Social responsibility practices by SMEs at the bottom of the pyramid.

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master in Business Administration.

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Abstract

**Purpose** – The purpose of this research to provide insights into the under-researched area of social responsibility practises by SMEs at the bottom of the pyramid (BOP).

**Design/methodology/approach** – Drawing from the literature, the research expands and builds on the previous work of Spence and Gilligan in explaining the daily activities of owner-managers with respect to CSR at the BOP. Also the link between ethic of care and CSR practises by SMEs at the BOP is established.

**Findings** – The ethic of care and the owner-manager’s values are the main drivers of CSR at the BOP. Due to scarce resources, most of the CSR initiatives are linked to the core of the business. CSR is not used as a strategic competitive advantage business model. Also the CSR initiatives do not come from external pressure such as stakeholders, but are internal at a human level. The CSR practices are not linked to the bottom line; self-satisfaction is the ultimate price.

**Originality/value** – Given the limited literature on the social responsibility practices of by SMEs at the BOP, this research makes a contribution to increasing the understanding of CSR initiatives by SMEs at the BOP, as well as to the BoP literature in general.

**Practical implications** – The paper concludes by outlining the implications for managers, policy-makers, and stakeholders, and advancing the agenda of social responsibility for future research in the fields of both the BOP and SMEs.

**Keywords:** Corporate Social Responsibility (SCR), Small-to-Medium Enterprises (SMEs), Bottom of the Pyramid (BOP), Ethics of Care and Owner-Manager
Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

..................................................  ..................................................

Donald Khoza  Date
Acknowledgements

To my family, always my pillar of strength, thank you for your support.

To my 18-month-old son, Reyaboka Khoza, I hope I can repay all the missed firsts in your young and joyful life...

To my business partner, Vusi Radebe, thank you for working twice as hard so that I could be able to complete this journey.

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To my supervisor, Dr. Wayne Visser, thank you for your exceptional guidance and support.

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### TABLE OF CONTENTS

Abstract................................................................................................................................. ii
Declaration............................................................................................................................... iii
Acknowledgements ................................................................................................................ iv
List of Tables............................................................................................................................ viii
List of Figures........................................................................................................................... viii

**Chapter 1: Problem Definition** ......................................................................................... 1

1.1 Introduction ......................................................................................................................... 1

1.2 Research motivation ............................................................................................................ 2

1.2.1 The business case........................................................................................................... 3

1.2.2 The South African context ............................................................................................ 4

1.2.3 Why should SMEs be involved in CSR? ......................................................................... 6

1.3 Research scope .................................................................................................................... 7

**Chapter 2: Theory and literature review** ............................................................................ 8

2.1 Introduction ......................................................................................................................... 8

2.2 Definition of key concepts .................................................................................................. 9

2.2.1 Social responsibility ...................................................................................................... 9

2.2.2 The bottom of the pyramid .......................................................................................... 12

2.2.3 Small to medium enterprises ......................................................................................... 14

2.3 Small business identity ....................................................................................................... 15

2.3.1 Ethic of care perspective ............................................................................................... 15

2.4 Other countries .................................................................................................................. 20
2.4.1 Developed countries ......................................................... 20
2.4.2 Developing countries ......................................................... 23
2.5 Conclusion .............................................................................. 27

Chapter 3: Research questions ......................................................... 28

Chapter 4: Research methodology ....................................................... 29

4.1 Research design ........................................................................ 29
4.2 Scope ......................................................................................... 30
4.3 Universe/population ................................................................. 30
4.4 Unit of analysis ......................................................................... 30
4.5 Sampling .................................................................................... 30
4.5.1 Sample Size ........................................................................... 31
4.6 Research instrument/measurement ............................................... 31
4.6.1 Design .................................................................................. 31
4.6.2 Pre-testing ............................................................................. 32
4.7 Data analysis .............................................................................. 32
4.8 Research limitations ................................................................. 34

Chapter 5: Results ........................................................................... 35

5.1 Introduction .............................................................................. 35
5.2 Research results ....................................................................... 35
5.2.1 Research question 1: ............................................................ 36
5.2.2 Research question 2: ............................................................ 37
5.2.3 Research question 3: ............................................................ 39
5.2.4 Research question 4: ............................................................ 42
List of Tables

Table 1: Business Benefits for SRP.................................................................4
Table 2: Stats SA Intergrated Business Register figures by enterprise category, 2004 and 2007 figures compared..........................................................5
Table 3: Summary of the difference between CSV and CSR.........................12
Table 4: Summary of key features of an ethic of care reflection of small business social responsibility..............................................................16
Table 5: CSR motivations, benefits, obstacles and support types.....................21
Table 6: Internal Drivers.............................................................................22
Table 7: External Drivers...........................................................................22
Table 8: Activities indicated as CSR...........................................................25
Table 9: Drivers for engaging in CSR..........................................................26
Table 10: Barriers for engaging in CSR.......................................................26

List of Figures

Figure 1: Pyramid of corporate social responsibility.....................................18
Figure 2: Small business social responsibility pyramids..............................19
Chapter 1: Problem Definition

“Business cannot succeed in societies that fail. Likewise, where and when business is stifled, societies fail to thrive.” - Björn Stigson, President, WBCSD.

Research Title

Social responsibility practices by SMEs at the bottom of the pyramid.

1.1 Introduction

A growing number of researchers are conducting research and publishing papers on corporate social responsibility (CSR). The literature uses “corporate” to suggest that “social responsibility” is mainly for big businesses (Perschke & Preuss, 2010). Small and medium-sized enterprises (SMEs) account for over 95% of all private business across the globe. These SMEs are, therefore, a vital part of the economic and social landscape of society, yet it is surprising that researchers do not commonly start there when exploring social responsibility (Spence, 2013).

While the majority of authors label it as CSR, literature includes other terms such as responsible business behaviour, social practices, sustainable business, green practices, etc. (Amran & Nejati, 2013). The variety of synonym terms might be confusing; this is due to the nature of the context where the term is applied. For the purpose of this thesis, the terms social responsibility practices (SRP) and CSR will be used interchangeably. More details on the terminology and definitions of keywords will be dealt with in the literature review chapter.
Being a good corporate citizen is supposed to be good for business (Besser, 2012). The objective of this study is to explore the nature and extent at which SMEs engage in CSR at the bottom of the pyramid (BOP). How is CSR defined; what motivates owner-managers to engage in such practices, and what are the enablers and barriers in engaging in CSR? By their very nature, SMEs operating at the BOP are usually small; hence they are mostly managed by their owners. Therefore, Lähdesmäki (2012) looks at social responsibility from an owner-manager perspective. He argues that since virtually all decisions are made by the owner in a small business it is thus justifiable that one examine the owner's personal identity with respect to SRP.

1.2 Research motivation

The rationale behind the research is that, large corporates such as MNCs make up only less 1% of all business, yet academics and researchers spend a substantial amount of time trying to understand big business with respect to CSR. Hence, the expectation from stakeholders to any CSR practise is mainly focused on large companies and government (Jenkins, 2009). However, recently businesses in general, large or small, have come under increasing pressure - largely from consumers and pressure groups - to engage demonstrably in activities described as CSR (Gwozdz, Pedersen & Rahbek, 2014).

While many such activities come under ethics and good business practices, CSR is becoming more about how companies make money instead of how they distribute money in terms of the environment and people. One of the definitions of CSR is “a firm's voluntary consideration of stakeholder concerns both within and outside its business operations” (Homburg, Stierl & Bornemann, 2013). CSR is about stakeholder management that ensures the business is sustainable and has a positive impact on society. CSR, if well executed, can be used as a competitive advantage for firms (Jenkins, 2009).
A study in Europe found that in order to create additional value for the company, owner-managers must focus mainly on customers and employees and, to a lesser extent, the community (Hammann, Habisch & Pechlaner, 2009). This study cannot be extrapolated to the developing markets context as the social environment at which these SMEs operate are vastly different. Within the South African context, where one has service delivery protesters becoming violent against foreign owned spaza shops, one realizes that more CSR initiatives by small businesses need to be implemented. This will increase community integration of the small businesses.

Also, on a personal level, the researcher is a small business owner and cares about the socio-economic environment at which he operates. His clients spread across from small business owners at the BOP to big corporations. When he drives around in these poor communities, he feels somehow responsible for the status quo. One cannot, as small businesses, assume it is the role of government or big corporations to be socially responsible. One cannot claim the business is a success while the community around the business is failing.

1.2.1 The business case

There are internal and external factors that drive SMEs to participate in CSR (Gadenne, Kennedy & McKeiver, 2009). Many SMEs are motivated by the owner-manager personal values and the initiatives are mainly motivated by their moral values (Jenkins, 2006). So, slowly SMEs are beginning to see the benefits of including CSR as a business case for conducting their business (Gwozdz, Pedersen & Rahbek, 2014). Generally, positive CSR initiatives lead to positive outcomes. These outcomes can be generic and some can be linked to certain activities within the business.

The reputation of a business is something built over many years, but it can be tarnished very quickly. Therefore, engaging in SRP can strengthen the SMEs reputation with its stakeholders (Stuebs & Sun, 2010). Also, engaging in SRP enables more people to understand the company, its business practices and
approach; thus creating a stronger relationship with the stakeholders (Baumann, et al., 2010).

SRP can be used as a point of differentiation by the SME from its competitors, which will then enable it to win more business (Wagner, 2010). Some employees want to work for companies with strong moral values (Frederiksen, 2010). SRP can be used to motivate employees by giving them a sense of purpose and ownership; this will then increase employee satisfaction which will then increase production. There will be less absenteeism as the employees are proud to work for such a company (Lis, 2012). As a result, recruitment costs are reduced as employees tend to stay longer in such a company.

It is difficult to quantify the effects on the bottom line, but creating processes that are efficient in resource consumption does reduce costs (Mishra & Suar, 2010). Having shared values that are well communicated can have a positive impact on the company culture (Kim & Kim, 2010).

Below is Table 1, which summarises the discussion above.

<table>
<thead>
<tr>
<th>Table 1: Business Benefits for SRP</th>
</tr>
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<tbody>
<tr>
<td>Improved image and reputation</td>
</tr>
<tr>
<td>Improved trust and understanding</td>
</tr>
<tr>
<td>Larger, more prominent profile and more business</td>
</tr>
<tr>
<td>Increased employee motivation</td>
</tr>
<tr>
<td>Increased staff retention and decreased absenteeism</td>
</tr>
<tr>
<td>Increased ability to recruit and retain staff</td>
</tr>
<tr>
<td>Cost savings and increased efficiency</td>
</tr>
<tr>
<td>Benefits company culture</td>
</tr>
</tbody>
</table>

1.2.2 The South African context

With the high unemployment rate and the economy growing below 2%, government and big corporates are unable to meet society’s expectations with respect to job creation (SARB, 2014). SMEs can have a massive impact in this regard by boosting economic growth through employment and offering goods
and services with CSR credentials. Due to their proximity to the poor they can respond quicker to the demands of the community (Jenkins, 2009).

According to the DTI (2008), the South African government has introduced an Integrated Small Business Development Strategy for 2005 to 2014. The strategy is based on three pillars:

- Increasing the supply of financial and non-financial support
- Creating demand for SMME products/services
- Reducing regulatory constraints.

The social environment at which these businesses function is not explored in the strategy. This is one crucial factor that has been omitted. Businesses, irrespective of size, are affected by the social environment. According to the national household survey, LFS, in March 2007, 2.43 million people older than 15 years were managing big and small enterprises in South Africa. Of these, about 1.69 million persons between the ages of 15-65 years were doing so in the informal sector. Based on Table 2 below (DTI, 2008), only 3.9% of registered companies are medium, the rest are either micro, small or very small. Combining these statistics together with the high unemployment rate one sees that there is a need for small businesses to engage socially in the environment at which they operate.

Table 2: Stats SA Intergrated Business Register figures by enterprise category, 2004 and 2007 figures compared.

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Count</td>
<td>Percent</td>
<td>Count</td>
<td>Percent</td>
</tr>
<tr>
<td>Micro</td>
<td>212,161</td>
<td>200,377</td>
<td>-5.6%</td>
</tr>
<tr>
<td>Very small</td>
<td>170,338</td>
<td>251,920</td>
<td>47.0%</td>
</tr>
<tr>
<td>Small</td>
<td>32,387</td>
<td>63,193</td>
<td>95.1%</td>
</tr>
<tr>
<td>Medium</td>
<td>6,748</td>
<td>20,750</td>
<td>207.5%</td>
</tr>
<tr>
<td>Total SMME</td>
<td>421,644</td>
<td>536,240</td>
<td>27.2%</td>
</tr>
<tr>
<td>Large</td>
<td>4,596</td>
<td>17,251</td>
<td>275.3%</td>
</tr>
<tr>
<td>All enterprises</td>
<td>426,240</td>
<td>553,491</td>
<td>29.9%</td>
</tr>
</tbody>
</table>
1.2.3 Why should SMEs be involved in CSR?

Ultimately, CSR is about running a business responsibly, professionally and in a sustainable manner that develops and maintains relationships with all stakeholders (Evans & Sawyer, 2010). The size of the business will create certain constraints, but that should not stop an SME from participating in CSR practices (Laudal, 2011). In fact, an SME has many characteristics that can help it adopt SRP. There are many lessons of good business practice that can be drawn from SMEs (Ates et al., 2013). For example:

- SMEs are flexible and adaptable
- SMEs are often creative and innovative in their approach to SRP
- The owner-manager is the core of the SME and can champion SRP throughout the company
- SMEs are less bureaucratic, which enables the adoption of SRP to be much quicker
- The benefits of undertaking any SRP may be felt more immediately in an SME due to its relatively small size

1.2.3.1 Competitive advantage

The CSR agenda does not have to be seen as a business threat and a cost burden to an SME. Companies can gain competitive advantage by capitalising on the opportunities offered by CSR (Gwozdz, Pedersen & Rahbek, 2014). Competitive advantage for owner-managed SMEs should focus on supplying better value for customers, and other stakeholders through maximising opportunities from CSR (Haussinger, Kuhn & Siglbauer, 2014).

Some academics have now challenged the notion that there has to be a trade-off between SRP and the bottom line (Gupta & Sharma, 2009). One hypothesis proposes that innovation can stem from environmental issues which can lead to commercial competitive advantage (Govin & Miles, 2000). More recently, the same notion has been applied to CSR. It is being argued that the misalignment between the company’s SRP and business strategy becomes a missed opportunity for the company to have an impact on the community as well as to
realise its own competitive advantage (Allen & Husted, 2012). Viable sources of competitive advantage in SMEs include output flexibility such as adapting the changes in the working environment by adopting SRP; or developing product and services that incorporate CSR benefits (Militaru & Serbanica, 2008).

CSR at this level is market driven while at the same time addressing the important social issues such as the environment, sustainability, education and ethics. Such products and services are too specialised to attract the attention of large MNCs, which gives SMEs an attractive opportunity to get involved (Gupta & Sharma, 2009). SMEs are driven by values and constrained by resources; the reasons for being so can include other goals such as education, improving the labour market and working with charities. In order to take advantage of this opportunity the SME’s strategy, goals, values and principles have to be aligned (Lamberti & Noci, 2012). The owner-manager has a strong influence on the direction at which the SRP will take and the social context at which the business operates (Lähdesmäki, 2012).

1.3 Research scope

Key areas of investigation are the social responsibility definition; the influence of managerial values, the nature and extent of SME SRP, the motivation for and benefits from engaging in SRP, and the challenges faced. This study will attempt to gain a deeper understanding into the factors that drive social responsibility practises by SMEs at the BOP. The research will look at the following key issues:

- The definition SRP by SMEs
- The extent and nature of these SRP
- The motivations for and benefits from engaging in SRP
- The enablers and barriers of engaging in SRP
- The influence of managerial values with respect to participating in SRP.
Chapter 2: Theory and literature review

2.1 Introduction

The innovation in technology has ensured that business of all sizes become more visible to the public. Stakeholders are increasingly getting involved in influencing how businesses are being run (Gwozdz, Pedersen & Rahbek, 2014). The current economic climate; coupled with financial scandals, poor governance, climate change, and resource scarcity has made this demand for good business practice even more necessary (Hristache, Imai & Paicu, 2013).

Companies are using CSR as a mechanism to differentiate themselves from competitors, thus attracting customers and employees (Lefebvre & Lefebvre, 2012). CSR is increasingly being included in the businesses core daily process. It is no longer an “add-on” to the business but part of the business (Gupta & Sharma, 2009).

Academics and researchers mainly focus on large corporations to describe CSR, but because SMEs makeup over 90% of all businesses in the world, the involvement of SMEs in SRP is necessary (Spence, 2013). Apart from their significant contributions to the world economy, SMEs are thought to be responsible for around 60% of all carbon dioxide emissions and 70% of all pollution (Amran, Ahmad, & Nejat, 2014). SMEs can no longer be ignored given the current economic climate, and they can have a bigger impact collectively as they are more in touch with the people on the ground than large corporations.

SRP has been extensively studied in many fields such as: Corporate Social Responsibility in Business-to-Business Markets (Homburg, Stierl & Bornemann, 2013), the sports industry (Babiak & Sheth, 2010), NGOs (Weidenbaum, 2009), economic studies (Shaw, 2009), large corporations (Cohen, Holder-Webb, Nath & Wood, 2009). We also have studies of how large corporate can create opportunities at the BOP and offer goods and services with CSR credentials (Schwittay, 2011).
However, very few studies have been done where the focus is on how SMEs at the BOP can play a bigger role in CSR. This study aims to fill the void in the literature by focusing on the BOP to gain insights into what is the nature and extent of SRP by SMEs.

2.2 Definition of key concepts

2.2.1 Social responsibility

The idea of “social responsibility” started in the 1970s during the industrial growth era, where executives, academics, thinkers, economists and others got together to invent the concept of sustainable development (Ismail, 2003). The term “corporate social responsibility” is generally applied to large companies and defining precisely what it entails for an organisation to be “socially responsible” has created debates amongst scholars and academics for decades (Hemphill, 2013).

In 1972, the Stockholm Earth Summit set out a wide ranging international plan to fight pollution. Then 20 years later in 1992, the Rio de Janeiro Earth Summit defined economic progress, social justice and environmental protection as the three pillars of regional sustainable development (Strong, 1998).

The first global effort to define “social responsibility” was done in 2010 by the Geneva-based international organization for standardisation (ISO), which represents 99 countries across the globe. ISO SR defines social responsibility as: “the responsibility of an organisation for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organisation and practiced in its relationships” (International Organization for Standardization, 2010).
Since ISO is a voluntary body, there has been some criticism on the measurements of its effectiveness as its members are not audited (Jastramsource & Mueckenberger, 2010). Furthermore, the reputation of the body has been called into question, as lobbying by big corporations can have an effect on the standards set out. Also, the standards do not cater for differences in industries and demographics (Eabrasu, 2012).

At a time when resources are becoming scarcer and the population is growing, the challenge facing people, governments and businesses – all of us in fact - is to find the most sustainable forms of growth possible. And today the trend is unstoppable (Hristache, Imail & Paicu, 2013).

2.2.1.1 What are the implications?

Massive lay-offs while the company makes record profits; the scrutiny of executive salaries; scarcity of resources; child labour; corporate fraud; and the financial crisis are some of the buzz words today (Cunningham & McShane, 2012). Above all of this is the umbrella around sustainability, business ethics or CSR. Most companies use CSR as a risk management tool or compliance. The companies that do donate to charity or give away a lot of money, do it for a good cause, but this does not result in systemic change. Additionally, when they do it, their business activities are seldom questioned by stakeholders (Bazillier & Vauday, 2014).

The fundamental question is: How do companies contribute to society through good business practices? CSR is about how companies make profits and not how do they spend it. CSR should not be a repair centre for corporate greed, but it has to create systemic change in the environment and people’s lives. This calls for a new role for the players in this game. Companies can no longer focus on the economic activities only, but they are expected to be moral actors (Steurer, 2010). There needs to be an integrated system of logical values that are related to the core of the business such as the treatment of employees, the organisation’s production process, and advocating for good business practices in the supply chain (Brekke & Nyborg, 2008).
The state can use politics and law to enforce CSR but only with a limited range (Graafland & Smid, 2004). Politics, and especially law, is bounded by the country’s borders, while the economics is free through globalisation (Ohlsson & Tengblad, 2010). Not only are the rules of the game constantly changing, but the players are also constantly moving production to the most cost effective region or less regulated region (Shum & Yam, 2011).

Civil society, especially pressure groups, has become more influential as both watchdogs and customers (Servaes & Tamayo, 2013). And now one sees this hybrid of soft laws where individual companies come together as a collective to voluntarily commit themselves to comply with certain levels of social and ecological standards such as ISO26000 and UN Global Compact (Jastramsource & Mueckenberger, 2010).

2.2.1.2 Creating shared value

Currently, the world is faced with many problems, and over the years business has attempted to solve these problems (Delobbe & Roeck, 2012). However, business has been seen as part of the problem from the financial crisis to oil spills in the Gulf of Mexico. The legitimacy of business is being questioned daily and the trust from stakeholders is at a very low level (Cheng, Foster & Punjaisri, 2010). Business to a large extent has not been able to solve society’s problems and at the same time they have not been able to maximise profits. Hence, the idea of creating shared value (CSV) is introduced by Porter and Kramer (2011).

Porter and Kramer (2011) argue that CSR in its current form is one that is predominately separate from the company’s core business. And that CSR is done as a risk management exercise to avoid lawsuits and reputational risk. They argue that capitalism is where wealth is created. And that CSV is the re-engineering of how capitalism does business, where social issues are at the core of the business strategy. They further states that there are three buckets at which this can be achieved:
- Product level: where social aspects can be added to the product and services
- Value chain level: where more can be done to improve inefficiencies in the supply chain in order to reduce cost
- Cluster: creating a more sustainable network around the business.

In Table 3, below, is a summary of the difference between CSV and CSR:

<table>
<thead>
<tr>
<th></th>
<th>CSV</th>
<th>CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>This is company specific and hence requires a deep understanding of the supply chain and stakeholders.</td>
<td>Responds mainly from external pressure, such as regulations and pressure groups.</td>
<td></td>
</tr>
<tr>
<td>This is about creating wealth through capitalism.</td>
<td>This is about distribution of wealth, as most of these CSR initiatives are not generating revenue.</td>
<td></td>
</tr>
<tr>
<td>Integral part of profit maximising</td>
<td>Separate from profit maximising</td>
<td></td>
</tr>
<tr>
<td>Mobilising the entire budget of the corporation to impact on social issues</td>
<td>Impact limited to the CSR budget</td>
<td></td>
</tr>
</tbody>
</table>

This is yet another definition that has more similarities to the other social responsibility definitions. The merits or de-merits of whether capitalism is the right approach to pursue social responsibility are beyond the scope of this research. The inclusion of the CSV definition is merely to illustrate that academics are continuously attempting to define this crucial concept of sustainability.

### 2.2.2 The bottom of the pyramid

Even though it is still work in progress for some countries; especially in the Middle East, Asia and North Africa, the last century was mainly about political freedom where colonisation was effectively abolished. The next frontier is about
democratising commerce (Prahalad, 2005). Globalisation is invertible; it is similar to gravity. The fundamental question to ask is how does one make globalisation work for the good for all? The basic principles that society is moving towards is that: everybody has the right to access to the benefits of the global economy; access to affordable world class goods and services; the co-creation of their own experiences; the access to choice and dignity (Bevan et al., 2013). And that the individual is a micro-producer (i.e. the right to be treated fairly and compensated fairly).

At the top of the pyramid (TOP) we have less than 1% of the world’s population, owning more than third of the world’s wealth. The 24 million people live in high affluence and enjoy the largest income per capita and standard of living (Ruvinsky, 2011). Currently, the world has roughly four billion people that are under-served, who have limited choice, respect and dignity. Roughly one billion of them live on less than $1.25 a day while the other three billion people live on $1 - $3 a day. The BOP is mostly concentrated in Africa, Asia and Latin America. China and India combined accounts for 60% of the BOP market; and 60% of this market lives in the rural areas (Azmat & Samaratunge, 2013).

The income inequality is consistently rising while the level of poverty is decreasing across the globe. The large income inequality implies that there is no inclusive growth; hence, the harmony of society is disturbed. There is a lack of human development in most countries where corruption is rife, and this further exacerbates the problem at the bottom of the pyramid (Chu, Petkoski & Rangan, 2011).

The world is moving to a place where individuals should have the same lifestyle. A cell phone is a classic example with this phenomenon, where the minimum functionality requirements are the same across the board. The antidote to the BOP is rapid growth and wealth creation (Prahalad, 2012). Due to the proximity of SMEs to the surrounding community at which they operate, they are in a better position to tap into this market by offering goods and services that have CSR credentials (Spence, 2013).
Due to limited opportunities, the BOP market possesses a large amount of untapped resources, especially from the human capital perspective (Mohr, Sengupta & Slater, 2012). One should also not underestimate the intelligence of the ordinary people in these markets. SMEs can create forums where ideas are shared in order to improve their service offerings in these markets. This can also help in gaining the trust of the community.

The BOP is a new customer segment that demands breakthrough innovations (Prahalad, 2012). Most large companies have failed in this market due to the fact that they don’t offer tailor-made solutions to the BOP, they simply produce an inferior product or a product with less features in comparison to the top market offering (Sweeney, 2007).

### 2.2.3 Small to medium enterprises

There is no universally accepted definition of SMEs, as enterprises can be classified by various criteria such as turnover, number of employees, gross asset value, the sector they operate in or the environmental and social impact they make (Inyang, 2013).

Furthermore, the definition of SMEs tends to be country specific. The European Commission uses staff headcount and annual turnover of the balance sheet total as guidelines for defining SMEs. An SME in this context is defined by a total employee head count of less than 250 and an annual turnover of no more than 50 million and/or a total balance sheet balance not higher than 43 million Euro. (Centre for Strategy & Evaluation Services: Evaluation of the SME Definition, 2012).

Similarly, in the Asia Pacific region the number of employees and turnover and or asset value are used as guidelines to define SME’s. In China, the categorisation of SME’s is guided by the SME promotional law of 2003 and varies from industry to industry. The average number of maximum employees across all industries for a Chinese SME is 1500 and an average total asset value of between 40 to 400 million Yen or an annual revenue of between 30 to 300 milion Yen. (Liu, 2008).
In the South African context, the SME definition is guided by the National Small Business Act of 1996. “Small business means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries.”

Generally, the definition of an SME takes a three tier approach, mainly Micro, Small and Medium. For the purposes of this research the term SME will refer to micro enterprises, that consists of no more than ten employees.

2.3 Small business identity

SRP has three major dimensions, namely; green practices, social welfare and ethical behaviour (Besser, 2012). However, for this section we will turn our attention to ethical behaviour. Although by law, SMEs are a legal entity on their own, most of decision making is done based on personal characteristics of the owner-manager (Sweeney, 2007).

How the owner-manager views the world and his/her own personal experiences of the world will have a huge impact on the decision-making processes. This, amongst other things, includes the family background as most of these small businesses are either run by family members or have been passed on to family members over generations (Jenkins, 2009). Therefore, in order to understand why SMEs engage or do not engage in SRP initiatives, one needs to examine the social behaviours and history of owner-managers.

2.3.1 Ethic of care perspective

The daily operations of SMEs are not captured sufficiently in academic literature from a CSR perspective. The literature mainly focuses on large firms, and the theory observed with large firms does not capture the activities of SMEs (Sawyer, 2010).

The personalised nature of small businesses implies that they don’t have hierarchical structures. People know each other by name. They tend to be relationship based rather than contract based (Rutherford & Spence, 2001).
The level of proximity is very close which means integrity and honesty is very important. The power structures are flat and ordinary employees tend to participate more in the decision making process in comparison to large firms.

Gilligan (1982) brings an ethic of care perspective; where she argues that we have an emotional commitment to act on behalf of persons with whom we have a significant relationship. She further argues that we are not autonomous with free choice and equal positions of power but we are bound by circumstances, relations and position; we have restricted information and choices; and we are in positions of unequal power. Gilligan’s work comes down to an understanding that ethics is not about justice and rules of behaviour but also about understanding relationships and power differentials, accepting rationality and emotion in decision making, and understanding differences in power.

Table 4, below, gives the summary of key features of an ethic of care reflection of small business social responsibility (Held, 2006):

<table>
<thead>
<tr>
<th>Feature and Reasoning</th>
<th>Correspondence of small business social responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting the needs of others for whom we take responsibility.</td>
<td>Caring for family members (as a family firm) and dependents of the business (e.g. employees)</td>
</tr>
<tr>
<td>Valuing Emotions</td>
<td>Informal, personalised communication mechanisms.</td>
</tr>
<tr>
<td>Accepts partiality</td>
<td>Partisan perspective in relation to those close to the business. Leadership of the owner-manager.</td>
</tr>
<tr>
<td>The private sphere as a territory for morality</td>
<td>Informal, relationships and flat hierarchy. Inclusion of family in business life, conflation of public and private reputation</td>
</tr>
<tr>
<td>People are relational and inter-dependent</td>
<td>Relationship based; dependence on personal integrity; reputation and trust with business partners.</td>
</tr>
</tbody>
</table>
We also need to include the family of the owner-manager. Most small businesses are family businesses. We need to acknowledge the family context which plays a huge role in the decision-making process of the individual owner-manager.

2.3.1.1 What are the implications?

The classical stakeholder theory by Freeman (1984) is an idea about how business really works. It says for any business to be successful, it has to create value for customers, suppliers, communities, employees and financers. It says one cannot look at any of these stakeholders in isolation, their interest has to go together and the job of the manager is to figure out how the interests of stakeholders go in the same direction.

When the ethics of care perspective is applied to the stakeholder theory we get different sets of stakeholders. The stakeholders from a small business perspective will be different to a large corporate, because, the small firm is stuck in a network and inevitably is part of somebody else’s stakeholder story. They have to respond to externalities from other larger firms. Therefore, the stakeholders for the small firm owner-manager would include; employees, small local competitors, suppliers, larger firms, local communities, family, neighbours, etc (Spence, 2013).
Spence (2013) continues to argue that given an ethics of care lens, a single monolithic approach to CSR for SMEs, such as Carroll’s (1991) Pyramid of Corporate Social Responsibility is not applicable.

**Figure 1: Pyramid of corporate social responsibility:**

- **Economic**
  - *Be profitable.* The foundation on which all others rest.
- **Legal**
  - *Obey the law.* Law is society’s codification of right and wrong. Play by the rules of the game.
- **Ethical**
  - *Be ethical.* Obligation to do what is right, just and fair. Avoid harm.
- **Philanthropic**
  - *Be a good corporate citizen.* Contribute resources to the community; improved quality of life.

She further suggests that, we have to blow apart Carroll’s pyramid and think about the content of the categories and the survival of the organisation. We also need to think about the personal integrity of the owner-manager which contributes to the success of the business. One needs to segregate those pyramids to focus on four different stakeholders, namely; self and family, employees, the local community, and business partners. The CSR domains are redrawn in terms of survival, personal integrity, an ethic of care and philanthropic.

The CSR pyramid approach is made specific rather than generalised, allowing for the order of priority of the CSR domains to be differentiated according to the group to whom responsibility is orientated.
Figure 2: Small business social responsibility pyramids

(a) To self and family
(b) To employees
(c) To the local community
(d) To business partners
2.4 Other countries

2.4.1 Developed countries

A study done in Norway showed that the two biggest barriers of SMEs SRP are cost and benefit ratio due to capacity and the risk of external control while the biggest driver is reputational risk with respect to stakeholders (Laudal, 2011).

Another study of in Portugal was conducted on the practices, motivations and obstacles of SMEs in SRP. The results show that the CSR practices are linked to the core of the business, even though the actual practices are not formalised and structured. Furthermore, contrary to what usually happens at large companies, the main focus of SMEs is internally based, with the aim to gain a good reputation in the community with respect to how they treat their employees and the environment (Santos, 2011).

The approach to these initiatives is simple and located on the border between entrepreneurialism, business management and that of business citizenship. Also, the implementation of SRP practices by SMEs is further dependent on the basic motivations of owners and managers. Ethical-social values emerge as the most important explanatory reason for the involvement of SMEs in SRP.

These are some of the SRP found in the research:

- Business SRP involve client satisfaction by ensuring the product or service offered is safe and reliable, also paying suppliers in time is considered SRP
- Internal social SRP includes HR management; workplace health, safety and hygiene, employability, information and communication, social services, and change management
- External social SRP includes: sponsorships and donations; social employment; partnerships and cooperation with other organisations; and social cohesion
Environmental SRP includes: employee awareness programmes; recycling; and separation of waste.

Table 5, below, lists some of the priority factors with respect to motivations, benefits, obstacles and support types in conducting SRP by SMEs. More factors were available but these are the top two per category.

<table>
<thead>
<tr>
<th>Motivations</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee satisfaction</td>
<td>Reputation among clients and consumers</td>
</tr>
<tr>
<td>Consumer and client loyalty</td>
<td>Employee motivation</td>
</tr>
<tr>
<td></td>
<td>Quality</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Support types</td>
<td>Learning about best practices</td>
</tr>
<tr>
<td></td>
<td>Existence of incentives and tax breaks</td>
</tr>
<tr>
<td></td>
<td>Training programmes</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Obstacles</td>
<td>Lack of state support</td>
</tr>
<tr>
<td></td>
<td>Insufficient financial resources</td>
</tr>
</tbody>
</table>

Another research looked specifically at SMEs in the UK. These were exemplary companies with proven track records of being involved in CSR, and some of them had won awards for their efforts or they had been highlighted as having good business practices. Small businesses are started for various reasons. However, for many SMEs, the research found that, the personal values of the owner-manager were the key drivers of why they got involved in SRP. Table 6 gives a summary of some of the internal drivers that influenced the owner-manager (Spence, 2013).
### Table 6: Internal Drivers

<table>
<thead>
<tr>
<th>Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal values of the owner-manager.</td>
</tr>
<tr>
<td>Protecting and enhancing key resources, such as employees and the</td>
</tr>
<tr>
<td>environment.</td>
</tr>
<tr>
<td>Adding value to products and services and gaining an edge over</td>
</tr>
<tr>
<td>competitors.</td>
</tr>
<tr>
<td>Reducing costs through resource efficiency.</td>
</tr>
<tr>
<td>Engaging in improved stakeholder relations.</td>
</tr>
<tr>
<td>Protecting, building and enhancing the company's image and reputation.</td>
</tr>
<tr>
<td>Anticipating, avoiding and minimising risks to the business.</td>
</tr>
<tr>
<td>Anticipating costs, stakeholder expectations and future legislation.</td>
</tr>
<tr>
<td>Being an attractive prospect for the potential investors.</td>
</tr>
</tbody>
</table>

Businesses may experience direct or indirect pressure from others that seek to encourage good business practices. Table 7 shows some of the external drivers that might influence the behaviour of the owner-manager of an SME.

### Table 7: External Drivers

<table>
<thead>
<tr>
<th>Driver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other companies and business networks</td>
</tr>
<tr>
<td>Access to finance</td>
</tr>
<tr>
<td>The supply chain</td>
</tr>
<tr>
<td>Trade Unions</td>
</tr>
<tr>
<td>Pressure groups</td>
</tr>
<tr>
<td>Government</td>
</tr>
</tbody>
</table>
2.4.2 Developing countries

2.4.2.1 Asia

Despite the diverse cultures and history of Asian nations, the foundation of CSR is the collectivism value of putting the interest of the family and society over that of an individual. Priority issues for CSR in Asia include education, poverty, human rights and the environment (Alfonso, Herrera & Roman, 2010).

In a study conducted in Taiwanese manufacturing industry Hsu and Cheng (2012) found that CSR SMEs is implicit, as most SMEs implement at least one CSR activity, but half of them do not identify the activities as CSR. Furthermore, SMEs engage in CSR such as recycling and waste management as they benefit stakeholders and reduce costs and risk.

In India the four motivational factors for SMEs to do CSR are customer propositions, stakeholder value (mainly employees), founder characteristics and business values. These factors are driven by both the internal and external stakeholders, and the owner identity (Roy, Jain & Vyas, 2013).

2.4.2.2 Africa

The concept of CSR is still in its infancy stage in the majority of the countries on the African continent. Indigenous principles such as Ubuntu (humanity to others) and Harambee (mutual assistance) are key factors in defining CSR in Africa.

The scope of CSR activities on the continent is mainly addressing social problems that the government cannot fully address. Issues such as poverty reduction, health and HIV/Aids, youth development, skills development and education and socio-economic development are priorities for CSR in Africa. (Klins, Van Niekerk & Smit, 2010)
2.4.2.3 Latin America

Research was conducted in eight Latin America countries where 1330 SMEs were surveyed. Small businesses made up approximately two-thirds of the sample. The countries covered were Venezuela, Peru, Mexico, El Salvador, Colombia, Chile, Brazil and Argentina (Vives, 2005).

Some of the findings are as follows:

- Most firms carry out internal activities (employee focused), while external and environmental efforts are less common.
- The CSR practices are not yet translated into their corporate strategies in a systemic manner.
- Although they acknowledge that society is demanding more in general, they still do not perceive much pressure from their immediate stakeholders (workers, clients and suppliers).
- Obstacles to a more active participation in external and environmental CSR practices are concentrated on lack of knowledge and resources.

2.4.2.4 Other developing countries

A qualitative research project was done in Malaysia, to explore the motivations behind SMEs SRP. The data was derived from semi-structured interviews with ten Malaysian SMEs. The interviews were conducted with the managing directors, managers or owners of the companies. Interviews were analysed by drawing out a number of key themes and comparing the interviewee responses. The interviewed SME managers were from manufacturing, supplying, retail and service sector (Amran & Nejati, 2009).

These are some of the findings for motivations of SMEs to participate in SRP:

- Most of the companies mentioned that they were not receiving any benefits for SRP. Rather, they were doing it for the sake of their own beliefs and values.
• Almost all of the SMEs interviewed mentioned how important it was to them to be good to society as they are consuming society's resources for their work
• Some of them also mentioned the effect of religion on their SRP tendency
• The SMEs studied, other than the existing legislation regarding environmental issues, named pressure from consumers/customers and suppliers more significantly than other stakeholders in encouraging them to engage in environmental friendly practices and apply to for environmental certificates.

Another study was done in Singapore where a sampling frame of the top 500 SMEs in Singapore in 2008 in terms of financial performance was used. The SMEs were ranked by the DP Information Group, Singapore's largest credit information bureau that ranks SMEs annually (Lee, Mak & Pang, 2012).

Table 8, below, summarises activities indicated as CSR:

<table>
<thead>
<tr>
<th>Activities</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>I Don't Know (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping local communities</td>
<td>100</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Caring for environment</td>
<td>98.2</td>
<td>0</td>
<td>1.8</td>
</tr>
<tr>
<td>Ensuring safety standards</td>
<td>74.5</td>
<td>20.0</td>
<td>5.5</td>
</tr>
<tr>
<td>Ensuring anti-discriminatory work practices</td>
<td>70.9</td>
<td>23.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Providing truthful information</td>
<td>69.1</td>
<td>29.1</td>
<td>1.8</td>
</tr>
<tr>
<td>Providing training and/or retaining opportunities</td>
<td>61.8</td>
<td>34.5</td>
<td>3.6</td>
</tr>
<tr>
<td>Adapting to changing business environment while</td>
<td>60.0</td>
<td>29.1</td>
<td>10.9</td>
</tr>
<tr>
<td>considering stakeholders' needs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Respecting individuals' rights</td>
<td>58.2</td>
<td>32.7</td>
<td>9.1</td>
</tr>
<tr>
<td>Providing enhanced benefits for staff</td>
<td>56.4</td>
<td>34.5</td>
<td>9.1</td>
</tr>
<tr>
<td>Offering quality products and/or services</td>
<td>52.7</td>
<td>43.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Employee empowerment</td>
<td>58.2</td>
<td>50.9</td>
<td>10.9</td>
</tr>
</tbody>
</table>

Note. Values are in percentages of Group A respondents, n = 55.

Some of the activities that the participants engaged in as SRP are: quality products and/or services; health and safety; employee training; employees' enhanced benefits; and empowerment of employees.
Table 9, below, summarises the drivers for engaging in CSR:

<table>
<thead>
<tr>
<th>Drivers</th>
<th>Group A</th>
<th>Group B</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contribution to society</td>
<td>4.22</td>
<td>3.97</td>
<td>4.09</td>
</tr>
<tr>
<td>Building better relationships with stakeholders</td>
<td>3.71</td>
<td>3.62</td>
<td>3.66</td>
</tr>
<tr>
<td>Governmental influence</td>
<td>3.29</td>
<td>3.72</td>
<td>3.51</td>
</tr>
<tr>
<td>Stakeholders encouragement</td>
<td>3.45</td>
<td>3.45</td>
<td>3.45</td>
</tr>
<tr>
<td>Religious influence</td>
<td>3.18</td>
<td>3.47</td>
<td>3.33</td>
</tr>
<tr>
<td>Increasing company's profits</td>
<td>5.24</td>
<td>5.56</td>
<td>5.50</td>
</tr>
<tr>
<td>Industry association influence</td>
<td>2.78</td>
<td>3.69</td>
<td>2.94</td>
</tr>
<tr>
<td>Tax rebate</td>
<td>2.93</td>
<td>2.81</td>
<td>2.87</td>
</tr>
</tbody>
</table>

Note. Values are mean scores on a 5-point scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree).

The motivations are: individual values; improved relationships; and government influence.

Table 10, below, summarises the barriers for engaging in CSR:

<table>
<thead>
<tr>
<th>Barriers</th>
<th>Group A</th>
<th>Group B</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of financial resources</td>
<td>3.69</td>
<td>3.76</td>
<td>3.68</td>
</tr>
<tr>
<td>Lack of manpower</td>
<td>3.51</td>
<td>3.79</td>
<td>3.65</td>
</tr>
<tr>
<td>Lack of time</td>
<td>3.40</td>
<td>3.78</td>
<td>3.59</td>
</tr>
<tr>
<td>Lack of proper know-how</td>
<td>3.27</td>
<td>3.48</td>
<td>3.38</td>
</tr>
<tr>
<td>Restrictions by government regulations</td>
<td>2.65</td>
<td>3.02</td>
<td>2.84</td>
</tr>
<tr>
<td>Industry does not require such activities</td>
<td>2.55</td>
<td>3.07</td>
<td>2.81</td>
</tr>
<tr>
<td>Lack of need</td>
<td>2.44</td>
<td>3.05</td>
<td>2.75</td>
</tr>
<tr>
<td>No business benefits in doing so</td>
<td>2.35</td>
<td>2.95</td>
<td>2.65</td>
</tr>
</tbody>
</table>

Note. Values are mean scores on a 5-point scale (1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree, 5 = strongly agree); n = 115.

These two studies of developing countries have similar characteristics, which is the wellbeing of the community in order to enhance their own reputation. They are motivated by pressure from stakeholders. Religion is also a big factor.
2.5 Conclusion

The power is shifting from large corporate to society in general, especially to pressure groups. SMEs are not immune to this shift. In a global economy where technology has made it easy for individuals to access information, being a socially responsible business is not only good but a necessity to secure a good reputation and competitive advantage. Thus although SMEs do not formally record their CSR initiatives, they are already practicing the trade. Some SMEs participate in CSR initiatives for strategic purposes while a vast majority participate due to care and passion.
Chapter 3: Research questions

The objective of this study is: to explore the nature and extent at which SMEs engage in CSR at the BOP; how is CRS defined; what motivates owner-managers to engage in such practices; and what are the enablers and barriers in engaging in CSR.

In the literature review, one sees that developed countries tend to have a more structured and sophisticated approach to CSR while developing countries tend to be informal and reactive to the pressure, mainly from their customers and suppliers. This exploratory study aims to fill the gap by investigating the CSR landscape of SMEs at the BOP by asking the following research questions:

**Research question 1:**

How do SMEs understand or define SRP?

**Research question 2:**

What is the nature and extent of these SRP?

**Research question 3:**

What are the motivations for and the benefits from engaging in SRP?

**Research question 4:**

What are the enablers and barriers of engaging in SRP?

**Research question 5:**

What is the influence of managerial value with respect to participating in SRP?
Chapter 4: Research methodology

4.1 Research design

This research aims to understand the nature and extent at which SMEs at the BOP participate in CSR practices. This is a situation where participants articulate their understanding of the world through their lived experience. According to Blanche, Durrheim and Painter (2006), when studying a phenomenon as it unfolds in a real-world situation, an inductive, qualitative approach is required.

This research conducted semi-structured interviews with 12 SMEs from Alexandra Township, Gauteng, in South Africa. By definition the BOP is a market where people live on less than $1.25 and 60% of them live in rural areas (Azmat & Samaratunge, 2013). Alexandra is situated in an urban area. In fact, Alexandra Township it is five kilometres away from the richest square mile in Africa, Sandton. Also Alexandra Township is in the centre of Johannesburg, which is the richest city in Africa.

Given the fact that the government provides, amongst other things, free basic services such as water, electricity, sanitation, healthcare, education, and social grants; this community cannot be defined as a BOP in its true sense. With high levels of unemployment, poverty and inequality in South Africa, Alexander Township is one the poorest communities by urban standards. If we exclude the social benefits from government, NGOs and donors, we do find people living on less than $1.25 a day in Alexandra. Hence the research felt that – contextually - Alexander is a BOP market, or at least an urban BOP.

The research was conducted at a micro-level. The attempt was to get a deeper understanding through the perspectives of owner-managers, whose personal values often influence the strategic direction a business takes and shows how CSR is balanced with the daily activities of a business (Jenkins, 2009).
4.2 Scope

With no universal definition of an SME, this research was largely based on small businesses which are covered in the SME definition. In order to minimise variability due to size, companies selected were within a range of 1 - 10 employees. This approach was easy to follow as by default, most companies at the BOP tend to have very few employees. This research was not intended to be industry-specific and so companies were drawn from a variety of industries. Key areas of investigation are SRP terminology, the influence of managerial values, the nature of SME SRP practises, motivation for and benefits from engaging in SRP and the challenges faced.

4.3 Universe/population

Theoretically, the population is every business at the POB. However, most of these businesses at the POB are informal and we do not have sufficient secondary data on them. The population is, therefore, impossible to quantify.

4.4 Unit of analysis

The unit of analysis is the owner-manager as most of these businesses at the POB are very small and are usually managed by the owner.

4.5 Sampling

Given that we did not have a sampling frame, we used a non-probability sampling method. We used a purposive sampling technique since we were collecting this data for qualitative research. Furthermore, we used our judgement to actively choose those who would best be able to help answer the research questions and meet the objectives (Lewis & Saunders, 2012). Since most businesses at the POB are informal and not registered, in some cases we used snowballing sampling to reach the participants that were difficult to find. Some of the population had a chance of being chosen by the researcher and others did not.
4.5.1 Sample Size

We interviewed 12 owner-managers, across different industries, such as property development, entertainment, retail, food and education.

4.6 Research instrument/measurement

4.6.1 Design

The researcher first approached the potential participant, and then asked for a future date that would be convenient to conduct the interview, if he/she agreed to participate. Then the researcher went back as per appointment to conduct the interview. Before the interview started, the consent form was explained to the participant and the participant was still assured that they could withdraw from participation at any time, even during the interview. The participant was then allowed to read the consent form and sign.

Each interview was recorded and the researcher took notes of other observations during the interview, such as body language and the surrounding environment. Each interview lasted about half an hour. The researcher used a questionnaire guide comprising of open ended questions. When clarity was needed, the researcher asked more clarifying questions. The reason for that was that the researcher was unsure of the response and required a detailed answer. This is also useful to find out what is uppermost in the respondent’s mind (Lewis & Saunders, 2012).

Appendix 1 is the set of questions that the researcher used as a guide to ask the participants. Once the interview was completed, participants were encouraged to provide any additional information that they felt would be helpful towards this study. Most of the respondents offered that the researcher could come back at anytime during the research to clarify certain issues which could have been misunderstood by the researcher. The researcher did not use that offer during analysis and transcription as most of the responses were reasonably articulated by the respondents.
4.6.2 Pre-testing

A trial run was conducted by the researcher to test if there was a problem with the way questions were phrased? Were they leading or biased in terms of sequence? The realisation after the trial run was that it would be best to ask the questions in layman terms and conduct the interview in a language preferred by the participant. This did not pose any problems for the researcher as he is fluent with most of the official South African languages.

4.7 Data analysis

According to Henning, Van Rensburg and Smith (2004) it is advisable for the researcher to do their own transcription as this enables the researcher to familiarise themselves with the data. The researcher becomes more competent and is able to get more meaning as he continues through the process.

Most of the respondents have very little education. In order to ensure that the respondents were comfortable during the interviews, the researcher insisted that the interviews be conducted in a language that the respondent is most comfortable in speaking. More insights can be shared when people are speaking in their mother tongue as they do not have to worry about translating into English and/or running out of vocabulary. The researcher is fluent in all official South African languages, so this did not prove to be a challenge at all. The researcher has lived most of his life in the townships and given that there are also slang terms that are colloquial to the community, the researcher felt that it would be better if he conducted the transcriptions in person to ensure that nothing got lost in translation. The transcription process took a considerable amount of time.
These are the steps the researcher followed in conducting data analysis (Bryman, 2008):

Step 1:

The researcher browsed through all transcripts as a whole, then made notes about the first impression. Then read the transcripts again one by one, very carefully, line by line.

Step 2:

The researcher started to label relevant pieces, such as words, phrases, sentences and sections. These labels were about actions, activities, concepts, differences, opinions, processes and any other relevant information. This process is known as coding, and the researcher chose to do it manually due to the fact that the process became easier and more engaging than using a software tool.

The criterion for coding the data was anything:

- That was repeated in several places
- That surprised the researcher
- The respondent explicitly stated was important
- The researcher had read something similar in a research paper
- The researcher was reminded of a theory or concept by respondent
- The researcher thought was relevant.

Step 3:

The researcher went through all the codes created in the previous step and decided which ones were important and then created categories by bringing the important codes together. Some codes were combined, others were dropped altogether as the common themes emerged.
Step 4:

The categories were then labelled based on what the researcher felt was significant and the connection between the categories was established. The relation of categories to research questions and literature was also established.

4.8 Research limitations

- We do not know how many SMEs are available in South Africa due to the lack of data. Hence, a simple random sample is impossible to conduct. Therefore, the findings cannot be extrapolated to other provinces or countries.
- There might have been some response bias from the participants whereby they didn’t answer truthfully.
- The researcher might have misinterpreted some responses.
- A non-probability sample is not a true reflection of the entire population.
Chapter 5: Results

5.1 Introduction

The objective of this study is to explore: the nature and extent at which SMEs engage in CSR at the BOP; how is CRS defined; what motivates owner-managers to engage in such practices; and what are the enablers and barriers in engaging in CSR.

The results are from semi-structured, in-depth, face-to-face interviews. The respondents were asked for permission to be recorded and they also signed the consent form. Only one respondent refused to be recorded in the interview, but the researcher was granted permission to bring an assistant into the interview who would transcribe as the researcher conducted the interview.

The interviews ranged from four minutes to 45 minutes, depending on the availability of time and the willingness of the respondent to elaborate more on probing questions. The researcher took notes as well during the interview and was also cognisant of additional factors such as body language and the surrounding environment.

The researcher used an interview guide comprising of five open-ended questions, together with a few probing questions to elicit more details (see Appendix 1). The reason for that is that the researcher was unsure of the response and required a detailed answer. This is also useful to find out what is uppermost in the respondent’s mind (Lewis & Saunders, 2012). The interviewer was mostly guided by the participant’s response as to which question to ask next. Also the questions did not have to be in sequence.

5.2 Research results

This section presents the results for each of the research questions.
5.2.1 Research question 1:

How do SMEs understand or define SRP?

The researcher found that most of the respondents could identify with a CSR initiative but could not define it when asked to. One respondent who owns an internet cafe said, “Maybe you can explain because maybe I do not understand.” Once the researcher started giving practical examples of CSR initiatives, then the respondent said, “Parents always ask if they can bring their children to the internet cafe so that we teach them basic computer skills. The problem is we do not have enough computers to offer such a service. I would love to do that.”

One respondent commented that, “Helping is not about money; it is about giving your time and using one’s hands. People become more appreciative when you spend time with them and genuinely help them out.” This is CSR by definition, but the respondent could not define it when asked in the interview what CSR was.

Relating to the environment, one respondent runs a recycling business but at no stage in the interview did the respondent articulate that their core business model is social responsibility. In her mind, this is just a business that generates income without any social responsibility initiatives in its core business model. “We have a recycling business, where we collect cardboards, glass, cans, plastic bottles, etc. They would push their trolleys and come and sell at our recycling centre. Sometimes we go out and collect recyclables from companies, hotels, mall and private homes. We provide them with bins and bags where they sort their waste at home. We go every week to go and collect, and this also depends on how quickly the waste gets full.”

When the respondent was asked if the recycling business had any CSR practices in it, this was the response: “We use our trucks to help out when needed; suppose someone has demolished their house and dumped the rubble
on the street, and the Johannesburg Metro Police Department are apprehending that person. We go and intervene as we have the resources. We get our staff to go remove the rubble instead of allowing the culprit to go to jail.” This shows that recycling is not seen by the respondent as CSR.

Given that the definition of CSR is still a contentious issue amongst, not only academics, but also large firm executives, it came as no surprise to the researcher that SMEs are also struggling with defining the term.

5.2.2 Research question 2:

What is the nature and extent of these SRP?

Most of the CSR initiatives are linked to the core of the business. The researcher found that this linkage is not by design, but circumstantial due to the fact that small businesses have very little resources. Hence, they use what is currently at their disposal to effect change. These are some of the initiatives:

“What we are currently doing is when there are emerging artists’ sessions, like your hip-hop sessions, and other events that artists do that are locally based. We then come and offer assistance in terms of enlightening them about what to expect from the music industry; how do they get money; how do they register their music and which entities to work with in terms of South African Music Rights Organisation. And sometimes we try and get these entities to come to the events to enlighten artists about the business side of the music industry.”

“We have 40 children in the crèche. Some of these children do not pay school fees. I render a free service to the poor. We collect fruits and veggies from sponsors and sometimes I give the needy children food parcels to take home. And sometimes I give parcels to neighbours as well when they ask.”

“I sell clothes now. And the clothes that are not bought by my clients I give them away to the needy. As you can see there is the refuse bag in the corner full of clothes that I am going to give away. I usually take them to orphanage centres
or nursery schools. If the inventory is not sold over a certain period of time, I give them away. As you know clothing is seasonal, so I cannot keep stock from last season. I also take them to schools to give them away to needy children there as well. Even the teachers know me by now and sometimes they come to ask if I have any leftover stock.”

“I do help out in the community. I give my neighbours the extra cakes when they are available. I do this with an open heart and I do not make them pay. The neighbours are very appreciative when I do that. I even give away food, I never throw away food. When food is leftover I give that to my neighbours; I do not feed the bin.”

“When I have leftovers from the catering services, I take the food to charity organisations. There are street kids on Collert Drive that I take food to. I leave my cutlery with them in the morning when I go stock up for the tavern, then collect them later when I return. They pack them nicely for me in a plastic bag and I take it at the traffic light.”

There were also respondents that - given the little resources that these small businesses have - went beyond CSR initiatives that are linked to their core business:

“And sometimes you find that I do not have any stock. That is when I go to PEP and buy them some clothes, especially school uniform; I bought one kid a pair of shoes not so long ago because he is an orphan.”

“I am helping an organisation called Tshebelisano support network. Tshebelisano support network focuses on the senior citizens in Alexandra whereby we have a feeding scheme and we also assist them in issues of medical collection. Because most of them are old and cannot walk to clinics that are far, so we check their medical schedules then we have people who go collect on their behalf at the clinic and deliver them to the medicines to their houses. They also check that the elderly are eating nutritious meals before they have their medication.”
Some initiatives are family linked: “I currently live with my aunt’s son; his name is Bongani. I have taken Bongani in from a very young age, now he is over 25 years old. I get calls from aunt about how much they are struggling and I usually go to Shoprite to transfer some funds so that they can have food on the table. I also provide the rest of my aunt’s children with clothing, if I can.”

On the other hand you also have respondents that feel they are not obliged or need to contribute towards CSR:

“I think people lead themselves to this awkward situations, I do not believe its peer pressure or your social environment. It is you and only you to blame.”

“It is not even government’s responsibility because there are children in the rural areas who use candles to study and fetch water from the river. Yet they are successful. Some of the students I went to school with are in top positions within government structures and they are from abject poverty. So there is no such a thing that government is not doing anything, because even for us during those days, the government did nothing for us. But people did succeed against all odds.”

“No. I do not have time. I am very busy all the time.”

“I know nothing about that.”

5.2.3 Research question 3:

What are the motivations for and the benefits from engaging in SRP?

The biggest motivation for most respondents was passion, care and the satisfaction they feel after helping someone out. Some of the comments were as follows:

“My passion is to work for my people.”
“It’s a passion; I had this love of working with people, working for people. Not to benefit financially but to get that pleasure, that satisfaction you know within me that I have assisted a certain person.”

“I have sympathy towards children. I conceived my children under very difficult conditions, without any support from their father. Their father was a person who would often go disappear for a very long period of time. As a result I had to raise my children on my own. Hence I feel the pain of most women as I come from the very same situation and I know it too well. Most of these women are single parents. Some of them are still school kids and they are still naive. Some of them are left with the grannies due to HIV and Aids.”

Other respondents were motivated by duty:

“The poorest of the poor come here because they know they will get help. They sit here where you are sitting now and cry. They know I am a person for the community and they are aware of what the good deeds I am doing. When they have money, they go somewhere else. And when they do not have money, they come to me. The community of Alexandra knows that very well, through word of mouth.”

“I do want money but my focus is solely on the child. I cannot have a situation where a child in the future says to me you are the one that chased me away from school. So, technically, paying school fees is discretionary. Whether they pay or not, I continue to do my job.”

“I feel it is my responsibility to help out in the community since I know these people my entire life. I was born here with them. I am aware that business is there to make money but I feel there has to be more than just making money, hence I help out. During the 1976 riots, most of our fallen heroes were housed here. This was the centre for all the unfortunate events that happened in our history, even in 1986. I was given nothing for my generosity. It was my duty to help.”
“There is this one neighbour very close to me; I share most of my food with her. She is struggling so I always help her out. She lives off her disabled child’s support grant. So all of us as neighbours we try and help out whenever we can. We give her food to go and share with her kids. She once fell very ill to a point that she was bed ridden. We were the ones who kept taking care of her as her family has, seemingly, abandoned her. And now she is all well in good health.”

Others do it in order to empower others, they go beyond handouts:

“Also through the Alexandra baseball club we have initiated a baseball program called “learning to play and playing to learn”, where 20 schools from Alexandra a participating. We play league games on Wednesdays and Fridays. When you look baseball as a sport, it is not about the physical development but requires a lot of concentration. If you cannot concentrate you cannot hit the ball so basically it teaches kids to focus and team work. This then translates to their academics as when you have 10 pitches in baseball; you know you only need three strikes which enables you to set goals. The rules and the discipline of the game are applicable in real life situations.”

“My colleagues always complain that I give away information that I am not supposed to. But my motto is I do not want to die with information. Information is power. If it is power to me why don’t I give to others as well, to empower them? When I walk out of this building then collapse and die, I need to ensure that there is someone who is empowered enough to take the baton and move on. I don’t want people to say, “Mam Mayble has passed on and we do not know what to do, she is the one who used to do this and never shared with us”. I am not a selfish person. Even if I give information to a 100 people, if something was meant for me it will be for me and so I will still get it.”

“What I have seen as a challenge for most artists is that they have talent but not the business understanding, so that is why they end up falling into issues of drugs and swearing at producers and all those things. They may have the skill to write music and record. But the business side that says when I finish writing the music I need to register it, I need a publisher, I need someone to promote it
and how do I sell the music to air play, how do I get an article written about my music in the newspapers? So those are the things we are helping with voluntarily.”

One respondent saw an opportunity of mutual benefiting through registering an NGO: “I want to register an NGO. One has to look and find a gap in the community. There are a lot of NGOs here. There are more than 30 in and around this area.” This would give her access to government resources that she would not normally have access to. The respondent’s observation was that some of the small business owners start off as NGOs and when small projects arrive to the community; these NGOs then register a company to take advantage of business opportunity.

Companies and government start with NGOs whenever they have CSR projects to do in the community, hence, NGOs have access to the information and the relationships first, which enables them to take advantage of the opportunities. When the respondent was asked if people start NGOs for self gain or out of caring and whether NGOs are effective, this was the response: “Yes they are effective, if you look at Gidani, it has done a lot of work in this community. There are a lot of NGOs but they do not get sponsors. There is a lot of corruption as well. Initially the intention is good but over time money corrupts people.”

Only one respondent linked the CSR practices as a benefit to her business. “I do this because the community supports me as well by buying from my business.”

5.2.4 Research question 4:

What are the enablers and barriers of engaging in SRP?

Sponsorships from large corporate play a big role in enabling small businesses to participate in CSR:
“There is a quite a lot that we are doing, we assist with bursaries, we have a good relationship with even private companies. Investec sent me a list of bursaries that are available a week ago and we take that information to the community. And there are so many kids that have gone through university that we assisted them in this way. We have our community radio station and local newspapers where we keep our communities informed about upcoming opportunities.”

“We also go out to get donations from individuals or companies. We also provide some adults with clothing as well. We try and find out what their home background of these children is, because some of them come from very difficult conditions. And we would assist the entire household, maybe the house is leaking then we would get someone to go fix it. On special events, such as Mandela Day, we built one house for a family. We managed to get a company to sponsor with a house for a granny who lives with her grand children. We built her a three bedroom house. She used to live in a shack with those children and today she has a properly built house.”

Government initiatives such as funding, training and workshops are also one of the enablers:

“I continued with my work and at the same time there were a number of things coming into Alexandra. There was the Alexandra renewal project (ARP) which brought a lot of social improvements and capacity which enabled me to gain a lot of experience.”

“This nursery is kept alive by three sources: social development grant, sponsors and school fees. These sources are not enough. Especially the school fees, this is where we are suffering the most as most parents cannot afford to pay. And the parents that do pay are either in arrears already or do not pay the full amount. And you cannot chase away the child because of that. It is not about that we are after money.”
Change in legislation also affects small businesses in how they expand and create more CSR initiatives:

“In 2013, there was a law that was passed to assist cooperatives. The government wants everybody to benefit in the opportunities coming into Alexandra. Government is getting tired of assisting Donald alone, sometimes you are getting rich alone and not even taking care of your own family. Now government wants people to group themselves into five or six people. These people have their own family which ensures that more people benefit. So we also registered a corporative.”

“Mveledzo Community Organisation (MCO) started as an NPO. And as we grew we decided to expand. Since we are dependent on funding, someone advised us to register a section 21 company so we can get small projects to generate income and sustain our social responsibility initiatives.”

Some business schools have already started working close with communities at the BOP and small business owners are already being offered opportunities and training on how they can start sustainable CSR initiatives: “We decided to register a CC in 2009, Mveledzo beesem & catering... In 2011, a group of MBA students came for a presentation.... One of the students came back to offer us a proposal for a recycling business.”

Some of the barriers are due to individual’s lack of, or unwillingness to comply: “Government is not going to help us if we do not take the initiative to go to them and inform them about our problems. We do take our complaints to the government. The issue is that at times, we as small business owners are the ones who do not meet their criteria in order to receive the help. We need to ensure that we meet the minimum requirements in terms of compliance so that government can take us seriously. Government needs to ensure that when they return at a later stage there is improvement from your part as a small business owner.”
Other barriers are the lack of resources:

“\textit{I wish to have a car so that I can drive and collect the food from donors, because currently I have to hire a car to collect the food. That becomes very expensive for me.}”

One correspondent’s challenge was the lack of space at her internet cafe: “\textit{The small businesses can help as well. We need to grow together as a community. We do not have enough space. This place gets busy as times. We are thinking of moving to a bigger premise at the nearest shopping complex. So hopefully on that side we will be able to offer basic computer skills to kids for free.}”

Some of the challenges are the lack of information, some people are willing to help but just do not know where to start, as the one respondent commented: “\textit{I don’t even know where to start in terms of trying to help the community. Since I run a catering business sometimes I have leftovers but I do not know where to take them. So I just throw the food away. I am uncomfortable with the fact that I throw away food but where do I find those hungry people? If you go around knocking at people’s doors they will curse at you. Maybe another problem is I haven’t met people that are running feeding schemes because then they would then come fetch the food from me.}”

\textbf{5.2.5 Research question 5:}

\textit{What is the influence of managerial value with respect to participating in SRP?}

Family and how they were raised played a big role in the manager’s decision to participate in SRP:

“This is how I was brought up. Both my grandmother and mother used to foster children. My mother would take in any stranger in need of help. So I think the desire to help is something that is passed on from generation to generation.”
“In terms of the socio-economic issues that I get involved in is due to the fact that when my mother came back with the left over inventory, she would not keep all of it to sell for tomorrow, she would send me to take some of the inventory to neighbours who were less fortunate. That is how I grow up in terms of helping people and at the same time ensuring self-sustenance.”

“I like to help, and when I was a teenager, you find that at home when had, for example, a neighbour who has many children and these children are always dirty and walking bare feet. I would take them and wash them. And my mother would argue that I am finishing her soap. So I would take the money I got from my casual jobs and buy my own soap then wash the children and their clothes, so that my mother would not be angry that I am using her resources.”

“My family never limited me in anything that I wanted to do. So when a kid plays baseball today I would not stop him to from playing soccer the next day, I would allow him to explore himself. And this is the effecting way of knowing which sport you are good at and most importantly which one you enjoy. The same can be applied to academics, whereby when you finish school, parents should not force you to get a job. Maybe the approach should be that, now that you are done what is it that you want to do. Then they can assist you with resources to start the career you want. So that is how I was raised.”

One of the respondents was adopted as a child and felt that how he was taken care of by his foster parents is what led him to care for people around him, “They know that if you do not have money, you come to me. I, myself, have even accepted that reality that I am the one who is tasked with helping my people. At times this stresses me out and I feel like going elsewhere, but every time I find myself helping out. Sometimes you can’t help but notice that these people do not have anything.”
Religion also played a big role for some of the owner-manager’s life:

“That is the passion. That is what keeps me waking up every morning. My kids are grown up but I still have that energy to wake up. Thank you Lord it’s another day and I am looking forward to it. I plan my day before hand even thou sometimes it gets disrupted. I do not get angry because I know I have done something worthwhile. When I sleep I cannot wait for the next morning so that I can keep working; working with people; empowering people.”

“I am a believer. And sometimes unexplainable things happen. Blessings happen to me all the time, even now I have used up my a uncle’s money to buy things that were needed at the nursery, he is coming this weekend to collect his money, I don’t have it now but all I know is he will have his money back on the weekend.”

One respondent had a different view towards CSR, based on how she was raised: “I do not know how we can help these kids today because when I was growing up, when I came back from school, I had to sell traditional beer at home; do my house chores; and clean up after them when they are done drinking traditional beer. I think the kids of today are lazy. Sometimes my children complain that I am making their lives difficult because I also had a difficult upbringing. And then I tell them that if I could cope under those conditions, so can they, given the fact that life is much easier now.” The respondent went further to suggest religion as an alternative to CSR, “If I had enough money I would renovate my church where people can worship and fear God”

5.3 Conclusion

The results discussed cover the key findings and themes extracted from the interviews held with owner-managers operating at the BOP. The following chapter covers the analysis of these findings.
Chapter 6: Discussion of results

6.1 Introduction

The results reported in Chapter 5 have answered questions in the research and provided insights into social responsibility practices by small businesses at the BOP and the motivations behind such practices.

This discussion of results follows the same structure as Chapter 5, where the research questions are dealt with in line with the findings and the theory. This chapter will attempt to align findings gathered from owner-managers in the POB with the literature reviewed in Chapter 2, focusing on answering the research questions proposed in Chapter 3 and the results presented in Chapter 5.

6.2 Results analysis

Below is the analysis of the results as set out in Chapter 5, per research question.

6.2.1 Research question 1:

How do SMEs understand or define SRP?

Whilst the definition for CSR is still open for debate and ISO (2010) finally made an attempt to define CSR. The consensus amongst many scholars and business at large is that doing good is good for business (Besser, 2012). Ultimately, CSR is about running a business responsibly, professionally and in a sustainable manner that develops and maintains relationships with all stakeholders (Evans & Sawyer, 2010). This notion is no different to small businesses at the BOP. The researcher found that most of the respondents could identify with a CSR initiative but could not define it when asked to. They were, mostly, unable to give a precise definition but acknowledged examples of CSR when the researcher explained to them.
Moreover, they understood the need to be involved in CSR as one respondent who owns an internet cafe acknowledged that some “parents always ask if they can bring their children to this internet cafe so that we teach them basic computer skills” and this is in line with the fact that the community has an expectation from local business to provide more than just a public services but go a step further in developing the citizens around the community (Gwozdz, Pedersen & Rahbek, 2014). This is further emphasised by Spence (2013) that small businesses can no longer be ignored given the current economic climate and they can have a bigger impact collectively as they are more in touch with the people on the ground than large corporate.

“Welfare to society” is one of the key words in the ISO (2010) definition of social responsibility and even though most of respondents could not define CSR they are actively involved in such practices as one respondent commented: “Helping is not about money; it is about giving your time and using ones hands. People become more appreciative when you spend time with them and genuinely help them out.” The concept of CSR is still in its infancy stage in the majority of the countries on the African continent. Indigenous principles such as Ubuntu (humanity to others) and Harambee (mutual assistance) are key factors in defining CSR in Africa (Klins, Van Niekerk & Smit, 2010).

The definition of CSR, as stipulated by ISO (2010), begins with “the responsibility of an organization for the impacts of its decisions and activities on society and the environment...” One of the respondents runs a recycling business, which means that according to ISO (2010), her businesses core model is social responsibility. Gupta and Sharma (2009) argue that CSR is increasingly being included in the businesses core daily process. It is no longer an “add-on” to the business but part of the business. Yet businesses that are already at the forefront of social responsibility at the BOP are not even aware of what they are doing. The respondent sees it as just another business as she stated that: “we have a recycling business, where we collect cardboards, glass, cans, plastic bottles, etc.”
The ISO (2010) definition further states that: “...through transparent and ethical behaviour that contributes to sustainable development, including health and the welfare of society...” The respondent that runs a recycling business contributes to sustainable development by educating the community about recycling as she commented that: “we provide the community with bins and bags where they sort their waste at home. We go every week to go and collect, and this also depends on how quickly the waste gets full.” Also this business contributes to the health and welfare of the society it serves. This further emphasises that even businesses that are social responsibly by their very nature are not using the term CSR to describe their daily activities.

When the respondent was asked if the recycling business had any CSR practices in it, this was the response: “We use our trucks to help out when needed; suppose someone has demolished their house and dumped the rubble on the street, and the Johannesburg Metro Police Department (JMPD) are apprehending that person. We go and intervene as we have the resources. We get our staff to go remove the rubble instead of allowing the culprit to go to jail.” This shows that recycling is not seen by the respondent as CSR.

Respondents that mentioned the term “social responsibility” or defined it loosely before the researcher put it to them, are the ones who have been recipients of CSR benefits, either through donations from large corporate; training from government initiatives; or they belong to an NGO that is or has been a recipient of CSR initiatives. This shows that education is fundamental in creating the culture of CSR.

Even though these respondents are already participating in CSR initiatives, what sets them apart is that they are conscious of their work and are able to describe it, and they tend to do more CSR initiatives per person in comparison to the rest. On average they run three different CSR initiatives per person, as compared to an average of one for the rest of the respondents who could not define CSR. The researcher came to a conclusion that being a recipient of CSR benefits or being educated about CSR tends to increase the propensity at which one feels the obligation to also extend a hand to the needy.
In conclusion, given that the definition of CSR is still a contentious issue amongst, not only academics, but also large firm executives (Hemphill, 2013); it comes as no surprise to the researcher that SMEs are also struggling with defining the term.

6.2.2 Research question 2:

What is the nature and extent of these SRP?

Some of the CSR initiatives that SMEs participate in developed countries include: client satisfaction by offering reliable products and services; workplace safety; social services; sponsorship and donations; recycling; and separation of waste (Santos, 2011). Small business owners at the BOP do not record or have formalised reporting structures on these CSR initiatives. They tend to do what is directly linked to their core business. The researcher found that this linkage is not by design, but circumstantial due to the fact that small businesses have very little resources. Hence, they use what is currently at their disposal to effect change.

This is what one of the respondent said about the CSR initiatives at her nursery school: “We have 40 children in the crèche. Some of these children do not pay school fees. I render a free service to the poor. We collect fruits and veggies from sponsors and sometimes I give the needy children food parcels to take home. And sometimes I give parcels to neighbours as well when they ask.”

There were also respondents that - given the little resources that these small businesses have - went beyond CSR initiatives that are linked to their core business. As one of the respondent said: “Sometimes you find that I do not have any stock. That is when I go to PEP and buy them some clothes, especially school uniform; I bought one kid a pair of shoes not so long ago because he is an orphan.”

Similarly, one of the respondents who own a digital company said: “I am helping an organisation called Tshebelisano support network. Tshebelisano support network focuses on the senior citizens in Alexandra whereby we have a
feeding scheme and we also assist them in issues of medical collection.” The common thread for individuals who do CSR not linked to their core business is that they themselves are or once were recipients of CSR help either from corporate, individuals or government. This does not have to be financial benefits, as others received training.

Some initiatives are family linked: “I currently live with my aunt’s son; his name is Bongani. I have taken Bongani in from a very young age, now he is over 25 years old. I get calls from aunt about how much they are struggling and I usually go to Shoprite to transfer some funds so that they can have food on the table. I also provide the rest of my aunt’s children with clothing, if I can.”

On the other hand, you also have respondents that feel they are not obliged or need to contribute towards CSR, as one respondent commented: “It is not even government’s responsibility because there are children in the rural areas who use candles to study and fetch water from the river. Yet they are successful.... And people did succeed against all odds.”

6.2.3 Research question 3:

What are the motivations for and the benefits from engaging in SRP?

Santos (2011) observed that in European SMEs, even though the actual CSR practices are not formalised and structured, they are linked to the core of the business. Another study in Europe found that in order to create additional value for the company, owner-managers must focus mainly on customers and employees and, to a lesser extent, the community (Hammann, Habisch & Pechlaner, 2009).

Furthermore, contrary to what usually happens at large companies, the main focus of SMEs is internally based, with the aim to gain a good reputation in the community with respect to how they treat their employees and the environment.
This is contrary to what most of the respondents stated as their motivation for engaging in SRP at the BOP. Their motivation is at a human level, it comes from within as opposed to European SMEs who are motivated at a business level i.e. the focus is on employees and customers. The biggest motivation for most respondents is passion, care and the satisfaction they feel after helping someone out. As one respondent articulated: “It’s a passion; I had this love of working with people, working for people. Not to benefit financially but to get that pleasure, that satisfaction you know, within me, that I have assisted a certain person.”

To further emphasise the passion theme, another respondent said: “I have sympathy towards children. I conceived my children under very difficult conditions, without any support from their father...As a result I had to raise my children on my own. Hence I feel the pain of most women as I come from the very same situation and I know it too well. Most of these women are single parents...Some of the kids are left with the grannies due to HIV and Aids.”

Most companies use CSR as a risk management tool or compliance (Bazillier & Vauday, 2014). None of the respondents viewed CSR as a reputational risk management tool or a compliance tool. Most of these businesses are informal, in a sense that they are not registered for any compliance requirements. Hence, by default they would not use CSR as a compliance tool.

It is being argued that the misalignment between the company’s SRP and business strategy becomes a missed opportunity for the company to have an impact on the community as well as to realize its own competitive advantage (Allen & Husted, 2012). Viable sources of competitive advantage in SMEs include output flexibility such as adapting the changes in the working environment by adopting SRP; or developing product and services that incorporate CSR benefits (Militaru & Serbanica, 2008). None of the respondents viewed CSR as a missed opportunity for growth.
The BOP is a new customer segment that demands breakthrough innovations. Most large companies have failed in this market due to the fact that they don’t offer tailor-made solutions to the BOP, they simply produce an inferior product or a product with less features in comparison to the top market offering (Prahalad, 2012). CSR, if executed well, can be used as a competitive advantage for firms; and in practice CSR is about stakeholder management that ensures the business is sustainable and has a positive impact on society (Jenkins, 2009). None of the respondents viewed CSR as a competitive advantage.

Lefebvre and Lefebvre (2012) argue that companies are using CSR as a mechanism to differentiate themselves from competitors, thus attracting customers and employees. Also, engaging in SRP enables more people to understand the company, its business practices and approach; thus creating a stronger relationship with the stakeholders (Baumann, et al., 2010). Some employees want to work for companies with strong moral values (Frederiksen, 2010). SRP can be used to motivate employees by giving them a sense of purpose and ownership; this will then increase employee satisfaction which will then increase production. There will be less absenteeism as the employees are proud to work for such a company (Lis, 2012). Only one respondent linked the CSR practices as a benefit to her business: “I do this because the community supports me as well by buying from my business.” But also did not use it as a strategic model to differentiate her business from competitors.

Another over-arching theme was duty. Most of the respondents had a sense of obligation or duty to give back. As one of the respondents commented: “The poorest of the poor come here because they know they will get help...They know I am a person for the community and they are aware of what the good deeds I am doing. When they have money, they go somewhere else. And when they do not have money, they come to me. The community of Alexandra knows that very well, through word of mouth.”
This is in line with the findings of Alfonso, Herrera and Roman (2010) within the Asian context that despite the diverse cultures and history of Asian nations, the foundation of CSR is the collectivism value of putting the interest of the family and society over that of an individual.

Although, the concept of CSR is still in its infancy stage in the majority of the countries on the African continent, a similar sentiment is also observed in Africa with respect to CSR. Indigenous principles such as Ubuntu (humanity to others) and Harambee (mutual assistance) are key factors in defining CSR in Africa (Klins, Van Niekerk & Smit, 2010); as one of the respondents said: “I feel it is my responsibility to help out in the community since I know these people my entire life. I was born here with them. During the 1976 riots, most of our fallen heroes were housed here. This was the centre for all the unfortunate events that happened in our history, even in 1986. I was given nothing for my generosity. It was my duty to help.”

The classical stakeholder theory by Freeman (1984) is an idea about how business really works. It says for any business to be successful, it has to create value for customers, suppliers, communities, employees and financers. It says one cannot look at any of these stakeholders in isolation, their interest has to go together and the job of the manager is to figure out how the interests of stakeholders go in the same direction. Although these businesses are already practicing stakeholder management, they do not describe it as such.

The respondents are aware of what the business objectives are, such as making money now and in the future, but they are also aware of what their duties or obligations are in the community. This duty gives them a sense of purpose and motivates them on a daily basis. This is what one of the respondents mentioned in the interview: “I am aware that business is there to make money but I feel there has to be more than just making money, hence I help out.” Another respondent stated that: “I do want money but my focus is solely on the child. I cannot have a situation where a child in the future says to me you are the one that chased me away from school. So, technically, paying school fees is discretionary. Whether they pay or not, I continue to do my job.”
Some of the motivations for SMEs to participate in CSR in developed countries come from internal and external pressure. The internal drivers, amongst others, are: reducing costs through resource efficiency; engaging in improved stakeholder relations; protecting, building and enhancing the company’s image and reputation; anticipating, avoiding and minimising risks to the business. While the external drivers are, amongst others: other companies and business networks; access to finance; the supply chain; trade unions; pressure groups; and government. None of the above mentioned internal or external drivers directly affect small businesses at the BOP as a motivation to practice CSR.

Porter (2011) argues that CSR in its current form is one that is predominately separate from the company’s core business; and that CSR is done as a risk management exercise to avoid lawsuits and reputational risk. He argues that capitalism is where wealth is created. And that CSV is the re-engineering of how capitalism does business, where social issues are at the core of the business strategy. He argues that capitalism is the way forward to solve social issues, where a company mobilises its entire budget to impact on social issues.

Wealth creation is not necessarily at the core of the small business owners at the BOP. Yet, ironically, their core business is linked to their CSR practices due to limited resources (Lamberti & Noci, 2012). Most of them are content with a business model of subsistence. When the researcher asked one of the respondents if she had any growth plan for her business, the response was: “I only bake on request. I have not expanded my business because God has given me this tiny bit, of which I am happy with. Maybe in the future when conditions become tough I would think of changing my business model; I would then maybe go out and look for clients or sell at a street corner. God has given me enough to live by; I do not want to be greedy by expanding. Hence I say that for now I am very happy with what I have.” Yet with the little they have, they are still able to share with their community. This is a different mindset to traditional business practices where companies “give back” a certain percentage of their bottom line.
Empowering others gave most of the respondents inner satisfaction. One of the respondents commented: “My motto is I do not want to die with information. Information is power. If it is power to me why don’t I give to others as well, to empower them? When I walk out of this building then collapse and die, I need to ensure that there is someone who is empowered enough to take the baton and move on...Even if I give information to a 100 people, if something was meant for me it will be for me and so I will still get it.”

Only one respondent saw a “business opportunity” in opening a NGO. “I want to register an NGO. One has to look and find a gap in the community. There are a lot of NGOs here. There are more than 30 in and around this area.” The NGO would give her access to government resources that she would not normally have access to. The respondent’s observation was that some of the small business owners start off as NGOs and when small projects arrive to the community; these NGOs then register a company to take advantage of business opportunity.

In conclusion, the researcher observed that the motivations for and benefits from engaging in CSR come from passion, care, duty and inner satisfaction. None of the initiatives are financially rewarding. CSR is not linked to the business model. Also it is not used as a competitive advantage strategy. There is also some element of a higher being, namely God, where most of the respondents participate in CSR with a belief that they will be rewarded in one way or another. Most of them mentioned that they were religious and were receiving blessings from God.
6.2.4 Research question 4: What are the enablers and barriers of engaging in SRP?

Studies done in developed countries showed that the two biggest barriers of SMEs SRP are cost and benefit ratio due to capacity and the risk of external control while the biggest driver is reputational risk with respect to stakeholders. The anticipation of attracting investors also motivates these SMEs to participate in CSR (Laudal, 2011). None of that came out from the respondents at the BOP. They did not associate CSR with reputational risk or attracting investors.

Some of the barriers in developing countries, amongst other things, are the lack of financial resources, lack of manpower, lack of proper know-how, and lack of time. (Lee, Mak, & Pang, 2012). This is in line with most of what the respondents alluded to as barriers. One respondent said: “I don’t even know where to start in terms of trying to help the community. Since I run a catering business sometimes I have leftovers but I do not know where to take them. So I just throw the food away. I am uncomfortable with the fact that I throw away food but where do I find those hungry people? If you go around knocking at people’s doors they will curse at you. Maybe another problem is I haven’t met people that are running feeding schemes because then they would then come fetch the food from me.” Another respondent acknowledged the need to participate in CSR but lacked the time to do so as she said: “No. I do not have time. I am very busy all the time.”

While Lee, Mak and Pang (2012) allude to restrictions by government regulations as one of the barries for engaging in CSR, most of these small businesses at the BOP felt that the government is doing an excellent job in providing NGOs, funding, training and workshops to the community. Contrary to popular beliefs and media reports, government interventions at the BOP are being felt and appreciated by those communities. One of the respondents had this to say with respect to government initiatives: “I continued with working for a NGO and at the same time there were a number of things coming into Alexandra. There was the Alexandra Renewal Project (ARP) which brought a lot
of social improvements and capacity which enabled me to gain a lot of experience and have access to business opportunities.”

Sponsorships from large corporate and individuals also play a big role in enabling small businesses to participate in CSR. This then encourages these small businesses to also extend their hand to the least privileged, as attested by one of the respondents: “We also go out to get donations from individuals or companies....On special events, such as Mandela Day, we built one house for a family. We managed to get a company to sponsor with a house for a granny who lives with her grand children. We built her a three bedroom house. She used to live in a shack with those children and today she has a properly built house.”

Change in legislation also affects small businesses in how they expand and create more CSR initiatives. One of the respondents said: “Mveledzo Community Organisation (MCO) started as an NPO. And as we grew we decided to expand. Since we are dependent on funding, someone advised us to register a section 21 company so we can get small projects to generate income and sustain our social responsibility initiatives.”

In conclusion, the barriers seem to be similar across the board where lack of information and lack of financial resources are the biggest barriers. On the other hand large corporate and government is making huge strides in this market by providing training, financial resources, etc. As argued by Rutherford and Spence (2001), small businesses at the BOP have a very close proximity to the community, so they are able to bring about more effective change than large corporate or government who, most of the time, tend to these CSR initiatives on a discrete basis instead of a continuous basis. Small businesses are aware of who is the least advantaged in the community and who genuinely needs help the most.
6.2.5 Research question 5:

What is the influence of managerial value with respect to participating in SRP?

Although by law, SMEs are a legal entity on their own, most of decision making is done based on personal characteristics of the owner-manager (Sweeney, 2007). There are internal and external factors that drive SMEs to participate in CSR (Gadenne, Kennedy & McKeiver, 2009). Many SMEs are motivated by the owner-manager personal values and the initiatives are mainly motivated by their moral values (Jenkins, 2006).

Personal values of integrity, honesty and willingness to help came out as one of the major themes from most of the respondents as one of them said: “I like to help, and when I was a teenager, you find that at home when we had, for example, a neighbour who had many children and these children were always dirty and walking bare feet. I would take them and wash them. And my mother would argue that I am finishing her soap. So I would take the money I got from my casual jobs and buy my own soap then wash the children and their clothes, so that my mother would not be angry that I am using her resources.”

How the owner-manager views the world and his own personal experiences of the world will have a huge impact on the decision making processes. This, amongst other things, includes the family background as most of these small businesses are either run by family members or have been passed on to family members over generations (Jenkins, 2009). These are the sentiments shared by most of the respondents. One of the respondents said: “This is how I was brought up. Both my grandmother and mother used to foster children. My mother would take in any stranger in need of help. So I think the desire to help is something that is passed on from generation to generation.”
One of the respondents who did not participate in CSR also attributed her decision not to participate based on her own personal experiences of the world. The researcher probed on how the respondent felt we could help teenagers that are unemployed or suffering from drug abuse. Her response was: “I do not know how we can help these kids today because when I was growing up, when I came back from school, I had to sell traditional beer at home; do my house chores. I think the kids of today are lazy. Sometimes my children complain that I am making their lives difficult because I also had a difficult upbringing. And then I tell them that if I could cope under those conditions, so can they, given the fact that life is much easier now.” The respondent went further to suggest religion as an alternative to CSR, “If I had enough money I would renovate my church where people can worship and fear God.”

Religion plays a huge role in most of the owner-manager’s lives (Amran & Nejati, 2009). The belief that they will be rewarded in this lifetime or the next for doing good is what drives most of the respondents and some of them are already seeing the benefits of that as one of the respondents commented: “I am a believer. And sometimes unexplainable things happen. Blessings happen to me all the time, even now I have used up my a uncle’s money to buy things that were needed at the nursery, he is coming this weekend to collect his money, I don’t have it now but all I know is he will have his money back on the weekend.”

Gilligan (1982) brings an ethic of care perspective. Where she argues that we have an emotional commitment to act on behalf of persons with whom one has a significant relationship. She further argues that we are not autonomous with free choice and equal positions of power but we are bound by circumstances, relations and position; we have restricted information and choices; and we are in positions of unequal power.

Gilligan’s work comes down to an understanding that ethics is not about justice and rules of behaviour but also about understanding relationships and power differentials; accepting rationality and emotion in decision making; and understanding differences in power. This is true for most of the respondents.
where even if they are aware that their actions do not contribute to the bottom line directly, they are willing to continue helping others as they are or were once recipients of help.

One of the respondents was adopted as a child and felt that how he was taken care of by his foster parents is what led him to care for people around him, “They know that if you do not have money, you come to me. I, myself, have even accepted that reality that I am the one who is tasked with helping my people. At times this stresses me out and I feel like going elsewhere, but every time I find myself helping out. Sometimes you can’t help but notice that these people do not have anything.”

Spence (2013) presents four small business social responsibility pyramids which are based on four different stakeholders, namely; self and family, employees, the local community, and business partners. And the order of priority within each pyramid varies based on which stakeholder is in question. The researcher found that there was no explicit distinction within the different stakeholders or within each of the domains. This is probably due to the fact that it is possible that the researcher did not probe well enough in order to elicit the observations from the respondents. What came out as a strong theme are firstly survival of the business as a sustenance model and then the ethics of care which encompasses all the other stakeholders, whether it is family members, the community, employees or business partners.
Chapter 7: Conclusion

7.1 Introduction

In this chapter, the main findings of the research are highlighted, by closing the loop in terms of the questions asked in Chapter 3. Furthermore, this chapter provides recommendations to stakeholders and future research.

7.2 Summary of Findings

CSR in SME’s is more implicit than explicit. It is not linked to strategy, even if firms are doing it they don’t know that they are doing it. Unlike big companies, SME’s don’t have the resources to dedicate explicitly to CSR, so CSR will be linked to owner-manager’s personal values. In the BOP, CSR is about the ethic of care, where owner-managers participate in CSR out of passion, duty and self-fulfilment.

The definition as expected is difficult to articulate. Yet CSR practices are embedded in the owner-manager’s core values. The decision to either participates in CSR or not, is linked to the owner-manager’s perception of the world and upbringing. Those who have been exposed to CSR - through donations and / or training by large corporate, NGOs and government initiatives - have a higher propensity to participate in CSR initiatives themselves. And they tend to contribute in more than one initiative at a time.

Stakeholder management is also implicit, in a sense that the reason it’s done is that it is the right thing to do; it is based on moral grounds than strategic management. Owner-managers at the BOP do not expect any financial gain from their initiatives. However they do believe in a higher power that will bring them blessings either in this lifetime or beyond. Religion plays a big role in these communities. Some even believe that contributing to the church is more of a CSR initiative that maybe donating food to orphans. The crux of the matter is that there are different ways at which small businesses contribute to the wellbeing of the community.
Very little effort, if any, is dedicated to the environment. There seems to be a lack of awareness about pollution and climate change. Any initiatives around the environment are to keep public places clean. They occasionally participate in public cleaning days and planting of trees. But in terms of proactively finding new ways of reducing waste in the first place is a weak spot. The reaction is only there when the waste is unbearable.

7.3 Recommendations

7.3.1 The benefits of CSR

CSR should reflect the companies’ ethos. It is important to set out the values and principles of the business lead by the owner-manager. Then build the business understanding around that vision for SRP.

7.3.1.1 Employees

For SRP to be imbedded in the company there must be “buy-in” from all employees. This is quite challenging, but it can be achieved by ensuring that the CSR initiatives are sincere, relevant and accomplished through the employees. When employees feel that they are valued and given recognition for taking ownership, they will embrace the new culture of social responsibility. Employees are the company’s key asset and an obvious starting point for CSR efforts.

7.3.1.2 The environment

The environment is a key issue for a business of any size. Large companies tend to attract more attention in terms of pollution and damage to the environment due to the fact that they dominate the most environment sensitive sectors such as mining and energy. The accumulative damage to the environment by SMEs is also very large. Key stakeholders such as the pressure groups, the government and investors are putting pressure on companies with
respect to how they treat the environment. The informed customer is also having a bigger voice through the use of social media platforms. Environmental issues that may affect a small business include; resource use, waste, emissions, recycling and re-use.

7.3.1.3 The community

The community and businesses need each other. A company cannot claim to be a success when the community at which it operates is failing. The wellness of the business depends on the wellbeing of the community at which it operates. A company supports the community by being successful and profitable, thus offering employment to the community members. By using its influence in the community the SME can have more meaningful impact in the community. It is best to begin where the company has direct influence in the community. Getting involved with communities can benefit a company in a number of ways:

- Improve the company’s image and reputation; thus building trust and understanding with communities
- Improve the company’s profile and may boost networking opportunities, which may lead to new business opportunities
- Staff training and development can lead to increased employee satisfaction and loyalty
- Employees can be helped to develop new skills and enhance existing ones
- Develop products and services that incorporate social benefits that can help the bottom line of the business.

7.3.1.4 The supply chain

The business has to listen to and work with stakeholders in strengthening relationships and identifying problems that can be solved as a collective. The business can use its influence to improve environmental and working conditions issues within the supply chain and also encourage responsible practices. The
business depends on stakeholders in order to succeed, therefore, the stakeholders’ performance, reputation and opinions are important to the business. These are some of the benefits for developing responsible supply chain practices. The company:

- Gains an enhanced reputation within the whole supply chain
- Can help its customers to meet their commitment to CSR and thus becoming a preferred supplier
- Can help develop and deliver better products and services
- Can help reduce inefficiencies within the supply chain and thus reduce input costs across the board, to the delight of the customer
- Can collaborate with suppliers and customers in sharing the load of SRP.

7.3.1.5 Large corporate and government

Considering the major impact that SMEs have in the creation of employment and economic growth, enhancing the potential of SRP is a challenge for all. We have seen how influential corporate and government are in the BOP with respect to funding and training. This is an opportunity for them to be more involved in formalising CSR initiatives.

The government can collaborate with large corporate in delivering awareness, education and funding to small businesses with CSR credentials. Donating money to charities does not necessarily mean the funds received get to the people that need help the most. Small businesses, due to their close proximity to the community, know who is in need of help.

7.4 Managerial implications

The leadership style of the owner-manager has to be as open as possible. The owner-manager CSR spirit has to be transferred to the management team. This can be done by ensuring that open conversations are held. The owner-manager has to allow the management team to take ownership and make decisions. This will create loyalty and enhance the quality of the decision made.
Every success is built on many failures. So when things go wrong with CSR initiatives, the owner-manager has to be the first to admit that the team went wrong. Open and frank discussions of what went wrong and what are the lessons learned should be encouraged. When individuals in the management team get something right they should be acknowledged, ideally in public. There has to be a balance between favouritism and sincere acknowledgement of hard work.

Culture is dynamic and evolves over time. Healthy cultures are created through open negotiations. Therefore, the owner-manager and management have to engage employees through this process of co-creating an SRP culture. Some companies outsource this process to consultants, but this approach seldom yields results. Employees need to see management leading by example in driving an SRP culture. Some specific aspects of the culture need to be negotiated continually in order to drive new behaviours. Leadership has to play an effective role in determining what works and what does not work.

### 7.5 Future Research

When small businesses at the BOP become more formalised and data becomes available, a quantitative research on this topic would reveal more on the status of CSR by SMEs at the BOP.

Also future studies should look for mechanisms and/or models that can be applied to ensure that CSR initiatives by SMEs at the BOP have a much greater impact to the community at large.

What is the impact of the same research in remote rural areas, where by definition we find our true BOP? And how does it compare to these findings?
References


Appendices

Appendix 1 – Interview guide

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Q1: What do you understand by the term “social responsibility”?</td>
<td></td>
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<tr>
<td>Q2: Do you think SMEs are responsible for the well being of the community?</td>
<td></td>
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<tr>
<td>Q2 (a): And the reasons why?</td>
<td></td>
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<tr>
<td>Q3: Are you currently involved in any community building projects?</td>
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<tr>
<td>Q3 (a): Describe and the reasons why?</td>
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<td>Q4: Do you think stakeholders are happy with you?</td>
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<tr>
<td>Q4 (a): And the reasons why?</td>
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<tr>
<td>Q5: Please describe any ethical dilemma you have encountered. And how you dealt with it?</td>
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Appendix 2 – Interview Participants

<table>
<thead>
<tr>
<th>Name of Respondent</th>
<th>Designation</th>
<th>Industry/Type</th>
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<tbody>
<tr>
<td>Mr. C. Chauke</td>
<td>Owner-Manager</td>
<td>Entertainment</td>
</tr>
<tr>
<td>Mrs Mayble</td>
<td>Owner-Manager</td>
<td>Waste Management</td>
</tr>
<tr>
<td>Mrs N. Bailey</td>
<td>Owner-Manager</td>
<td>FMCG</td>
</tr>
<tr>
<td>Mrs Thandi</td>
<td>Owner-Manager</td>
<td>Food / Catering</td>
</tr>
<tr>
<td>Miss T. Motonde</td>
<td>Owner-Manager</td>
<td>ICT / Internet Cafe</td>
</tr>
<tr>
<td>Mr. G. Tlhabane</td>
<td>Owner-Manager</td>
<td>Undertaker</td>
</tr>
<tr>
<td>Mr. Ngobeni</td>
<td>Owner-Manager</td>
<td>Network Marketing</td>
</tr>
<tr>
<td>Mrs Ngobeni</td>
<td>Owner-Manager</td>
<td>Clothing</td>
</tr>
<tr>
<td>Mrs P. Maseko</td>
<td>Owner-Manager</td>
<td>Bakery</td>
</tr>
<tr>
<td>Mrs S. Zwane</td>
<td>Owner-Manager</td>
<td>Nursery</td>
</tr>
<tr>
<td>Mrs L. Mathebula</td>
<td>Owner-Manager</td>
<td>Butchery and Alcohol</td>
</tr>
</tbody>
</table>