A FRAMEWORK FOR MEASURING BUSINESS SOCIAL RESPONSIBILITY IN MICRO AND SMALL BUSINESS

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ABSTRACT

Although much work has been done on the society versus business relation issue, it has yet to cascade business social responsibility (BSR) to small ventures and especially rurally based ones where survival is a more pertinent goal. Most studies to date have focused on corporate and large organisations, thereby suggesting that BSR is not really a small business issue. A major consequence/cause of this apparent bias towards large business is limited research into how small ventures and especially rural ones perceive and apply BSR.

This study proposes an instrument for measuring BSR in small ventures. Through empirical analysis the resultant instrument was found to be valid for measuring small business BSR and measured four dimensions thereof namely: Expected benefits; Community/customer practices; Realised/actual benefits, BSR awareness/attitude and employee practices. Through discriminant analysis, the identified factors of BSR are useful to classify ventures as high or low sales and profit performers, suggesting that information on a firm's BSR activities can be used as indicators of firm performance.

Key words: Business Social Responsibility, Corporate Social Responsibility, Rural, Small Business.

1. INTRODUCTION

Though somewhat controversial, there is little doubt that businesses acknowledge the importance of Corporate Social Responsibility (CSR) (Garriga and Mele, 2004:51). However, the word "corporate" suggests something for large business only - or does it have value for small businesses that often struggle to survive? More so, do rural small businesses understand and apply BSR and if so, do they benefit from its application? How do rural small businesses perceive BSR benefits and its application? Why do small businesses engage in BSR? The answers to these questions depend on the measurement of BSR in micro ventures. To measure, a valid instrument is required.

The social responsibility of business is not a new issue. Cannife (2005:6) suggests that BSR is not a choice anymore. Considerable dialogue on the subject still exists, as noted by researchers such as Wilson (1980); Thompson and Hood (1993); Van Marrewijk (2003) and Valor (2005) who report that most of the empirical studies to date have focused on large businesses. Today several informal measures exist to evaluate and inform stakeholders of public companies about their Corporate Social Responsibility (CSR) status (De Cleene and

Sonnenburg, 2004). There are even fund managers who compile investment funds based on CSR. The apparent bias for large business has led to the lack of a unique measuring instrument that captures the nature of BSR as related to micro and small ventures. Against this background it is clear that the same bias accounts for why the concept has generally been referred to as Corporate Social Responsibility (CSR) instead of the more appropriate BSR. The impression is created that social responsibility is not a small business issue, which is not necessarily the case despite the absence of empirical results from small venture research to prove otherwise. In order to avoid this confusion, the term Business Social Responsibility (BSR) is used in this study.

The United Nations Industrial Development Organisation (UNIDO) has observed that in the few studies that compared the BSR of larger enterprises with that of smaller ones, the smaller enterprises scored lower (UNIDO, 2005). However, it warned that this might only reflect a lack of formal policies and BSR language in the smaller organisations, and not necessarily the absence of BSR. The Commission of the European Communities (2002:11) has also observed that small ventures often manage their social impact in a more intuitive and informal manner. These observations indicate that the standards by which larger and smaller enterprises are compared are unfair to small enterprises. This difference means that if any meaningful assessment and comparison of BSR performance is to be done, then BSR activities specific to smaller enterprises need to be identified. For that we need an appropriate instrument.

2.   RESEARCH OBJECTIVES

The aims of this study are firstly to identify the dimensions of BSR relevant for small rural ventures from the literature, and secondly to construct an instrument to empirically measure BSR in a rural venture setting. Thirdly, the existence and relation between BSR activities of rural ventures and economic performance is also sought.

Our approach was to use principles of CSR as described in the literature to create an instrument for testing BSR activities in rural community small ventures. The results of the proposed instrument are then used to determine the existence of a relationship between BSR elements and performance of rural small ventures.

3.   CONCEPTUALISING BSR

The meaning of Business Social Responsibility (BSR)

As noted by Jones (1999:163), a plethora of definitions of BSR exist. Three of these reflect the essence of the concept:

- BSR refers to business's obligation to seek socially beneficial results along with economically beneficial results in its policies, decisions and actions (Kyambalesa, 1994:201).

- BSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (World Business Council for Sustainable Development, 2001).
- BSR is a company's commitment to operating in an economically and environmentally sustainable manner while recognising the interest of its stakeholders. Stakeholders include investors, customers, employees, business partners, local communities, the environment, and society at large (Peyton, 2003).

These definitions, like many others, stress that in pursuing their economic interests, managers of businesses (irrespective of size) need to be conscious of the needs of other stakeholders besides their shareholders, because these people are capable of impacting positively or negatively on the primary business objective of increasing shareholder wealth. For example, businesses need to treat their workers in a humane and fair manner; they need to satisfy their customers; they also need to pursue the well being of the communities in which they transact their businesses and protect the environment for sustainable production.

Secondly, in defining BSR as they do, the proponents of BSR seem to argue that it is only fair on the part of businesses to compensate those (stakeholders) who are affected by their activities. However, managers need to ensure that the activities of these stakeholders do not negatively affect the economic outcome of the business. How could they achieve this without developing lasting positive relations with stakeholders? Wouldn't fair trading practices, humane treatment of their workers, and contributing to local community improvement develop lasting positive relations with the stakeholders? There are numerous examples of businesses that have benefited from this philosophy. An example is Happy Computers, a small British computer company. According to Business in the Community (BITC), Happy Computers has for the last three years been rated one of the top three information-technology training companies in the UK. According to BITC (2005), Happy Computers owes its success to motivated and empowered staff, ensuring work/life balance as a key priority for everyone, limiting adverse environmental impact, supporting and encouraging staff to work fully paid one day a month for a charity of their choice, and instituting a time-bank of 100 days which can be claimed for projects that bring "mutual benefit".

Thirdly, the common thread running through these definitions of BSR is reference to meeting both the societal expectations and realising the shareholder objectives in combination with the pure profit motive as the "ultimate" goal of business.

In view of the above, BSR is operationally defined for this study as: a venture's commitment to operating in an economically sustainable manner while at the same time recognising the interests of its other stakeholders (customers, employees, business partners, local communities, the environment and society at large) over and above those provided by law.

4.   ELEMENTS AND BENEFITS OF BSR

Although several BSR elements have been identified, the literature identifies consumerism (Thompson and Smith, 1991; Longenecker, Moore and Petty, 2000; Gillis and Spring, 2001); employee relations (Scarborough and Zimmerer 1996; Kuratko and Hodgetts, 2001; Gillis and Spring, 2001), and community relations (Thompson and Hood, 1993; Gillis and Spring, 2001) as the most common BSR activities of small ventures. Each is briefly explored to benefit the reader:

Consumerism (or customer relation) activities

According to Longenecker, Moore and Petty (2000:369) and Gillis and Spring (2001), consumerism is about honest advertising, product safety, reliable and durable products, fair pricing, customer after-care and politeness towards customers. These authors point out that, small firms are naturally attracted to consumerism because they have a strong natural flexibility in meeting those needs. For example, small business owners have close relationships with their customers and thus are able to understand their needs. Thompson and Smith (1991) concur that customer satisfaction is a primary focus of small ventures.

Employee related activities

Scarborough and Zimmerer (1996:68) argue that few other stakeholders are as important to business as its employees. Hence an important BSR issue is the kind of relationship that exists between business and its employees. It is often argued that employees have a big impact on other key stakeholders, such as customers. The extent to which customers trust a business is likely to be influenced by the impression created by its human face: the workers. A disgruntled worker could easily communicate his negative attitude to customers. Small ventures are more vulnerable in this respect; it is generally accepted that workers in small ventures are closer to customers, since most of the employees are often recruited from the communities from which their customers come. Therefore the crucial question is: how the business deals with its employees?

According to Kuratko and Hodgetts (2001:160), a firm's main social responsibility issues relating to employees include promotion of employee health and safety; remedial education for disadvantaged employees; employee training and development; and child day-care facilities for working parents. In addition, Scarborough and Zimmerer (1996:69) consider respect for employee opinion; involvement of employees in decision-making; and rewarding employees adequately as important social obligations to their employees that, small business managers should meet. According to Gillis and Spring (2001), employees and potential employees are concerned about wages, benefits, health, safety, training and advancement opportunities.

Of the above, employee health and safety, employee training and development, child day-care facilities for working parents, and fair and minimum wages appear to be areas that small ventures would probably focus on given the general poor communities they function in.

Community-related activities

According to Gillis and Spring (2001), the community forms the largest and most visible stakeholder group of any business. As mentioned earlier, this group is often defined as local for small ventures. Community concerns for BSR, according to the same authors, include charitable giving and local employment. Thompson and Hood (1993:1) point out that charitable contributions are an important indicator of the social performance of small ventures. In a study in Canada, Martin (1985), as quoted in Thompson and Hood (1993), found that as a group small business donated higher levels of their pre-tax income than the larger businesses. Thus, it would appear that charitable donations (which can take many forms) and local employment form two of the most important small-business BSR activities in their local communities.

Thus it appears that customer-related activities, employee-related activities, and community-related activities form the most relevant BSR focus of small ventures, especially in rural communities.

Significant benefits can accrue to both businesses and their stakeholder groups if businesses conduct their affairs in a socially responsible manner (Van Marrewijk, 2003:97). Organisations such as UNIDO (2002) and the International Institute for Sustainable Development (IISD) (2002) identify improved financial performance and increased sales as direct business benefits for firms that engage in BSR. These may result from lower operating costs, enhanced brand image and easier access to capital. Several empirical studies have since confirmed the positive correlation between financial performance and BSR. Orlitzky (2001); Kilkenny, Nalbarte, and Besser (1999); and Besser (1999) confirmed through their studies that community support due to BSR was the single most important factor associated with small business performance. These are termed business benefits.

According to the IISD (2002) the most important community benefits are charitable contributions, employee volunteer programmes in the communities, business involvement in programmes such as education and local employment, and product safety. As mentioned above, Kuratko and Hodgetts (2001:160) and Scarborough and Zimmerer (1996:69) identify employee health and safety, employee training and development, child day-care facilities for working parents, and fair living wages as typical employee benefits. The IISD (2002) suggests that BSR can further lead to product safety and quality, and better product durability and functionality, which are typical consumer benefits. Similarly Longenecker, Moore, and Petty (2000:369) and Gillis and Spring (2001) argue that BSR leads to consumer benefits such as honest advertising, product safety, reliable and durable products, fair pricing, customer after-care and politeness towards customers that means consumers will get value for their money. BSR therefore appears to have indirect benefits that are not easily related to direct benefits such as sales and profits (Dzansi, 2004:212).

In summary, this discussion has led to the identification of stakeholder theory as a foundation for studying BSR but not disregarding the shareholder and societal approach discussed by Van Marrewijk (2003). The core elements of BSR therefore are: commitment to operating in an economically sustainable manner and recognition of the interests of stakeholders. The theoretical foundation helped to identify employees, customers, and the local communities as the key stakeholders of small ventures and not only the shareholders.

The shareholders require profits. Customers require safe, good quality, durable, functional, and fairly priced products. Employees require healthy and safe working environments with fair and living wages, and they value training and development. Local communities value local employment, charitable contributions, and employee volunteer programmes. The extent to which these expectations are simultaneously met provides a basis for assessing a small business's BSR performance and the impact thereof. The next section is devoted to the development of an instrument to measure BSR. Figure 1 demonstrates the breakdown of BSR as a concept; it is explained in the methodology and serves as a conceptual model to guide the research.

5.   FUNDAMENTALS OF BSR

Investigating BSR, Donaldson and Preston (1995:68) explored conceptions of the firm and came to the conclusion that: two models of the firm exist: the "Input-Output" model and the "Stakeholder" model. The input-output model is generally economically aligned, while the stakeholder model is social-duty aligned. These conclusions would imply two opposing perspectives of the firm: economic versus stakeholder perspectives. However, this study argues that economic and stakeholder views are not necessarily opposing views. This paper supports the stakeholder model of the firm, with the belief that the stakeholder perspective actually incorporates the economic goals of the firm. In addition, the stakeholder theory provides the foundation upon which BSR could be studied, thus laying the theoretical basis for the construction and empirical testing of a measuring instrument for BSR in small ventures. This study is therefore structured into two broad parts. Part One is theoretical and covers the conceptual framework (stakeholder theory, meaning of BSR, activities of BSR, and benefits of BSR) while Part Two reports on the empirical investigation.

A major portion of the BSR paradigm focuses on the role of managers of small ventures in promoting social responsibility, as managers are acknowledged to be the key decision makers. For BSR to be really effective, it has to be part of the overall business strategy. However, as the main risk bearers, venture managers usually have the power and ability to determine the extent of BSR in their ventures. Thus, venture managers need to have a clear, convincing, and unambiguous understanding of this concept. Determining the theoretical foundation of BSR is considered the appropriate starting point because this could help venture managers to understand and value the reasoning behind BSR and therefore "buy-in" to the concept.

Stakeholders, their stakes, and influence

Two main schools of thought are easily identifiable in the society versus business relation debate. Firstly, as Kohls and Christensen (2002:223) note, there are people who regard businesses as entities separate from society. They believe in the separation of the wealth creation and distribution functions of a business. Their argument is based on the idea that businesses already fulfil their social mandate through their wealth-creation activities that is simply by being involved in business. This view suggests that businesses have no social obligations other than the ones they owe to their shareholders. Therefore, being in business is fulfilling the social obligation of business (Kohls & Christensen, 2002:223).

The other school of thought, as exemplified by Hobel (2002), argues that businesses form an integral part of society and that both society and business have reciprocal influences on each other that can be positive or negative. They argue that when a business maximises its positive impact on the communities in which it conducts its operations, it will in turn elicit maximal positive impact from community members on the business concerned. This view perhaps led McCline and Gilinsky (1998) to conclude "Businesses have a social contract with society at large", meaning that there are others besides shareholders to whom businesses owe obligations.

This second perspective implies a multi-stakeholder approach to managing a business, in which the various stakeholders' interests are simultaneously taken care of in order to create a win-win situation. That is, the shareholders become richer and the other stakeholders become more satisfied. So what does "stakeholder" mean? Who are the stakeholders of a business and what are their stakes and influences? This question is especially relevant for the small business sector, especially when small business is hailed as the key vehicle for economic growth.

Laczniak and Murphy (1993) describe stakeholders as persons or groups of people that have or claim ownership rights or interests in a venture's activities. Such rights, these authors argue, result from actions or transactions of the firm. They classify stakeholders as primary or secondary: In their view primary stakeholders are those without whose continuing participation the business cannot proceed as a going concern. Typically, primary stakeholders of a business include investors (shareholders), employees, customers, government, communities and suppliers. The secondary stakeholders are those who can influence or affect, or are influenced or affected by, the firm but are not engaged in transactions with the firm. They are not essential for its survival but can cause significant harm to the firm (Laczniak and Murphy, 1993). Because of their obvious importance, this study focuses mainly on the primary stakeholders.

The management literature describes several stakeholders interested in the activities of business, including owners, customers, employees, local communities, suppliers, the environment, and the like. Reed (2002) provides an

incisive discourse in this respect. According to him, each stakeholder group has certain relationships with the firm. They also have normative claims or rights that they can make on the firm, and if these are granted they can lead to greater total utility or a larger "common good".

Reed (2002) draws the following conclusions from his analysis:

- All the primary stakeholders have economic stakes in the firm; and
- Their claims are based on fair economic activity, i.e. the firm's activities contribute to a "common good".

For example, shareholders' main claim would be ownership right of fair economic opportunity, i.e. to make profit. Likewise, employees would have an economic stake in the firm's prosperity so that the firm could provide for their safety, a humane working environment and a living wage. Consumers' economic stake in the firm might be to have access to a wide range of competitively priced, safe, reliable products and services. Although Reed (2002) does not explicitly make the point, similar arguments can be made for local communities, since customers of small ventures emanate largely from the local communities.

In addition to economic stakes, stakeholders other than shareholders might have a claim to what Reed (2002:178) calls "authenticity". He regards stakeholders' claim to "authenticity" as business's identification with local communities by operating within them, there is some sense in asking them to support local community values and initiatives (Reed, 2002:178).

Based on this analysis, it is fair to conclude that all the primary stakeholders of businesses, whether small or large, have economic stakes in the venture. It could therefore be argued that the stakeholder view of the firm does not really contradict the economic view; instead it appears to encompass the economic view.

6.   METHODOLOGY

Data was collected from owners and managers of small rural ventures in the Greater Taung Local Municipality (GTLM) in the North West province of South Africa. A sample of 350 small ventures was identified and the manager or owner interviewed by four trained interviewers. A total of 314 questionnaires were returned and found to be usable, representing an 89.7% response rate. The demographic composition of the sample is described in terms of gender, age, business age, gross profit growth and sales growth (see Tables 1 and 2).

7.   THE INSTRUMENT

A five-point Likert scale (where 1 = strongly disagree, 2 = moderately disagree, 3 = undecided, 4 = moderately agree and 5 = strongly agree) was used to measure the opinions of respondents. The items included in the instrument to capture the dimensions of BSR are divided into six categories, namely: biographical data,

community involvement, customer relations, employee relations, outcomes/benefits, and BSR awareness.

Developing the measurement instrument involved operationalising the variables identified in the literature for measurement, ensuring reliability and validity, pre-testing of a draft questionnaire, factor analysis and discriminant analysis. The linguistic meaning of BSR was operationalised into observable indicators in order for it to be measurable. In this regard and based on the literature reported earlier, Sekaran's (1992:152) method (see Figure 1) that involves the breaking down of a concept into dimensions and eventually into measurable elements was employed. The elements E1, E2, E3, and E4 were used to compile the questionnaire items.

C Business Social Responsibility (BSR)

D1 Community involvement

D2 Consumerism

D3 Outcomes

D4 Employee relations

E1
- Local employment
- Philanthropy (bursaries etc)
- Employee community

E3
- Honest marketing
- Speedy customer complaints handling
- Politeness to customers
- Commitment to customer care
- Product safety

E4
- Sales growth
- Profit growth

E2
- Health care provided
- Prohibition of child labour
- Gender diversity
- Flexi working practices
- Prohibition of compulsory overtime
- Payment of living wage
- Religious tolerance
- Absence of compulsory health and pregnancy testing
- Paid maternity leave
- Compassionate leave
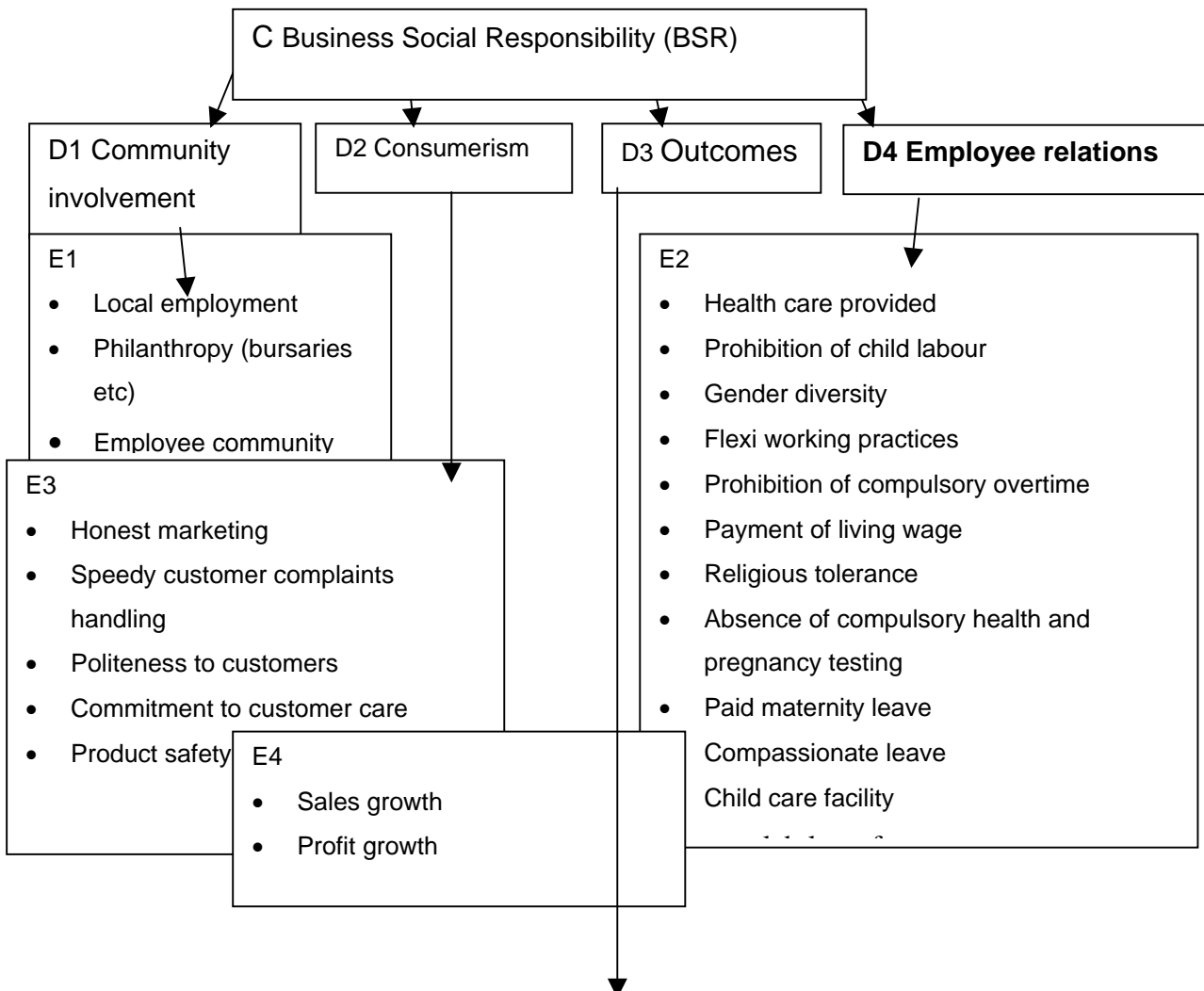- Child care facility

Figure 1   Dimensions (D) and Elements (E) of the concept (C) BSR determining instrument dimensions (own compilation)

The biographical items collected included information on type of business, gender of respondent, age of respondent, educational level of respondent, number of years the business had been in operation, ethnicity of owner/manager as measured by first language, sales growth, gross profit growth, number of employees, and amount contributed towards BSR activities measured as a percentage of pre-tax profit. The sample units were selected using simple random sampling.

The questions on community involvement required respondents to indicate whether or not they contributed to certain community causes, and to indicate the amount of money (expressed as a percentage of pre-tax profit) spent on social causes.

For customer relations and loyalty issues, questions relating to how promptly respondents reacted to their customer complaints, how politely they dealt with customers, how honest they were in their marketing, and most importantly how committed they were to customer satisfaction. These elements are important to win and retain a loyal customer base is crucial to success for small ventures.

To ascertain the extent to which small ventures related to their employees, respondents were required to provide information on certain key labour issues. These included health care provision, absence of child labour, employee benefits, and freedom to choose amount of overtime.

The questions on the outcomes/benefits of BSR assessed expected or perceived as well as observed improvements in employee morale, employee turnover, employee productivity and customer loyalty. As mentioned earlier, if executed well, BSR could lead to improved financial performance as a result of high employee morale, lower employee turnover, increased employee productivity and customer loyalty.

The questions on BSR awareness were intended to determine whether or not respondents were aware of the concept of BSR and its activities. If they were involved in BSR activities without being aware of the concept, it could probably be assumed that they did so for reasons other than to execute BSR. If so, this would bring a different dimension to the BSR argument.

Underpinning all research endeavours is the question of credibility. The credibility of any research endeavour can only be achieved through a sound instrument. As pointed out by Cooper and Schindler (2001:210), validity and reliability are two important characteristics of a sound instrument. Validity refers to the ability of a measuring instrument to measure what it intends to measure (Zikmund, 2003:302). Steps were taken to ensure content and construct validity. Content validity, or face validity, of the measuring instrument is the extent to which the instrument provides adequate coverage of the concept. Content validity for this instrument was achieved by ensuring that the questionnaire items adequately cover the concept BSR. The items describing community involvement, employee relations, consumer relations, and positive outcomes covered the content "prescribed" by the BSR literature cited (and results from the preliminary instrument) was summarised in Sekaran's (1992:152) framework for operationally defining a concept so that it becomes measurable (see Figure 1).

According to Sekaran (1992:173), construct validity refers to how well the results obtained from the use of the measure fit the theories on which the test is designed. A factor analysis was done to determine the internal consistency and thus reliability. A high Cronbach alpha, usually above 0.700, is regarded as indicating reliability. Criterion validity could not be pursued because this requires availability of some 'standard' that is known to indicate the construct adequately. Unfortunately such a universally recognised 'standard' does not as yet exist for small business BSR measurement.

Factor analysis

An initial measuring instrument was designed to measure BSR awareness and BSR performance elements of small ventures. For this purpose an initial 60-item questionnaire was designed and administered to 226 respondents. An exploratory factor analysis resulted in the reduction of the questionnaire to a final 31-item questionnaire. The second and final questionnaire was then administered to 350 respondents. A second factor analysis, performed to confirm the homogeneity of the underlying constructs, resulted in the identification of the five factors, as shown in Tables 3 and 4.

The factor analysis was conducted to verify whether the concepts of BSR represented distinct constructs. Exploratory factor analysis (with BMDP – Direct Oblimin) was applied to test specific propositions about the factor structure for a set of variables. Items with low loadings and items with low internal correlations were eliminated. After rotation, the factor analysis suggested the existence of five factors. Oblique rotation was done because of the potential correlations between the factors that were expected. The full factor structure is shown in Table 3.

Discriminant analysis

Stepwise discriminant analysis (BMDP, 1993:369) was performed to determine how well the factors could classify a business as belonging to a low sales growth category or high sales growth category, and high gross profit or low gross profit categories. Low growth was arbitrarily set at 10% growth or below and high growth as over 10% growth. Discriminant analysis as a statistical tool is normally used to classify a set of independent variables into two or more mutually exclusive categories. In other words, it is used to join a nominally scaled criterion (dependent variable) with one or more independent variables. In the current study, the factors: expected/perceived benefits; community/customer practices; realised/actual benefits; BSR awareness/attitude; and employee practices constitute the independent variables, with high growth/low growth in sales and profit as dependent variables. The factors: expected benefits; realised/actual benefits; and employee practices, loaded as "classification" variables for sales growth and BSR practices, also loaded for gross profit growth. The results are shown in Tables 5 and 6.

8.   FINDINGS

Demographic data

Table 1 shows the demographic composition of the respondents in terms of gender, type of business, age of owner manager, type of education, number of years the business had been in operation, race/ethnicity of owner/manager, and number of employees. It shows an almost even distribution in ownership between male and females. This is encouraging for a country that has gender equity as one of its policy goals. Blacks account for almost 50% of ownership. Given the fact that this is a largely black community, this result is not surprising. This may

also be an indication that many of the black inhabitants are taking to self-employment. Most of the businesses (73%) are located in the retail industry. Hospitality accounts for 13%, while the transport industry accounts for only 7%. The low number in the transport sector is surprising, given the fact that the transport business has hitherto been a preferred business for black enterprises. This change in focus may be an indication that black business owners now recognise the importance of breaking away from the "business as usual" mentality and investing in high-growth areas such as hospitality. It is not surprising that participation in the mining sector is very low (6%). This may well be due to the high capital requirements of a mining business.

Table 1   Basic demographic data of the sample

FACTOR		FREQUENCY (n)	PERCENTAGE (%)
Gender	Male	169	55.05
	Female	138	44.95
Type of business	Hospitality	42	13.38
	Transport	22	7.00
	Retail	230	73.25
	Other (mining, health, commercial farming)	20	6.37
Age of the owner/ manager	19 – 30 years	77	25.00
	31 – 45 years	146	47.40
	46 years and over	85	27.60
Highest level of education	No formal education	13	4.14
	Primary (up to grade 6)	50	15.92
	Secondary (up to grade 9)	29	9.24
	Matric (up to grade 12)	85	27.07
	Post matric (certificate, diploma, degree etc)	90	28.66
	Post graduate	47	14.97
Age of the venture	Less than 5 years	76	24.20
	6 – 10 years	108	34.40
	11 – 20 years	81	25.79
	21 years or more	49	15.61
Race/ethnicity of owner / manager	Afrikaner	67	21.34
	English	56	17.83
	Black	147	46.81
	Other (Chinese, Asian, Portuguese, other)	44	14.02
Number of employees	1-5	157	50.00
	6-10	108	34.39
	11-26	49	15.61
	Total	314	100

Table 2   Average Sales growth, Gross profit growth and BSR expenditure reported for the past 3 – 5 years by respondents

Sales growth	Frequency (n)	Percentage (%)
Decreasing	27	8.60
No change (0%)	55	17.52
Increasing (1-10%)	73	23.25
Increasing (11-20%)	91	28.98
Increasing (21% and over)	68	21.65
Total	314	100
Gross profit growth	Frequency (n)	Percentage (%)
Decreasing	25	7.96
No change (0%)	63	20.07
Increasing (1-10%)	70	22.29
Increasing (11-20%)	95	30.25
Increasing (21% and over)	61	19.43
Total	314	100
Annual BSR expenditure as % of pre-tax profit	Frequency (n)	Percentage (%)
1-2%	68	21.66%
3-4%	108	34.39%
5-6%	71	22.61%
7-10%	67	21.34%
Total	314	100%

Table 2 shows that the majority of the respondents (about 70%) reported growth in both gross profit and sales. The growth may indicate a thriving business environment in the Greater Taung area where the study was done.

In general, the respondents' BSR expenditure shows a normal distribution over a wide range of percentages.

Factor structure and item analysis for the five factors
The factor structure is shown in Table 3. The means, standard deviations and other relevant statistics of the identified factors are shown in Table 4.

Table 3   Factor matrix with rotated factor loadings

Question	FACTORS				
	1	2	3	4	5
25. Keeps operating costs down	0.990	0.000 *	0.000	0.000	0.000
26. Increased level of customer loyalty	0.945	0.000	0.000	0.000	0.000
28. Employee attendance has improved	0.851	0.000	0.000	0.000	0.000
24. Greater worker productivity	0.765	0.000	0.000	0.000	0.000
23. Increased sales	0.662	0.000	0.000	0.336	0.000

	Expected benefits	Community benefits	Realised benefits	BSR awareness / attitude	Employee practices
13. The company always and clearly explains to the way the customer the product works	0.000	0.836	0.000	0.284	0.000
12. The company cannot be concerned with vulnerable groups such as children because it is not a priority customer	0.000	0.630	0.000	0.000	0.000
14. The company sells only products that are clearly labelled	0.000	0.589	0.000	0.000	0.000
8. The company provides paid maternity leave	0.000	0.413	0.287	0.000	0.000
19. The concept of BSR is well known to me	0.000	0.407	0.000	0.000	0.000
29. Sales has been growing	0.330	0.000	0.397	0.000	0.000
30. Overall financial performance has been improving	0.312	0.000	0.857	0.000	0.000
31. Increasing number of loyal customers	0.000	0.000	0.937	0.000	0.000
22. Enhanced company image	0.380	0.000	0.563	0.000	0.000
20. Businesses irrespective of size indeed have a responsibility to contribute to the above named social causes in	0.299	0.000	0.000	0.732	0.000
21. Business irrespective of size stands to benefit from contributing towards social causes	0.282	0.000	0.000	0.788	0.000
11. The company is committed to fair trading practices	0.000	0.000	0.000	0.467	0.000
16. My company gives first preference to local employment	0.000	0.276	0.000	0.434	0.000
9. I sometimes loose my patience with customers whose complaints I consider wrong	0.000	0.552	0.000	0.407	0.000
17. Workers can use company time for community issues	0.000	0.000	0.000	0.407	0.000
2. The company provides its workers with regular training	0.303	0.000	0.000	0.000	0.464
4. The company provides paid family sickness and bereavement leave to its employees	0.000	0.000	0.000	0.000	0.784
3. The company provides paid maternity leave	0.000	0.889	0.000	0.000	0.889
5. Employees are free to decide overtime they want to do	0.000	0.000	0.000	0.000	0.855
Factor names chosen	Expected benefits	Community benefits	Realised benefits	BSR awareness / attitude	Employee practices
* Factor loadings < 0.250 reported as 0.000					

Table 4   Item analysis for the Factor analysis and correlation matrix

	Factor 1 Expected benefits	Factor 2 Community benefits	Factor 3 Realised benefits	Factor 4 BSR awareness / attitude	Factor 5 Employee practices
Number of items = 24	5	5	6	4	4
VP	4.228	2.197	2.271	2.092	2.501
Variation explained (%)	28.31	6.22	6.97	**6.04**	13.23
Mean (n=314)	3.871	4.604	3.690	3.916	4.444
Standard deviation	0.825	0.538	0.659	0.736	0.644
Cronbach alpha	0.951	0.755	0.850	0.753	0.831
Eigen value	7.796	1.960	2.090	1.357	3.303
Significance of the mean's deviation from midpoint value of 3					
F	17.62	20.64	18.63	15.40	21.79
Probability	<0.0001	<0.0001	<0.0001	<0.0001	<0.0001
Correlation between factors					
	1	2	3	4	5
1 Expected benefits	1.0				
2 Community benefits	0.124*	1.0			
3 Realised benefits	0.587**	0.203**	1.0		
4 BSR awareness	0.355**	0.344**	0.228**	1.0	
5 Employee practices	0.409**	0.274**	0.327**	0.395**	1.0
* P < 0.05 and ** P < 0.001 for Rho = 0.0					

The P values in Table 4 indicate that the scale mean for all five factors differs significantly from the midpoint value of 3 at 99% level of significance. At this junction, there are no comparative measurement values for the factors and therefore the midpoint was arbitrarily chosen as the yardstick to measure against. It is suggested that the deviation from the midpoint purely be used to show direction and not as a quantitative difference.

The scale mean for expected benefits (factor 1) was 3.871, indicating that the majority of the owner/managers regarded BSR as beneficial to their companies. This might also be interpreted as meaning that respondents would perform BSR because they expected their firms to benefit from it. The scale mean for community/customer practices (factor 2) was 4.604, indicating that the majority of the SMMEs engaged in community/customer related BSR activities. The scale mean for realised benefits (factor 3) was 3.690, indicating that the majority of the SMMEs that engaged in BSR activities actually reported positive benefits. The scale mean for BSR awareness / attitude (factor 4) was 3.916, indicating that the majority of the respondents were aware of BSR and its elements. The scale mean for employee practices (factor 5) was 4.444, indicating that the majority of the SMMEs engaged in employee-related BSR activities.

The high Cronbach alpha values indicate that the instrument did actually identify different factors of BSR. The factors that were identified explained 53.86 of the total variation in the sample. Based on the high Cronbach alpha values reported for the factors, the instrument seemed to have tested the intended constructs well. Correlation analysis between factors indicates that significant correlations between factors existed (See also Table 4) suggesting that though the factors are different they are associated. Expected benefits and realised benefits were strongly correlated (0.587), while several moderate correlations were also observed. Despite the correlations, the factor analysis identified the five factors as independent factors explaining the variation.

The statistical package BMDP 7M was used to perform the discriminant analysis. The general discriminant formula $Z_i = b_1X_{1i} + b_2X_{2i} + … + b_nX_{ni}$ was applied.
Where:

X_{ni} = an individual firm's value on the nth factor (independent variable)
b_n = discriminant coefficients (weights) for the nth factor (independent variable)
Z_i = an individual firm's discriminant score
n = number of discriminating characteristics (factors) which in this case equals5.

The prediction models shows that high and low sales growth could be classified by three factors (expected benefits, realised benefits, employee practices) while high and low gross profit growth could be "predicted" by four factors (adding BSR practices) as classification variables. It is stated that these factors are not causal to the growth in sales and profit but are purely associated with it. The identified factors respectively loaded as predictor variables with F-to-enter values of $F_{(3,10)}$ = 4.00 as selection criterion. The formula therefore was reduced to $Z = b_1 X_1 + b_2X_2 + b_3 X_3$. Where X_1 = expected benefits; X_2 = realised benefits and X_3 = employee practices. For gross profit growth + $b_4 X_4$ (BSR practices) was added to the discriminate formula. Using the results of the discriminant equation, it was possible to categorise and compare the actual and the predicted results.

Table 5 Classification matrix for sales growth

Actual		Predicted *		
	Number of cases	Low sales growth < 10%	High sales growth > 10%	Total
Low sales growth < 10%	155	113	42	155
		72.9%	27.1%	100%
High sales growth > 10%	159	22	137	159
		23.8%	86.2%	100%
Total	314	135	179	314
Total correct for model		79.6		
* = Classified with expected benefits, real benefits and employee practices				

Table 6 Classification matrix for gross profit growth

Actual		Predicted*		
	Number of cases	Low gross profit growth (< 10%)	High gross profit growth (> 10%)	Total
Low gross profit growth	158	117	41	158
		74.1%	26.6%	100%
High gross profit growth	156	16	140	156
		10.3%	89.7%	100%
Total	314	133	181	314
Total correct for model		81.8		
* = Classified with expected benefits, real benefits, employee practices and BSR practices				

Table 5 indicates that the discriminant model predicted 72.9% of the low sales growth correctly and 86.2% of the high sales growth correctly based on respondent's expected benefits, realised benefits and employee practices. These figures are important and are explored in the discussion. Similarly, Table 6 indicates that the model predicted 73.4% of the low gross profit growth correctly and 88.5% of the high profit growth correctly.

9.   DISCUSSION OF THE FINDINGS

The BSR literature confirmed stakeholder theory as the foundation upon which BSR could be studied. There is little proof that BSR is not just altruism from companies that are involved, but business actions lead to sound long-term business success firstly and benefit the wider society secondly.

The literature review identified employees, customers, and local communities as key stakeholders of small ventures, in addition to shareholders. The literature also supports the idea that employees prefer to work for socially responsible companies; investors are more likely to invest in socially responsible businesses because they regard them as less risky to invest in; buyers show a preference for companies that treat them fairly; and communities tend to support, hence buy from, businesses they perceive as caring for them.

The empirical investigation confirms the theory that small ventures are more likely to focus on employees, customers and local community issues than for example environmental issues. Considering the results of the factor analysis, it seems clear that five factors (see also Tables 3 and 4) are associated with BSR in small business. The proposed instrument did measure BSR, given that it explains 60.77% percent of the variation in dataset. It further confirmed that BSR in small business is likely to be oriented towards employees, customers and the community, since these form their most important stakeholders. According to Birch and Littlewood (2004:63) its benefits are derived through improved capacity.

The discriminant analysis, performed to determine how well the BSR factors could classify a business as belonging to either low or high sales growth and low or high gross profit growth categories, showed that expected benefits, realised benefits and employee practices are good "predictors" of a company's performance. This ability to classify indicates that if one has information on BSR practices such as businesses' expected benefits, realised benefits, community BSR practices and employee practices, this information could be used to predict whether the company would record low or high gross profit or whether the company would record low or high sales. It is interesting that close scrutiny of the items contributing to expected benefits (factor 1) as construct shows these items are those with direct financial implication. It is therefore likely that businesses get involved in BSR because they are able to observe the indirect link with profit, rather than for altruistic and humanistic reasons.

The classification matrix for sales growth (see Table 5) shows that the percentage of those correctly classified as low growth was 72.9% and those correctly classified as high growth was 86.2%. Overall, in terms of sales growth, the model correctly classified 79.6% of the businesses. Similarly, the second classification matrix for gross profit growth (see Table 6) shows that the percentage of those correctly classified as low growth, was 74.1% and those correctly classified as high growth was 89.7%. Overall, the model correctly classified 81.8% of the businesses in terms of gross profit growth. This high classification ability indicates that the model predicts gross profit growth somewhat better than sales growth. Considering the fact that if entirely left to chance, there is a 50/50 chance of being correctly classified (only two possibilities exist i.e. low or high), in other words the chance of being correctly classified is 50%, the classification power (79.6% and 81.8%) of the models is high. These high levels of classification value support the idea that the constructs of the BSR instrument can be used to accurately classify venture performance as measured by sales growth and profit growth. However, only three and four factors respectively (expected benefits, realised benefits, employee practices and BSR practices) meaningfully contributed to the prediction values of the logistic regression for sales growth and gross profit growth. The fact that higher scores on these factors are associated with higher sales and profit growths is a meaningful conclusion in the light of the apparent low importance of social issues within the small business environment.

Such predictive value might find application when rating businesses for black economic empowerment, by including BSR as a selection criterion for state tenders and preferential procurement strategies applied by governments.

10.   MANAGERIAL CONTRIBUTIONS AND LIMITATIONS OF THIS STUDY

For owners and managers of small businesses these results firstly suggest that involvement in BSR activities has positive financial benefits. Although BSR activities can probably not cause any financial benefits directly, the results of the discriminant analysis suggest that if BSR activities are present, financial performance as measured by sales and gross profit growth is better than when

not present. The results must be seen in the context of 60.77% variance that is explained by the constructs so it is possible that other factors unknown to the researchers are playing role.

Secondly, the factors give direction to the underlying dimensions of BSR activities that should be pursued. At heart therefore, it seems that BSR is about financial benefits for the implementer thereof and confirms Henderson's (2005:30) proposition that "the principle direct impulse to economic progress comes from profit related activities as it results from twin stimuli namely increased entrepreneurial opportunities and competitive pressures".

The dimensions of BSR in rural ventures have a stronger focus on the human aspects than environmental aspects for example suggesting that it is possible that the specific respondents did not perceive the relationship between BSR and environment. A possible reason might be that its link to financial performance is indirect and long term.

One definite limitation of the instrument and methodology is that it requires self-evaluation by the respondents. Self-serving bias is therefore a real threat to the results. However, those respondents who reported low levels of BSR activities (and negative growth) also reflected on their own "performance" and recorded it as low signifying some level of realistic reporting. Despite the potential effect of self-reporting bias, the results are useful to guide owners and managers in selection of BSR practices.

A second limitation is the absence of question items about environmental issues such as waste dumping, biosphere protection and more activities that are typically associated with large industrial ventures. These were absent as they did not appear as issues during the first round investigation where open-ended questions were used to identify constructs. It is proposed that the instrument be improved before it is used in further research.

Finally, the sample population was taken in a small rural setting, which requires caution when generalising from the results. Further research with small ventures from bigger towns and metropolitan areas is required to confirm our findings.

At least three questions remain unanswered by this article namely:

- The study did not clearly answer the question whether respondents get involved in BSR activities for reasons of economic gain or for reasons of humanistic nature.
- Are there any moderating factors such as race, gender, business size, stage of life cycle and business experience, which may affect the outcome of the different factors that were identified?
- What is the relationship between "Ubuntu" and BSR? Could it be that the inherent cultural belief in caring for others in the community has a relation to what is defined as BSR in this study?

In conclusion, this study firstly reveals that the measurement instrument did measure the concept BSR in small ventures as it intended at its outset. Secondly it found that owners / managers of small rural businesses in this sample think of themselves as aware of BSR as a concept and that they do exercise BSR activities. The expected and realised benefits suggest that they are aware of the indirect benefits associated with BSR activities. Finally there is a definite relation between economic benefit (profit) and BSR activities although it is not causal in nature. For practitioners, pursuing BSR activities could therefore have an economic benefit which makes it easier to sell to business owner / managers.

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