main differences between CSR in large businesses and CSR in SMMEs are listed in Table 3.2.

Table 3.2: Differences in CSR between large and small businesses

	Large businesses	Small businesses
Formalisation of CSR	Formal, bureaucratised	Informal
Main actors in CSR	Shareholders, external stakeholders	Owner/manager, employees
Aims of CSR	Build corporate brand and	Build trust, networks and

	manage public legitimacy	personal relations
--	--------------------------	--------------------

Source: Crane *et al.*, 2014b

There are a number of reasons that account for these differences. Firstly, SMMEs are informal in nature and have no need for formal systems and structures. Secondly, unlike large businesses, SMMEs' key relationships are on a personal level. Finally, there is no separation of ownership and control, unlike in large businesses. Owners/managers are not obliged to serve shareholders or seek to maximise return on investment, but enjoy the autonomy of running their own business. This allows them to invest time and resources according to their stakeholders' interests (Crane *et al.*, 2014b).

Given the importance of SMMEs, as discussed in the previous chapter, the CSR literature has, to date, paid disproportionate attention to larger businesses. The literature has also shown that the findings in CSR research cannot always be generalised to SMMEs, as acting responsibly differs in the settings of large businesses and SMMEs (Dincer and Dincer, 2013; Perrini *et al.*, 2007; Moore and Spence, 2006). Since CSR theory is not directly applicable to SMMEs, the term can be seen as not entirely appropriate. Spence (2007), Moore *et al.*, (2009), Dincer and Dincer (2013) as well as Hsu and Cheng (2012) state that SMMEs might well be doing CSR without knowing it or calling it CSR, and this can be linked to the issue of terminology. Therefore, it is imperative to understand the terminologies used in different businesses. These issues will be discussed in more detail in the following section.

3.3 RESPONSIBLE BUSINESS PRACTICES

The term Responsible Business Practices (RBP) is used in this study and indicates the practices companies follow or partake in to act responsibly toward its stakeholders and their operating environment. This concept is based in the broader literature of CSR which was discussed in previous sections. Keeping the definitions provided for CSR in mind, Sanford (2011:XXXVIII) provides an excellent and self-explanatory description of RBP: *"A responsible business embeds an understanding of relatedness into all of its decisions, actions, and evaluations. This enables it to take responsibility for the body of the whole, including the global community and the planet. A responsible business sees*

stakeholders as full partners and meaningful instruments for the evolution of healthier communities and more successful businesses". The responsible business always asks, "How can our actions positively affect the society we live in and the planet we live on while creating a great market?"

Furthermore, evidence was found in a study by Nejati and Amran (2013) whose research revolved around the terminologies used among 100 SMMEs for socially responsible actions. The six terminologies found to be the most common are indicated in Table 3.3.

Table 3.3: Most common terminologies among small businesses

Terminology	SMMEs using the term (%)
Responsible business practice	43
Corporate social responsibility	40
Social/societal engagement	23
Environmental involvement	22
Beneficial relationship with society	19
Sustainable development / business practice	18

Source: Nejati and Amran, 2013

From Table 3.3 it is clear that most SMMEs (43%) use the term 'Responsible business practices', and therefore it was decided to use it in this study. The main objective of this study revolves around the aspects that influence the decision-making in SMMEs around Tshwane (in South Africa) to partake in various responsible business practices.

3.3.1 Responsible business practices in SMMEs

The Institute for Business Ethics (2010) points out that RBP, and more specifically social responsibility and ethical practices, are important for the success of SMMEs. The benefits of RBP for SMMEs are linked to the benefits of clear ethical values, and are identified in Table 3.4.

The benefits to stakeholders that are listed in Table 3.4 include the benefits to both internal and external stakeholders. Employees as internal stakeholders are the key

to sustainable success (Lovins, 2012). Attracting, retaining and developing skilled, motivated and committed employees are crucial. Engaging employees in RBP and the sustainability strategy should be done in order to build an innovative, environmentally responsible and socially conscious business (Lovins, 2012). External stakeholders include society, customers and suppliers.

Table 3.4: Benefits for SMMEs that partake in RBP

TANGIBLE	
Benefits to the organisation	Benefits to stakeholders
<ul style="list-style-type: none"> • Sales growth • Profit growth 	<ul style="list-style-type: none"> • Reduce local unemployment • Community contribution as percentage of gross profit • Social and economic inclusion • Social cohesion in the community
INTANGIBLE	
Benefits to the organisation	Benefits to stakeholders
<ul style="list-style-type: none"> • Community goodwill • Access to local talent • Customer loyalty • Increased customer base • Employee loyalty and commitment • Increased productivity • Motivated workforce (good morale) • Good reputation among stakeholders • Open and innovative culture 	<ul style="list-style-type: none"> • Customer satisfaction • Happy workers • Job satisfaction • Skills development • Employability • Work/life balance

Source: Adapted from: Adamu and Yahaya, 2014, and Institute for Business Ethics, 2010

RBP and acting socially responsible towards all stakeholders and the environment have been found to contribute to SMME growth, as it will lead to an enhanced reputation with internal and external stakeholders (Dincer and Dincer, 2013; Jenkins, 2006). This, in turn, makes winning and retaining consumers and business customers easier, therefore leading to business growth (Adamu and Yahaya, 2014). RBP will also offer SMMEs opportunities for greater market access, cost savings, productivity and innovation, as well as broader social benefits such as education and community development (Perrini, 2006).

Many SMMEs are driven to participate in RBP by some combination of the minimisation of risks and the maximisation of opportunities. Successful SMMEs use their social programmes to strengthen their image and to be more competitive (Dincer and Dincer, 2013; Jenkins, 2006). SMMEs, according to the Institute for Business Ethics (2007), should be committed to:

- accepting that they have an impact on the wider society and environment;
- demonstrating their willingness to be held accountable through greater transparency and clearer reporting of their activities; and
- actively seeking endorsement from their stakeholders.

Acting responsibly towards the environment being operated in could result in positive economic outcomes for the SMMEs in South Africa. Employees, customers and society have become increasingly sensitive to the social performance of businesses (Hammann *et al.*, 2009). The section below details some of the benefits to the business as well as the communities in which the business operates.

3.3.1.1 Business benefits

Specific positive outcomes that can arise for businesses include improved financial performance; cost savings; enhanced image and reputation; improvement in productivity; and better alignment with customer concerns (Nieman, 2006). Employees of an SMME are likely to have a close relationship with the owner/manager, and the owner/manager may take the role of co-worker rather than superior (Hammann *et al.*, 2009). Businesses displaying social responsibility also have a competitive advantage when it comes to attracting a skilled workforce (Jenkins, 2004). Customer relationships are of great importance to SMMEs, and are considered to be the primary social responsibility (Hammann *et al.*, 2009). Customers are likely part of the local community.

3.3.1.2 Community benefits

The benefits that communities may reap when local SMMEs follow RBP include, but are not limited to, the existence of employee volunteer programmes; charitable contributions to support community projects; and business involvement in community education, employment, homelessness programmes and more

(Nieman, 2006). Typically, SMMEs have a largely local workforce and should they act irresponsibly, they are more likely to feel the immediate negative effects than larger businesses would (Hammann *et al.*, 2009).

3.3.1.3 Other motivating factors and key barriers

The European Commission (2013) identified the following motivating factors for SMMEs to engage in RBP:

- **Business benefits**

The SMME's objective is to gain tangible and intangible benefits. This supports the above section where acting in a responsible manner results in positive economic outcomes. Possible tangible benefits that may be received will be financial, and intangible benefits may include improvements to reputation and trust.

- **Personal values**

The SMME reflects the individual values of the owner/manager. The SMME owner/manager's attitudes and behaviours create the business's values, which are an essential part of the business's overall culture, affecting many important activities and relationships (Hammann *et al.*, 2009).

- **Institutional factors**

The SMME's aim is to comply with industry, social and legislative expectations, for example, requirements set by the government. In South Africa, there is no legal requirement for acting socially responsible. The King III report provides guidelines for acting in a responsible manner, and businesses that do not comply must provide an explanation in this regard.

- **Stakeholder driven**

The SMME's objective is to fulfil stakeholder expectations. This supports the stakeholder and social capital theories discussed earlier in the chapter.

While there are obvious benefits to SMMEs partaking in RBP, various circumstances could lead to SMMEs not doing so. The following are possible key barriers that SMMEs face in their attempt to engage in RBP:

- ***Lack of technology, expertise, training and investment***

Financial constraints may be the cause of SMMEs not having access to the technology, expertise and training required to engage in socially responsible activities (Nieman, 2006). Owners/managers are likely unspecialised and are therefore responsible for too many tasks at once (Spence, 1999).

- ***Little understanding of the business benefits***

Acting responsibly is seen as a large business phenomenon and SMME owners/managers might not understand how the concept can be applied to small businesses (Nieman, 2006). They tend to have a low awareness of issues outside the organisation (Tilley, 2000).

- ***More pressing needs***

SMMEs, like large businesses, must continuously improve their technologies, management and marketing if they want to survive. Due to limited financial resources they may be forced to prioritise, and issues such as social responsibility, which is not important in terms of their survival, will be side-lined (Morsing and Perrini, 2009; Jenkins, 2006; Nieman, 2006).

Despite the various challenges or barriers SMMEs may experience when it comes to RBP, it will still be to their benefit to pursue these initiatives.

3.3.2 Elements of RBP for the SMME

The social responsibility of an SMME constitutes its relationship with customers, the environment, support for education, its response to community needs and contribution to community organisation, charging fair prices, and many more (Nieman, 2006). However, because of resource limitations, the SMME is also limited in the kind of RBP activities they are able to partake in. The three types of activities that SMMEs are most likely to engage in are consumerism, employee concern and community involvement (Nieman, 2006). Consumerism involves satisfying the needs of customers and serving them with honesty. Customers are the most important stakeholder group for any business, especially for SMMEs that have limited markets. Employee concern includes employee health and safety, scholarships, day-care facilities for children of the employees, and many more. Finally, since businesses depend on the health, stability and prosperity of the

communities in which they operate, community participation means that they should contribute towards initiatives that are aimed at improving the conditions of these communities. Business can contribute through job creation, financial and material support to local schools, disaster relief and many more. These three types of activities may include supporting local events and creating jobs (Jenkins, 2006), creating growth (Wennekers and Thurik, 1999) and providing innovation (Jenkins, 2006). SMMEs may emphasise and engage in a limited number of the above activities due to insufficient resources, and the extent of their engagement will also vary. The non-participation in one or two activities should therefore not be misinterpreted as non-performance.

Hammann *et al.* (2009) substantiate the above activities by stating the three most important stakeholder groups are employees, customers and society. Firstly, there is often a close relationship between the employees and the SMME owner/manager, and the owner/manager may almost take on the role of a co-worker. Investing in employees can bring direct benefits to the business and SMMEs displaying social responsibility have a competitive advantage when it comes to attracting a skilled labour force (Jenkins, 2004). Secondly, the customer relationships are of great importance for all SMMEs (Hammann *et al.*, 2009); and finally, since SMMEs often act more as members of their local communities than large businesses, they are the backbone for RBP.

The SMMEs partake in the some or all of the above RBP activities for various reasons. The reasons, or aspects, that influence owners/managers in their decision-making process to decide which activities to participate in will differ between SMMEs and the decision-makers as individuals.

3.3.3 RBP decision-making

For the SMME to receive all the benefits discussed in previous sections, a conscious decision must be made to partake in RBP. It was already stated in Chapter 1 that there is a lack of studies that examine RBP decision-making processes in SMMEs worldwide (Dincer and Dincer, 2013; Fatoki and Chilya, 2012; Musso and Francioni, 2012; Perrini *et al.*, 2007; Lepoutre and Heene, 2006; Moore and Spence, 2006). Many aspects can potentially influence the SMME decision-making process to utilise business resources for RBP activities. In

addition, different aspects affect decisions in large businesses than those that influence the decision-makers in SMMEs (Lepoutre and Heene, 2006; Moore and Spence, 2006). The aspects will also differ from one SMME to the next, and also between the decision-makers as individuals. Even though acting responsible as a business takes place at organisational level, it is individual actors who make decisions and execute these initiatives (Aguinis and Glavas, 2012). SMME decision-makers have the opportunity to directly shape the business's practices according to their personal values and endorse values other than profit (Spence, 1999).

There is a relative scarcity of individual level studies in CSR (Dincer and Dincer, 2013; Aguinis and Glavas, 2012), and therefore, in RBP decision-making theory. Decision-makers are influenced by numerous aspects when facing a certain decision (Fernandez-Huerga, 2008). Aspects that were found to influence RBP decision-making in other studies include personal feelings and emotions (Dincer and Dincer, 2013; McCuen and Shah, 2007), values (Hamman *et al.*, 2009; Mudrack, 2007), morals (Dincer and Dincer, 2013; Rupp, 2011), ethics (Dincer and Dincer, 2013), business finances (Dincer and Dincer, 2013; Rodgers and Gago, 2004), requests from friends and family (Coppa and Sriramesh, 2013; Dincer and Dincer, 2013; Westerman *et al.*, 2007), religion (Dincer and Dincer, 2013; King, 2006) and competitive reasons (Cochius, 2006).

The main issue that has not been adequately addressed in literature is the aspects that influence decision-makers in SMMEs to utilise business resources for RBP that may or may not provide financial returns for the business (Dincer and Dincer, 2013; Parboteeah *et al.*, 2008; Hauser *et al.*, 2007). The above-mentioned discussion formulates the main objective of this study.

3.4 CONCLUSION

CSR involves a business's responsibility to sustain itself through balanced relationships with society and the environment in which it operates (Faragher, 2008). Businesses have a responsibility to these stakeholders which goes beyond survival and making a profit. While CSR in larger businesses is a well-researched topic, the literature indicates that CSR research cannot always be generalised to SMMEs, and therefore the term can be seen as not entirely appropriate. This

study adopts the term RBP for the practices SMMEs follow or partake in to act responsibly towards its stakeholders and their operating environment.

RBP holds many benefits for SMMEs, which include benefits to the business as well as its internal and external stakeholders. However, for the SMME to receive all these benefits, a conscious decision must be made to partake in RBP. This chapter firstly discussed the concept of CSR in order to provide a knowledge base for the term RBP. The benefits and importance of RBP for SMMEs were highlighted next, as well as the elements and activities that small businesses could partake in. Finally, RBP decision-making was discussed. The research methodology of the study will be analysed in the next chapter.

CHAPTER 4 RESEARCH METHODOLOGY

4.1 INTRODUCTION

Chapters 2 and 3 presented the secondary research for the proposed study. These chapters served as a theoretical foundation on which the primary research is based. Both small and medium-sized enterprises (SMMEs) and responsible business practices (RBP) were discussed; and the literature regarding the research objectives listed in Table 4.1 was attained.

Table 4.1: Objectives of the study

Research question
What aspects influence the decision-making regarding responsible business practices in SMMEs in Tshwane?
Primary objective
To investigate the aspects influencing RBP decision-making in SMMEs in Tshwane.
Secondary objectives
<ol style="list-style-type: none"> 1. To determine the awareness of RBP among SMME decision-makers. 2. To determine the RBP activities that SMMEs in Tshwane are involved in. 3. To determine the attitudes and perceptions of SMME decision-makers toward RBP. 4. To identify specific aspects influencing SMME decision-makers in the RBP decision-making process. 5. To identify the relationship between the extent of engagement in RBP and (a) the level of RBP awareness; (b) the RBP activities involved in; and (c) the respondent's highest level of education. 6. To identify the differences between the (a) age; (b) level of education; and (c) gender of the SMME decision-maker with regard to the aspects influencing RBP decision-making in SMMEs.

Source: Author's own compilation

This chapter focuses on the research methods that were used to investigate and obtain primary information on RBP decision-making in SMMEs in Tshwane. The research methodology forms the backbone of and guides the planning, organisation, analysis and interpretation of the data (Leedy, Newby and Ertmer, 1997). This chapter aims to provide a detailed description of the research methods that were used for primary data collection. The research process, various descriptors of research design, the research methodology, sampling methods, the research instrument, data collection, and reliability and validity of the research are discussed. The chapter ends with a discussion of the ethical clearance for the study.

4.2 THE RESEARCH PROCESS

According to Cooper and Schindler (2014:23), *“The research process is a model for the development and interpretation of research studies”*. While it is a sequential process, research does not require the completion of each step before moving on to the next. Recycling, circumventing and skipping may occur, and steps may be carried out simultaneously, out of sequence or be completely omitted. The research process is useful for developing a study and keeping it orderly as it unfolds (Cooper and Schindler, 2014).

The research process followed during this study is reflected in Figure 4.1 (on the next page) where the researcher identifies the basic problem that prompts the research, and then attempts to develop other questions by progressively breaking down the original question into more specific ones that aim to solve the problem (Cooper and Schindler, 2014). The researcher thereafter gathers secondary data from literature in order to familiarise him or herself with the problem before the data-collection process will commence. The steps above were followed in the first four chapters of this study.

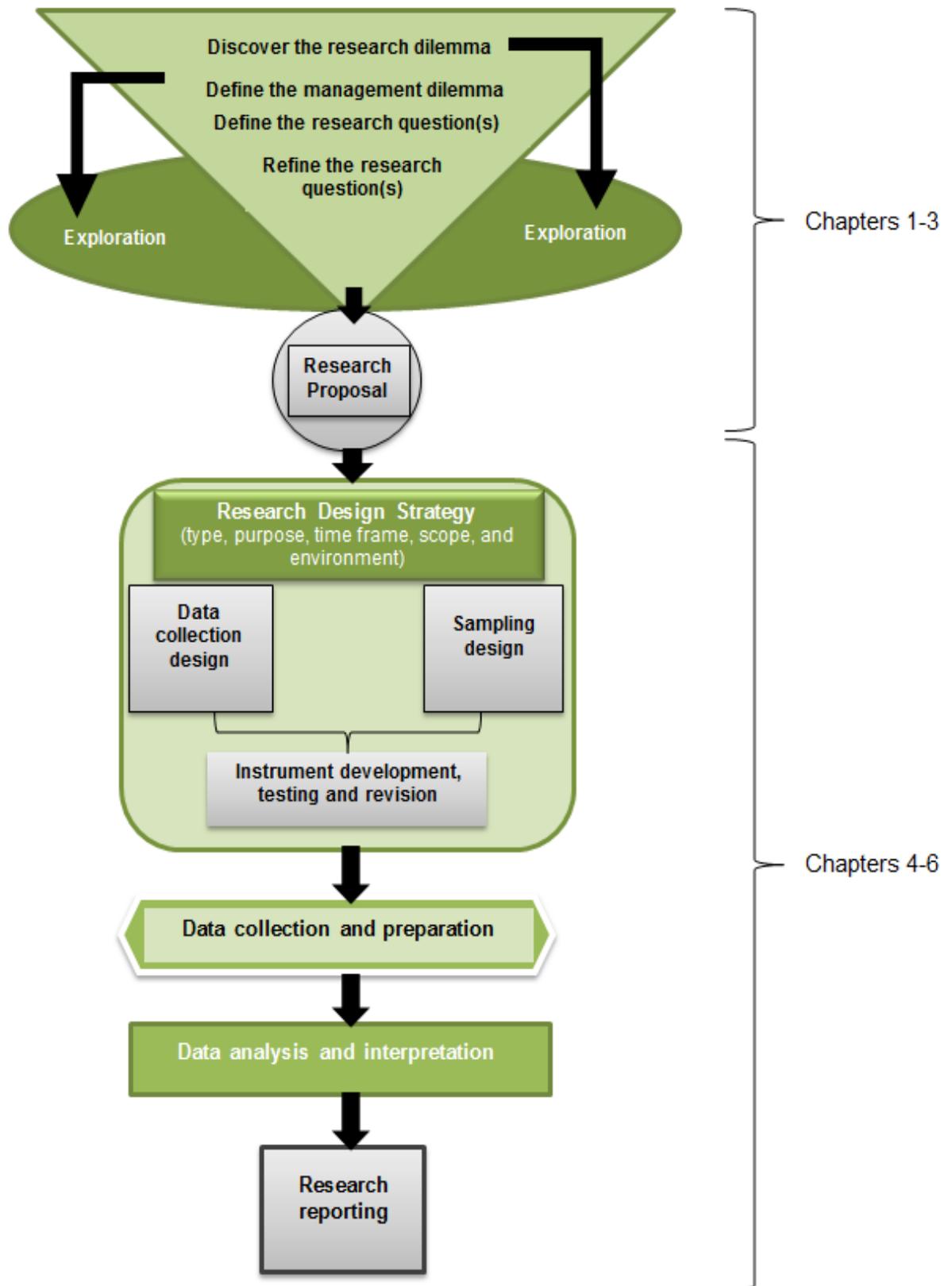


Figure 4.1: The research process

Source: Adapted from Cooper and Schindler, 2014:14

4.3 RESEARCH DESIGN

Research design constitutes the blueprint for the collection, measurement, and analysis of data. Research design is the plan of investigation conceived so as to obtain answers to the research questions (Cooper and Schindler, 2014). Various descriptors are used to describe the design of the research. The section below provides a clear outline of descriptors employed during the research design process. A summary of the descriptors applicable to this study is indicated in Table 4.2.

Table 4.2: Descriptors of the research design of this study

Category	Descriptor
Type of study	Empirical research
Purpose of the research	Descriptive
Research approach	Inductive reasoning
Methodological approach	Mixed-methods
Research strategy	Survey
Time dimension	Cross-sectional

Source: Author's own compilation

4.3.1 Type of study

The major difference between empirical and non-empirical research is the collection of new data to solve a managerial dilemma versus using existing data to solve the problem (Snyman, 2014). When using the empirical approach, the researcher *“attempts to describe, explain, and make predictions by relying on information gained through observation”* (Cooper and Schindler, 2014). Empirical testing therefore means that something has been examined against reality using new data (Quinlan, Babin, Carr, Griffin and Zikmund, 2015). Empirical research was used for this study, as new data was collected through the use of questionnaires. The collected data is described and explained in this dissertation.

4.3.2 The purpose of the research

The research purpose can be classified as either an exploratory, descriptive or explanatory study.

4.3.2.1 Exploratory studies

An exploratory study is useful when clarifying understanding of a problem. It is a valuable means of finding out what is happening and to seek new insights (Saunders, Lewis and Thornhill, 2009). Exploratory research expands understanding of the research problem and looks for ways others have addressed and/or solved similar problems. It is accomplished through familiarisation with the available literature, and group discussions or interviews with experts and other individuals (Cooper and Schindler, 2014).

4.3.2.2 Explanatory studies

An explanatory study goes beyond description and attempts to explain an event, act, or characteristic measured by research (Cooper and Schindler, 2014). Furthermore, causal relationships between variables are explained in these types of studies (Babbie, 2016).

4.3.2.3 Descriptive studies

The major purpose of a descriptive study is to describe situations. The researcher observes and then describes what was observed (Babbie, 2016). Furthermore, descriptive studies typically have clearly stated investigative questions (Cooper and Schindler, 2014). Conclusions must also be drawn from the data in a descriptive study (Saunders *et al.*, 2009).

This study is descriptive in nature since it is concerned with determining which aspects influence the decision-makers in SMMEs to spend business resources on RBP. There is a clearly stated research question (refer to Table 4.1) and conclusions will be drawn from the results after analysis (Chapter 5).

4.3.3 Research approach

Reasoning through arguments allows us to explain, interpret, defend, challenge and explore meaning (communicated through language). Two types of arguments that are of great importance to research are deduction and induction (Cooper and

Schindler, 2014:66). The differences between these two approaches will now be discussed.

4.3.3.1 Deduction

Deduction involves the development of a theory that is subjected to a rigorous test (Saunders *et al.*, 2009). Deduction is also a process of testing established generalisations through the formulation of hypotheses (statements which the theory suggests are true) (Anderson, 2004), and involves deriving a conclusion about a specific instance based on a known general premise or something which is known to be true (Quinlan *et al.*, 2015).

4.3.3.2 Induction

Zikmund, Babin, Carr, and Griffin (2013) define induction as the logical process of establishing a general proposition on the basis of observation of particular facts. It is a form of inconclusive reasoning for making generalisations based on observations (Halland and Britz, 2008). When applying induction, a conclusion is drawn from particular facts or evidence. The conclusion is used to suggest a credible explanation of behaviours that have been observed (Anderson, 2004); therefore the conclusion explains the facts and the facts support the conclusion (Cooper and Schindler, 2014).

The observation from the literature review is that there are seven aspects that influence SMMEs to spend business resources on RBP activities; and therefore the general prediction is that South African SMMEs will also have aspects influencing their decision-making regarding RBP. The study will determine if this prediction is correct, thus making a generalisation from the observation of respondents (SMMEs), indicating an inductive approach.

4.3.4 Methodological approach

The term 'quantitative research' is predominantly used as a synonym for any data-collection technique or procedure that generates or uses numerical data. In contrast, the term 'qualitative research' is used predominantly as a synonym for any data-collection technique or procedure that generates or uses non-numerical data (Saunders *et al.*, 2009).

In choosing an approach, a single (mono-method) method, or more than one technique or procedure (multiple methods) may be used to answer the research question. The different methodological approaches are illustrated in Figure 4.2 below.

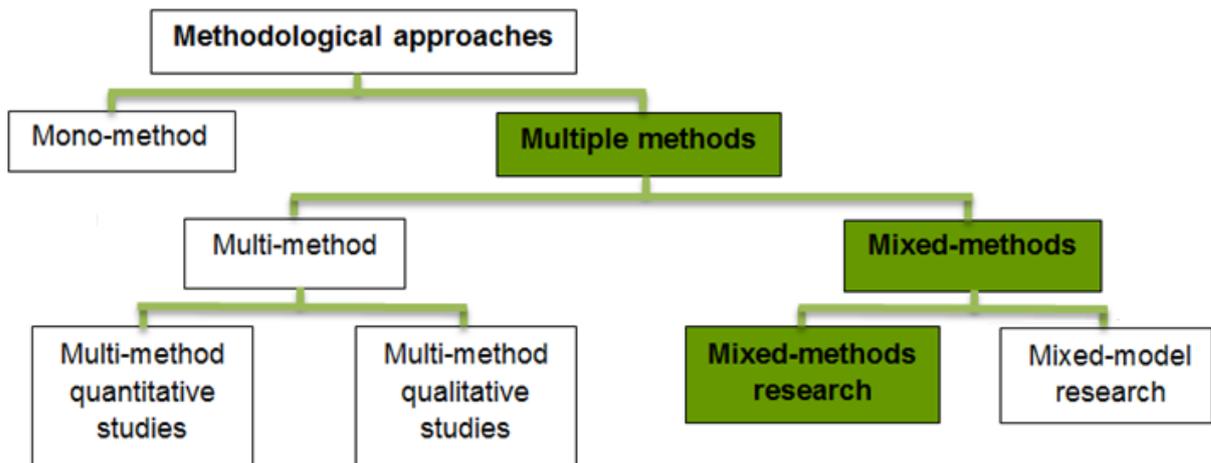


Figure 4.2: Methodological approaches

Source: Saunders *et al.*, 2009.

4.3.4.1 *Mono method: quantitative or qualitative*

Quantitative data is the term denoting data that is in the form of numbers or data that can readily be coded numerically (Quinlan *et al.*, 2015); whereas qualitative data is the term denoting data based on meanings which are expressed through words and language (Anderson, 2004). When using a mono-method approach only one of the two types of data collection is used – either quantitative or qualitative.

4.3.4.2 *Multi-method: quantitative or qualitative*

The term multi-method refers to the combinations where more than one data-collection technique is used, with associated analysis techniques, but it is restricted within either a quantitative or qualitative view (Saunders *et al.*, 2009). In this approach, quantitative and qualitative techniques and procedures are not mixed.

4.3.4.3 *Mixed-methods*

The mixed-methods approach is the general term for when both quantitative and qualitative data-collection techniques and the relevant analysis procedures are

used in a research design. Mixed-methods research uses quantitative and qualitative data-collection techniques and analysis procedures, either simultaneously or one after the other, but it does not combine them. Quantitative data is analysed quantitatively and qualitative data is analysed qualitatively (Saunders *et al.*, 2009).

For this study, the mixed-methods approach was used, which implies the use of both quantitative and qualitative methodologies at any given stage of the research. The methodologies were used in a complementary manner. The questionnaire contained mostly quantitative questions, and these questions were analysed quantitatively. There was one qualitative question in the questionnaire which was analysed qualitatively. This implies that quantitative and qualitative methods were used concurrently in a single means (structured questionnaire) and single phase of data collection with the one methodology supporting the other. This allows the results to be interpreted in combination to provide a richer and more comprehensive response to the research question. Mixed-methods research allows meanings to be elaborated, enhanced and clarified, as well as allowing for a diversity of views to inform and be reflected in this study.

4.3.5 Research strategy

The research strategy should enable the researcher to answer the set research question and meet the objectives of the study (refer to Table 4.1). The research strategies considered in this section are experiment, case study, action research, grounded theory, ethnography, archival research and survey.

4.3.5.1 Experiment

The purpose of an experiment is to study whether there is link between two variables, and it is used mostly in exploratory and explanatory research (Saunders *et al.*, 2009). Babbie (2016) adds to this explanation by stating that at the most basic level, experiments involves (1) taking action and (2) observing the consequences of that action.

4.3.5.2 Case study

The case study strategy for doing research involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple sources of evidence (Saunders *et al.*, 2009). It is a full contextual analysis of a few events or conditions and their interrelations (Cooper and Schindler, 2014). Case studies are used mostly in exploratory and explanatory research.

4.3.5.3 Action research

Action research is designed to address complex, practical problems about which little is known (Cooper and Schindler, 2014). It is used to bring about change, improvement and development in the quality of any organisation and/or in the practice or performance of any team or group or organisation (Quinlan *et al.*, 2015). While not easy to define, Saunders, Lewis and Thornhill (2005) found that there are four themes when considering action research. Firstly, it is research in action rather than research about action. Secondly, it involves experts in the research; and there must be a collaborative democratic partnership between the experts and researcher. Thirdly, the process of action research has four stages: diagnosing, planning, taking action and evaluating. Finally, action research should have implications beyond the immediate project.

4.3.5.4 Grounded theory

The grounded theory strategy is helpful for research that strives to predict and explain behaviour, as the emphasis is on developing and building theory from data (Saunders *et al.*, 2009; Quinlan *et al.*, 2015). In grounded theory, data collection starts without the formation of an initial theoretical framework. Theory is developed from data generated by a series of observations (Saunders *et al.*, 2009). For example, when using a structured interview, each subsequent interview will be adjusted based on the findings and interpretations from each previous interview. This is done with the purpose to develop general concepts or theories with which to analyse the data (Cooper and Schindler, 2014).

4.3.5.5 Ethnography

The purpose of ethnography is to “*describe and explain the social world the research subjects inhabit in the way in which they would describe and explain it.*”

(Saunders *et al.*, 2009:149). Quinlan *et al.* (2015) simplifies this purpose by stating that ethnographic research is used when a researcher wants to carry out an in-depth examination of a culture. The interviewer and the participant would collaborate in a field-setting participant observation and unstructured interview (Cooper and Schindler, 2014). The ethnography method is very time-consuming and takes place over extended periods of time.

4.3.5.6 Archival research

The archival research strategy makes use of administrative records and documents as the principle source of data (Saunders *et al.*, 2009). When a researcher conducts archival research, access is gained to the archive and then research is conducted on the contents of that archive. Different data-collection methods will most likely be used in archival research (Quinlan *et al.*, 2015).

4.3.5.7 Survey

The survey strategy is most frequently used to answer who, what, where, how much and how many questions. Surveys allow the collection of a large amount of data from a sizeable population in an economical way (Saunders *et al.*, 2009). Surveys employ measurement tools such as a questionnaire, a measurement instrument or an interview schedule (Cooper and Schindler, 2014). Surveys also tend to be used for largely quantitative research projects (Quinlan *et al.*, 2015).

For this study, a survey strategy was applied. Structured questionnaires were used as the research instrument. The questionnaires contained mostly quantitative questions, except for one qualitative question, and were distributed to respondents (SMMEs in Tshwane) by fieldworkers. The research instrument will be discussed in detail later in this chapter.

4.3.6 Time dimension

The time dimension of a study can be either longitudinal or cross-sectional.

4.3.6.1 Longitudinal

Respondents are surveyed at different times over a long or relatively long period of time (Quinlan *et al.*, 2015). The main strength of longitudinal studies is that they have the capacity to study change and development (Saunders *et al.*, 2009).

4.3.6.2 Cross-sectional

Cross-sectional studies are carried out only once and represent a snapshot of one point in time (Cooper and Schindler, 2014; Saunders *et al.*, 2009). This study was only carried out once, at a particular time. Respondents were not studied more than once as it is not necessary to track changes over time. It is important to note that this study was conducted under actual environmental conditions (field conditions) at the location of the SMMEs, and were not manipulated or staged. The participants perceived no deviations from their everyday routines, and the participants needed just 10 minutes to complete the questionnaire.

4.4 RESEARCH METHODOLOGY

The term research methodology refers to data-collection methods, or data-gathering techniques. Data-collection methods are the means by which the researcher gathers the data required for the research project (Quinlan *et al.*, 2015). In this section the population, sampling strategy, research instrument and the data-collection procedure of the study will be discussed.

4.4.1 Population

The population is the 'universe of units' from which the sample will be selected (Bryman and Bell, 2007). A sample, or a subset or portion of the population must be taken in order to estimate an unknown characteristic of a population (Quinlan *et al.*, 2015).

The SMME definitions as per NSBA 102 of 1996 and NSBAA 26 of 2003 were taken into account when considering the population of the study. Formal SMMEs from the three largest formal SMME sectors based in Tshwane, in the Gauteng province of South Africa that are listed on the online database Brabys (www.brabys.com), were the population of the study. From this population, a sample was selected using a sampling strategy.

4.4.2 Sampling strategy

A sample of SMMEs was drawn from the population for research purposes. A sample can be defined as the segment or a subset of the population that is selected for research (Cooper and Schindler, 2011; Bryman and Bell, 2007). The

sample for this study included 164 formal SMMEs in Tshwane. SMME decision-makers were the participants of the study. Two different sampling methods were used in this study and are discussed in the following paragraphs.

4.4.2.1 Sampling method

Multi-stage sampling was the sampling method selected for this study. This sampling method and the two stages of this method will be discussed in detail.

MULTI-STAGE SAMPLING

The multi-stage sampling method is normally used where it is expensive and time-consuming to construct a sampling frame for a large geographical area (Saunders *et al.*, 2009). This study required the selection of a sample from a population that cannot easily be listed for sampling purposes. There is hardly any database enabling one to estimate the size of the formal SMME population in South Africa (DTI, 2008). Therefore, determining the population of SMMEs in Tshwane was an impossible task. It was decided that the database, Brabys will be used to determine a sample through two separate stages.

Stage 1 - Nonprobability purposive sampling

In nonprobability sampling the sample is selected to represent the population, but it cannot be said to be representative of the population (Quinlan *et al.*, 2015). When it is not possible to produce a complete list of the population, and a sampling frame can't be developed, nonprobability sampling may be used.

In this stage of the sampling strategy, possible participants for the study were identified using a nonprobability sampling method, namely purposive sampling. A purposive sampling method is followed when the researcher chooses participants arbitrarily based on their unique characteristics (Cooper and Schindler, 2011).

For this study, possible participants were SMMEs in the (1) financial intermediation, insurance; real estate; and business services, (2) wholesale and retail trade; motor vehicle and motor cycle repairs; personal and household goods; hotels and restaurants, and (3) manufacturing sectors (DTI, 2008) listed on the online directory (public domain), Brabys (www.brabys.com). The Brabys directory publically lists all the contact details of any business entering an agreement to be listed for an annual fee.

Firstly, the identification of SMMEs listed on Brabys under the three different sectors, started with a search of the directory. Businesses were searched by sector component (Sector 1 search terms: financial intermediation; insurance; real estate; business services; Sector 2 search terms: wholesale trade; retail trade; motor vehicle repair; motor cycle repair; personal goods; household goods; hotels; restaurants; Sector 3 search terms: manufacturing). Secondly, the search results were analysed and narrowed down to only include the businesses located in the Tshwane district of South Africa. Finally, each listing was analysed to see if it qualifies as an SMME. SMMEs were thus identified by visiting their websites (if applicable) and/or contacting the contact person of the business (as listed on Brabys.com) via telephone to determine the number of employees. If the number of employees were under 200 people, the business was included in the sampling frame. This process resulted in a complete sampling frame from which a sample was drawn in the next stage.

Stage 2 – Probability systematic sampling

Probability sampling is used when each member of the population has a known, non-zero probability of being selected (Quinlan *et al.*, 2015). After the sampling frame was determined (a list of appropriate SMMEs – as discussed in stage 1), the probability sampling method, systematic sampling was used. Systematic sampling involves the researcher selecting the sample at regular intervals from the sampling frame. A systematic sample can be determined without an accurate list of the entire population (which, in the case of this study, is unavailable) by substituting the number of elements in the sample frame for the population's size (Cooper and Schindler, 2011). A major advantage of the systematic sampling method is simplicity and flexibility (Cooper and Schindler, 2011). This method is applicable because of the absence of access to a database enabling one to estimate the size of the formal SMME population in South Africa (DTI, 2008).

The systematic sampling process followed the steps as suggested by Cooper and Schindler (2011). In short, the following formula helped determine the skip interval to use in the selection of the final sample:

$$\text{Skip interval (a)} = \frac{\text{Sample frame size (b)}}{\text{Sample size (c)}}$$

Step 1: Identify, list and number the elements in the population - The list of SMMEs was compiled by means of purposive sampling, and was numbered from 1 to 1 146.

Step 2: Identify a skip interval (a) by dividing the sample size (c) into the sample frame size (b) - The sample frame size (b) is the total number of SMMEs identified using purposive sampling, namely 1 146. The sample size (c) was 150 SMMEs – the number of participant responses that is required by the University of South Africa to fulfil the degree requirements. When dividing 1 146 by 150, the answer is 7.64. The skip interval was therefore identified as every 8th business.

Step 3: Identify a random start element on the compiled list of SMMEs – the start element was selected as the first (one).

Step 4: Draw a sample by choosing every 8th element – a complete list of 170 SMMEs was identified. The reason for this will be discussed in the next section, sample size. Every 8th SMME was included until a total of 170 were selected. It was decided that 20 extra businesses should be on the list, in the event that some of the SMMEs declined the opportunity to participate.

The participating businesses varied in size, ownership and industry affiliation. The decision-makers in these businesses are owners/managers who represent a wide range in personal demographics. To summarise, this formula determined the skip interval to use in order to determine the sample of respondents (SMMEs). In this study, the result was that every 8th SMME on the list that was compiled in stage 1 was contacted.

4.4.2.2 Sample size

The final number of responses received back from respondents (SMME owners/managers) were 164 in total. Although 150 was the requirement, 170 questionnaires were distributed in case some respondents decided not to complete the questionnaire. However, there was a very positive response from the SMMEs, and therefore, all 164 completed questionnaires were used in the analysis. Conversations with a statistician and a Professor at the Bureau for Marketing Research (BMR) at the University of South Africa substantiated sufficiency of the number of participants in this study.

4.4.3 Research instrument

Questionnaires were used as the primary source of data in this study. Questionnaires are a structured means of gathering data (Quinlan *et al.*, 2015). The structured questionnaire can be seen in Appendix B.

The questions in the questionnaire were formulated and stated clearly, so that the questions were understandable to all respondents. The respondents were able to complete it themselves and it did not take them more than 10 minutes. The considerations regarding the sequence, content and format of the questions will now be discussed.

4.4.3.1 Question sequence

The order and flow of the questionnaire should be logical to the respondent (Saunders, Lewis and Thornhill, 2012). To assist with the flow of questions, filter questions may be included. Filter questions identify the respondents for whom the following question or questions are not applicable (Saunders *et al.*, 2012).

For this study, it was necessary to include a filter (skip) question early in the questionnaire (question 2) since the respondent should not be limited in his/her financial expenditure authority. Cooper and Schindler (2011) state that the sociological-demographic types of question usually appear at the end of a survey and it was decided to follow this guideline. Therefore, if the respondents were limited in financial expenditure authority, their demographic information would not have been of any use to the researcher. Furthermore, if the respondent was not limited in financial expenditure authority, but their SMME was in no way engaging in RBP (question 4) they were asked to provide a reason for this decision (question 5) and were then required to stop. Respondents that were engaging in RBP were asked to skip question 5 and complete the rest of the questionnaire. Respondents that stopped at either question 2 or 5 therefore did not need to continue with the questionnaire. They were not required to complete the remaining questions regarding perceptions, activities and influences of RBP; classification questions that covered the profile of their SMME; and their sociological-demographic information.

The questionnaire was not explicitly divided into different sections however; the questions were grouped together. This is indicated in Table 4.3. The grouped questions will be referred to as Section A, B and C.

Table 4.3: Sections in the questionnaire

Section	Questions in the questionnaire	Content covered
Section A	Questions 1 to 8	The awareness, perceptions, activities and influences of RBP among the respondent.
Section B	Questions 9 to 12	All the information regarding the profile of the SMME.
Section C	Questions 13 to 15	All the demographic information of the respondent.

Source: Author's own compilation

For data-analysis purposes in the next chapter, Section C (demographic information) will be discussed first followed by Section B and finally Section A. The content of all the questions will be discussed in the following section.

4.4.3.2 Question content

Question content is dictated by the research question and the objectives guiding the study. From these objectives the questionnaire designer crafts or borrows the target and classification questions that will be asked of respondents (Cooper and Schindler, 2011). According to Cooper and Schindler (2011), there are four questions that the instrument designer should ask that will provide guidance when selecting relevant question content. These four questions are:

- Should this question be asked (does it match the study objective)?
- Is the question of proper scope and coverage?
- Can the participant adequately answer this question as it is asked?
- Will the participant willingly answer this question as it is asked?

The researcher considered each of the four questions when considering the content of each question in the questionnaire. This method ensured a well-constructed questionnaire with relevant content.

The content of question 6 was derived from a study done by Fatoki and Chiliya (2012) in South Africa, who adapted the statements from the *Attitudes Towards Corporate Social Responsibility Questionnaire* that was developed by Abdul and Ibrahim (2002). The RBP activities listed in question 7 formed part of the results of a study by Dincer and Dincer (2013) that was conducted in Turkey. While numerous attempts were made to contact the authors for their original question list for their interviews, the researcher was unable to reach them. The influencing aspects in question 8 of the questionnaire were derived from the literature review. Table 4.4 provides a summary of the aspects considered. Measurement items associated with the aspects listed in Table 4.4 were obtained from the listed references.

Table 4.4: Aspects found to influence RBP decision-making

Aspect	Reference(s)
Personal feelings and emotions	Dincer and Dincer, 2013 McCuen and Shah, 2007
Morals	Dincer and Dincer, 2013 Rupp, 2011
Ethics	Dincer and Dincer, 2013
Business finances	Dincer and Dincer, 2013 Rodgers and Gago, 2004
Requests from friends and family	Coppa and Sriramesh, 2013 Dincer and Dincer, 2013 Westerman <i>et al.</i> , 2007
Religion	Dincer and Dincer, 2013 King, 2006
Competitive reasons	Cochius, 2006

Source: Author's own compilation

4.4.3.3 Question format

The response strategy of a questionnaire involves the degree and form of structure imposed on the respondent (Cooper and Schindler, 2011). Response

strategies offer two options, namely unstructured (or open-ended) and structured (or closed) response. The questionnaire for this study consisted mostly of closed-ended questions but did include four open-ended or free-response questions. The closed-ended questions included: (a) dichotomous questions, which offers two mutually exclusive response choices (Cooper and Schindler, 2011); (b) multiple-choice questions, which are appropriate when there are more than two alternatives, requesting the participant to only make a single choice (Cooper and Schindler, 2011); (3) checklist questions, which requires participants to give multiple responses to a single question; and (4) Likert scales, which are a type of summated rating scale that consists of statements and participants have to express a certain attitude toward the statement (Cooper and Schindler, 2011).

(a) Dichotomous questions

A dichotomous question offers only alternatives from which the respondent must choose. These types of questions generate nominal data (Cooper and Schindler, 2011). The questionnaire for this study included four dichotomous questions, namely questions 1, 2, 3 and 13. Questions 1 to 3 consisted of 'yes' and 'no' options. The options for question 13 were related to gender.

(b) Multiple-choice questions

Multiple-choice questions are appropriate when there are more than two alternatives but the respondent still makes a single choice (Cooper and Schindler, 2011). The questionnaire for this study included five multiple-choice questions, namely questions 4, 9, 10, 14 and 15.

(c) Checklist questions

Checklist questions require the respondent to give multiple responses to a single question (Cooper and Schindler, 2011). The questionnaire for this study includes only one checklist question (See Annexure B question 7).

(d) Scaled questions

Scaled questions, also referred to as rating questions, most frequently use the Likert-style rating in which a respondent is asked how strongly he or she agrees or disagrees with a statement or series of statements, usually on a four-, five-, six- or seven-point rating scale (Saunders *et al.*, 2012). Scales usually contain

statements that require respondents to express their attitude toward, perception of, or agreement with, a certain subject. Both positive and negative statements must be included in these scales (Saunders *et al.*, 2012). The questionnaire for this study includes two five-point Likert-style rating questions (See Appendix B questions 6 and 8).

(e) Open-ended questions

Open-ended questions, also referred to as free-response questions, ask the respondent a question which he then records in his or her own words in the space provided on the questionnaire (Cooper and Schindler, 2011). No options or alternatives are presented in this type of question. The questionnaire for this study included four open-ended questions (See Appendix B questions 5, 7, 11 and 12). While question 7 is also a multiple-choice type question, respondents were asked to specify the activities, which categorises this question under open-ended questions as well.

The format of the questions utilised in the questionnaire for this study is summarised in Table 4.5.

Table 4.5: Format of questions

Type of questions	Questions in the questionnaire
Dichotomous	Questions: 1, 2, 3 and 13
Multiple-choice	Questions: 4, 9, 10, 14 and 15
Checklist	Question: 7
Scaled	Questions: 6 and 8
Open-ended	Questions: 5, 7, 11 and 12

Source: Author's own compilation

As can be seen in the table, question 7 has a double classification. While it is a checklist question, respondents were also asked to specify the activity they are involved in, making this an open-ended question.

4.4.4 Primary data-collection method

Two fieldworkers distributed the questionnaires to the selected SMMEs identified in the sampling process. The fieldworkers used three methods to distribute the questionnaire, depending on the preference of the SMME owner/manager. These were (1) waiting while participants completed the questionnaire, and collected it directly from them; (2) dropping off the questionnaire and picking it up at a later stage; or (3) emailing the questionnaire (electronically). Only 10 SMMEs completed the questionnaire electronically, while 154 completed the hard copies that were delivered to them.

Fieldworkers signed a confidentiality form to agree to confidential and anonymous information gathering, as well as a contract to complete the work. These documents can be seen in Appendix C. Fieldworkers were trained by the researcher on the aims of the study, as well as the structure of the questionnaire so that they were able to assist participants who need help. They were instructed to act professionally so as not to influence the participants in any way.

The data collection was conducted over a period of one month, during August/September 2015. The hand-delivery strategy required a lot of travelling to and from the SMMEs' premises. Once all the distributed questionnaires were collected, the data collection was complete. This was followed by the coding and capturing of the data into a Microsoft Excel spreadsheet. Thereafter it was exported to SPSS (Statistical Packages for the Social Sciences version 23) to produce tables and do a statistical analysis.

4.5 DATA ANALYSIS

Data analysis is "*the process of editing and reducing accumulated data to a manageable size, developing summaries, looking for patterns, and applying statistical techniques*" (Cooper and Schindler, 2011). For this study, the data analysis process began after all the questionnaires were received back. To assure anonymity, each participant's informed consent form was removed and each questionnaire was given a participant code (numbered 001 to 164). Data was analysed with the help of a statistician, using SPSS. The complete data set can be found electronically (on a CD-ROM) in Appendix E.

There are two types of statistical data analysis, namely descriptive and inferential. These two types of statistical analysis are explained below.

4.5.1 Descriptive statistical analysis

Descriptive statistical measures are used to depict the centre, spread and shape of distributions and are helpful as preliminary tools for data description (Cooper and Schindler, 2011). Zikmund *et al.* (2013) state that descriptive statistics describe basic characteristics and summarise the data in a clear and understandable way. These types of statistics are usually associated with a frequency distribution which records the number of times a particular value of a variable occurs. A similar method of describing the data involves constructing a distribution of relative frequency, or a percentage distribution (Zikmund *et al.*, 2013). A percentage from a frequency table can be determined by dividing the frequency of a value by the total number of responses, and multiplying the result by 100.

The frequency distributions are summarised by the mean, median and mode (central tendency). The mean refers to the arithmetic average; while the median refers to the midpoint of the distribution, and the mode refers to the value that occurs most often (Zikmund *et al.*, 2013). When determining how the responses vary from the mean, the dispersion (variability or spread) of the data must be calculated. This is done by describing the variance, standard deviation, and range. The variance is a measure of score dispersion about the mean. The standard deviation summarises how far away from the average (mean) the data values typically are. The range is the difference between the largest and smallest scores in the distribution (Cooper and Schindler, 2011).

According to Zikmund *et al.* (2013), frequency counts, percentage distributions, and averages only summarise information, and a cross-tabulation technique is necessary to address research questions involving relationships among multiple variables. A cross-tabulation allows the inspection and comparison of differences among groups.

4.5.2 Inferential statistical analysis

A researcher can also make use of inferential statistics to analyse data. Inferential statistics is used to make inferences or to project characteristics from a sample to an entire population (Zikmund *et al.*, 2013). According to Cooper and Schindler (2011), it involves the estimation and generalisation of population values. With inferential statistics, the researcher is trying to reach conclusions that extend beyond the data (Quinlan *et al.*, 2015).

In this study, a number of inferential statistical tests were used to test the hypotheses, namely the Kruskal-Wallis test, the Mann-Whitney *U* test, the Pearson Chi-Square test and the Cramer V measure. The purpose of each of these tests is discussed below.

(a) Kruskal-Wallis test

The Kruskal-Wallis test is a one-way analysis of variance by ranks. Data is prepared by converting ratings or scores to ranks for each observation being evaluated. The ranks are then tested to decide if they are samples from the same population (Cooper and Schindler, 2014).

(b) Mann-Whitney *U* test

The Mann-Whitney is a nonparametric test that can be used with two independent samples that are required to be compared for differences regarding a single variable. This test is useful to apply when the sample is small (Saunders *et al.*, 2009).

(c) Pearson Chi-Square test

The Pearson Chi-Square test is a nonparametric statistic that is used frequently for cross-tabulations. It is useful when the variables are nominal, and when the differences between proportions of the population are tested for independence (Cooper and Schindler, 2014).

(d) Cramer's V measure

Cramer's V is used in addition to the Chi-Square statistic. It is used when the Chi-Square test could not be used, as in the case where more than 20% of cells had an expected frequency of less than 5. The value of Cramer's V is always between

0 and 1 and the relative strengths of significant associations between different pairs of variables can be compared (Saunders *et al.*, 2009).

Another important aspect that should be considered during the inferential process is the significance of levels of associations. It does not imply 'importance' or 'significance' in any general sense, as it simply refers to the likelihood that relationships observed in a sample could be attributed to sampling error alone. A relationship is significant at the 0.05 level ($p \leq 0.05$) if the likelihood of its being only a function of sampling error is no greater than 5 out of 100 (Babbie, 2016). A p-value refers to the probability of observing a sample value as extreme as, or more extreme than, the value actually observed. The p-value is compared to significance level, and should it be less than 0.05, then a hypothesis about differences is supported (refer to Chapter 1 Section 1.4).

The following hypotheses will be tested:

H₁: A relationship exists between the extent of engagement and

- (a) the level of RBP awareness
- (b) each of the activities involved in (local schools; local charities; environmental organisations or programmes; larger, global or international scale programmes)
- (c) the respondent's highest level of education

and

H₂: A relationship exists between each of the aspects influencing engagement in RBP and each of the three grouped sectors of the SMME.

During statistical analysis of the statements in question 6 of the questionnaire, an exploratory **factor analysis** was conducted. A factor analysis is a complex method used to discover patterns among the variations in values of several variables. This is done through the generation of dimensions (factors) that correlate highly with several of the variables and that are independent of one another (Babbie, 2016). Three constructs or themes were identified and will be discussed in Chapter 5.

The analysed data will offer the descriptive and inferential statistics needed for the researcher to draw conclusions and make recommendations about the data collected for this study.

Reliability and validity are discussed in the following section.

4.5.3 Reliability and validity

Reliability is concerned with accuracy, precision and consistency. An instrument is reliable to the degree that it supplies the same data each time in repeated observations (Babbie, 2016; Bryman and Bell, 2007). Reliability is an indicator of the research instrument's internal consistency; the dependability of the research, to the degree to which the research can be repeated while obtaining consistent results (Quinlan *et al.*, 2015).

To ensure reliability in this study, the internal consistency of the questionnaire was measured by Cronbach's coefficient alpha analysis in order to determine the degree to which the research instrument items are homogeneous and reflect the same underlying constructs. The rating scale in question 6 was found to be reliable. After a factor analysis on the rating scale in question 8, it was determined that the factors were one-dimensional. Since it was not considered to be a meaningful new variable, each factor was handled individually and no Cronbach alpha value was applicable. Cooper and Schindler (2011) state that while the reliability of an instrument is a necessary contributor to validity; it is not a sufficient condition for validity. Even if an instrument is reliable, it doesn't ensure that the measures actually measure what they are intended to measure.

Validity determines whether the research truly measures what it was intended to measure (Cooper and Schindler, 2011) or the extent to which an empirical measure adequately reflects the real meaning of the concept under consideration (Babbie, 2016). Furthermore Quinlan *et al.* (2015) argue that validity relates to how logical, truthful, robust, sound, reasonable, meaningful and useful the research is.

To ensure validity the questionnaire was reviewed by a qualified statistician from a data perspective and three colleagues from a respondent perspective. These individuals were asked to look at each question to determine if it measured what it

was intended for. These individuals also scrutinised the questionnaire for accuracy in the questions.

This concludes the short overview that dealt with the data collection and analysis. In Chapter 5 the actual data analysis and interpretation of the study will be discussed. In the following section, the ethical considerations will be highlighted.

4.6 ETHICAL CONSIDERATIONS

When conducting research, the quality of the research project is dependent on the integrity, or the honesty, accuracy and scholarship of the researcher (Quinlan *et al.*, 2015). Ethics can be defined as the norms or standards that guide moral choices about our behaviour and our relationships with others (Cooper and Schindler, 2011). Quinlan *et al.* (2015) provide the following ethical principles:

- **Do no harm** – All possible harm to participants must be considered and ways to avoid it must be recorded and applied.
- **Integrity** – The reader must trust the researcher that the research was actually carried out as specified in the dissertation.
- **Plagiarism** – Presenting another's work as your own is a very serious offence and will question the integrity of the researcher.
- **Validity** – As discussed in the previous section, the research must be valid.
- **Power** – The engagement of the researcher with the research project in terms of own power must be examined. The power in the title and the affiliation will confer on the researcher a degree of power in the field when dealing with potential researcher participants.
- **Transparency** – The researcher should communicate openly, honestly and clearly with everyone involved in the project.
- **Anonymity and confidentiality** – The researcher must guarantee that the participants' contribution will remain confidential. Participants have a right to privacy and to know that they will not be identified at any time during the research.
- **Informed consent** – The researcher is ethically obliged to inform the potential participant of the nature of the research, the nature and extent of their

participation in the research, and any possible consequences for them that might arise from their participation. The participant must then consent, or refuse to consent, to participate in the research. This must be indicated on an informed consent form.

For the purpose of this research, the above principles and standards were observed throughout the research process. Special attention was given to confidentiality and anonymity, fairness, honesty, and protection from harm and discomfort. The following specific measures were taken to ensure that the research was conducted in an ethical manner:

- An informed consent form was attached to the questionnaire and participants had to sign the form before participating in the study. A copy of this form can be seen in Appendix B.
- Paper-based records are kept in a locked filing cabinet in a secure location after collection and are only available to the researcher and supervisors (on request).
- Electronic records are all password protected. Only the researcher will have access to these records.
- Confidentiality agreements will be signed by everyone who handles the completed instruments. The only identifiable information will be the participant's signature on the informed consent forms, therefore the researcher and fieldworker signed a confidentiality agreement stating they would not reveal any information to another party. A copy of the confidentiality form can be seen in Appendix C.
- Data will be retained for 5 years.
- Formal approval was obtained from the University of South Africa to do the study. The Department of Business Management Research Ethics Review Committee approved the study. The ethics certificate with reference number 2014_CEMS_BM_018 can be seen in Appendix A.

4.7 CONCLUSION

This chapter described the possible approaches to research and also the specific research design and methodology used in this study.

Due to the descriptive nature of the study, a questionnaire was used as a research instrument to collect primary data. The questionnaire was scrutinised by three individuals before it was finalised and sent to identified SMMEs in the Tshwane district. The SMMEs were identified through multi-stage sampling, and fieldworkers distributed the questionnaires over the period of one month.

All the questionnaires were coded and to ensure anonymity, the informed consent forms were removed and the participants were allocated codes prior to the data capturing process. Data was then captured in Microsoft Excel and imported into SPSS for analysis.

This chapter provided a brief background to the research process, after which the research design of this study was discussed. Thereafter, the research methodology, and more specifically the sampling and research instrument were discussed. The data-collection process, reliability and validity were also discussed. The chapter concluded with a discussion on ethical considerations. The next chapter presents the research results.

CHAPTER 5

RESEARCH RESULTS

5.1 INTRODUCTION

The previous chapter dealt with the research methodology of the study. This chapter will present the empirical research findings of the study which focused on the decision-making of SMMEs regarding RBP. The statistical analysis that was performed focused on the realized sample of 164 respondents. The sequence of the questions (including skip questions) was discussed in Chapter 4. The questionnaire consisted of the following sections: Section A covered the awareness, perceptions, activities and influences of RBP among the respondents; Section B contained all the information regarding the profile of the SMMEs; and Section C contained all the demographic information of the respondents. In order to get a more holistic view of the respondents, it was more logical to discuss Section C (the demographic information) first. Section C will be followed by Section B (the SMME profiles) and finally Section A (awareness, perceptions, activities and influences of RBP). Due to the skip questions across Sections A and B, it is noticeable that there are a differing number of respondents (n) in the various sections.

Therefore, the descriptive analysis, which covers the demographic profile of the sample (Section C of the questionnaire) is discussed first. The second section provides the information regarding the profile of the SMME (Section B of the questionnaire). The third section of the descriptive analysis addresses the feedback of the respondents that includes factors such as awareness, perceptions, activities and influences of RBP. Finally, the inferential analysis is discussed and lastly a summary of the findings is provided.

5.2 DEMOGRAPHIC PROFILE

The respondents were requested to indicate their gender, age, and their highest level of education. The results are presented graphically in the section below. Due to the option to skip questions at the beginning of the questionnaire, the questions related to the demographic profile were only completed by 84 of the respondents.

Respondents that only answered up to question six were not required to complete the demographic information. Therefore, the demographic questions did not all have the same number of respondents (n) and this is indicated in each of the following sections.

5.2.1 Gender of the respondents

When considering the gender composition, 84 respondents answered this question. The gender composition is presented in Figure 5.1.

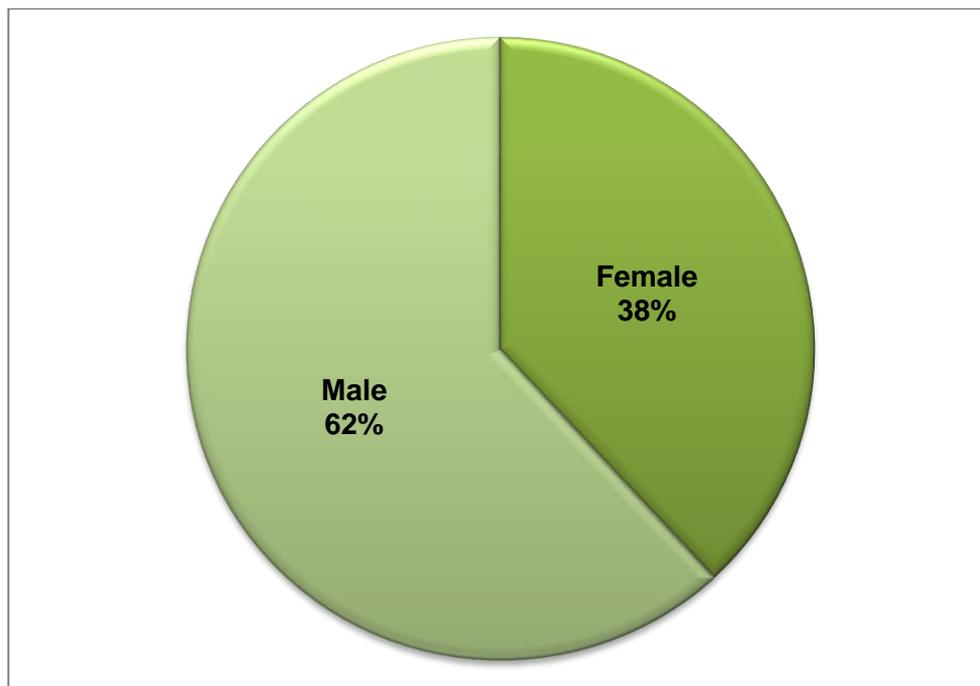


Figure 5.1: Gender composition

Source: Author's own compilation

The figure indicates that of the respondents who answered this question, almost two thirds (62%) were males.

5.2.2 Age of the respondents

Figure 5.2 represents the age distribution of the respondents in the sample. Only 82 participants responded to this question.

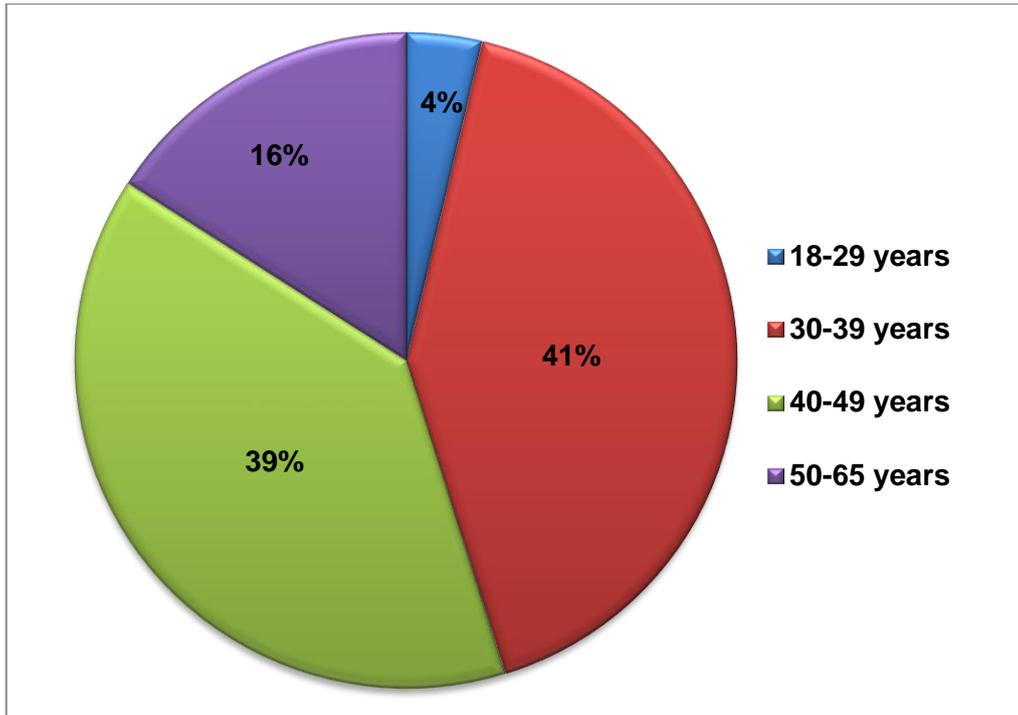


Figure 5.2: Age of respondents

Source: Author's own compilation

The graph clearly indicates that the cumulative majority (80%) of the SMME decision-makers who answered this question formed part of the categories 30-39 years and 40-49 years.

5.2.3 Highest level of education of the respondents

Although the questionnaire indicates eight different levels of formal education, as stipulated by the National Qualifications Framework of South Africa, a grouping in terms of NQF levels was decided upon for further statistical analysis. The levels were as follows:

1. Junior Certificate (Grade 9/10/11 or Standard 7/8/9 – NQF levels 1,2 or 3)
2. National Senior Certificate (Matric – Grade 12 or Standard 10) or Trade Certificate (NQF level 4)
3. Higher Certificate (NQF level 5)
4. National Diploma or Advanced Certificate (NQF level 6)
5. Bachelors Degree (3 years) or Advanced Diploma (NQF level 7)
6. Honours Degree or Post Graduate Diploma (NQF level 8)
7. Masters Degree (NQF level 9)
8. Doctoral Degree (NQF level 10)

As shown in the figure below, the first two categories were grouped together to form the first group consisting of NQF levels 1 to 4. The next three categories were grouped together to form the second group consisting of NQF levels 5 to 7. The next two categories were grouped together to form the final group consisting of NQF levels 8 and 9. Since no respondents indicated that their highest qualification was a Doctoral degree (NQF level 10), this category was excluded from further analysis. Only 84 respondents indicated their highest level of education. The respondents' highest qualification is indicated in Figure 5.3.

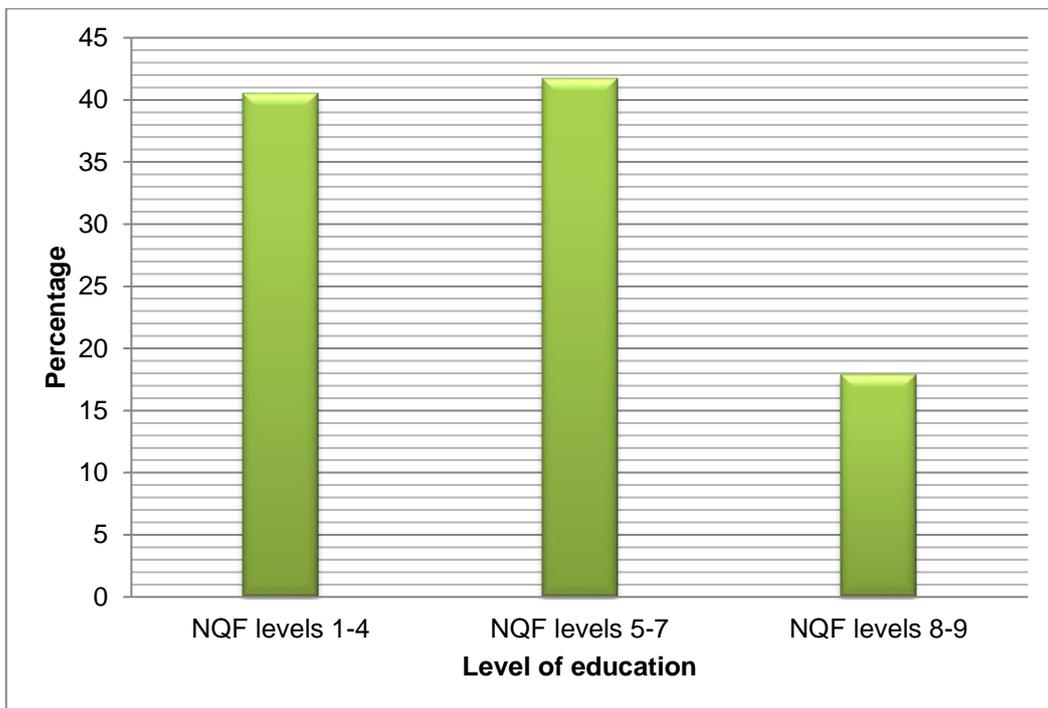


Figure 5.3: Highest qualification of respondents

Source: Author's own compilation

NQF levels 1 to 4 indicate that the respondent's highest qualification is a Junior Certificate (Grade 9 to 11 or Standard 7 to 9), a National Senior Certificate (Matric or Grade 12 or Standard 10) or alternatively a Trade Certificate. A total of 34 respondents (40.5%) fell into this group. NQF levels 5 to 7 indicate that the respondent's highest qualification is a Higher Certificate, a National Diploma or Advanced Certificate, a Bachelors Degree (3 years) or an Advanced Diploma. A total of 35 respondents (41.7%) formed part of this group. NQF levels 8 and 9 indicate that the respondent's highest qualification is an Honours Degree or a Post Graduate Diploma, or a Master's Degree. A total of 15 respondents (17.9%) formed part of this group.

5.3 PROFILE OF THE SMMES

Respondents were requested to indicate the sector their SMME resorts under, their respective titles in the business, the number of employees in the business and the suburb of Tshwane they operate in. The profile of the SMMEs is presented graphically in the section below.

5.3.1 Business sectors

Formal SMMEs in the Gauteng province, across all municipalities, are largely concentrated in three sectors, broadly labelled as (a) Financial Intermediation, Insurance; Real Estate; and Business Services; (b) Wholesale and retail trade; Repair of motor vehicles and motor cycles; Personal and household goods; Hotels and restaurants; and (c) Manufacturing (DTI, 2008). These three sectors will be represented in the study since this is where most formal SMMEs are concentrated. The DTI has, since 2008, not released a new report and therefore this version was used. Figure 5.4 represents the sector distribution of the respondents in the sample. Only 83 respondents indicated their business sector.

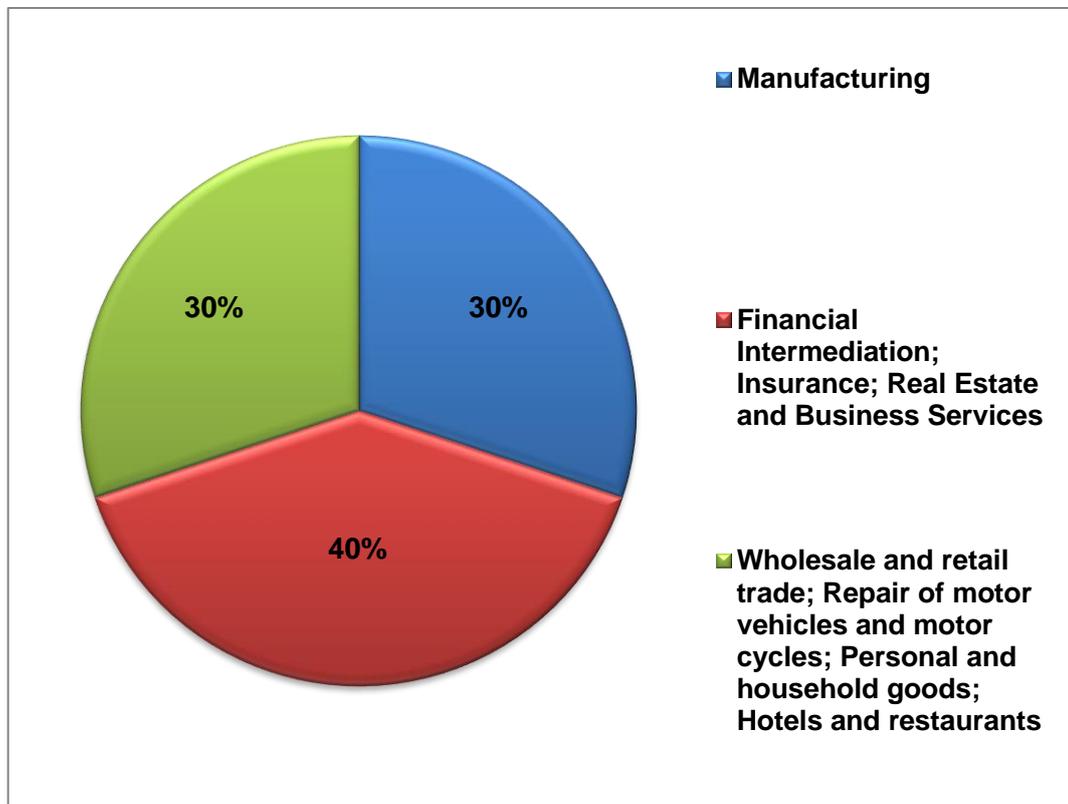


Figure 5.4: Distribution of SMMEs in the different sectors

Source: Author's own compilation

A total of 25 (30%) of the respondents indicated that their company is operating in the manufacturing sector. A total of 33 (40%) of the respondents indicated that their company is operating in the financial intermediation, insurance; real estate; and business services, and 25 (30%) of the respondents indicated that their company is operating in the wholesale and retail trade; repair of motor vehicles and motor cycles; personal and household goods; hotels and restaurants sector. Figure 5.5 provides a more in-depth view of the sector distribution, indicating each component separately.

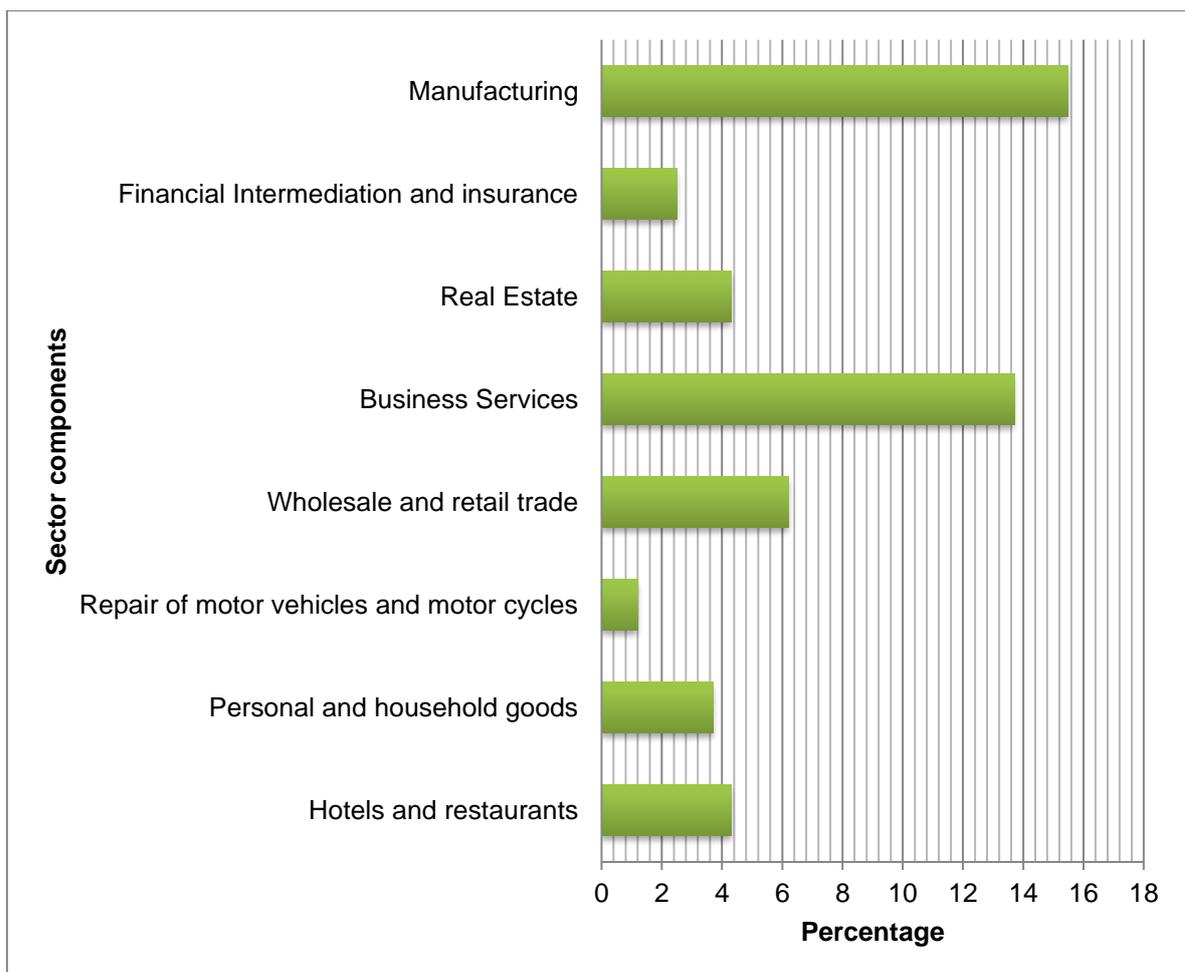


Figure 5.5: Detailed distribution of SMMEs in the different sector components

Source: Author's own compilation

Figure 5.5 indicates that 25 of the respondents represented the manufacturing (15.5%) sector and 22 respondents represented business services (13.7%) sectors.

5.3.2 Job title of respondents

Figure 5.6 represents the title of the respondents in their businesses. Only 82 respondents responded to this question.

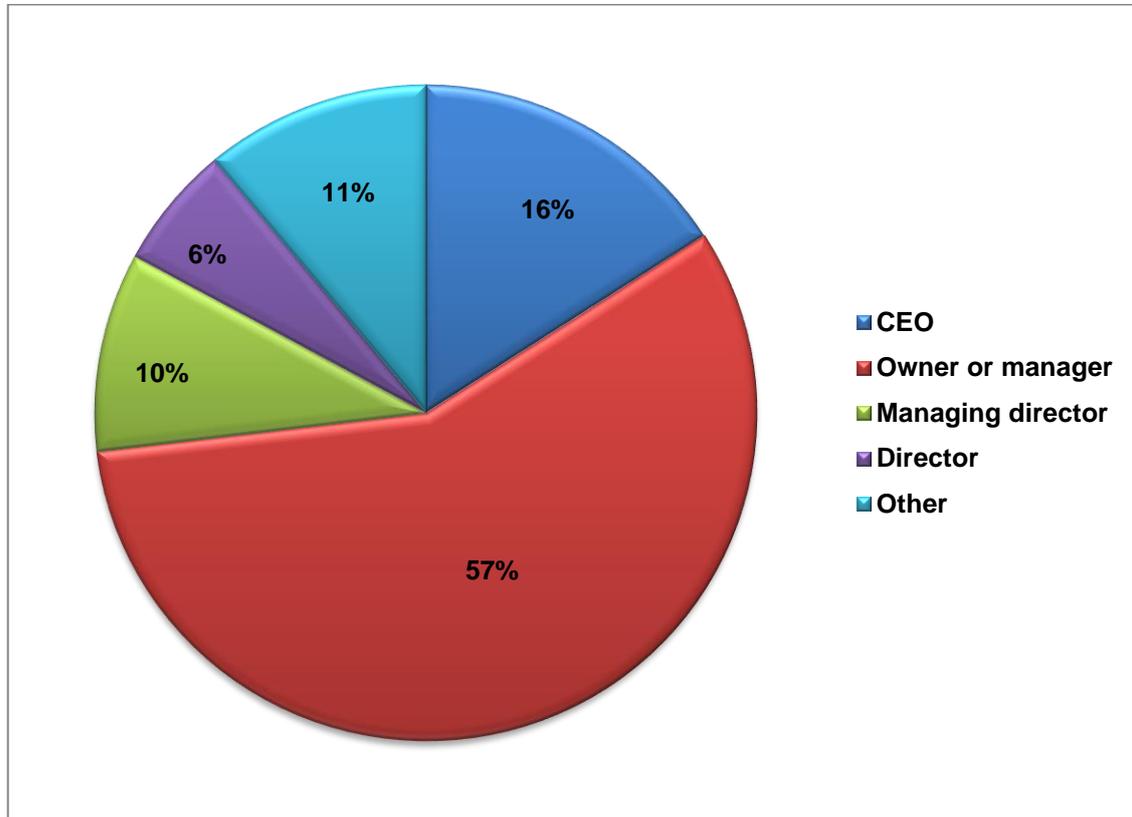


Figure 5.6: Job title of respondents in their business

Source: Author's own compilation

The majority of respondents, 47 (57%), indicated that they are the owner and manager of the SMME.

5.3.3 Number of employees employed

Figure 5.7 represents the number of employees per SMME. It was decided to group the number of employees into four categories. The first category reflects one to ten employees, the second category reflects 11 to 20 employees, the third category reflects 21 to 30 employees and the final category reflects more than 30 employees. Only 74 respondents answered this question.

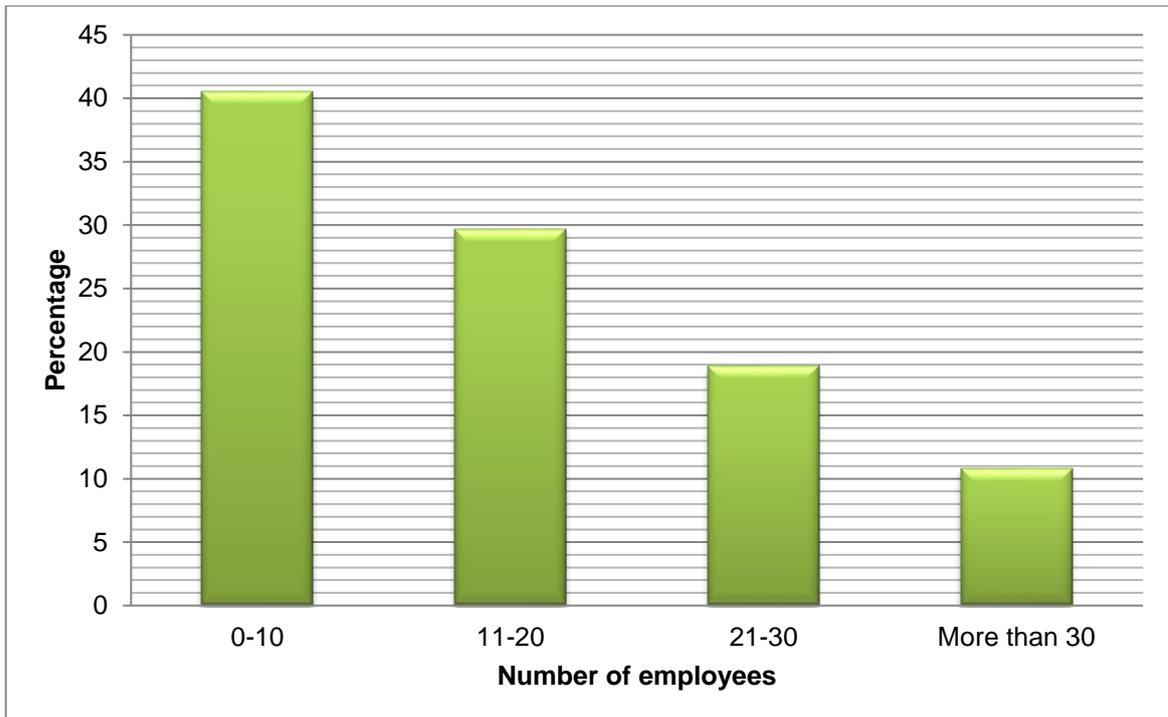


Figure 5.7: Number of employees

Source: Author's own compilation

The majority of respondents, 30 (40.5%), indicated that their SMME only employs one to ten employees, while only eight (10.8%) of the SMMEs employs more than 30 people. Table 5.1 presents the number of employees employed as indicated by respondents.

Table 5.1: Number of employees employed

	Minimum	Maximum	Mean	Std. Deviation
Number of employees	1	120	16.662	16.282

Source: Author's own compilation

The average number of employees was 17. The minimum number of employees was one, while the maximum number of employees was 120. These numbers correspond with the definition of an SMME as discussed in Chapter 2.

5.3.4 Suburbs in which SMMEs are located

The responses indicated the respondents operate in 36 different suburbs of Tshwane. A total of 13 respondents (15.66%) indicated that they operate in Centurion. The suburbs of Garsfontein and Hatfield each had four respondents

(5%) operating in them and the remaining suburbs had between one and three respondents operating in them. Only 83 respondents answered this question.

5.4 AWARENESS, PERCEPTIONS, ACTIVITIES AND INFLUENCES OF RBP AMONG SMMEs

The following sections reflect the results of the respondents' responses to various questions that sought to determine the awareness and perceptions of RBP among SMMEs. It also presents an analysis of the RBP activities that SMMEs are involved in, and the different influences that impact their decisions regarding expenditure on RBP activities.

A crucial criterion for this study was that the respondent had to be the main decision-maker in the SMME and/or was not limited in financial expenditure authority within the business. The first two questions in the questionnaire determined whether the respondent had this type of authority (see Figure 5.8), and should the respondent be limited in financial expenditure authority (see Figure 5.9), he/she was instructed to return the questionnaire to the fieldworker as the rest of the questions would not be applicable to them.

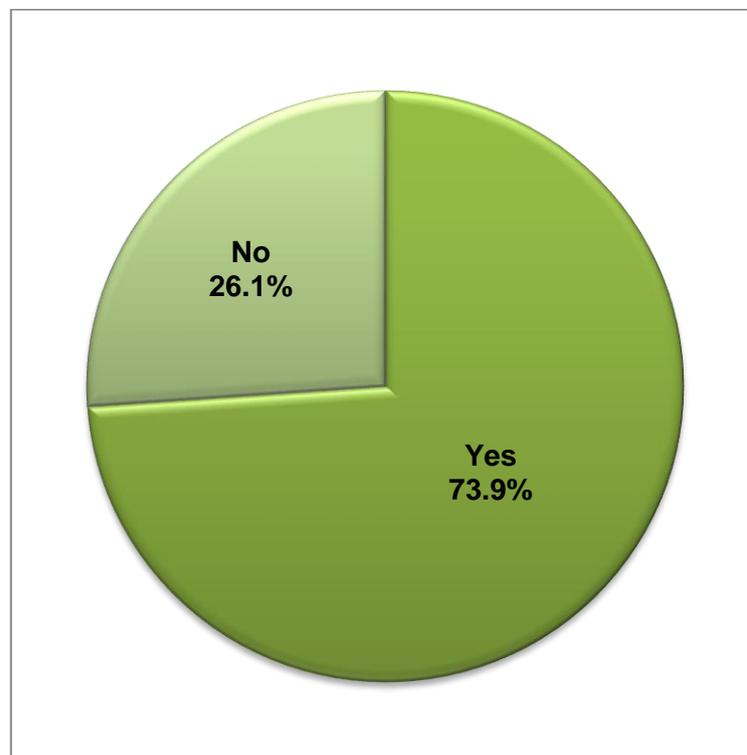


Figure 5.8: Main decision-maker of SMME

Source: Author's own compilation

Figure 5.8 indicates that 119 (73.9%) of the respondents were the main decision-makers of their SMME, while 42 (26.1%) respondents were not. A total of 161 respondents answered this question.

Figure 5.9 indicates that a total of 31 respondents (19.3%) are limited in financial expenditure. These respondents did not continue with the rest of the questionnaire. Of the remaining 130 respondents (80.7%), only 10 (8%) indicated they were not the main decision-maker of the SMME, yet they were not limited by financial expenditure. The reason for this is unknown as it was not covered by the questionnaire.

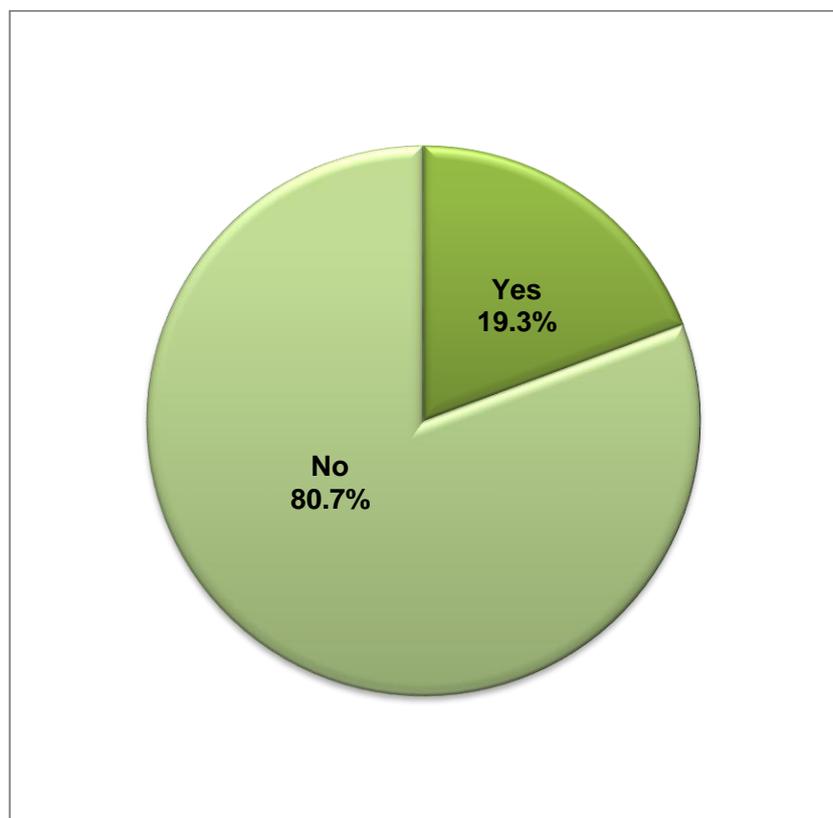


Figure 5.9: Respondents limited by financial expenditure

Source: Author's own compilation

5.4.1 Awareness of the RBP concept among SMMEs

A total of 131 responses were recorded for this question on the questionnaire. This question asked respondents if they had heard of the concept of RBP. Figure 5.10 indicates the percentages regarding the awareness of the concept of RBP. More than two thirds, 89 (67.9%) respondents were aware of this concept.

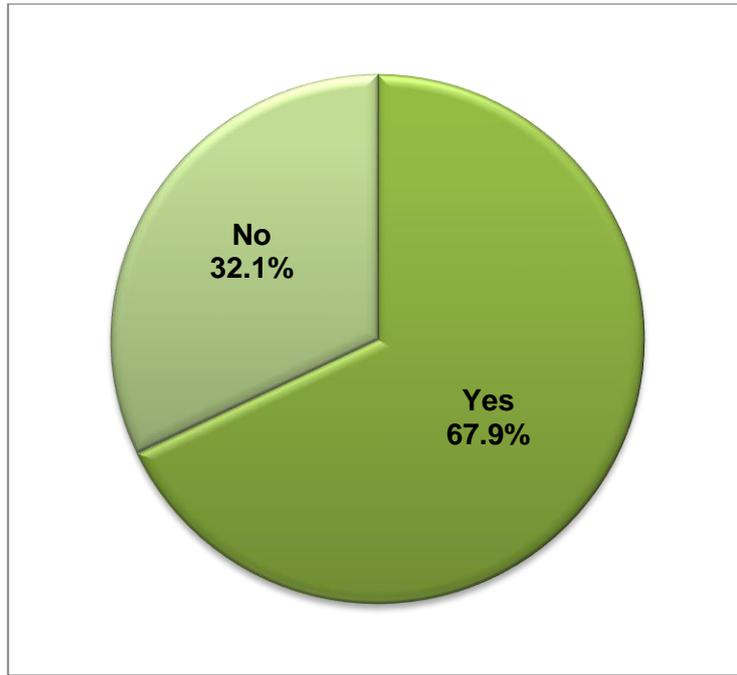


Figure 5.10: Awareness of the RBP concept

Source: Author's own compilation

After indicating whether they had heard about the concept of RBP, the concept was thereafter defined. The next question aimed to determine the extent to which the SMME engages in RBP. The results are indicated graphically in Figure 5.11.

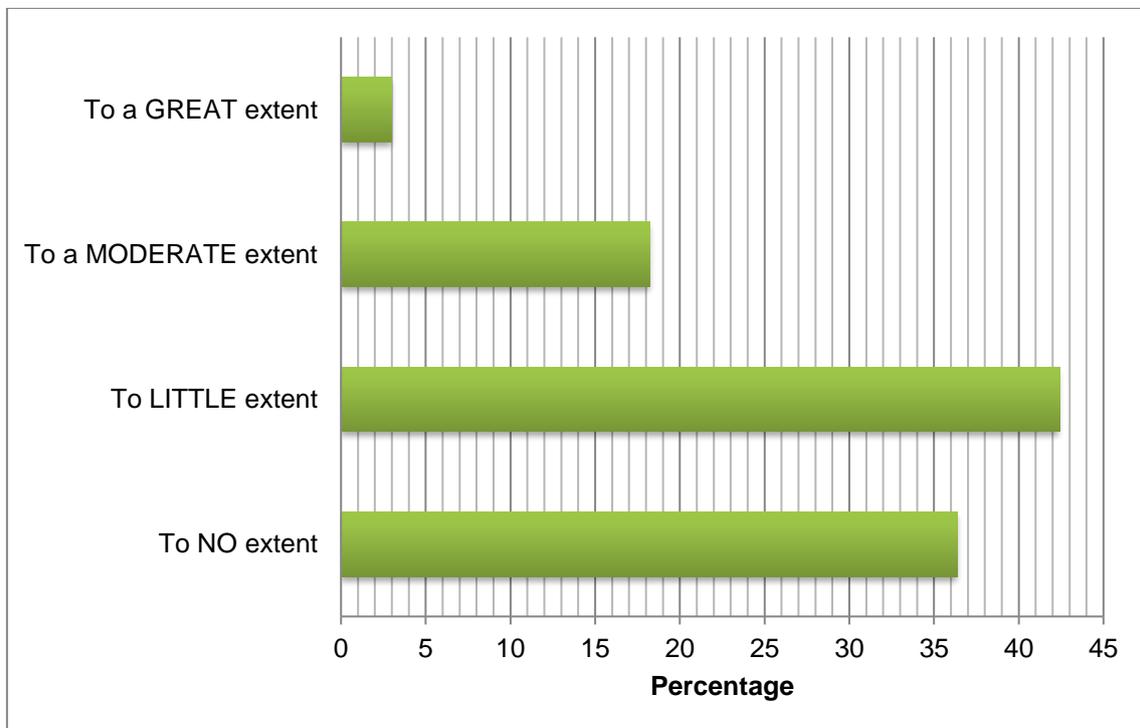


Figure 5.11: Extent of involvement in RBP

Source: Author's own compilation

The majority of SMMEs, 55 (41.9%), indicated that they engage in RBP to a little extent. A total of 48 SMMEs (36.6%) indicated that they do not engage in RBP at all. The minority, 24 SMMEs (18.3%), indicated they engage to a moderate extent, and only four SMMEs (0.3%) indicated they engage to a great extent. All the respondents that indicated no engagement in RBP were asked for the reasoning behind the decision.

While 48 respondents (n=48) indicated they were not involved in RBP to any extent, only 42 respondents indicated the reasons for not engaging in RBP. The majority of responses, 14 (29.2%) indicated a lack of time as the reason. The responses are graphically depicted in Figure 5.12 and included “Running a business takes up all the time” and “No time to do charity work” and being short staffed, but most simply stated that RBP is too time consuming.

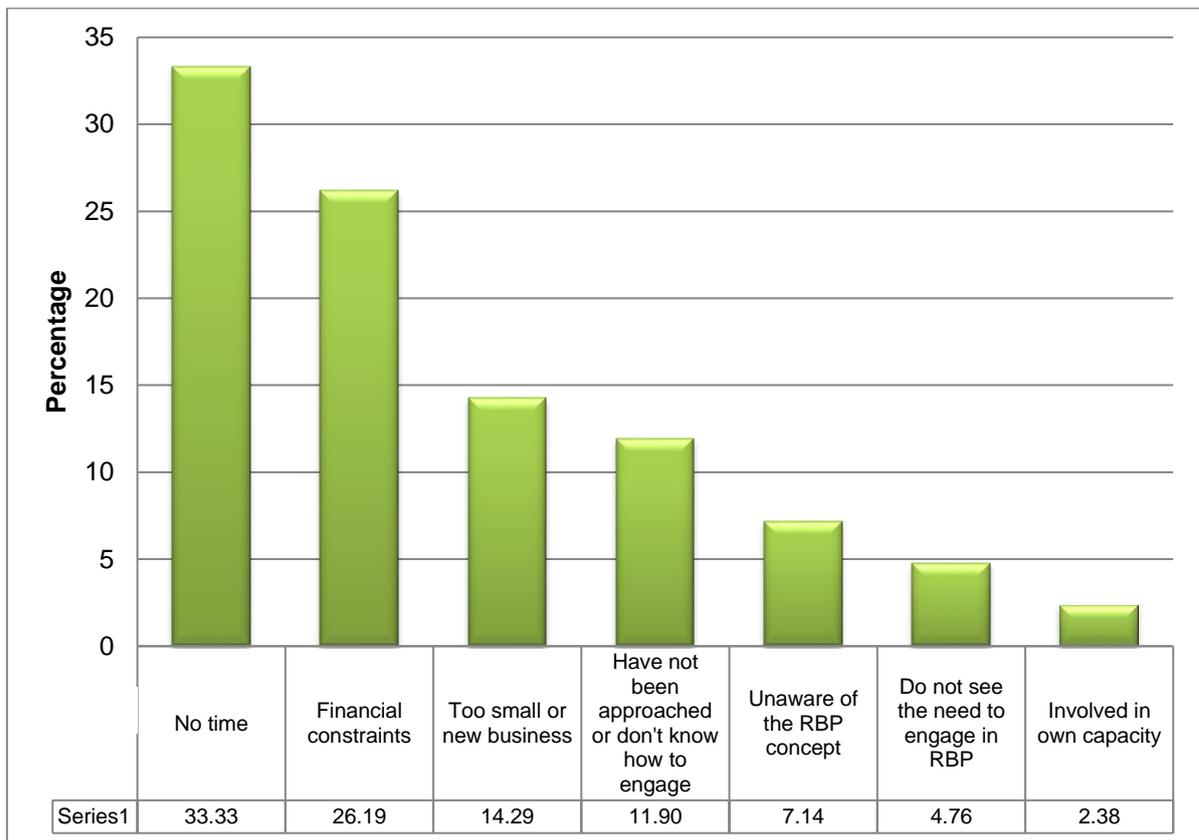


Figure 5.12: Reasons for not engaging in RBP

Source: Author's own compilation

The reason with the second highest number of responses was related to financial constraints which 11 (22.9%) respondents indicated. Responses included that RBP is “not affordable”, that the business does “not make enough profit” and that

“costs” are too high. This corresponds with the statements made by Hsu and Cheng (2012) indicating that the major obstacles inhibiting the involvement of SMMEs in RBP include a lack of sufficient funding and restrictions on time and resources.

5.4.2 Attitudes and perception of RBP among SMMEs

To determine the perception of RBP among SMMEs in Tshwane, respondents were asked to rate 11 statements according to their level of agreement on a five point Likert-type scale (refer to Appendix B question 6). Respondents had to indicate their level of agreement with each statement on the following five-point Likert-type scale: (1) Strongly disagree (2) Disagree; (3) Neither agree or disagree; (4) Agree; and (5) Strongly agree. Table 5.2 also summarises the percentage of respondents that (i) Strongly disagree or Disagree, (ii) that Neither agree nor disagree and (iii) that Agree or Strongly agree.

Table 5.2: Level of agreement (percentage of respondents) per statement

Statements	Strongly disagree, disagree %	Neither agree or disagree %	Agree or strongly agree %
Statement 1 (n=130) Involvement by a business in improving its community’s quality of life will also improve long run profitability.	10.8	32.3	56.9
Statement 2 (n=130) A business that wishes to capture a favourable public image will have to show that it is socially responsible.	9.2	30.8	60.0
Statement 3 (n=130) Socially responsible behaviour can be in the best interest of the stakeholders of the business.	9.3	27.7	63.1
Statement 4 (n=129) The idea of social responsibility is needed to balance a business’s power.	24.1	35.7	40.3
Statement 5 (n=130) The idea of social responsibility is needed to discourage irresponsible behaviour.	7.7	33.1	59.2
Statement 6 (n=130) Businesses are social institutions and as such must live up to society’s standards.	15.4	30.0	54.6

Statements	Strongly disagree, disagree %	Neither agree or disagree %	Agree or strongly agree %
Statement 7 (n=130) Efficient production of goods and services is no longer the only thing society expects from businesses.	1.5	32.3	66.2
Statement 8 (n=130) If a business is more socially responsible, it will discourage additional regulation of the economic system by the government.	25.3	32.3	42.3
Statement 9 (n=130) A company that ignores social responsibility can obtain a bigger competitive advantage than a business that does not.	25.4	36.9	37.7
Statement 10 (n=130) It is unwise to allow a business to participate in social activities where there is no direct way to hold it accountable for its actions.	10.0	40.0	50.0
Statement 11 (n=130) Consumers and the general public will bear the costs of social involvement because the business will pass these costs along through their pricing strategies.	26.1	37.7	36.2

Source: Author's own compilation

As reflected in Table 5.2, 66.2% is the highest value, indicating that most respondents agreed or strongly agreed with statement 7 - the efficient production of goods and services is no longer the only thing society expects from businesses. Another fairly high value is that 63.1% of respondents agreed or strongly agreed with statement 3 - socially responsible behaviour can be in the best interest of the stakeholders of the business. Statement 11 - consumers and the general public will bear the costs of social involvement because the business will pass these costs along through their pricing strategies – has the lowest response for agree or strongly agree (37.7%), and the highest response for strongly disagree or disagree (25.4%).

Upon statistical analysis of the statements, three constructs or themes were identified through an exploratory **factor analysis**. Principal axis factoring extraction and promax rotation was used. The Kaiser-Meyer-Olkin Measure of Sampling Adequacy was 0.876, which is above the recommended threshold of 0.5

and the Bartlett's Test of Sphericity was significant ($p < 0.001$) for the eleven items dealing with the perceptions about RBP, therefore indicating that a factor analysis was appropriate.

The results indicated three factors based on the eigenvalue criterion (eigenvalue > 1) and the three factors explained 47.1% of the variance. The final factor loadings are shown in Table 5.3.

Table 5.3: Factor loadings of constructs

Construct	Items	Factor loadings	Cronbach Alpha
	Statement 1	0.809	
	Statement 2	0.866	
	Statement 3	0.864	
	Statement 4	0.552	
	Statement 5	0.635	
	Statement 6	0.396	
	Statement 7	0.494	
	Statement 10	0.599	
	Statement 8	0.388	
	Statement 9	0.540	
	Statement 11	0.596	

Source: Author's own compilation

The three distinct themes (factors) were labelled as follows:

Table 5.4: Theme labels of statements

Theme 1 (SR1)	Statements 1 to 5 – Benefits or advantages of RBP
Theme 2 (SR2)	Statements 6, 7 and 10 – The dual responsibility of the business and society
Theme 3 (SR3)	Statements 8, 9 and 11 – Negative connotations of RBP

Source: Author's own compilation

To determine internal consistency, a Cronbach's alpha coefficient was calculated for each of the three themes (factors) which are also indicated in Table 5.3 above. An alpha coefficient with a value of 0.7 or above (SR1 = 0.864) suggests that the questions in the scale are measuring the same thing (Cooper and Schindler, 2011). According to Hair, Black, Babin and Anderson (2010), a Cronbach alpha value of between 0.6 and 0.7 (SR3 = 0.598) is believed to be on the lower limit of acceptability, therefore not unacceptable. A value of 0.554 (SR2) is acceptable when instruments are used to gather grouped data (Döckel, Basson and Coetzee, 2006).

The internal consistency coefficients for the factors, determined from the scale regarding the perceptions of RBP, are therefore generally regarded as acceptable, but future research is required to confirm the validity and reliability of these constructs.

From this point onwards, the researcher will only refer to the themes (factors) as SR1, SR2 and SR3, as outlined in Table 5.4, which were calculated as the mean score of all the variables in each theme. The next section discusses the various RBP activities the respondents were involved in.

5.4.3 Involvement of SMMEs in RBP activities

The respondents were given a checklist-type question to determine the RBP activities they are involved in. The respondents could choose more than one option, and had to provide more information regarding each activity. The activities listed were local schools, local charities, environmental organisations, global programmes and other. The total number of respondents involved in each type of activity indicated is shown in Figure 5.13. According to the data analysis, the activity most SMMEs participate in involves local charities. To clarify, 'local schools' included mostly school names and the sponsoring of sport tours; 'local charities' included mostly church activities and names of specific welfare organisations and charities; 'environmental organisations' included mostly recycling and various going green initiatives; under 'global programmes' US Aid and the hiring of graduates were mentioned; and internships and other personal activities were included under 'other'.

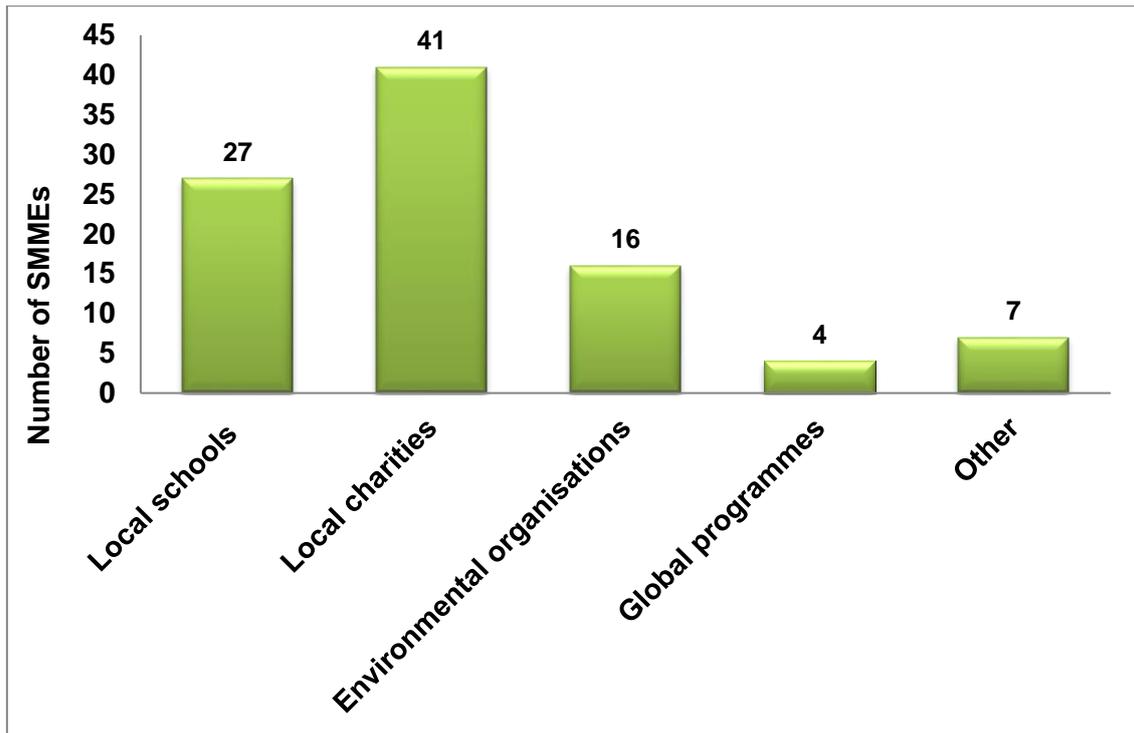


Figure 5.13: Current involvement of SMMEs in socially responsible activities

Source: Author's own compilation

A total of 74 respondents indicated that they partake in only one activity. The remaining respondents that answered this question indicated that they partake in two, three or four of the activities listed in the questionnaire.

5.4.4 Aspects influencing decision-making regarding RBP

To determine which aspects influence decision-making regarding RBP, the respondents were asked to rate seven different aspects on a five-point Likert-type scale. The aspects are (1) personal feelings and emotions; (2) ethics; (3) morals; (4) current financial condition of the company; (5) requests from friends and family; (6) religion; and (7) competitive reasons. These can also be seen in question 8 of the questionnaire (Appendix B).

The respondents had to rate each aspect to the extent that it influences them when making decisions whether to spend on a specific socially responsible activity. The scale points were (1) not at all; (2) to a small extent; (3) to a moderate extent; (4) to a large extent; and (5) always. The percentage of responses for each point on the scale are summarised in Table 5.5.

Table 5.5 The extent to which aspects influence RBP decision-making

Aspect	Not at all %	To a small extent %	To a moderate extent %	To a large extent %	Always %
Personal feelings or emotions	2.4	14.6	31.47	37.8	13.4
Ethics	1.2	15.7	34.9	32.5	15.7
Morals	0.0	9.6	27.7	53.0	9.6
Current financial condition of your company	1.2	3.6	14.5	50.6	30.1
Requests from friends and family	1.2	8.4	36.1	47.0	7.2
Religion	4.8	7.2	34.9	45.8	7.2
Competitive reasons	13.3	16.9	28.9	33.7	7.2

Source: Author's own compilation

As can be seen from Table 5.5, most of the aspects listed influence respondents to a large extent, except for ethics where the percentage indicating 'to a moderate extent' is higher than 'to a large extent'. It can also be seen that the current financial condition of the company plays a large role as it has the highest percentage of all the aspects listed, both under 'to a large extent' and 'always'.

This section covered the awareness, perceptions, activities and influences of RBP among the SMMEs. In the following section, the strength and statistical significance of important key relationships in the study will be discussed.

5.5 KEY RELATIONSHIPS

The relationships between the following key variables will be discussed by means of Cramer's V test and cross-tabulations:

The extent of engagement in RBP and

- the level of RBP awareness;
- each of the RBP activities the SMME is involved in;
- the respondent's highest level of education.

The relationship between each of the aspects influencing RBP decision-making and each of the three formal sectors of SMMEs will also be discussed.

The Kruskal-Wallis and Mann-Whitney tests were utilised to test the hypotheses that were also discussed in Chapter 1 (Section 1.4) and stated in Chapter 4 (Section 4.5.2). The hypotheses that were tested are:

H₁: A relationship exists between the extent of engagement and

- (a) the level of RBP awareness
- (b) each of the activities involved in (local schools; local charities; environmental organisations or programmes; larger, global or international scale programmes)
- (c) the respondent's highest level of education

and

H₂: A relationship exists between each of the aspects influencing engagement in RBP and each of the three grouped sectors of SMMEs.

The Pearson Chi-Square test for independence, used to test statistically if there is a significant relationship between two categorical variables, was not used to test these hypotheses, as more than 20% of the cells had an expected count of less than five for each relationship tested. The Cramer's V test was subsequently used to establish both the strength and statistical significance for each of the hypotheses.

5.5.1 The extent of engagement in RBP and the level of RBP awareness

The Cramer's V test was used to test the hypothesis and Table 5.6 shows the result of the test reflecting on the relationship between the extent of engagement in RBP and the awareness of RBP.

Table 5.6: Cramer's V result: relationship between extent of RBP engagement and RBP awareness

	Value	Approximate significance
Cramer's V	0.297	0.009

Source: Author's own compilation

The results indicate that there is a moderate statistically significant association, at the 1% level of significance between the awareness of RBP and the extent of engagement in RBP ($p=0.009$). Therefore, we can reject the null hypothesis and accept that there is a relationship between the extent of engagement in RBP and the awareness of RBP.

The cross-tabulation between the two variables of RBP (extent of engagement and awareness) are displayed in Table 5.7 below.

Table 5.7: Cross tabulation: extent of RBP engagement and RBP awareness

		Extent of engagement in RBP			
		No extent %	Little extent %	Moderate extent %	Great extent %
	Yes	27.0	47.2	22.5	3.4
	No	57.1	31.0	9.5	2.4

Source: Author's own compilation

By studying the cross-tabulation above, it appears that respondents that were not aware of the concept are mainly not involved in RBP to any extent (57.1%) while only 27% of those that are aware of the concept are not involved in RBP.

5.5.2 Extent of engagement in RBP and RBP activities

The Cramer's V test was used to test the hypothesis for each of the RBP activities and Table 5.8 shows the result of the test reflecting the relationship between the extent of engagement in RBP and the various activities that SMMEs are involved in.

Table 5.8: Cramer's V result: relationship between the extent of RBP engagement and RBP activities

		Activities involved in			
		Local schools	Local charities	Environmental activities	Larger scaled programmes
	Value	0.372	0.518	0.333	0.250
	Approximate Significance	0.000	0.000	0.002	0.042

Source: Author's own compilation

The results indicate that a strong statistically significant relationship, at the 1% level of significance, exists between the extent of engagement in RBP and being involved in local charities ($p=0.000$) and local schools ($p=0.000$). Furthermore, there is a moderate statistically significant relationship, at the 1% level of significance, between the extent of engagement in RBP and being involved in environmental activities ($p=0.002$). For larger scaled programmes, the relationship is also moderate and statistically significant at the 5% level of significance ($p=0.042$). Therefore, the null hypotheses can be rejected.

The results of the cross-tabulation between the extent of engagement in RBP and the different RBP activities are displayed in Table 5.9.

Table 5.9: Cross-tabulation: extent of RBP engagement and SMME activities

		Local schools		Local charities		Environmental activities		Larger scaled activities	
		Involved %	Not involved %	Involved %	Not involved %	Involved %	Not involved %	Involved %	Not involved %
	None	3.70	45.19	0.00	52.75	0.00	41.74	0.00	37.80
	Little	55.56	38.46	72.50	28.57	56.25	40.00	50.00	41.73
	Moderate	37.04	13.46	22.50	16.48	31.25	16.52	25.00	18.11
	Great	3.70	2.89	5.00	2.20	12.50	1.74	25.00	2.36
	TOTAL	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Author's own compilation

By studying the cross-tabulations above, it appears that the SMMEs are mostly involved to a little and moderate extent with each of the activities.

5.5.3 Extent of engagement in RBP and the highest level of education

The Cramer's V test was used to test the hypothesis and Table 5.10 shows the result of the test reflecting the relationship between the extent of engagement in RBP and the highest level of education.

Table 5.10: Cramer's V result: relationship between the extent of RBP engagement and highest level of education

	Value	Approximate Significance
Cramer's V	0.277	0.370

Source: Author's own compilation

The results indicate that there is no statistically significant relationship between the extent of engagement in RBP and the respondents' highest level of education ($p=0.370$). Therefore, the null hypotheses could not be rejected.

The cross-tabulation results are shown in Table 5.11 below.

Table 5.11: Cross tabulation: extent of RBP engagement and education level

		Highest level of education		
		NQF levels 1-4 %	NQF levels 5-7 %	NQF levels 8-9 %
	Little extent	19.3	33.7	13.3
	Moderate extent	8.4	16.9	3.6
	Great extent	0.0	3.6	1.2

Source: Author's own compilation

By studying the cross-tabulation above, it appears that the respondents with a qualification from NQF levels 5 to 7 have the highest level of engagement in RBP across all the extent categories. It appears that a higher level of education does not necessarily cause SMMEs to be involved in RBP to a greater extent, since the lower NQF levels (1 to 4) are more involved to a little and moderate extent than the highest NQF levels (8 to 9). Only one respondent with an education at NQF level 8 to 9 indicated that their SMME engages in RBP to a great extent.

5.5.4 Aspects influencing RBP decision-making and SMME sectors

The Cramer's V test was used to test the hypothesis for each of the three grouped SMME sectors and Table 5.12 shows the results of the test reflecting the relationship between the aspects influencing engagement in RBP and the sector of the SMME.

Table 5.12: Cramer's V result: relationship between aspects influencing engagement in RBP and SMME sector

Aspect	Test	Sectors		
		Manufacturing	Financial intermediation, insurance, business services and real estate	Wholesale, retail, vehicle repair, personal and household goods, restaurants and hotels
	Cramer V's value	0.095	0.125	0.172
	Approximate significance	0.946	0.866	0.659
	Cramer V's value	0.171	0.240	0.199
	Approximate significance	0.660	0.312	0.511
	Cramer V's value	0.122	0.063	0.073
	Approximate significance	0.743	0.954	0.931
	Cramer V's value	0.258	0.210	0.113
	Approximate significance	0.239	0.456	0.902
	Cramer V's value	0.210	0.161	0.266
	Approximate significance	0.456	0.710	0.208
	Cramer V's value	0.232	0.207	0.314

Aspect	Test	Sectors		
		Manufacturing	Financial intermediation, insurance, business services and real estate	Wholesale, retail, vehicle repair, personal and household goods, restaurants and hotels
	Approximate significance	0.344	0.471	0.086
	Cramer V's value	0.155	0.188	0.166
	Approximate significance	0.737	0.572	0.686

Source: Author's own compilation

The cross-tabulation results are shown in Table 5.13.

Table 5.13: Cross tabulation: RBP engagement and SMME sectors

Aspect	Extent	Manufacturing %	Financial intermediation insurance, business services and real estate %	Wholesale, retail, vehicle repair, personal and household goods, restaurants and hotels %
	Not at all	4.0	3.2	0.0
	Small	12.0	12.9	20.0
	Moderate	32.0	25.8	32.0
	Large	36.0	41.9	40.0
	Always	16.0	16.1	8.0
	Not at all	0.0	3.1	0.0
	Small	12.0	18.8	16.0
	Moderate	32.0	25.0	48.0
	Large	32.0	40.6	24.0
	Always	24.0	12.5	12.0
	Not at all	0.0	0.0	0.0
	Small	12.0	9.4	8.0

Aspect	Extent	Manufacturing %	Financial intermediation insurance, business services and real estate %	Wholesale, retail, vehicle repair, personal and household goods, restaurants and hotels %
	Moderate	20.0	31.3	32.0
	Large	56.0	50.0	52.0
	Always	12.0	9.4	8.0
	Not at all	4.0	0.0	0.0
	Small	8.0	0.0	4.0
	Moderate	16.0	15.6	12.0
	Large	52.0	46.9	48.0
	Always	20.0	37.5	36.0
	Not at all	0.0	3.1	0.0
	Small	8.0	9.4	8.0
	Moderate	24.0	34.4	52.0
	Large	56.0	43.8	40.0
	Always	12.0	9.4	0.0
	Not at all	4.0	9.4	0.0
	Small	4.0	3.1	16.0
	Moderate	32.0	34.4	36.0
	Large	44.0	46.9	48.0
	Always	16.0	6.3	0.0
	Not at all	12.0	15.6	12.0
	Small	16.0	12.5	24.0
	Moderate	24.0	28.1	32.0
	Large	44.0	31.3	24.0
	Always	4.0	12.5	8.0

Source: Author's own compilation

The results indicate that there is only one moderate, statistically significant relationship at the 10% level of significance between religion and SMMEs in the wholesale, retail, vehicle repair, personal and household goods, restaurants and hotels industries.

There is no statistically significant relationship between the rest of the aspects influencing engagement in RBP and each of the three grouped sectors of the SMME. Therefore, in these cases, the null hypotheses could not be rejected.

5.5.5 Key differences between variables

The Kruskal-Wallis test was used to determine statistical significant differences between:

- The age groups of respondents with regard to the extent of involvement in RBP.
- The age groups of respondents with regard to the aspects influencing RBP decision-making.
- The size of the SMMEs with regard to the business's perceptions of RBP.
- The respondent's highest level of education with regard to the aspects influencing RBP decision-making.

The Mann-Whitney test was used to determine:

- The difference between the male and female respondents with regard to the aspects influencing RBP decision-making.

5.5.5.1 Age groups and the extent of involvement in RBP

The following hypotheses were formulated:

H₀: There is no difference between the age groups of respondents with regard to the extent of involvement in RBP.

H₁: There is a difference between the age groups of respondents with regard to the extent of involvement in RBP.

The age groups tested were 30 to 39 years, 40 to 49 years and 50 to 59 years. The 18 to 29 years group was not included due to the small number of people in this group. The Kruskal-Wallis test was used to test the hypothesis and the result

of the test for the difference between the age groups with regard to the extent of RBP involvement is shown in Table 5.14.

Table 5.14: Kruskal-Wallis test results: age groups and RBP involvement

	Extent of involvement
Chi-Square	5.087
df	2
Asymp. Sig.	.079

Source: Author's own compilation

The results indicate that there is a statistically significant difference at the 10% level of significance between the age groups of respondents with regard to the extent of involvement in RBP ($p=0.079$). Therefore, the null hypothesis can be rejected.

Furthermore, the mean ranks indicate that the age group of 50 to 59 years tends to have a greater involvement in RBP (mean rank = 49.77), while the age group of 40-49 years tend to have the lowest involvement in RPB (mean rank = 35.52).

5.5.5.2 Age groups and the aspects influencing RBP decision-making

The following hypotheses were formulated:

H₀: There is no difference between the age group of respondents with regard to each of the aspects influencing RBP decision-making.

H₁: There is a difference between the age group of respondents with regard to each of the aspects influencing RBP decision-making.

Each aspect was tested separately. Only one of the seven aspects was statistically significant. The aspect where a statistically significant difference exists is shown in Table 5.15 that shows the test result for the difference between the age groups with regard to the aspects influencing RBP decision-making.

Table 5.15: Kruskal-Wallis test results: the age groups and aspects influencing RBP decision-making

	Current financial condition of the business
Chi-Square	8.189
df	2
Asymp. Sig.	.017

Source: Author's own compilation

This result indicates that there is a statistically significant difference, at the 5% level of significance, between the age group of respondents with regard to one aspect (current financial condition of the business) influencing RBP decision-making. Thus, the null hypothesis can be rejected in this case.

Furthermore, mean ranks indicate that the age group of 50 to 59 years tend to be less influenced by their business's current financial condition (mean rank = 24.65) than the other age groups. The 40 to 49 years group tend to be most influenced by this aspect (mean rank = 43.36) with the 30 to 39 years group only slightly less (mean rank = 41.61).

5.5.5.3 Size of the SMME and the business's perceptions of RBP

The following hypotheses were formulated:

H₀: There is no difference between the size groupings of the SMMEs with regard to the business's perceptions of RBP.

H₁: There is a difference between the size groupings of the SMMEs with regard to the business's perceptions of RBP.

The size of the SMME was divided into groups as discussed in Section 5.3.3. The first group tested were SMMEs with zero to ten employees, the second group were SMMEs with 11 to 20 employees, the third group were SMMEs with 21 to 30 employees and the final group were SMMEs with more than 30 employees. Each theme or group of perceptions (as identified in Section 5.4.3) was tested individually. The Kruskal-Wallis test was used to test the hypotheses and the result for the test with reference to the difference between the size of the SMMEs with regard to the business's perceptions of RBP is shown in Table 5.16.

Table 5.16: Kruskal-Wallis test results: size of the SMMEs the business's perceptions of RBP

	Benefits / advantages of RBP (SR1)	Dual responsibility of business and society (SR2)	Negative connotations of RBP (SR3)
Chi-Square	3.127	6.344	2.819
df	3	3	3
Asymp. Sig.	.373	.096	.420

Source: Author's own compilation

The results show that there is no statistically significant difference between the size groupings of the businesses regarding: the benefits or advantages of RBP ($p=0.373$); and the negative connotations of RBP ($p=0.420$). Therefore, the null hypothesis cannot be rejected. However, for the dual responsibility of business and society ($p=0.096$); there exist a statistical significant difference, at the 10% level of significance.

Furthermore, mean ranks indicate that the fourth size group (SMMEs with more than 30 employees) tend to have the highest agreement level with the theme regarding the dual responsibility of business and society (mean rank = 53.44). The SMMEs with one to ten employees have the lowest level of agreement with this theme (mean rank = 32.35).

5.5.5.4 Level of education and RBP decision-making

The following hypotheses were formulated:

- Ho: There is no difference between the group of the respondent's highest level of education with regard to the aspects influencing RBP decision-making.
- H₁: There is a difference between the group of the respondent's highest level of education with regard to the aspects influencing RBP decision-making.

The respondents' highest level of education was divided into three groups as discussed in Section 5.2.3: NQF levels 1 to 4; NQF levels 5 to 7; and NQF levels 8 to 9. Each aspect was tested separately. Only one of the seven aspects was statistically significant. The aspect (ethics) where a statistically significant difference exists is shown in Table 5.17 that shows the test results that reflect the

difference between the highest level of education with regard to the aspect (ethics) influencing RBP decision-making.

Table 5.17: Kruskal-Wallis test results: highest level of education and aspect influencing RBP decision-making

	Ethics
Chi-Square	6.588
df	2
Asymp. Sig.	.037

Source: Author's own compilation

This result indicates that there is a statistically significant difference, at the 5% level of significance, between the group of the respondent's highest level of education with regard to one aspect, namely ethics influencing RBP decision-making. Thus, the null hypothesis can be rejected.

Furthermore, mean ranks indicate that respondents' whose highest qualification is on NQF levels 5, 6 or 7, are the most influenced by ethics when making RBP decisions (mean rank = 49.51). Respondents' whose highest qualification is on NQF level 8 or 9 are the least influenced by ethics (mean rank = 34.43).

5.5.5.5 Gender and RBP decision-making

The following hypotheses were formulated:

H₀: There is no difference between the male and female respondents with regard to the aspects influencing RBP decision-making.

H₁: There is a difference between male and female respondents with regard to the aspects influencing RBP decision-making.

Each aspect was tested separately. The Mann Whitney test was used to test the hypotheses and the aspects where a statistically significant difference exists are shown in Table 5.18. Four of the seven aspects were statistically significant.

Table 5.18: Mann-Whitney test results: gender and the aspects influencing RBP decision-making

	Personal feelings or emotions	Ethics	Morals	Religion
Mann-Whitney U	577.500	551.000	603.000	586.000
Wilcoxon W	1955.500	1929.000	1981.000	1964.000
Z	-2.045	-2.509	-2.100	-2.232
Asymp. Sig. (2-tailed)	.041	.012	.036	.026

Source: Author's own compilation

This result indicates that there is a statistically significant difference, at the 5% level of significance, between male and female respondents with regard to these four aspects influencing their decision-making regarding RBP. Thus, the null hypothesis can be rejected for these four aspects.

Furthermore, the mean ranks indicate that females' decision-making are more influenced by all four of the aspects than males (mean ranks of personal feelings: 48.25 vs. 37.61, mean ranks of ethics: 50.23 vs. 37.10, mean ranks of morals: 48.55 vs. 38.10 and mean ranks of religion: 49.10 vs. 37.77). Thus, when making a decision, female decision-makers in SMMEs are more likely to consider their personal feelings, ethics, morals and religion than male decision-makers in SMMEs .

5.5.6 Correlation analysis

This section presents the correlation analysis of the relationship between the size of the SMME and the number of RBP activities they are involved in.

Inferential statistical analysis was used to determine the relationship between the size of the SMME and the number of RBP activities they are involved in.

The following hypotheses were formulated:

H₀: There is no relationship between the size of the SMME and the number of RBP activities they are involved in.

H₁: There is a relationship between the size of the SMME and the number of RBP activities they are involved in.

The results are shown in Table 5.19.

Table 5.19: Measure of the strength of the association test results

		Number of activities involved in	Size of the business
	Pearson correlation	1	.001
	Sig. (2-tailed)		.996

Source: Author's own compilation

The results show that the relationship is very weak and not statistically significant ($p=0.996$). Therefore, the null hypothesis cannot be rejected. The size of the business is not statistically significantly related to the number of RBP activities the SMME is involved in.

5.6 SUMMARY OF THE FINDINGS OF THE STUDY

The table below summarises all the main findings presented in this chapter.

Table 5.20: Main findings of the study

	Main findings
1.	Two thirds (62%) of the respondents were males.
2.	The majority (80%) of the SMME decision-makers who answered this question were between the ages of 30 and 49.
3.	A total of 35 respondents (41.7%) indicated their highest qualification is a Higher Certificate, a National Diploma or Advanced Certificate, a Bachelors Degree (3 years) or an Advanced Diploma (NQF levels 5 to 7).
4.	Most of the SMMEs (40%) indicated that their company is operating in the financial intermediation, insurance; real estate; and business services sectors.
5.	The majority of respondents (57%) indicated that they are the owner and manager of their business.
6.	The majority of respondents, 30 (40.5%), indicated that their SMME only employs one to ten employees while only eight (10.8%) of the SMMEs employ more than 30 people. The average number of employees was 17.
7.	The respondents operate in 36 different suburbs of Tshwane.
8.	The majority (73.9%) of the respondents are the main decision-maker in their business.

	Main findings
9.	More than two thirds (67.9%) of respondents were aware of the RBP concept.
10.	The majority of SMMEs, 56 (42.4%), indicated that they only engage in RBP to a little extent. A total of 48 SMMEs (36.4%) indicated that they do not engage in RBP at all, while the minority indicated they engage to a moderate (18.2%) or great (3%) extent.
11.	The main reason for not engaging in RBP is that SMMEs do not have the time to do so (29.2%). Financial constraints were also indicated by 11 (22.9%) respondents as the reason for non-engagement.
12.	When considering the SMMEs perception of RBP, respondents most strongly agreed with the statements that: (1) socially responsible behaviour can be in the best interest of the stakeholders of the business; and (2) the efficient production of goods and services is no longer the only thing society expects from businesses.
13.	The activity most SMMEs participate in involves local charities.
14.	Most of the aspects influence respondents to a large extent, except for ethics where 'to a moderate extent' is higher than 'to a large extent'. The current financial condition of the company has the highest percentage of all the aspects both under 'to a large extent' and 'always'.
15.	There is a statistically significant relationship between the awareness of RBP and the extent of engagement in RBP. The awareness of RBP influences the extent to which respondents are involved in RBP.
16.	There is a statistically significant relationship between the extent of engagement in RBP and each of the activities the SMME is involved in. The SMMEs are mostly involved to a little extent with activities that revolve around local schools (21%) and local charities (31%).
17.	There is a statistically significant difference between the age groups of respondents with regard to the extent of involvement in RBP. The mean ranks indicate that the age group of 50 to 59 years tend to have a greater involvement in RBP, while the age group of 40-49 years tend to have the lowest involvement in RPB.
18.	There is a statistically significant difference between the age group of respondents with regard to an aspect (current financial condition of the business) influencing RBP decision-making. The mean ranks indicate that the age group of 50 to 59 years tend to be less influenced by their business's current financial condition than the other age groups.
19.	There is a statistically significant difference between the respondents' highest level of education with regard to the aspect (ethics) influencing RBP decision-making.
20.	There is a statistically significant difference between male and female respondents with regard to these four aspects influencing their decision-making on RBP.

Main findings	
21.	The mean ranks indicate that females' RBP decision-making are more influenced by personal feelings, ethics, morals and religion than that of males.

Source: Author's own compilation

The main findings of the study were listed in Table 5.20 above. This will be used in the next chapter where recommendations and conclusions will be made.

5.7 CONCLUSION

To conclude, this chapter presented the study and analysis of RBP in SMMEs in Tshwane. In order to assess the primary and secondary objectives of this study, descriptive and inferential analyses were executed. In the first section, the demographic information of the respondents was discussed, followed by the information regarding the profile of the SMMEs; as well as the awareness, perceptions, activities and influences of RBP among the respondents.

In the second part of this chapter, key relationships were presented and explained. The third and final section of this chapter discussed the inferential statistical analysis that was performed to test the hypothesis. The hypotheses were developed to determine the most significant differences between various variables. A table was provided to summarise and outline the main findings of the study. In the final chapter of this study, conclusions will be drawn and recommendations relating to the results of the research will be provided.

CHAPTER 6

CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This study, comprising of six chapters, investigated the aspects influencing decision-making regarding RBP in SMMEs in Tshwane. This is the final component of the research study and is aimed at applying the information obtained from the literature study and the empirical study as background to provide a solution to the problem stated in Chapter 1. It provides an overview of, and insight into the research that has been conducted with regard to the aspects that influence decision-making in SMMEs in Tshwane. This will be done by focusing on the realisation of the purpose and objectives in conjunction with conclusions, recommendations, limitations and suggestions for further research.

6.2 RESEARCH OBJECTIVES AND CONCLUSIONS

This study set out to investigate the aspects influencing decision-making regarding RBP in SMMEs in Tshwane, South Africa. As discussed in earlier chapters, research on acting responsibly has been undertaken in various other countries, but not in South Africa. There are also limited studies that examine the decision-making process in SMMEs, and more specifically, decision-making regarding RBP activities.

This study aimed to fill the gap in the literature, and the following primary objective was set: to investigate the aspects influencing RBP decision-making in SMMEs in Tshwane. The study sought to answer the following research question: *What aspects influence the decision-making regarding responsible business practices in SMMEs in Tshwane?*

In order to achieve the primary objective of this study and answer the research question, the following secondary objectives were pursued:

1. To determine the awareness of RBP among SMME decision-makers.
2. To determine the RBP activities that SMMEs in Tshwane are involved in.
3. To determine the attitudes and perceptions of SMME decision-makers towards RBP.

4. To identify specific aspects influencing SMME decision-makers in the RBP decision-making process.
5. To identify the relationship between the extent of engagement in RBP and (a) the level of RBP awareness; (b) each of the RBP activities involved in; and (c) the respondent's highest level of education.
6. To identify the differences between the (a) age; (b) level of education; and (c) gender of the SMME decision-maker with regard to the aspects influencing RBP decision-making in SMMEs.

The primary and secondary objectives of this study have been met and are discussed in the following section, together with the conclusions and recommendations per individual objective.

6.2.1 Primary objective

To investigate the aspects influencing RBP decision-making in SMMEs in Tshwane

All of the aspects identified in the literature review are applicable to SMMEs in Tshwane, South Africa. The aspects influencing RBP decision-making are: (1) personal feelings and emotions; (2) ethics; (3) morals; (4) current financial condition of the company; (5) requests from friends and family; (6) religion; and (7) competitive reasons (Chapter 5, Section 5.4.4).

Conclusion and recommendations

The findings of the study correspond with the literature review (references listed in Table 4.4). After considering and acknowledging the various influencing aspects, it can be concluded that while all of the aspects may influence individuals when making a decision, the degree of influence will differ from one individual to the next and from one business to the other. SMMEs should take into account that the identified influencing aspects are both personal and business-related and that the extent to which each individual aspect influences the decision-maker's choices will differ. If there is more than one decision-maker in the business, each should be aware of the aspects that are more important to the other by having an open and honest relationship and by respecting the viewpoints of each decision-maker. It is therefore recommended that discussions regarding these aspects be held in each

SMME so as to improve communication and to reach consensus regarding the RBP activities the SMME decides to engage in.

6.2.2 Secondary objective 1

To determine the awareness of RBP among SMME decision-makers

The majority of SMMEs were aware of the RBP concept while completing the questionnaire (Chapter 5, Section 5.4.1).

Conclusion and recommendations

Considering this finding of the study regarding the awareness level of RBP as a concept among SMMEs, it could be concluded that doing business responsibly is an option, but not necessarily a priority, for the decision-makers at SMMEs. While the majority are aware of the concept, their level of engagement is still low. SMMEs should discuss the concept and principles of RBP with other local SMMEs so as to improve the awareness of the concept as well as to promote the advantages involved when acting responsibly. The suggestion made by Pastrana and Sriramesh (2014) that SMMEs should cooperate with larger businesses to benefit from opportunities for knowledge exchange with SMMEs, is also applicable in this study. SMMEs might be more willing to partake in RBP if they are aware of the benefits that it holds. Since society demands responsible business actions from all businesses, SMMEs can strengthen their image and improve the trust between the local community and the business if their awareness of the concept is increased. While there is no mandatory SMME professional body or board, the organisations that support SMMEs (discussed in Section 2.4.1) could also assist in promoting the RBP concept and principles.

6.2.3 Secondary objective 2

To determine the RBP activities that SMMEs in Tshwane are involved in

SMMEs in Tshwane are involved to a little extent with all the following activities: (1) local schools; (2) local charities; (3) environmental programmes; and (4) larger scaled programmes. The activity most SMMEs participate in involves local charities (Chapter 5, Section 5.4.3).

Conclusion and recommendations

Considering this finding of the study regarding the RBP activities of Tshwane SMMEs, it can be concluded that the SMMEs are interested in helping their local community to develop. This corresponds with the finding of Coppa and Sriramesh (2013) that local community involvement is the most frequently practised socially responsible activity. It can also be concluded that since SMMEs indicate a lack of time as one of the main reasons for not partaking in RBP, donating to local charities might be the quickest way for them to 'do good'. It is recommended that SMMEs continue to invest resources in their local community as it will lead to mutual respect and even to an increase in profits for the SMME. SMMEs are dependent on successful communities to create a demand for their products and services, and communities need successful businesses to provide jobs and wealth-creation opportunities. This relates to the concept of shared value as discussed in Section 3.2.3.2. It is also recommended that SMMEs become more involved with the other activities in a way that would not be a financial burden. Keeping in mind that financial constraints was given as a reason for non-engagement, it is recommended that SMMEs seek ways to increase their visibility, such as small sponsorships of items, advertising and becoming physically involved rather than spending company funds. These activities might lead to increased profits for SMMEs, in turn leading to the involvement with more activities.

6.2.4 Secondary objective 3

To determine the attitudes and perceptions of SMME decision-makers towards RBP

SMMEs strongly agree that: (1) socially responsible behaviour can be in the best interest of the stakeholders of the business; and (2) the efficient production of goods and services is no longer the only thing society expects from businesses (Chapter 5, Section 5.4.2).

Conclusion and recommendations

Considering this finding regarding the SMMEs' attitudes and perspectives toward RBP, it can be concluded that there is an agreement among SMMEs on the growing importance of responsible business practices. The high level of

agreement on the above-mentioned statements indicates that RBP is an expectation society (the local community of the SMME) and other stakeholders have of the SMME. The overall analysis of the attitudes and perceptions of the SMMEs (see Table 5.2) corresponds with the findings made by Fatoki and Chiliya (2012) that indicated positive attitudes from SMMEs regarding RBP. It can be concluded that SMMEs currently have the correct (positive) attitude toward RBP and it is recommended that the SMMEs should share this perception with other local businesses. Knowledge-sharing sessions can be initiated by both SMMEs that are passionate about RBP, as well as SMME support organisations in South Africa. The benefits of and opportunities for RBP should be discussed and explained in these sessions to increase the overall level of engagement among SMMEs.

6.2.5 Secondary objective 4

To identify specific aspects influencing SMME decision-makers in the RBP decision-making process

Personal feelings or emotions, morals, the current financial condition of the company, requests from friends or family, religion and competitive reasons all influence respondents to a large extent. Ethics only influences SMMEs to a moderate extent while the current financial condition of the company is the greatest influence for SMMEs (Chapter 5, Section 5.4.4).

Conclusion and recommendations

The fact that ethics only influence the SMMEs' decision-making process to a moderate extent is problematic. This finding reveals that SMMEs are more focused on the profits of the business than on acting in an ethical manner. Considering this result, it can be concluded that the behaviours and patterns of decision-making in SMMEs could be improved. Since the decision-makers in SMMEs are mostly the owners or managers who should set an example for other employees, this could prove to be a difficult problem to address. It is recommended that SMMEs have an ethical code of conduct explaining the 'right thing to do' in situations faced by the business, and violations of this code should be taken seriously. Therefore, ethical behaviour should be enforced and while this

might require a change in procedures for the SMME, the short-term losses will be outweighed in the long-term by an improvement in the reputation of the business.

Considering that the current financial condition of the company is the greatest influence when deciding to spend resources on RBP activities, it can be concluded that if an SMME is in a bad financial state, they will most likely not partake in RBP. This corresponds with the finding by Dincer and Dincer (2013) who stated that the financial position was a factor when the business wasn't doing well. Therefore, the extent of RBP engagement in the SMME depends on the availability of funds. It is recommended that SMMEs compile a budget for RBP expenses. As society demands more socially responsible business from all businesses, it could reflect badly on the SMME should there be a sudden reduction in RBP. Assistance from SMME support organisations could be valuable to SMMEs. Other methods of socially responsible actions, regardless of available funds (such as small sponsorships, advertisements and being physically involved in activities to increase visibility – as previously discussed) should be explored and adapted.

6.2.6 Secondary objective 5

To identify the relationship between the extent of engagement in RBP and (a) the level of RBP awareness; (b) each of the RBP activities involved in; (c) the highest level of the respondent's education

5(a) To identify the relationship between the extent of engagement in RBP and the level of RBP awareness

A statistically significant relationship between the awareness of RBP and the extent of engagement in RBP exists. This study revealed that the awareness of RBP influences the extent to which respondents are involved in RBP (Chapter 5, Section 5.5.1).

Conclusion and recommendations

This finding reveals that SMMEs are more likely to engage in doing business responsibly if they are aware of the RBP concept. While some SMMEs are unaware of the concept, those that are aware of RBP still only engage to a little extent. It can be concluded that some SMMEs, while aware of the concept, choose not to be involved in RBP. However, the reason for this was not included in the

questionnaire and therefore it is a suggestion for future research. It is recommended that SMMEs discuss the concept with other local businesses since being aware of RBP seems to encourage the engagement in RBP.

5(b) To identify the relationship between the extent of engagement in RBP and each of the RBP activities involved in

A statistically significant relationship exists between the extent of engagement in RBP and the RBP activities SMMEs are involved in. The study revealed that SMMEs are mostly involved with activities that revolve around local schools and local charities (Chapter 5, Section 5.5.2).

Conclusion and recommendations

Considering the findings regarding the existing relationship between the variables, it can be concluded that SMMEs are interested in helping their local community develop (by being involved with local charities and schools) although they are mainly involved only to a little extent. This result corresponds with the findings of the survey conducted in Ireland (ISME, 2015) indicating that of the SMMEs involved in acting responsibly, 92% donate to charities. The strong relationship between the extent of engagement and these two activities could indicate that it is the most convenient way for SMMEs to get involved, or that SMMEs see it as a risk to get involved with programmes of a larger scale. It is recommended that SMMEs do research and broaden their experience by looking at other ways to partake in RBP. It is relatively easy for SMMEs to start conducting their business in a more environmentally friendly way and therefore SMMEs should become involved in these initiatives.

5(c) To identify the relationship between the extent of engagement in RBP and the respondent's highest level of education

There is no statistically significant relationship between the extent of engagement in RBP and the respondent's highest level of education. The study found that respondents with a qualification from NQF levels 5 to 7 have the highest level of engagement in RBP (Chapter 5, Section 5.5.3).

Conclusion and recommendations

From this finding it can be concluded that a higher level of education does not necessarily cause a higher involvement in RBP in SMMEs. This finding conflicts with the study done by Hsu and Cheng (2012) which indicated that the education levels have a positive relationship with RBP initiatives. However, Hsu and Cheng (2012) also indicated that there is a higher degree of influence from having a graduate school education than from other educational levels. For the purpose of this study NQF level 7 (Bachelor's Degree or Advanced Diploma) that corresponds with Hsu and Cheng's term 'graduate school education' forms part of the NQF levels 5 to 7 grouping which had the highest level of RBP engagement. Therefore, this particular finding supports literature previously discussed to some extent. It is recommended that SMME decision-makers educate themselves and their employees on RBP, regardless of their level of formal education. This would foster an organisational culture of 'doing good to do well' and will, in the long term, lead to enhanced reputation, empowered employees and sustainability.

6.2.7 Secondary objective 6

To identify the differences between the (a) age; (b) level of education; and (c) gender of the SMME decision-maker with regard to the aspects influencing RBP decision-making in SMMEs

6 (a) To identify the differences between the age of the SMME decision-maker with regard to the aspects influencing RBP decision-making

There is a statistically significant difference between the age groups of respondents with regard to only one aspect (current financial condition of the business) influencing RBP decision-making. The age group of 50 to 59 years tend to be less influenced by their business's current financial condition than the other age groups (Chapter 5, Section 5.5.5.2).

Conclusion and recommendation

From this finding it can be concluded that the SMMEs with older decision-makers are more likely to spend company resources on RBP regardless of their business's financial position. Tuzco (2014), after reviewing a number of studies, came to the

conclusion that it is not possible to observe a strong association between age and CSR implementation in a large business. However, this study proposes that in an SMME, the age of the decision-maker is indeed an influencing aspect. It is recommended that SMMEs that have older decision-makers should mentor subordinates and instil this value of socially responsible action regardless of the financial condition of the business. It is likely that these decision-makers realise that a poor financial condition is a temporary state and that in the long term, acting responsibly could provide the business with invaluable benefits. Younger decision-makers possibly lack the experience that their older counterparts possess. SMMEs should hold discussions with employees regarding the aspects influencing RBP decision-making, so as to improve communication and understanding, and also to ultimately reach consensus on the RBP activities in which to engage.

6 (b) To identify the differences between the level of education of the SMME decision-maker with regard to the aspects influencing RBP decision-making

There is a statistically significant difference between the respondent's highest level of education with regard to ethics influencing RBP decision-making (Chapter 5, Section 5.5.5.4).

Conclusion and recommendation

This result reveals that if the SMME decision-maker has a higher level of education, ethics are more important when deciding to be involved in RBP. It is interesting to note there was no relationship between the extent of RBP engagement and the respondent's level of education, but there is indeed a difference between the respondents when considering ethics as an influencing aspect on decision-making. A possible reason for this finding could include that higher education institutions (HEI) might include ethics as part of their curriculum, and therefore the decision-maker might have a better grounding in ethics and ethical behaviour. Another possible reason could be that the decision-maker previously attended ethics training. It is therefore recommended that SMMEs organise ethics training for all of the employees so as to increase their knowledge on the topic, regardless their level of formal education. Knowledge on ethical

behaviour will lead to a change in the mind-set and decision-making processes of SMMEs.

6 (c) To identify the differences between the gender of the SMME decision-maker with regard to the aspects influencing RBP decision-making

There is a statistically significant difference between the gender (male and female) of the respondents with regard to four aspects (personal feelings, ethics, morals and religion) influencing RBP decision-making. The RBP decision-making of females respondents is more influenced by these aspects than males (Chapter 5, Section 5.5.5.5).

Conclusion and recommendation

From this finding it can be concluded that personal feelings, ethics, morals and religion are more important to females and they are more likely to involve their emotions and personal values when making RBP decisions. No evidence was found in the literature to support these differences between males and females when making RBP decisions, and therefore this is a suggestion for future research. It is recommended that the gender difference is addressed by SMMEs through open communication and interaction. Males should be aware that females are influenced by personal emotions and values to a greater extent.

This section discussed all the research objectives of this study, the relevant discussions, conclusions and recommendations per objective. In the following section, the limitations of the study will be outlined.

6.3 LIMITATIONS OF THE STUDY

Several notable limitations affected the findings of this study and the researcher's ability to generalise them to the greater SMME population in South Africa.

Firstly, it was a challenge to obtain a comprehensive list of SMMEs due to the lack of a complete database in South Africa, and more specifically in Tshwane. A list had to be compiled from a publically available directory, but not all SMMEs have listings in this directory.

Secondly, the data was obtained in a relatively short time period and therefore represents a “snapshot” as opposed to a trend among SMMEs. Hence only the depth and not the width of the data was examined.

Thirdly, the study only focused on SMMEs operating in Tshwane and not on other districts or provinces. The results of the study are not intended to be generalised to a larger population, given the nature of the sampling plan, but it is possible for other domains with the same characteristics to benefit from this study. The findings therefore cannot be extrapolated to apply to all the SMMEs in South Africa.

Finally, the fieldworkers could have caused the respondents to feel uncomfortable and this could have influenced their responses. It is also possible that respondents have not been working at the SMME for a long enough period of time to be aware of all the RBP activities the business is involved in.

The recommendations for future research made in the following section could be helpful for all SMME owners/managers in Tshwane as well as other provinces in South Africa that are interested in determining the aspects influencing their decision-making regarding RBP.

6.4 FUTURE RESEARCH SUGGESTIONS

As this study is concerned with the aspects influencing RBP decision-making in Tshwane SMMEs, it is suggested that the same research can be conducted in other provinces within South Africa or in South Africa as a country. Another suggestion is that the same research be conducted to determine whether any differences between decision-making regarding RBP in formal (Pay As You Earn – PAYE, Value Added Tax – VAT and Companies and Intellectual Property Registrations Office – CIPRO registered) and informal SMMEs exist. In-depth research could also be conducted on possible reasons why SMMEs do not engage in RBP, as well as the alternative terminology that is being used for the term of ‘doing responsible business’. Finally, it is also suggested that future research should explore the components and determinants of personal feelings of the SMME decision-makers.

The discussion above aimed to identify suggestions for further research, based on the understandings, findings and conclusions formulated in this research dissertation.

6.5 CONCLUSION

This study aimed to investigate the various aspects identified in previous studies that could influence the decision-making process of SMME owners/managers in Tshwane regarding RBP. A primary, as well as several secondary objectives were set to achieve the purpose of this study, and it can be concluded that the study succeeded in its aim. The two literature chapters provided a theoretical platform regarding SMMEs, RBP, and decision-making that was used to develop a structured questionnaire to conduct a survey in order to collect primary data. The results and findings of this study provided feedback on the demographics of the SMMEs; the profile of the SMMEs; and the level of RBP awareness; RBP attitudes and perceptions; the RBP activities they are involved in; and the aspects influencing RBP decision making.

From the findings of this study it is clear that SMMEs are indeed aware of the RBP concept and the majority engage in these activities to some extent for various reasons. This study contributes to the body of knowledge on decision-making in SMMEs with regard to RBP. The study also contributed to knowledge on RBP in South Africa and confirmed that there are many aspects that influence SMMEs to spend their resources on RBP. The conclusions and recommendations provided in this study could be beneficial to SMMEs in Tshwane, Gauteng or the entire country.

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APPENDIX A
ETHICAL CLEARANCE CERTIFICATE

DEPARTMENT OF BUSINESS MANAGEMENT RESEARCH ETHICS REVIEW COMMITTEE

31 October 2014

Ref #: 2014_CEMS_BM_018

Ms Lynette Cronjé

Student #:49089595

Prof EJ Ferreira

Staff #:90009606

Dr S van Antwerpen

Staff #:90202309

Dear Ms Lynette Cronjé,

Decision: Ethics Approval

Name: Ms Lynette Cronjé – Principal Researcher (cronjl@unisa.ac.za; 0124292245)

Proposal: Aspects influencing decision-making regarding responsible business practices in SMEs in the Tshwane district.

Qualification: Postgraduate degree

Thank you for the application for research ethics clearance by the Department of Business Management Research Ethics Review Committee for the above mentioned research. Final approval is granted for the duration of the project from the date of issue.

For full approval: The application was reviewed in compliance with the Unisa Policy on Research Ethics by the Department of Business Management on 22 October 2014.

The proposed research may now commence with the proviso that:

- 1) The researcher/s will ensure that the research project adheres to the values and principles expressed in the UNISA Policy on Research Ethics.
- 2) Any adverse circumstance arising in the undertaking of the research project that is relevant to the ethicality of the study, as well as changes in the methodology, should be communicated in writing to the Department of Business Management Ethics Review Committee. An amended application could be requested if there are substantial changes from the existing proposal, especially if those changes affect any of the study-related risks for the research participants.
- 3) The researcher will ensure that the research project adheres to any applicable national legislation, professional codes of conduct, institutional guidelines and scientific standards relevant to the specific field of study.

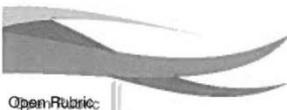
Kind regards,



Prof Watson Ladzani
Chairperson of the sub-unit RERC
Department of Business Management
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Prof Raphael Mpofo
Executive Dean
College of Economic and Management Sciences



APPENDIX B
QUESTIONNAIRE

Researcher: Lynette Cronje

072 379 1186

lynettec@webmail.co.za

***Aspects influencing decision-making regarding Responsible Business Practices
in SMMEs in Tshwane***

Dear Sir / Madam,

I am currently enrolled for an M.Com degree in Business Management at the University of South Africa (UNISA).

The purpose of the questionnaire is to obtain information with regard to the factors that influence the decisions made by Small and Medium-sized Enterprises to spend money on responsible business activities. Your business was identified as an SMME in the Tshwane area by using the Brabys.com online directory and you were invited to participate in this study as per your telephonic conversation with the fieldworker.

You will be aiding my contribution to the research field of Responsible Business Practices in Small and Medium-sized Enterprises. The outcomes of the study may lead to fundamental changes in management and leadership theory for Small and Medium-sized Enterprises.

Your co-operation will be highly appreciated. Please answer the questions in the attached questionnaire as completely and honestly as possible. This should not take more than 10 minutes of your time.

The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.

Please take note of the following:

- Records, without any personal identifiable information from you, will be kept in a secure location for 5 years (this consent form will be destroyed)
- The completed questionnaire is confidential and no names or personal references will be used in the results of the study

Please sign the form to indicate that:

- You understand the information provided above
- You give your consent to participate in the study on a voluntary basis
- You understand there are no benefits for completing the questionnaire, and no penalty or loss of benefit for non-participation
- You understand you can withdraw at any time without obligation to explain or any adverse effects

Respondent's signature

Date



Participant code			
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Dear Participant,

Please answer the following questions. It will only take 10 minutes of your time.

1. Are you the **main decision-maker** (owner/manager/CEO) in the company?

Yes	1
No	2

2. Are you limited in financial expenditure authority within the business?

Yes	1
No	2

If **NO**, please continue to question 3.

If **YES**, please stop here. Please hand the questionnaire back to the fieldworker. Thank you for your participation.

3. Have you heard of the concept of Responsible Business Practices (RBP)?

Yes	1
No	2

The concept of RBP is similar to Corporate Social Responsibility. RBP is the concept of acting responsible as a business to sustain yourself through balanced relationships with society and the environment in which you operate.

4. Please indicate the extent to which your business engages in RBP:

To NO extent	1
To LITTLE extent	2
To a MODERATE extent	3
To a GREAT extent	4

If **to little, moderate or great extent**, please complete questions 6 to 15.
 If **to NO extent**, please complete **ONLY questions 5 and 6** and hand the questionnaire back to the fieldworker. Thank you for your participation.

5. Please indicate why your business is currently not involved in Responsible Business Practices:

6. Please indicate your level of agreement with the following statements. Evaluate the following statements by marking 1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; or 5 = strongly agree with a X.

STATEMENT	Strongly Disagree	Disagree	Neither agree or disagree	Agree	Strongly Agree
Involvement by a business in improving its community's quality of life will also improve long run profitability	1	2	3	4	5
A business that wishes to capture a favourable public image will have to show that it is socially responsible	1	2	3	4	5
Socially responsible behaviour can be in the best interest of the stakeholders of the business	1	2	3	4	5
The idea of social responsibility is needed to balance a business's power	1	2	3	4	5
The idea of social responsibility is needed to discourage irresponsible behaviour	1	2	3	4	5
Businesses are social institutions and as such must live up to society's standards	1	2	3	4	5
Efficient production of goods and services is no longer the only thing society expects from businesses	1	2	3	4	5
If a business is more socially responsible, it will discourage additional regulation of the economic system by the government	1	2	3	4	5
A company that ignores social responsibility can obtain a bigger competitive advantage than a business that does not	1	2	3	4	5
It is unwise to allow a business to participate in social activities where there is no direct way to hold it accountable for its actions	1	2	3	4	5
Consumers and the general public will bear the costs of social involvement because the business will pass these costs along through their pricing strategies	1	2	3	4	5

7. Please indicate which of the following socially responsible activities your company is currently involved in. Please mark all that apply with an X and specify where indicated.

Working with local schools Please specify: _____	1
Working with local charities Please specify: _____	2
Involved with environment organisations / programmes (Protecting or cleaning the environment; going green initiatives etc) Please specify: _____	3
Involved in larger scaled programmes (global / international) Please specify: _____	4
Other Please specify: _____	5

8. Please indicate the extent to which the following factors influence you when making decisions to spend on a specific socially responsible activity by marking 1 = not at all; 2 = to a small extent; 3 = to a moderate extent ; 4 = to a large extent; or 5 = always with a X.

FACTOR	Not at all	To a small extent	To a moderate extent	To a large extent	Always
Personal feelings or emotions	1	2	3	4	5
Ethics	1	2	3	4	5
Morals	1	2	3	4	5
Current financial condition of your company	1	2	3	4	5
Requests from friends and family	1	2	3	4	5
Religion	1	2	3	4	5
Competitive reasons	1	2	3	4	5
Other Please specify: _____					

9. Please indicate the sector your company falls in:

Manufacturing	1
Financial Intermediation Insurance	2
Real Estate	2
Business Services	2
Wholesale and retail trade	3
Repair of motor vehicles and motor cycles	3
Personal and household goods	3
Hotels and restaurants	3

10. Please indicate your title in the business:

Chief Executive Officer (CEO)	1
Owner and Manager	2
Managing Director	3
Director	4
Other Please specify: _____	5

11. Number of employees in your company: _____

12. The suburb of Tshwane your business operates in:

13. Please indicate your gender:

Male	1
Female	2

14. Please indicate your age:

18-29	1
30-39	2
40-49	3
50-65	4

15. Please indicate your highest level of education:

Junior Certificate (Grade 9/10/11 – Standard 7/8/9) (NQF levels 1, 2, or 3)	1
National Senior Certificate - Matric (Grade 12 / Standard 10), or Trade Certificate (NQF level 4)	2
Higher Certificate (NQF level 5)	3
National Diploma or Advanced Certificate (NQF level 6)	4
Bachelors Degree (3 years) or Advanced Diploma (NQF level 7)	5
Honours Degree or Post Graduate Diploma (NQF level 8)	6
Masters Degree (NQF level 9)	7
Doctoral Degree (NQF level 10)	8

Thank you for your participation!

APPENDIX C
FIELDWORKERS CONFIDENTIALITY FORMS

Appointment of fieldworker – MCom Study

Date: 24 July 2015

This document serves as proof that Mbongeni Jizana has been appointed as fieldworker for the MCom study of the researcher, Lynette Cronje, under the following conditions:

- Working according to the University salary scales, you will be paid **R61 per hour**. This will include transport, internet costs and phone calls.
- The entire task must be complete in **87 hours or less, in total**.
- **At the very least you should do this for 5 hours per weekday** – weekends are not necessarily included, but some respondents might be available on Saturdays – this is up to you, as long as you finish within the 87 hours.

The fieldworker must adhere to the following requirements:

- Firstly, he must compile a list of SMEs from a database and thereafter, distribute questionnaires to SMEs as communicated to him by the researcher.
- The actual data collection (distribution of questionnaires) must start on **19 August 2015** and must be completed within **59 hours**.
- The fieldworker is required to sign a confidentiality agreement to ensure anonymous information collection.
- The very last day for concluding the fieldwork and handing everything back to the researcher is **10 September 2015**.
- Payment will only be made if the task is fully completed and 75 completed questionnaires and the list with company stamps/signatures are handed back to the researcher before the due date.



Lynette Cronje

18/8/2015

Date

The Researcher



Mbongeni Jizana

18/8/2015

Date

The Fieldworker

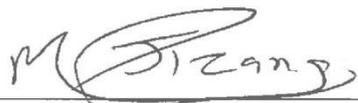


PLEDGE OF CONFIDENTIALITY

This is to certify that I, Mbungeni Jizana,
with RSA ID number, 9001285771084 is a fieldworker that will assist with the collection of data for the research project: Aspects influencing decision-making regarding responsible business practices in SMEs in Tshwane. I understand that any information (written, verbal or in any other form) obtained during the performance of my duties must remain confidential. This includes all information about members, clients, families, employees and other associate organisations, as well as any other information otherwise marked or known to be confidential.

I understand that any unauthorized release or carelessness in the handling of this confidential information is considered a breach of the duty to maintain confidentiality.

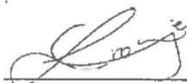
I further understand that any breach of the duty to maintain confidentiality could be grounds for immediate dismissal and/or possible liability in any legal action arising from such breach.



SIGNATURE OF FIELDWORKER

17/08/2015

DATE



SIGNATURE OF PRIMARY RESEARCHER



Appointment of fieldworker – MCom Study

Date: 17 August 2015

This document serves as proof that Stefan Botha has been appointed as fieldworker for the MCom study of the researcher, Lynette Cronje, under the following conditions:

- Working according to the University salary scales, you will be paid **R61 per hour**. This will include transport, internet costs and phone calls.
- The entire task must be complete in **63 hours or less, in total**.
- **At the very least you should do this for 5 hours per weekday** – weekends are not necessarily included, but some respondents might be available on Saturdays – this is up to you, as long as you finish within the 63 hours.

The fieldworker must adhere to the following requirements:

- The actual data collection (distribution of questionnaires) must start on **27 August 2015** and must be completed within **63 hours**.
- The fieldworker is required to sign a confidentiality agreement to ensure anonymous information collection.
- The very last day for concluding the fieldwork and handing everything back to the researcher is **18 September 2015**.
- Payment will only be made if the task is fully completed and 75 completed questionnaires and the list with company stamps/signatures are handed back to the researcher before the due date.



Lynette Cronje

The Researcher

27/8/15

Date



Stefan Botha

The Fieldworker

27/08/2015

Date



PLEDGE OF CONFIDENTIALITY

This is to certify that I, Stefan Botha,
with RSA ID number, 9602165052089 is a fieldworker that will
assist with the collection of data for the research project: Aspects influencing decision-
making regarding responsible business practices in SMEs in Tshwane. I understand
that any information (written, verbal or in any other form) obtained during the
performance of my duties must remain confidential. This includes all information about
members, clients, families, employees and other associate organisations, as well as any
other information otherwise marked or known to be confidential.

I understand that any unauthorized release or carelessness in the handling of this
confidential information is considered a breach of the duty to maintain confidentiality.

I further understand that any breach of the duty to maintain confidentiality could be
grounds for immediate dismissal and/or possible liability in any legal action arising from
such breach.

Botha

SIGNATURE OF FIELDWORKER

27/08/15

DATE

Steyn

SIGNATURE OF PRIMARY RESEARCHER



APPENDIX D
LANGUAGE EDITING CERTIFICATE



Retha Burger
S.A.(P)EDJ

tel: 012 807 3864
cell: 083 653 5255

fax: 012 807 3864
e-mail: retha@skilnet.co.za

Independent Skills Development Facilitator

Dear Mrs Cronje

This letter is to record that I have completed a language edit of your dissertation entitled "Aspects influencing decision-making regarding Responsible Business Practices in SMMEs in Tshwane".

The edit that I carried out included the following:

- Spelling
- Grammar
- Vocabulary
- Punctuation
- Pronoun matches
- Word usage
- Sentence structure
- Correct acronyms (matching your supplied list)
- Formatting
- Captions and labels for figures and tables
- Spot checking of ten in-text references
- Generation of Table of Contents, Lists of Figures and Tables

The edit that I carried out excluded the following:

- Content
- Correctness or truth of information (unless obvious)
- Correctness/spelling of specific technical terms and words (unless obvious)
- Correctness/spelling of unfamiliar names and proper nouns (unless obvious)
- Correctness of specific formulae or symbols, or illustrations.

Yours sincerely

Retha Burger

24 October 2016

APPENDIX E
DATA SET

