COMPARATIVE ANALYSIS OF ENVIRONMENTAL ISSUES AS A SOCIAL RESPONSIBILITY CONCERN FOR SELECTED SMMEs IN TWO AFRICAN COUNTRIES: SOUTH AFRICA AND LESOTHO

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DECLARATION

I, Francis Okyere, student number [redacted] do hereby declare that this research report submitted to the Central University of Technology, Free State for the degree: Doctor of Business Administration is my own independent work and has not previously been submitted by me at another university/faculty. I further cede the copyright of the thesis in favour of the Central University of Technology, Free State.

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MAY GOD BLESS YOU ALL

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ABSTRACT

This study was carried out to comprehend environmental responsibility (ER) of potentially environmental polluting small, medium and micro enterprises (SMMEs) in the African context by analysing and comparing ER practices of these types of SMMEs in South Africa and Lesotho. The study utilised a survey questionnaire to obtain data on ER activities of motor vehicle mechanics, panel-beaters and small scale clothing manufacturing businesses in South Africa and Lesotho.

The empirical study was preceded by a thorough literature review in order to establish the theoretical and conceptual basis of environmental responsibility (ER) and its “mother” concept business social responsibility (BSR). Questionnaires were distributed to 680 respondent SMMEs using a stratified sampling technique. Out of this, 600 were usable, representing an 88.2% response rate.

The results reveal that SMMEs in South Africa and Lesotho have a very good understanding of ER, and see it as a sound business philosophy; and that engagement in ER comes with some benefits. Pearson’s correlation analysis show that the understanding of BSR in general is highly and significantly correlated with the understanding ER in particular, for both South Africa and Lesotho. Thus, the understanding of ER is an integral part of the knowledge of BSR.

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CHAPTER 1: INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

Environmental responsibility (ER) is an important business issue globally. It falls into the context of sustainable business practice, an equally topical issue globally. In brief, *ER* is the attitude of business towards the environment. This is also referred to as *Environmental Responsibility* (herein abbreviated ER). ER falls under the broad umbrella concept *Business Social Responsibility* (hereafter BSR). Thus, to understand ER, one first needs to comprehend the BSR concept.

Dzansi (2004, 2006, 2009, 2010) rather controversially does not see the relevance of ER to SMMEs. Dzansi argues that small businesses activities are so insignificant that the net effect on the environment may as well be insignificant and can hence be ignored. The current study differs with this stance simply because, no matter how little impact one small business may have on the environment, their collective impact becomes significant.

The relative importance of SMMEs in advanced and developing countries has led to a reconsideration of the role of SMMEs in the economy of nations. Indeed, several studies suggest that SMMEs contribute significantly to economic growth in Africa too. Nieman and Nieuwenhuizen (2010:3) for instance estimate that SMMEs make up 97.5% of all businesses in South Africa, and they generate 35% of gross domestic product (GDP). Similarly, Abor and Quartey (2010:218) state that SMMEs in Ghana provide about 85% of employment and contribute up to about 70% of GDP. Furthermore, data suggests that in Lesotho, SMMEs comprise at least 85% of the private sector and account for nearly 50% of the GDP (Ministry of Trade and Industry, Cooperative and Marketing (MTICM), 2008). The above data makes the SMME sector in South Africa and Lesotho very important to socio-economic development.

Therefore, the activities of SMMEs of South Africa and Lesotho need scrutiny lest they adopt practices detrimental to society. Put differently, the development of SMMEs should not have a negative effect on the society and environment of South Africa and Lesotho. Whilst standards and strong policies are there to regulate the SMME sector, it has become apparent that regulation alone may not be enough to make them environmentally responsible.

A cursory observation the researcher made of small motor vehicle mechanics, panel-beaters and small scale clothing manufacturing businesses in South Africa and Lesotho raised some serious environmental concerns. In the two countries, the researcher has observed how engine oil is spilt carelessly on the ground all over workshops after vehicles have been serviced. Furthermore, panel-beaters are often seen throwing pieces of car body parts all over place. This disregard for the environment is not limited to only small motor vehicle mechanics and panel-beaters but can also be found among other small firms such as small scale clothing manufacturers found in the small business sector across the continent. Considering these actions by these small businesses, one begins to wonder if small businesses in Africa in general, and South Africa and Lesotho in particular, are aware of the environmental damage they cause, and if they have any knowledge at all of being environmentally responsible.

Even though Reinhardt and Stavins (2010:164) state that business leaders, government officials, and academics continue to focus considerable attention on BSR particularly in the area of environmental protection, Loucks et al. (2010:180) postulate that SMMEs have largely been left out of the picture. Considering the considerable size of the SMME sector on the continent, this has the potential to compromise sustainable development on the continent (Parker et al., 2009). Thus, Ravell et al. (2008:3) could not have said it better when they opined that the importance of research on SMMEs' ER is justified by their sheer numbers.

1.2 PROBLEM STATEMENT

Given the sheer size of the SMME sector in the two countries as discussed above and their potential collective impact on the environment, a clear ER agenda is required to promote ER for this sector. This requires understanding of the status of ER in these businesses. Unfortunately, there is insufficient empirical data regarding environmental issues of SMMEs that operate in Africa in general, and in South Africa and Lesotho specifically. In fact, what little data there is suggests that ER does not seem to be high on the agenda of SMMEs in South Africa (Okyere, 2013), but this is speculative because the research was limited to a few SMMEs in one locality.

The problem is that it becomes very difficult to tell exactly what potential environmental polluters like motor vehicle mechanics, panel-beaters and small scale clothing manufacturers and the like in South Africa and Lesotho are actually doing in terms of environmentalism; what obstacles hinder their environmental activities endeavours; and what support they need, among others. Without such information, governments or policy makers cannot reasonably be expected to formulate appropriate support mechanisms to enhance the ER efforts of these types of SMMEs.

In the end, local communities in Africa and in particular these research areas might lose out on the benefits that are usually associated with environmentally responsible activities of SMMEs.

1.3 RESEARCH QUESTIONS

The main research question is: *What is the status of ER in potential environment polluting businesses like motor vehicle mechanics, panel-beaters, clothing manufacturing businesses in South Africa and Lesotho?*

To answer the main research question, the following specific research questions are investigated:

1. What do SMMEs in South Africa and Lesotho understand the concept BSR to mean?

2. What do SMMEs in South Africa and Lesotho understand the concept ER to mean?
3. Do the SMMEs of South Africa and Lesotho regard voluntary engagement in environmental activities as a sound business philosophy/practice?
4. What are the SMMEs' main reasons for engaging or not engaging in environmentally responsible practices?
5. What is the general attitude of SMMEs towards environmental issues?
6. What major obstacles hinder environmentally responsible behaviour of SMMEs?
7. What are the main ER activities of SMMEs?
8. What commonalities and differences in ER engagement are there for SMMEs in South Africa and Lesotho?
9. What support do the SMMEs need in their ER endeavours?
10. What important practical lessons can be learnt from these two countries?

1.4 RESEARCH OBJECTIVES

Based on the above problem statement, the main objective of this study is to compare environmental issues among potential environment polluting businesses such as motor vehicle mechanics, panel-beaters, and clothing manufacturing businesses in South Africa and Lesotho.

The subsidiary objectives in relation to the specific research questions are to determine:

1. SMMEs' understanding of the concept BSR.
2. SMMEs' understanding of the concept ER.
3. Whether or not SMMEs in South Africa and Lesotho regard environmental issues as a sound business philosophy/practice.
4. The main reason why SMMEs engage in environmental activities.
5. The general attitudes of SMMEs towards environmental issues.
6. The major obstacles hindering environmental issues performance by SMMEs.
7. The main activities of SMMEs in relation to environmental issues.
8. The similarities in environmental issues of SMMEs in South Africa and Lesotho.
9. The support SMEs need in their environmental issues endeavours.

10. Important practical lessons that can be learnt from these three countries.

1.5 IMPORTANCE OF THE STUDY

Several reasons can be attributed to the significance of this empirical study. To begin with, given the lack of in-depth research, and hence limited knowledge on ER in the African SMMEs sector, this study seeks to investigate the level of environmental initiative awareness of small businesses in South Africa and Lesotho.

Also, by their sheer numbers the world over, many SMMEs have the potential to compromise the natural environment considering the type of business activities some engage in. For instance, motor vehicle mechanics, panel-beaters and manufacturing firms are known for their waste generation and disposal, and manufacturing firms for their carbon emissions and air pollution, among others. Small businesses are known for their ambivalent attitude towards environmental issues. This study seeks to investigate their attitude towards environmentally responsible activities.

The study is necessary because it seeks to explore how SMMEs in both South Africa and Lesotho engage in ER activities and the barriers they encounter; thus the research will contribute to SMMEs management of ER practice. This will also provide valuable insight to policy makers and business advisory bodies to formulate appropriate ER policies for SMMEs.

By investigating SMMEs in two countries, the study identified the similarities and differences between the two countries so that governments, small businesses and NGOs will be able to identify which areas to refine in order to improve SMMEs' ER practices.

The study also provides recommendations to SMMEs, so that small businesses that want to engage in ER initiatives will know how or where to access information or seek for assistance. Again, the research will serve as a resource or reference material to other researchers who would like to investigate SMMEs' ER activities.

Finally, this empirical study seeks to contribute to a better understanding of ER in the small business sector, hence identifying the most effective measures to promote the environmental agenda in the SMME sector in Africa.

1.6 OVERVIEW OF THE RESEARCH METHODOLOGY

This section only provides a synopsis of the research methodology. A fuller discussion of the methodology is covered in the methodology chapter.

This study was exploratory in nature. It was exploratory because it investigated a phenomenon (ER) that has not previously received much investigation among the identified groups of SMMEs in the African context. Consistent with the underlying positivist paradigm, the study was mainly quantitative in nature. However, some qualitative elements were incorporated in order to obtain a deeper understanding of issues that may emerge from the quantitative study.

1.7 LIMITATIONS OF THE STUDY

No research is devoid of shortcomings and this research is no exception. The following limitations are foreseeable.

Even though there are many SMMEs across the length and breadth of South Africa and Lesotho, the study was limited to only the three groups (motor vehicle mechanics, panel-beaters and small scale clothing manufacturers). Whilst the findings may therefore be generalizable to only those SMMEs, they nonetheless do give an indication of what to expect from others.

Because small businesses are known for their secrecy, it is difficult to guarantee that owners/managers provided truthful responses. However, the inclusion of employees in the survey should help balance these possible biases. Besides, it would be assumed that owners/managers would be honourable enough to provide truthful and honest responses.

Thus notwithstanding these possible drawbacks, the outcome of the research should be credible.

1.8 DEFINITION OF KEY TERMS

BSR

This refers to a company's balancing commitment to its economic obligations, stakeholders (customers, employees, local community) and the environment that goes beyond that required for legal compliance.

Environmental responsibility (ER)

This is the obligation of business to embark on actions that protect and improve the natural environment so as to create sustainable development.

Small, medium and micro enterprise (SMME)

This refers to businesses that are described as follows:

- Micro: Turnover is less than the VAT registration limit, and usually lack formality in terms of registration.
- Small: Businesses with an upper limit of 50 employees. They are generally more established than the micro enterprises and exhibit more complex business practices.
- Medium: The maximum number of employees is 200, and is characterized by decentralization of power to an additional management layer.

Entrepreneurship

This is the process whereby a person uses his or her creativity and innovation to establish a business because he or she sees an opportunity, and manages the business with the aim of making profit while acknowledging the risks involved.

Entrepreneur

This refers to a person who is creative and innovative, establishes a business because there is an opportunity, and manages the business while assuming its risks and rewards.

Stakeholder theory

This theory recognizes the importance of business creating wealth as well as the relationship of business with its multiple stakeholders.

Shareholder value theory

This theory holds that the sole purpose of business is to maximize profit for its shareholders.

Stakeholder

These are all the groups (employees, customers, local community, etc.) affected by a company's decisions, policies and operations.

Charity principle

This requests businesses to give voluntary aid to society's needy persons and groups.

Stewardship principle

This implies that business owners have the power and resources to protect the environment from degradation, and have a responsibility to do so.

1.9 OUTLINE OF THE STUDY

Chapter 1: Introduction

This chapter provides an introduction and background to the study, and other relevant information such as problem statement, research questions, objectives, and a brief account of the research methodology. This is followed by limitations to be aware of in this study. Finally, definitions of key items are also provided.

Chapter 2: A theoretical perspective of SMMEs and entrepreneurship

Chapter 2 begins the review of relevant literature to the study. Among others, the chapter discusses the origins, approaches, schools of thought, and types of entrepreneurship. Thereafter, a discussion is provided of who an entrepreneur is. Various definitions of SMMEs, entrepreneurship and the entrepreneur are discussed. The discussion in this chapter ends with a presentation on the role of small businesses in socio-economic development.

Chapter 3: The environment and small BSR: A theoretical perspective

This chapter is a follow up to the literature review from chapter 2. The chapter looks at the theoretical foundation of BSR; tracing its evolution from the early philanthropic and charitable days to the present day stewardship principle. Different definitions of environmental responsibility are examined, and ER in SMMEs also discussed. The chapter concludes with drivers and barriers to ER in SMMEs, and the framework for measuring ER in SMMEs is presented.

Chapter 4: Research methodology

The research methodology applied in this study is presented in this chapter, which substantiates the brief account provided in chapter 1 with more extensive detail. This time the detail account comprises of research design, data collection and analysis, ethical consideration, and limitations to the study.

Chapter 5: Results

In this chapter the results of the empirical findings are presented and discussed in details.

Chapter 6: Conclusions and recommendations

Chapter 6 wraps up the study with conclusions and recommendations for policy and further research. Also, lessons learnt from the study and recommendations on engaging SMMEs in ER are presented.

1.10 CHAPTER SUMMARY

An overview of the entire research process for this empirical study is provided in this chapter. The next chapter provides the first part of the literature review for the study: a theoretical perspective of SMMEs and entrepreneurship.

CHAPTER 2: PERSPECTIVE ON SMMES AND ENTREPRENEURSHIP

2.1 INTRODUCTION

As stated in Chapter 1, the current study investigates ER as a BSR issue for SMMEs. Therefore, SMMEs are at the core of this study.

This chapter is dedicated to fully comprehending SMMEs and related issues, as a clear understanding of SMME issues is fundamental to understanding ER within SMMEs. In addition, there cannot be any meaningful discussion of SMMEs without consideration of the related concept of entrepreneurship, because the two are very much intertwined to the extent that they are often used interchangeably, as if they mean one and the same thing. However, in spite of similarities, many authors, including Lucky and Olusegun (2012:487), strongly argue that entrepreneurship differs from small business management, hence SMMEs. The usual explanation is that entrepreneurship is a process leading to the creation of SMMEs and large business ventures. That is, SMMEs constitute a subset of entrepreneurship. The important point, however, is that entrepreneurship and SMMEs are interlinked, such that it is necessary to discuss the two concepts simultaneously.

The chapter is organized as follows. First, the concept of entrepreneurship is considered. Thereafter, SMME issues are dealt with. Regarding entrepreneurship, the discussion begins with a historical perspective on the concept, followed by a review of the various definitions of entrepreneurship in order to understand what entrepreneurship really means, as well as to develop an operational definition for the purpose of this study. In addition, approaches to understanding entrepreneurship as well as entrepreneurship typologies and characteristics are discussed. Finally, with respect to SMME issues, the discussion considers the nature of SMMEs, their socio-economic contributions, the entrepreneurial business and SMME dichotomy, with an attempt made to identify the similarities and differences between the two concepts.

2.2 ORIGINS OF THE CONCEPT OF ENTREPRENEURSHIP

Entrepreneurship appears to have a long history and can be traced as far back as to ancient Rome, around the year 50 BC, when the term was used to refer to disposable incomes of entrepreneurial activities (Rusu et al., 2012:5371). During this period, wealth was generated from three main sources: land ownership, loans, and political character (Rusu et al., 2012:5371). Rusu et al. (2012:5371) note that early periods of the Middle Ages (500-1000 AD) revealed new expressions of entrepreneurship in Europe. For entrepreneurs at that time, opportunities for hostile acquisition of resources were part of their business. Murphy et al. (2006:13) add that in the last period of the Middle Ages (1000-1500 AD), activities such as architecture, engineering and agriculture acquired an entrepreneurial character. Through these developments, entrepreneurship became more acceptable in social terms and regarded as activity bringing satisfaction from the economic perspective.

Venter et al. (2010:11) and Herbert and Link (2011:241), however, are of the view that the concept of entrepreneurship first emerged in the 17th century, with Richard Cantillon, a French economist, being the first to offer a clear conception of the entrepreneurial function. The word *entrepreneur* is a French coinage, so it is appropriate to trace the origin of the concept from the contributions of early French writers on entrepreneurship.

Literature credits Richard Cantillon as being the first to use the French verb *entreprendre,* which means “to undertake,” to refer to individuals who spotted opportunities and set up structures to exploit the opportunities at various times (Venter et al., 2010; Herbert & Link, 2011). In the process, these ‘entrepreneurs’ mobilized resources and traded or manufactured something for profit, but also at the risk of making loss. In this sense, right from its inception the entrepreneur has been seen as a risk-taker, in the sense of purchasing goods at certain prices in the present to sell at uncertain prices in the future.

Jean Baptiste Say (1767-1823) was the second author to take an interest in entrepreneurs. Say (1815) regarded economic development as the result of venture creation, and hoped that the English industrial revolution would spread to France (Murphy et al., 2006:2). After examining the work of Say, Natarajan (2011:24) concluded that Say broadened the concept of entrepreneurship by putting the entrepreneur at the core of the entire process of production and distribution. However, Say's entrepreneur, as noted by Venter et al. (2012:12), ends up as "a superintendent and an administrator." Thus, both Cantillon and Say regarded entrepreneurs as risk-takers, basically because they invested their own money.

Cassis and Minoglou (2005:27) posit that the ideas of Cantillon and Say were refined by Knight (1921), a US economist, who distinguished between risk, which is insurable, and uncertainty, which is not. According to Knight (1921), profit is a reward for bearing this uninsurable risk. That is, it is the reward of the entrepreneur.

Nieman et al. (2003: 5) also examined the origin and development of entrepreneurship, revealing that it was however Schumpeter (1928) who really launched the field of entrepreneurship by associating it clearly with innovation. Bula (2012:81) adds that Schumpeter (1934) considered entrepreneurship from an economic perspective by focusing on the perception of new economic opportunities and the subsequent introduction of new ideas in the market.

In contrast to the economic mainstream, Kirzner's (1973) in Holcombe's (2003:27) theory of entrepreneurship emphasizes that entrepreneurial actions do not use up profit opportunities, but create them, and the critical role of entrepreneurship is the creation of new profit opportunities.

In the 1930s, the behaviourists also waded into the entrepreneurship debate. Max Weber (1930) was one of the first authors from this group to show an interest in entrepreneurship (Venter et al., 2011:4). According to these authors, Weber (1930) identified the value system as a fundamental element in explaining entrepreneurial behaviour. Nieman et al. (2003:6) point out that Weber (1930) viewed entrepreneurs as innovators, independent people whose role as business leaders conveyed a source of formal authority.

McClelland (1961 and 1971, in Nieman et al. 2003:6) was the author who brought the contributions of the behavioural sciences of entrepreneurship into prominence. McClelland's (1971) work concentrated on managers of large organizations, although he was strongly associated with the field of entrepreneurship.

During the 1980s, the field of entrepreneurship spilled over into almost all the soft sciences and management sciences. Van Aardt et al. (2011:17) explained that during the 1980s, people started to take note of business people who rapidly started and grew their own businesses. The 1990s, on the other hand, produced more research that can be applied to help the practice of entrepreneurial action, in particular regarding entrepreneurial activities and the related competencies (Nieman et al., 2003:7; Nagarajan, 2011:242). Team-based entrepreneurship also became the custom, and during the 2000s entrepreneurial concepts such as social entrepreneur, internet-based entrepreneur, and technology entrepreneur surfaced. Entrepreneurship theory can therefore be seen to enjoy a long and interesting historical development (Chowdhury, 2005).

Van Aardt et al. (2011:4) add the interesting dimension that, in the past, entrepreneurs were seen by some as "robbers" who exploited workers for their own success, and by others as "captains of industry" and hence leaders in developing the economy of a country. These authors explain that in real life, very few entrepreneurs fit the former description because there are some who through hard work and long hours generate business success. These issues have serious implications for BSR, the main focus of the study, and they will be dealt with in the course of the literature review on BSR.

2.3 DEFINING ENTREPRENEURSHIP

Having completed this historical perspective, it is necessary to understand the concept of entrepreneurship—the focus of this section—as this will provide a much clearer understanding of who the entrepreneur is.

2.3.1 WHAT IS ENTREPRENEURSHIP?

Although research regarding entrepreneurship has been a challenge given the absence of a consistent definition of the term among scholars (Williams & Nadin, 2010:362), prior studies have identified a number of core goals that can be considered in defining entrepreneurship, namely: to define entrepreneurship as a creative business whose fundamental purpose is to create value by innovatively bringing together resources to exploit opportunities for the purpose of wealth creation (Herbert & Link, 2011; Lucky and Olusegun, 2012; Bula, 2013). From this perspective, Rebecca et al. (2009: 64) explain that entrepreneurship is a process of organizing, managing enterprises and assuming the risk involved in the enterprise. Thus, entrepreneurship is seen as a process of creating something new and assuming its related risks and rewards.

Frederick and Kuratko (2010:11) contend that, in recognizing the importance of the evolution of entrepreneurship in the 21st century, there is a need to develop an integrated definition that acknowledges the critical factors needed for this phenomenon. They therefore define entrepreneurship as:

> *a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skills to marshal needed resources, the fundamental skill of building a solid business plan, and, finally, the vision to recognize opportunity where others see chaos, contradiction and confusion.*

Van Aardt et al. (2011:4) state that entrepreneurship is defined as the act of initiating, creating, building, expanding and sustaining a venture, building an entrepreneurial team, and gathering the necessary resources to exploit an opportunity in the marketplace for long-term wealth and capital gain.

Lucky and Olusegun (2012:493) on the other hand argue that many authors have stressed the need for learning new skills and techniques, recognizing opportunities, mobilizing resources, an act or process, rewards, taking of risks and creation of wealth, but that none has recognized the importance of "nurturing" entrepreneurship.

The authors therefore maintain that the definition of entrepreneurship can be better appreciated if the word "nurturing" is included. They see it as a process of nurturing entrepreneurship as well as the entrepreneur from the grassroots to recognize opportunities in the environment so as to mobilize resources, by taking risk in order to create wealth and at the same time making profit through efficient management of the business.

Panda (2011:202) is of the view that entrepreneurship is the design of a business idea, and the projection and maintenance of the organization so that the activity may continue to take place.

Rusu et al. (2012:3573) see entrepreneurship as the ability of an individual to put into practice an idea, and the possession of certain qualities such as creativity, innovation, risk taking, and ability to plan and manage the activities in view of fulfilling the proposed goals. To this effect, the authors further summarized the views of some prominent scholars in the table below.

Table 2.1: Summary definitions of entrepreneurship

Author	Definition
Cole (1968)	Entrepreneurship is an activity dedicated to initiation, maintenance and development of a profit oriented business.
Drucker (1985)	Entrepreneurship is an innovation act that presupposes the endowment of the existing resources with the capacity of producing wealth.
Gartner (1985)	Entrepreneurship is the creation of new organizations.
Hisrich and Peters (1989)	Entrepreneurship is the process of creating something different, with value, by allotting the necessary time and effort, presupposing the taking of financial, social and physical risks, and obtaining monetary rewards and personal satisfaction.
Stevenson et al. (1989)	Entrepreneurship is following an opportunity irrespective of the existing resources.
Kaish and Gilad (1991)	Entrepreneurship is first of all a discovery process, and secondly acting on an opportunity of lack of balance.
Herron and Robinson (1993)	Entrepreneurship is a set of behaviours that initiate and manage the re-allotment of economic resources and whose purpose is the creation of value by these means.

Source: Rusu et al. (2012:3573)

The review on the definition of entrepreneurship above has portrayed the concept as a combination of three elements, namely, (i) the context in which the opportunity arises and/or is created, (ii) a set of personal abilities necessary to identify and use that opportunity, and (iii) the capacity to materialize the opportunity, by transforming it into results.

The term entrepreneur has come to be used to describe persons who establish their own business. The process involved is called entrepreneurship. Entrepreneurship is the outcome of complex of socio-economic, psychological and other factors. The entrepreneur is the key individual central to entrepreneurship who makes factors happen. The entrepreneur is the actor and entrepreneurship is the act.

For the purpose of this empirical study, entrepreneurship is operationally defined as ***"the process whereby a person uses his or her creativity and innovation to establish a business because he/she sees an opportunity, and manages the business with the aim of making profit while acknowledging the risks involved."***

Finally, the discussion on the definition of entrepreneurship in this section has revealed the following as key elements in the concept: ***innovation, creativity, risk taking, recognition of opportunity in the market, establishment of a new enterprise, managing the enterprise, creation of value in society, growing the enterprise, and creation of employment.*** In developing countries such as South Africa and Lesotho, with high unemployment, retrenchment and inequality, creativity, innovation and management resources can promote good business practices, such as *BSR and ER*, to minimize these socio-economic problems. These key elements therefore inspire the need to discuss **approaches to entrepreneurship**.

2.4 APPROACHES TO ENTREPRENEURSHIP

The entrepreneurship literature is vast, complex, and multifaceted (Bula, 2012). However, Cubico et al. (2010:425) and Sanchez (2011:429) theorized that entrepreneurship is a field of study that involves several approaches, but in the main there are three theoretical approaches or perspectives, namely economic, psychological, and sociological.

2.4.1 PSYCHOLOGICAL APPROACH

Historically speaking, the psychological approach to entrepreneurship studies investigated motivations and personal traits that underlie start-up and entrepreneurial success (Cubico et al., 2010). Later, the focus shifted towards models that integrate individual and environmental factors, whilst recent research highlights ties between personal (motivations, aptitude, risk-taking tendencies, innovation, among others) and contextual elements, such as expectations and family characteristics, social and institutional support (Sanchez, 2011:430). Sanchez (2011:429) identifies two orientations within this perspective, namely **theory of personality traits** and **cognitive theory.** These two perspectives are well explored in the psychological approach to entrepreneurship literature.

2.4.1.1 Theory of personality traits

All theories begin with a pioneer(s), and the theory of personality traits is no exception. McClelland (1961) pioneered the theory of personality traits and brought it to prominence. Coon (2004, cited in Simpeh, 2011:3) theorized that there are certain personality traits, or *stable qualities*, that a person shows in most entrepreneurial situations. This theory elaborates that entrepreneurs have personality traits that are different from those of non-entrepreneurs (Sanchez, 2011:429). That is, there are enduring inborn qualities or potentials of the individual that normally make them successful entrepreneurs. According to Simpeh (2011:3), the literature is in agreement regarding the more common characteristics or behaviours associated with entrepreneurs. These include:

- They tend to be more opportunity driven (Drucker, 1985; Richard, 1999).
- They demonstrate high levels of creativity and innovation (Schumpeter, 1934; Richards, 1999).
- They show high levels of management skills and business know-how (Burdus, 2010).
- They have also been found to be optimistic, emotionally resilient and to have mental energy (Richards, 1999).
- They are hard workers, show intense commitment and perseverance (Rusu et al., 2012).
- They thrive on a competitive desire to excel and win (Simpeh, 2011).
- They tend to be dissatisfied with the status quo and desire improvement (Simpeh, 2011).
- They are also transformational in nature, are lifelong learners and use failure as a springboard (Baron and Henry, 2010).

- They also believe that they can personally make a difference, are individuals of integrity and, above all, are visionary (Sanchez, 2011).

Sanchez (2010b:35) argues that even though the trait model is classic in the psychology of entrepreneurship, this approach is polemical—because some writers differ from this stance. For example, Cubico et al. (2010:426) agree there is disagreement in the literature as to whether personality characteristics is a useful construct in entrepreneurship research. Gartner (1989) in Pittaway et al. (2011:19) argue for research to stop exploring *who* entrepreneurs are and to explore *what* they do. The authors observe that much contemporary work since has heeded this call, being driven by a desire to explain *what* entrepreneurs do and how they do it.

Sanchez (2011:429), however, states that meta-analytic research has revealed a slight positive relationship between autonomy, internal locus of control and risk-taking propensity and the creation of business ventures and success, and a moderately positive relationship between the latter and innovation, need for achievement and self-efficacy. Simpeh (2011:3) advises that much as the trait model is not supported by research, the only way to explain or claim that it exists is to look through the lenses of one's characteristics/behaviours and conclude that one has the inborn quality to become an entrepreneur.

2.4.1.2 Cognition theory of entrepreneurship

Enterprising cognition can be defined as "the knowledge structures that people use to make assessments, judgments or decisions involving opportunity evaluation, venture, creation and growths" (Sanchez, 2011:429). Kibassa (2012:163) explains that knowledge structures is about trying to understand how individuals perceive and interpret information around them. Sanchez (2011:430) suggests that entrepreneurs make cognitive decisions regarding potential opportunities by rationally and systematically evaluating such opportunities. For Sanchez (2011:430), entrepreneurs have the special ability to identify opportunities where other people do not see them. Sanchez's (2011) reasoning is that if the cognitive processes of entrepreneurs are different from those of non-entrepreneurs, then this would affect how they assess opportunities, as well as the risk perception this entails.

2.4.2 THE SOCIOLOGICAL APPROACH

The sociological approach to understanding and studying entrepreneurship has been oriented towards understanding social and family backgrounds of entrepreneurs and effects that entrepreneurial choices have on family, roles and social life in general. However, economic factors (paucity, opportunity, cost and income), technological developments and their effects on work, and the demographical factors of entrepreneurs have dominated economic sciences.

Sociological theory focuses on the social context, and premised on the supposition that the decision to become an entrepreneur is conditioned by external factors or the social context. Sanchez (2011:430) posits that it is socio-cultural factors, or the institutional framework, that determines entrepreneurship at a specific time and place, and that religious beliefs have also been included among these factors.

Simpeh (2011:4) acknowledges the contribution of Reynolds (1991) by stating that Reynolds (1991) identified four social contexts that relate to entrepreneurial opportunity.

The first one is social networks. Here, the focus is on building social relationships and bonds that promote trust and not opportunism. In other words, the entrepreneur should not take undue advantage of people to be successful; rather, success comes as a result of keeping faith with people. The second, known as the life course stage context, involves analysing the life situations and characteristics of individuals who have decided to become entrepreneurs. The experiences of people could influence their thought and action so that they want to do something meaningful with their lives. The third context is ethnic identification. One’s sociological background is one of the decisive “push” factors to become an entrepreneur. For example, the social background of a person determines how far he or she can go. Marginalized groups may violate all obstacles and strive for success, spurred on by their disadvantaged background to make life better. The fourth social context is called population ecology. The idea has it that, environmental factors play an important role in the survival of businesses. The political system, government legislation, customers, employees and competition are some of the environmental factors that may have an impact on the survival of the new venture or the success of the entrepreneur.

2.4.3 THE ECONOMIC APPROACH

Economics contributes significantly to the field of entrepreneurship (Pittaway et al., 2011:3). In most cases when economists seek to understand entrepreneurship, they are usually interested in the function that entrepreneurship plays in the economic system (Sanchez, 2011:429; Pittaway et al., 2011:3). Literature search shows that economic perspective can be classified in several ways, either chronological, by the function the economist has given to the entrepreneur within the economic system, or in the schools of thought (Barreto, 1989; Chell et al. 1999, cited in Pittaway et al., 2011:3). This section explores the economic approach through the lenses of these schools of thought.

2.4.3.1 Entrepreneurial schools of thought

Frederick and Kuratko (2010:12) contend that entrepreneurship is interdisciplinary, and as such it contains various approaches that can increase one’s understanding of the field. However, one way to examine these theories is with a schools of thought approach that divides entrepreneurship into specific activities. These activities may be within a macro or a micro view.

The macro view

The macro view of entrepreneurship presents a wide range of factors that relate to success or failure in complementary entrepreneurial ventures. This range includes external process that are sometimes beyond the control of the individual entrepreneur given that they exhibit a strong external locus of control point of view. Frederick and Kuratko (2010:12) identify three schools of entrepreneurial thought, namely: the social and cultural school of thought; the financial/capital school of thought; and the displacement school of thought.

The social and cultural school of thought: Frederick and Kuratko (2010:12) argue that the potential entrepreneur’s lifestyle is influenced by some external factors and surrounding conditions. The authors are of the view that institutions, values, and mores together form a socio-political environmental framework that strongly influences the development of the entrepreneur, either positively or negatively.

The financial/capital school of thought: This school of thought dwells on the idea that the entrepreneurial process is purely financial. Frederick and Kuratko (2010:13) explain that the search for seed and growth capital is the main focus of the entrepreneurial process. Here the venture capital process is important to an entrepreneur’s development. This school of thought views the entire entrepreneurial venture from a financial management perspective. Decisions involving finances occur at every major point in the venture process.

The displacement school of thought: Frederick and Kuratko (2010:13) see this school of thought as focusing on the group phenomena. They contend that the group affects or eliminates certain factors that project the individual into an entrepreneurial venture. Thus, the individual will not pursue a venture unless they are prevented or displaced from doing other activities. The authors identify three major displacements as follows: **(i) political**

displacement: this type of displacement is caused by factors ranging from an entire political regime that rejects free enterprise (international environment) to governmental regulations and policies that limit or redirect certain industries; **(ii) cultural displacement:** this deals with social groups excluded from the professional fields. Ethnic background, religion, race and sex are examples of factors that figure in the minority experience. This experience will in the long run turn various individuals from ordinary business professions to entrepreneurial ventures; and **(iii) economic displacement:** the focus here is on economic variations of recession and depression. Things such as job loss, capital shrinkage or simply bad times can create the foundation for entrepreneurial pursuits, just as they can affect venture development and reduction.

The micro view

The micro view examines factors that are specific to entrepreneurship and are part of the internal locus of control (Frederick & Kuratko, 2010:14). Unlike the macro view, which focuses on events from the outside looking in, the micro view focuses on the events from the inside looking out. The above authors contend that the potential entrepreneur has the ability, or control, to direct or adjust the outcome of each major influence in this view. Many approaches are associated with this view but Frederick and Kuratko (2010:14) identify the following three approaches: *the entrepreneurial trait theory* (also known as the people school of thought*); the venture opportunity theory;* and *the strategic formulation theory*.

The entrepreneurial trait school of thought: According to Frederick and Kuratko (2010:14), this school of thought has attracted interest from many researchers and writers in identifying traits common to successful entrepreneurs. This view argues that successful entrepreneurs share similar characteristics and, if copied, the emulators would have increased opportunities to be successful. Key characteristics among them are achievement, creativity, determination, technical knowledge, and family development. The family development idea places emphasis on the nurturing and support that exist within the home atmosphere of an entrepreneurial family. This reasoning promotes the belief that certain traits established and supported early in life lead eventually to entrepreneurial success. Dzansi (2004:117) state that family development is of particular importance in South Africa. This is due to the fact that people born into entrepreneurial homes end up being entrepreneurs themselves, largely because of the nurturing and support from home. Citing Nieman (2003), Dzansi (2004:118) argues that such people would eventually take over the family business. An important reason for the popularity of family business in South Africa is the lack of job opportunities.

The venture opportunity theory: This school of thought focuses on the opportunity of venture development. Crucial to this view are the search for new idea sources, the development of concepts and the implementation of venture opportunities. Equally, creativity and market awareness are vital, and developing the right idea at the right time for the right market niche is the key to entrepreneurial success (Frederick & Kuratko, 2010:14).

The strategic formulation school of thought: The strategic formulation approach to entrepreneurial theory places emphasis on the planning process in successful venture development. Frederick and Kuratko (2010: 14) argue that Steiner (1979) is of the opinion that strategic planning is inextricably interwoven into the fabric of management; it is not something separate and distinct from the process of management. The authors identify the following as some of the strategies in the management field**: mountain gap strategies,** which refers to identifying major market segments as well as interstitial (in-between) markets that arise from labour markets; **great chef strategies**, which refers to the skills or special talents of one or more individuals around whom the venture is built**;** **better widget strategies**, which refers to innovations that encompass new or existing markets; and **water well strategies**, which refers to the ability to gather or harness special resources (land, labour, capital and raw materials) over the long term.

The strategic formulation school of thought requires managerial competence. This is of importance to entrepreneurs and small business owners/managers as it will assist them in formulating and implementing ER activities that promote sustainable development.

To sum up the discussion in this section, the first set of schools adopting the macro point of view on entrepreneurship assume that lifestyle, values, family and friendships of the individual, and capital accumulation are the determinants that give shape to the entrepreneur. The second set of schools adopting that micro view, on the other hand, assume that the entrepreneurial level of an individual is the result of his personal traits, the ability to see opportunities and formulate the resources into an enterprise (Demirer & Memis, 2010:67).

Meanwhile, some authors, including Sanchez (2011) and Pittaway et al. (2011), are also of the view that examining approaches to entrepreneurship should not be limited to those discussed above. They contend that examining the "thoughts" of authorities in the field is equally crucial. Examples of such schools of thought are the French Classical School; the British Classical School; the Austrian and Neo-Austrian School; and the Schumpeterian School, among others. These schools of thought are discussed below:

The French Classical School: Cantillon and Say were among the earliest important French writers who contributed to the economic perspective of the role of the entrepreneur (Kusumisiri & Jayawardane, 2013:27). According to Pittaway et al. (2011:3), Cantillon introduced an economic system based on classes of actors, and entrepreneurs are one of the three classes. There are "landowners" who are financially independent aristocracy. "Hirelings" and "entrepreneurs" were viewed to be financially dependent on others. Hirelings earned fixed income while entrepreneurs were "*set up with a capital to conduct their enterprise, or are undertakers of their own capital, and they may be regarded as living off uncertainty*."

To Cantillon, individuals who purchased goods at a certain price, used that good to produce a product and then sold that product at an uncertain price could be considered "entrepreneurs." Herbert and Link (2011:241) say that risk and uncertainty play central parts in Cantillon's theory of the economic system. Successful entrepreneurs were those individuals who made better judgments about changes in the market and who coped with risk and uncertainty better than their counterparts. Kusumisiri and Jayawardane (2013:27) also affirm that Cantillon identifies the entrepreneur as a self-employed risk-taker and as someone who has the foresight and willingness to assume risks to make profit or sustain a loss, and in doing so contributes to equilibration of a market economy.

Other French economists following Cantillon took up, considered, and reconsidered the role of the entrepreneur in economic systems (Pittaway et al., 2011:4). Some of these authors, such as Quesnay, took a step away from Cantillon's ideas about risk and uncertainty by offering up the first mathematical general equilibrium system in the *Tableau Economique.* Pittaway et al. (2011) state further that Turgot made an additional distinction to Cantillon's ideas by identifying that the ownership of capital and the act of entrepreneurship could be two separate functions of entrepreneurial endeavour.

Say, who was the first Professor of Economics in Europe, further enhanced and built on Cantillon's ideas in two books published in the 1800s: *A Catechism of Political Economy* (1821) and *A Treatise on Political Economy* (1802). Herbert and Link (2013:241) and Pittaway et al. (2011:5) posit that Say put the entrepreneur at the core of the entire process of production and distribution. According to Pittaway et al. (2011:5), Say's theory of production and distribution was based on three major agents of production: human industry; capital, in which he included both physical capital (in the form of machines) and finance; and land, in which he included natural resources. Say recognized that both land and capital were indispensable, but identified human industry as the "key" to production.

The entrepreneur was viewed by Say as the coordinator of the system, acting as an intermediary between all of the other agents of production and taking on the uncertainty and risk. The profit the entrepreneur gained was the reward for the risk undertaken. Successful entrepreneurs need significant qualities, and the most important is judgment, or the ability to assess the needs of the market and understand how these needs could be met.

The British Classical School: In contrast to the French writers, the English classical economists saw entrepreneurs as suppliers of financial capital. The British School is usually considered to include early Scottish, English and Welsh political economists. Prominent among them were Adam Smith and John Mills, with their views best exemplified in their respective publications *The Wealth of Nations* and *Principles of Political Economy*. Pittaway et al. (2011:6) aver that although several of the key authors in this school of thought are likely to have been familiar with the term “entrepreneur”—particularly Ricardo, who corresponded with Say—they never used it in their writing or introduced an equivalent Anglo-Saxon version.

Pittaway et al. (2011:6) attribute this to a number of reasons. Firstly, Say suggested that there was no direct parallel for the French word “entrepreneur” in English; although the word “undertaker” was used, it did not have exactly the same meaning. Secondly, the law between England and France at the time was different. In France, there was a clear distinction between the ownership of capital or land and the ownership of property and business; whereas in England a capitalist was not only a creditor receiving interest on their capital, but an active partner, sharing in the gains and losses of a business. Finally, it is suggested that the two groups of theorists used different conceptual apparatuses. The French political economy was more interested in micro-economic connections and the British political economy was more interested in macro-economic (the two different conceptual apparatuses have been discussed in Section 2.4.3.1). Barreto (1989, cited in Pittaway et al., 2011:6) argued that, whatever the reason for the failure of the British economic thought to consider the role of the entrepreneur in the economy, it was an unfortunate oversight that may ultimately have led to the neglect of the subject in modern day economics.

The Austrian and Neo-Austrian School of Thought: This school of thought regards uncertainty and risk as key attributes of economic systems that allow entrepreneurs the opportunity to make profit. According to Pittaway et al. (2011:7), the first work that makes a significant contribution to the understanding of entrepreneurship is Knight's (1921) *Risk, Uncertainty and Profit.* The authors further explain that instead of Knight developing economic theory that portrays an ideal state of affairs, he tried to explain the real market system as it actually operates, and this sets him apart from the Neo-Classical School of the time.

Knight's argument was basically contrary to mainstream economists. He believed that supply and demand cannot be in equilibrium because in reality other forces change the conditions of the market. In this situation of disequilibrium, Knight explains that a market must be in a constant state of uncertainty and entrepreneurship becomes the skilful interpretation of market changes and the bearing of responsibility for decisions made on the basis of such interpretations. Here Knight made an essential distinction between "risk" and "uncertainty." He asserted that if, on the one hand, change is calculable and predictable, then it is a "risk" and a person can predict with a certain degree of probability that it will occur. It can then be insured or factored into the cost of doing business. On the other hand, if change cannot be predicted then it is unknown and, therefore, uncertain. Knight stressed that entrepreneurship, rather than being a function, a role or a class of people, is in fact a type of decision that requires action in the face of unknown future events.

Other Austrian and Neo-Austrian economists (Mangoldt, 1855; Kirzner, 1973; Hayek, 1990, cited in Pittaway et al., 2011:9) take a similar stance by affirming in their approaches that uncertainty remains as important as disequilibrium. These economists focused more on entrepreneurial opportunities created from uncertainties in the market. Prominent among these economists was Kirzner (1973, cited in Sanchez, 2011:430) who opined that “entrepreneurial decisions” are considered to be the driving force behind the market: entrepreneurs decide to begin a new enterprise or introduce a new product to the market when they think there is an opportunity to turn resources into more promising opportunities.

According to Pittaway et al. (2011:9), Kirzner goes a step further than Knight (1921) by arguing that there is a crucial element in all human action that can be described as “entrepreneurial”: the decisions individuals make in the market are not always logical, and are often based on irrationality and risk. Such decisions are not guided only by logical choices and decisions but also the individual’s ability to be alert to opportunities. Kirzner therefore sees the entrepreneur as a decision-maker who begins without any means other than an ability to predict “successful” chances in the market conditions.

Schumpeterian School of Thought: Nagarajan (2011:242) contends that the Austrian School legacy culminated in the work of Joseph Schumpeter, whom he labelled the “superstar proponent” of the role of the entrepreneur. Schumpeter’s (1934) theory focused on economic development and the role of the entrepreneur in the development process. Schumpeter’s argument, though contrary to the established thought of the time, was that the important question in capitalism is not how it supports existing structures and markets but how it creates and destroys them. In the view of Betta et al. (2010:234), entrepreneurs, as seen by this school of thought, distort equilibrium of the market with their creative destructive actions; however, these actions ultimately lead to development. Pittaway et al. (2011:10) posit that, in contemporary thought, “creative destruction” is now seen as one of the crucial functions of entrepreneurial activity within the economy.

In Schumpeter’s theory, the entrepreneur is the source of all dynamic change, and he identified five types of innovation:

- The introduction of a new good or a new quality of a good;
- The introduction of a new method of production;
- The opening of a new market;
- The development of a new source or, supply of raw materials or half-manufactured goods;
- Innovation on the organization of any industry (Quaye & Acheampong, 2013:38).

Such new combinations as proposed in Schumpeter's theory can happen in existing businesses, but by their very nature more typically occur in new firms that begin producing besides older firms (Pittaway et al., 2011:11). In defending his concepts, Schumpeter argues that:

> *These concepts are at once broader and narrower than usual. Broader, because in the first place we call entrepreneurs not only those independent businessman…but all who actually fulfil the function…even if they are… dependent employees of a company, like managers, members of board of directors. On the other hand, our concept is narrower than the traditional one in that it does not include all heads of firms or managers or industrialists who merely operates an established business, but only those who actually perform that function.*

Finally, Schumpeter believes that when the entrepreneur is successful in generating new ideas and translating such creativity into innovative products and services, he or she is rewarded with profits. Reflecting on the work of Schumpeter, Abosede and Onakoya (2013:32) contend that the Schumpeterian entrepreneur pushes the economy away from the equilibrium at a lower level through the introduction of his or her innovations. The entrepreneur is a change agent taking risks for his or her actions while at the same time meeting the need gap of people through innovations, creativity and modernization2.5 TYPES OF ENTREPRENEURSHIP

2.5.1 LIFESTYLE VERSUS HIGH GROWTH ENTREPRENEURSHIP

Several types of entrepreneurs have been identified by different authors. For example, Rogers (2003:2) recognized two types of entrepreneurs, namely lifestyle and high growth entrepreneurs. According to Rogers (2003), lifestyle entrepreneurs operate their businesses haphazardly with little or no system in place, and they create business with the purpose primarily of altering their personal lifestyles rather than of making profits, while high growth entrepreneurs proactively looked to grow annual revenues and profits.

Dimov (2010:1124), Kessler and Frank (2009:720) and Ucbasaran (2008:309) also identify three general types of entrepreneurs: nascent, novice, and habitual. Nascent entrepreneurs are those who are engaged in creating new ventures and expect to be owners or part owners of the firm. Novice entrepreneurs are owners of businesses who have no previous business ownership experience in business that is either new or purchased. Habitual entrepreneurs start or purchase several businesses, one at a time or even sequentially.

Deli (2011:39), in line with Shrivastava and Shrivastava (2013:1), on the other hand identify opportunity and necessity entrepreneurs as the two main types. According to Giocomin et al. (2011:3), an individual can create a business start-up either because he or she fears unemployment or because he discovers an opportunity. This vision of business creation is presented by Giocomin et al. (2011:3) as arising from two types of dynamics: either push or pull. This push-pull dichotomy has since given birth to the concept of necessity entrepreneurship (push motivation) and opportunity entrepreneurship (pull motivation).

The discussion on types of entrepreneurs in this section will follow the lines of argument of Deli (2011) and Shrivastava and Shrivastava (2013), thus necessity and opportunity entrepreneurs. This is because this empirical study is on small businesses, who are recognized as emerging entrepreneurs. Many of these small businesses, for example motor vehicle mechanics, panel-beaters, and small scale manufacturers, among others, start as necessity entrepreneurs due to job loss, unemployment or economic downturn, operating for the sake of survival. Some also identify opportunities in the market, thereby starting businesses for profitability and growth. Also, the push-pull dichotomy is briefly examined.

2.5.2 THE PUSH-PULL ENTREPRENEURSHIP DICHOTOMY

Giacomin et al. (2011:4) quote Johnson and Darnell (1976) developing and testing a push-pull model in order to identify the explanatory factors of new venture creation. According to Giacomin et al. (2011:4), Johnson and Darnell's (1976) starting point is the assumption that new venture creation underpins an individual's shift from a salaried position or unemployment to self-employment. Such a decision is taken when the net monetary and non-monetary pay-offs resulting from self-employment surpass those derived from maintaining an employee or unemployed status.

Johnson and Darnell (1976, cited in Giacomin et al., 2011:5) believe that what triggers such a decision may be interpreted as a function of two types of forces: push or pull. To Giacomin et al. (2011), new venture creation follows pull dynamics when it is considered by the individual as a source of profit from conflicts between the current situation of "want-to-be" entrepreneur and the one he or she would like to experience.

"Push" motives are the elements of necessity by which entrepreneurs are pushed or forced to start new businesses in order to overcome negative external forces, and "pull" motives are attractive reasons as to why entrepreneurs decide to start businesses. Based on these two types, the literature has attempted to differentiate entrepreneurs as "push entrepreneurs" and "pull entrepreneurs" (De Silva, 2010:5). Thus, new venture creation obeys a pull dynamic when it is considered by the individual as a source of profit, and a push dynamic when the creation results from a conflict between the situation the individual actually finds himself in and the one he looks for. The Global Entrepreneurship

Monitor (GEM) (2012:28) also gives credence to the push-pull dichotomy. GEM (2012) recognizes that entrepreneurs may have different motivations for starting a business: in essence, they may be pushed or pulled into entrepreneurship.

From the discussion, it is evident that there has been a semantic shift towards the terms "necessity entrepreneurship" (push) and "opportunity entrepreneurship" (pull). The next section will examine further the idea of necessity and opportunity entrepreneurs.

2.5.3 THE NECESSITY/ OPPORTUNITY ENTREPRENEURSHIP DICHOTOMY

2.5.3.1 Necessity entrepreneur

It was argued in Section 2.4.3.1 that Schumpeter's idea of an entrepreneur is one who is dynamic and willing to take risks to exploit existing business opportunities and create new ones. However, a cursory observation leads one to conclude that many businesses in developing countries, including South Africa and Lesotho, are established not to exploit business opportunities but because the owners cannot find satisfactory work. According to Thompson (2011:1), economic downturns induce increases in the rate of necessity entrepreneurship, where individuals create businesses primarily because of involuntary job loss and the scarcity of vacancies. This is especially true for many small businesses, the focus of this study.

Deli (2011:39) believes that necessity entrepreneurs see no better alternative of earning money than becoming self-employed. These people are not generally creative and are often low-ability employees. Consequently, it is expected that high local unemployment rates stimulate entry into self-employment among individuals with low ability.

In adding its voice to the concept of necessity entrepreneurship, GEM (2012:28) explains that some people may be pushed into starting a business because they have no other work options and need a source of income. GEM classifies these entrepreneurs as necessity-driven.

Many of these necessity entrepreneurs on the continent, including South Africa and Lesotho, can be said to establish their businesses for the sake of survival, and therefore do not have the scope for growth required to employ more people. Some of these small businesses, for example motor vehicle mechanics, panel-beaters and small scale manufacturers, who are the focus of this study, can be classified as necessity (push) entrepreneurs.

2.5.3.2 Opportunity entrepreneur

Opportunity entrepreneurs are those who start a business in order to pursue an opportunity. Deli (2011:39) explains that opportunity entrepreneurs tend to have high levels of creativity and personal ability and, as a result, tend to be located in the upper end of the earnings distribution, both before and after self-employment. The author opines that high-ability individuals are more likely to enter self-employment when local unemployment rates are low.

Thus, opportunity entrepreneurs come from a middle-class background, have a broader education, and seek diverse sources of finance. They are also motivated by the desire for financial gain, which makes them continually seek new opportunities and thus develop more diverse competitive strategies. GEM (2012:28) on the other hand states that some people may be pulled toward entrepreneurship primarily to pursue an opportunity. GEM identifies these as opportunity-driven entrepreneurs.

In conclusion, the discussion of the types of entrepreneurs has revealed that poor people from developing countries are driven primarily by poverty and considerations regarding survival, and lack of choice in work to start business ventures, while in developed countries it is opportunity and innovation that is the primary motivator for starting a business. It can therefore be concluded that there is a positive relationship between poverty and entrepreneurship in developing countries. Thus, the greater the poverty, the more necessity entrepreneurship there is, thereby resulting in high rates of entrepreneurship.

2.5 WHO IS THE ENTREPRENEUR?

In spite of the numerous publications on entrepreneurship, no generally accepted definition of the entrepreneur has emerged. A literature search reveals that contributions to the definition of the entrepreneur have come from agriculture, anthropology, economics, education, finance, history, marketing, mass communication, political science, psychology, sociology and strategic management.

Bula (2012:81) observes that both the classical and neo-classical theorists have attempted to define entrepreneurship, but there is no single definition of the concept. The author believes that it all depends on the focus of the one defining it and from which perspective one looks at it. Some researchers look at entrepreneurship from the perspective of economics, sociology and psychology, others look at it from the management perspective, and yet others look at it from the social perspective. This has therefore made entrepreneurship a multidimensional concept.

Kusumsiri and Jayawardane (2013:27) argue that early writers in the field of entrepreneurship saw the entrepreneur as a “great person” who has an intuitive ability, inherent traits and characteristics, or as someone with unique values and attitudes. They also state further that entrepreneurship conceptualization later evolved into aspects of productive functions of entrepreneurship, maintaining that the motivation for entrepreneurial activity was profit. This definition identifies the central characteristics of entrepreneurial behaviour as innovation, creativity and discovery of new opportunities.

Some of the recent definitions of the concept have been evolved into much broader and complex aspects of entrepreneurship by focusing on organizational creation process, strategic management functions of the entrepreneur and the combination of entrepreneurial tasks within large corporations.

The following section explores various definitions of the entrepreneur and establishes an operational definition of the concept for the purpose of this study. Later on in the chapter, SMMEs will be examined and an attempt will be made to identify the similarities and differences between entrepreneurship and SMMEs.

As alluded to earlier, Richard Cantillon (1725) was the first economist to acknowledge the entrepreneur as a key economic factor, and this was clearly demonstrated through his posthumous work “Eassai sur la nature du commerce en general” first published in 1755 (Bula, 2012:82). In Cantillon’s writing, entrepreneurs make production decisions in conditions of uncertainty, thus taking on risk for which, if successful, a return is earned.

Cantillon (1755, cited in Bula 2012:82) therefore defines an entrepreneur as “an individual that equilibrates supply and demand in the economy and in this function bears risk and uncertainty.”

Herbert and Link (2011:241) interpret Cantillon’s conception of the entrepreneur as being that of a person who pays a certain price for a product to resell at an uncertain price, thereby making decisions about obtaining and using resources while consequently accepting the risk of the enterprise.

Say (1767-1832) (cited in Pittaway & Freeman, 2011:4) provided a different interpretation of the entrepreneurial task, and regarded the entrepreneur as “a manager of firm; an input in the production system.”

Bula (2012:82) further explains Say’s idea of an entrepreneur as the main agent of production in the economy. Rather than emphasizing the risk-bearing role of the entrepreneur, Say stressed that the entrepreneur’s principal quality is to have good judgment. Herbert and Link (2011:241) support this view, suggesting that the entrepreneur is at the core of the entire process of production and distribution. Thus, the entrepreneur ends up as “a superintendent and an administrator.”

This definition above suggests a management perspective, and that the entrepreneur has some managerial skills. This perspective is important for this study as both the entrepreneur and the small business owners/managers need managerial skills to address stakeholders’ concerns, especially in their engagement in social and ER activities. To buttress this, Lucky and Olusegun (2012:492) advise that successful entrepreneurship requires that the entrepreneur possess certain managerial skills, including the ability to learn new techniques in handling business operation, the ability to adapt to change, and the ability to handle changes in the environment.

Schumpeter (1934), a renowned economist and researcher, defines entrepreneurship from the economics perspective by focusing on the perception of new economic opportunities and the subsequent introduction of new ideas in the market. Schumpeter defines the entrepreneur as “an innovator who uses a process of shattering the status quo of the existing services, to set up new products and new services” (Pittaway & Freeman, 2011:10).

Rao et al. (2013:138) interpret this definition by stating that the entrepreneur is someone who identifies opportunities, assembles resources, implements a practical action plan, and harvests results in a timely, flexible way.

In acknowledging the work of Schumpeter in defining entrepreneurship, Herbert and Link (2011:242) postulate that in Schumpeter's vision, the entrepreneur is the consummate innovator and earns his profits, however temporary, from successful innovations. In this, according to the authors, Schumpeter rejected the idea that risk taking is inherent to entrepreneurs, assigning this role instead to capitalists. The authors believe that Schumpeter received a great deal of critical review for taking this view.

Venter et al. (2010:13), however, acknowledge the contribution of Schumpeter by opining that Schumpeter (1947) categorically launched the field of entrepreneurship, not only by associating entrepreneurs with innovation, but also by demonstrating the importance of entrepreneurs in *creative destruction* (radical improvements and changes that make old technology obsolete), and hence economic development. Schumpeter left a legacy of revolutionary concepts such as *dynamic circular flow* and *creative destruction*. Schumpeter's concept of economic development in terms of circular flow model has five phases:

- The introduction of a new good
- The introduction of a new method of production
- The opening of a new market
- The conquest of a new source of raw materials
- Innovation in the organization of an industry.

In the view of Bula (2012:82), those in the management world may apply Schumpeter's definition since it connotes entrepreneurship as a way of managing that involves pursuing opportunity without regard to the resources currently controlled.

Schumpeter's definition therefore equates entrepreneurship with innovation in the business sense, thus identifying market opportunities and using innovative approaches to exploit them. This definition can be seen as a major paradigm shift: from the entrepreneur as a manager to that of innovator and change agent.

McClelland (1961, cited in Venter et al., 2010:12) defines an entrepreneur as "a person with high need for achievement (N Ach). The entrepreneur is energetic and a moderate risk-taker." McClelland identified three basic needs of an individual, normally considered as a content motivational theory: the need for achievement, the need for affiliation, and the need for power.

The need for achievement (*n ach*) can be defined as accomplishment of something difficult to master, to overcome obstacles, to attain a high standard, and to rival and surpass others, but mainly to compete with oneself (Venter et al., 2010:12). The *n ach* has been recognized as a dominant factor in describing or characterizing entrepreneurs, specifically because they exhibit such behaviours to start-up ventures.

Drucker (1985: 222) defined an entrepreneur as "someone who searches for change, responds to it and exploits opportunities." This definition implies that innovation is a specific tool of an entrepreneur, hence an effective entrepreneur converts a source into a resource. Also, entrepreneurship is about risk taking.

According to Ronstadt (1984:16), an entrepreneur is "someone who creates wealth through the identification of market opportunities, analysis of market forces, and applies a willingness to take a degree of managed commercial risk."

In this definition, creativity and innovation are identified with the entrepreneur. The entrepreneur, aside from risk taking, is also seen as someone with managerial skills because he or she must manage the established enterprise.

To Richards (1999:3), an entrepreneur is “one who possesses high capability of imagination, flexibility, creativity and innovation; one willing to think conceptually and to seek change and opportunity. The entrepreneur has a high tolerance of risk, and dogged optimism about the world and the eventual right to succeed in it.” This definition implies that an entrepreneur is someone who has the ability to create and innovate, and takes along with it the related risk so as to establish a business venture.

Bolton and Thompson (2001:2001) define an entrepreneur as “a person who habitually creates and innovates to build something of recognized value around perceived opportunities.”

It can be inferred from the above definition that an entrepreneur is someone who continuously tries to establish a new business (service or product) or build on an existing one so as to bring change or add value to a new product or service. The entrepreneur here is seen as a profit-minded risk-taker who starts a new business.

Burdus (2010:35) also defines an entrepreneur as “a person with leadership skills, who takes risks to exploit certain opportunities, and develops its strategy based almost entirely on personal interest.”

Van Aardt et al. (2011:4) are of the view that an entrepreneur should be seen as “a person who initiates, creates, builds, expands, and sustains a venture. He gathers the necessary resources to exploit an opportunity in the marketplace for long-term wealth and capital gain".

Nieuwenhuizen (2011:26) on the other hand is of the opinion that, in spite of the various definitions of entrepreneur, there is one significant point that indicates that an entrepreneur is a person with the ability to identify an opportunity and create and grow a business. He or she is able to combine his or her creative ideas with the necessary skills, resources and people to form a successful business. The author further states that an entrepreneur can therefore be described as someone who:

- starts their own business;
- manages their own business;
- identifies new products and opportunities;
- is creative and/or innovative;
- organizes and controls resources (such as capital, labour, materials) to ensure a profit;
- has the ability and insight to market, produce and finance a service or product;
- has financial means or can obtain financing so as to realize the enterprise; and
- is willing to take calculated risk.

Examination of the above definitions have shown that, to some scholars, the entrepreneur is one who is willing to bear the risk of a new venture if there is significant chance of profit. Others also emphasize the entrepreneur's role as an innovator who markets his or her innovation. Yet others are of the view that entrepreneurs develop new goods or processes that the market demands and are not currently being supplied.

Suffice it to say that an entrepreneur is not only someone who establishes a new business to produce new products, but also someone who makes an old product in a new way. Launching a new firm and keeping it running may involve some entrepreneurial decisions.

Thus, entrepreneurship can occur within the boundaries of existing firms, called intrapreneurship. Thus, an intraprenuer is a person who develops new enterprise within an existing one.

In making inferences from the definitions discussed above, the following characteristics can be seen to be associated with the entrepreneur:

- **Creativity:** It is the spark that drives the entrepreneur to develop new products or services, or ways to do business.
- **Innovative:** The ability to introduce change or bring new products or services into the market.
- **Dedication:** The motivational force behind the entrepreneur's success. The endeavour to establish a venture and strive to make it succeed.
- **Determination:** The strong desire to achieve success. This includes persistence and the ability to bounce back after rough times. It persuades the entrepreneur not to be a quitter.
- **Flexibility:** The ability to respond quickly to changing market needs. It is being true to a dream while also being mindful of market realities.
- **Leadership:** The ability to create rules and set goals. It is the capacity to manage and follow through to see that rules are followed and goals are accomplished.

Therefore, for the purposes of this study, an entrepreneur is operationally defined as ***"A person who is creative and innovative, establishes a business because there is an opportunity, and manages the business while assuming its related risks and rewards."***

2.6 ENTREPRENEURSHIP AND SMMES

Governments, business leaders, and academics all agree with the assertion that entrepreneurship and small, micro and medium-sized enterprises (SMMEs) are the backbone of economic development all over the world. They play an important role in employment, income and societal changes, particularly in transition economies. For example, Nieman and Nieuwenhuizen (2010:3) estimate that SMMEs comprise 97.5% of all businesses in South Africa and they generate 35% of GDP. Similarly, Abor and Quartey (2010: 218) state that SMMEs in Ghana provide about 85% of employment and contribute up to about 70% of GDP. Furthermore, data suggests that in Lesotho, SMMEs comprise at least 85% of the private sector and account for nearly 50% of the GDP (MTICM, 2008).

The previous section examined entrepreneurship by discussing its origin, various schools of thought, and types of entrepreneurship, among others. Before discussing the relationship between entrepreneurship and SMMEs, the concept of SMMEs will briefly be discussed. In the discussion, the various definitions of SMMEs, from different countries, institutions and authors, will be examined. Then, an operational definition will be proposed for this study.

2.6.1 DEFINING SMMES

The SMME sector is generally categorized into three: micro, small and medium enterprises or businesses. The micro SMMEs are the smallest among the three categories. While experts agree that SMMEs are the backbone of any economy, there is no universally accepted definition. Du Toit et al. (2012:52) ascribe this difficulty in formulating a universal definition to the varying economies of countries and the fact that people adopt particular standards for specific purposes.

While national governments, bilateral donor agencies and international organizations such as the European Union (EU), World Bank and regional development banks each have their own formal definitions of what defines an SMME, the definitions have the commonality that they recognize enterprises of a certain size as either “micro,” “small” or “medium-sized” in comparison to larger enterprises. The definitions typically include aspects such as number of employees, size of annual turnover, and total assets. The term SMME stands for "small and medium scale enterprises," and according to Lucky and Olusegun (2012:488), they are firms or businesses arising as a result of entrepreneurial activities of individuals.

Du Toit et al. (2012:52) observe that in most countries, it is an accepted practice to make use of quantitative criteria when attempting to define a small business enterprise. Example of quantitative criteria in defining a small business are:

- number of employees
- sales volume
- value of assets
- market share

Moore et al. (2010:5) state that efforts to define SMMEs use criteria such as number of employees, sales volume, and value of assets. Conceding that there is no generally accepted definition, Moore et al. (2010:5) argue that the following criteria define a business as an SMME.

- The business is relatively small, with the number of employees fewer than 100.
- Except for its marketing function, the business's operations are geographically localized.
- Financing for the business is provided by no more than a few individuals.
- The business usually begins with an individual.

2.6.1.1 International definitions

The United Nations Industrial Development Organization (UNIDO) defines SMMEs differently for industrialized and developing countries. According to UNIDO (2005), the definition for industrialized countries is:

- large—firms with 500 or more workers;

- medium—firms with 100-499 workers;
- small—firms with 99 or fewer workers.

And the classification for developing countries is:

- large—firms with 100 or more workers;
- medium—firms with 20-99 workers;
- small—firms with 5-19 workers;
- micro—firms with fewer than 5 workers.

The Asia Pacific Economic Cooperation (APEC), as quoted in United Nations Economic and Social Council (ECOSOC) (2012), states that SMEs are enterprises with fewer than 100 employees, with a medium-sized enterprise employing between 20 and 99 people; a small firm employing between 5 and 19; and a micro firm employing fewer than 5 people including owners/managers.

European Union (EU) member states employ their own varied definitions of what constitutes an SMME, but have recently attempted to standardize these definitions as follows:

- Firms with fewer than 10 employees—micro;
- Firms with fewer than 50 employees—small;
- Firms with fewer than 200 employees—medium.

In contrast, in the United States where small businesses are defined by the number of employees, businesses with fewer than 100 employees are classified as small, while those with fewer than 500 are called medium-sized enterprises (Natarajan & Wyrick, 2011:1). Jeppesen et al. (2012:28) warn that definitions based only on the size (number of employees, turnover, profitability, net worth, etc.) of enterprises suffer from lack of universal applicability. In their opinion, this is because enterprises may be conceived of in varying terms. Lussler (2012:21) alerts us to the danger of using size to define a firm by stating that, on the basis of this criterion, in some sectors all firms may be regarded as small, while in other sectors none will be.

According to Lussler (2012:21), a business can be considered small if it is independently owned, operated and financed independently, has a relatively small share of the market and relatively little impact on its industry.

From the various definitions discussed above, it is clear that internationally, there is no consensus on what constitutes an SMME. Definitions vary across industries and also across countries. Therefore, before an operational definition is proposed for the purpose of this study, it is necessary to look at the South African and Lesotho definitions of SMMEs, since the research is South Africa-Lesotho based.

2.6.1.2 South African definition

The most widely used framework in South Africa to define small businesses is the National Small Business Act 102 of 1996. The Act employs both the qualitative and quantitative criteria in its definitions, and refers to small, medium and micro enterprises (SMMEs).

In terms of the qualitative criteria, a business will be regarded as belonging to the SMME sector if it fulfils the following conditions:

- must be a separate and distinct entity;
- cannot be part of a group of companies;
- must include subsidiaries and branches (where applicable) when measuring its size;
- should be managed by its owners;
- can be a neutral person, sole proprietorship, partnership or a legal person such as a close corporation or company. (Nieman, 2006:4).

The quantitative indicators include:

- total full-time employees;
- total annual turnover; and
- total gross asset value (excluding fixed property). (Nieman, 2006:4).

The way in which the National Small Business Act 102 of 1996 distinguishes micro, very small, small and medium businesses is as follows:

- **Micro enterprise:** Turnover is less than the VAT registration limit (that is, R150 000 per year). These enterprises usually lack formality in terms of registration. They include, for example, 'spaza' shops, minibus taxis and household industries and employ no more than 5 people. These businesses are also sometimes called survivalist businesses. This category is considered pre-entrepreneurial and includes hawkers, vendors and subsistence farmers.
- **Very Small:** Generally, these are enterprises employing fewer than 10 people, with the exception of those in the mining, electricity, manufacturing and construction sectors, in which there can be up to 20 employees. Usually, these enterprises operate in the formal market.
- **Small enterprises:** The upper limit for these types of businesses is 50 employees. Small enterprises are generally more established than very small enterprises and exhibit more complex business practices.
- **Medium enterprises:** The maximum number of employees is 100, or 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are often characterized by the decentralization of power to an additional management layer.

2.6.1.3 Lesotho definition

In Lesotho, the MTICM (2008) White Paper on the development and promotion of small businesses defines a small business as "a firm that is independently owned and owner-managed and has a small market state."

It classifies businesses as micro, small or medium based on staff numbers:

- Micro enterprises—fewer than 3 staff members
- Small enterprises—3-9 staff members
- Medium enterprises—10-49 staff members

The above information has shown that difficulties in coming up with a singular universally accepted definition of SMME seems largely due to descriptors for micro, very small, small, and medium enterprises differing from country to country and even within countries. An operational definition for the purpose of this study is therefore necessary.

2.6.1.4 Operational definition of SMMEs

For the purpose of this study, a business is considered an SMME if it fulfills one or more of the following criteria:

- Fewer than 200 employees
- Annual turnover of less than R5 million
- Capital assets of less than R2 million
- Independently owned
- Direct involvement of owners in the management of the business.

2.6.2 RELATIONSHIP BETWEEN ENTREPRENEURSHIP AND SMMEs

The conceptual and theoretical inconsistency that abounds regarding the use of the terms SMMEs and entrepreneurship has made this section necessary. In light of this, this section will attempt to explore the discrepancy between entrepreneurship and SMMEs studies. Although the meanings of the terms entrepreneurship and small business overlap considerably, the two concepts are different. This section will distinguish between SMMEs and entrepreneurship by highlighting the similarities and differences between the two concepts. Lucky and Olusegun (2012:488) aver that although SMMEs and entrepreneurship tend to achieve the same goal, the concepts differ considerably.

Generally, SMMEs and entrepreneurial ventures are two different types of businesses whose owners have different intentions. Small businesses typically start small and stay relatively small, providing a lifestyle, or a job, and a modest level of income for their owners, and have little impact in their industries. Entrepreneurial ventures, on the other hand, have founders with different motives and goals. These founders are innovative and growth oriented. Their purpose is not to create jobs or occupation for themselves but to create value and wealth that they can harvest at a future date. The next two sections (2.6.2.1 and 2.6.2.2) will highlight the similarities and differences between SMEs and entrepreneurship.

2.6.2.1 Similarities between SMMEs and entrepreneurship

Literature on the topic suggests two major areas of similarities between SMMEs and entrepreneurship. The first is that both SMMEs and entrepreneurship aim for the same objectives. They have both been noted for employment creation, economic growth, economic development and economic transformation. Uma (2013:120) supports this view by pointing out that SMMEs and entrepreneurship play a significant role in socio-economic transformation of the national economy.

Lucky and Minai (2011:221) acknowledge that, in spite of their differences, SMMEs and entrepreneurship are similar insofar as they are both affected by the same factors. Thus, their success or failure is determined by some set of similar factors, for example environment, culture, location, individual characteristics, and firm characteristics, among others. The authors advise that in the study of SMMEs and entrepreneurship, these factors cannot be neglected as they significantly determine the outcome of both concepts.

Furthermore, Lucky and Olusegun (2012:494) concede that SMME owners/managers and entrepreneurs tend to possess the same or similar characteristics or traits for business management. They list the following as some traits both possess: initiative (self-initiated individuals), perseverance (strong determination and patience), emphasis on diligence, commitment to agreement/contract, orientation towards perseverance (patience), systematic planning, creative problem-solving, self-confidence, use of influencing strategy (ability to influence other people), integrity and reliability. According to the authors, these traits have assisted both SMME owners/managers and entrepreneurs to effectively and successfully excel in their various endeavours.

2.6.2.2 Differences between SMMEs and entrepreneurship

The concepts SMMEs and entrepreneurship have on many occasions been used interchangeably, but Darren et al. (2009, cited in Lucky & Olusegun, 2012:494) noted that SMMEs have generally been used as a proxy for entrepreneurship.

As much as the two concepts overlap, they have their differences. Firstly, entrepreneurship is a process that leads to the creation of SMME, whiles SMMEs are firms or business ventures that are managed by individuals or owners/managers. Lucky and Olusegun (2012:494) posit that in terms of purpose, entrepreneurs discover, innovate and establishes businesses, whereas SMME owners capitalize on managing their businesses or firms. Unlike entrepreneurs, they do not engage extensively in looking for business opportunities. Hence, they produce, buy and sell goods and services.

Also, they differ in terms of their different and special skills. According to Lucky and Olusegun (2012:494), SMME owners and entrepreneurs seem to possess different and unique skills. For example, the entrepreneur possesses the skill to discover and innovate, which allow him or her to always seek for new businesses or ventures. SMME owners, on the other hand, possess the managerial skills that enable them to effectively manage their firms or businesses without many problems.

Similarly, Du Toit et al. (2012:47) argue that entrepreneurs differ dramatically from small business owners/managers in that small business owners are satisfied with some autonomy and earning a reasonable income for themselves and perhaps a few employees, but have no intention of growing and developing their businesses entrepreneurially. Entrepreneurs in contrast, according to Nieuwenhuizen (2011:3), introduce new products or buy new businesses, decide which risk to take, and move into new markets.

In addition, a small business firm is:

- independently owned or operated,
- is not dominant in its field, and
- does not engage in innovative practices.

An entrepreneurial venture, in contrast, is:

- any business whose primary goals are growth and profitability,
- innovative, and
- engaged in strategic practices.

To clearly substantiate their difference, Figure 2.1 offers more details. The two intersecting circles depict the differences between the two concepts. The intersection shows their similarities.

In spite of their differences, entrepreneurship and SMMEs play vital roles in the development and growth of an economy. SMMEs are seen to account for quite a significant proportion of the business sector while entrepreneurial ventures are regarded as the engines of economic growth and job creation. In countries such as South Africa and Lesotho, small businesses and entrepreneurship development cannot be undermined. Their contributions are quite obvious and visible in economic transformation.

The problem that now remains is how these small business owners/managers and entrepreneurs can be equipped with effective management skills in order to improve their economic, social and environmental responsibilities to the millions of people who rely on them.

Figure 2.1: Differences and similarities between SMMEs and entrepreneurship.

2.7 ROLE OF SMMES IN SOCIO-ECONOMIC DEVELOPMENT

Why is the small business sector important? The answer given by most researchers and academics is that small businesses help to drive economic growth, create employment, and are sources of innovation and new ideas. The current global recession culminating into economic difficulties holds significant challenges and opportunities for small businesses. Nowadays, entrepreneurship and firm creation is mostly related to small and micro firms, thus making examination of small businesses imperative in studies of this nature because they are important development agents in any society. This section explores the socio-economic contribution of small businesses. The terms SMMEs and entrepreneurship are used interchangeable in this discussion, but in the main, the term small businesses is used to refer to both SMMEs and entrepreneurship.

Studies both international and local support the contention that small businesses contribute significantly to the development of the world economy, both in terms of GDP and creation of employment. It is noted by Pandya (2012:426) that SMMEs play a vital role in economic development, serving as the main source of employment generation and output growth, both in developed and developing countries. Abor and Quartey (2010: 228) regard SMMEs as a catalyst for achieving economic growth, and that they have the potential to generate employment and upgrade human capital. According to Manyani et al. (2014:10), SMMEs are seen as the seed-bed for the development of large companies and the life blood of commerce and industry at large. It is therefore not surprising that globally SMMEs are being hailed for their pivotal role in promoting grassroots economic and equitable sustainable development.

Du Toit et al. (2012:53) contend that the entrepreneur in developed economies is recognized as a key factor in the process of economic developments. Entrepreneurs innovate, take risks and employ people. They initiate change, create wealth and develop new enterprises.

Some authors, including Du Toit et al. (2012), Connolly et al. (2012) and Naude (2013) are of the view that the strategic role of small businesses in any economy, more specifically, revolves around production of products and services, aiding of big businesses, innovation, job creation, and poverty alleviation.

2.7.1 The production of goods and services

Small businesses combine the resources of society efficiently to provide products and services for the society in which they operate. Small businesses are less inhibited by large bureaucratic decision making structures, and are more flexible and productive than many large firms. In advanced economies, they not only employ the majority of the work force, but also produce most of the products and services (Du Toit et al., 2012:49).

Research evidence also strongly corroborates that the continued existence of small business in a competitive system is in itself evidence of efficient small business operations. If small firms were hopelessly inefficient and making no useful contribution, they would be forced out of business quickly by stronger competitors (Uma, 2013; Subhan et al., 2013).

2.7.2 AIDING BIG BUSINESSES

Du Toit et al. (2012:50) make the point that every country needs large enterprises to be able to function competitively in local and, especially, international markets. The Japanese mega-corporations, for example, compete internationally as world players and have conquered markets that earn them billions of foreign currency for domestic development. In the process, they provide millions of local suppliers with orders. It is the efficiency of the local suppliers, however, that enables the big corporations to compete internationally. Therefore, small businesses not only act as suppliers to large businesses but also distribute their products.

If small businesses are removed from the contemporary scene, big businesses would find themselves saddled with a myriad of activities that they could perform only ineffectively. Two functions that small businesses can perform more efficiently than big ones are distribution and supply.

Distribution function: Few large manufacturers of inexpensive consumer products find it desirable to own wholesale and retail outlets. Small businesses come in with retail outlets and in effect distribute products manufactured by these big firms.

Supply function: Small businesses act as suppliers and subcontractors for large firms. In addition to supplying services directly to large corporations, small firms provide services to customers of big business. For example, they service automobiles, repair appliances, and clean carpets produced by large manufacturers.

2.7.3 INNOVATION

Hafeez et al. (2012:153) regard innovation as an engine for driving economic growth, and Williams and Nadin (2010:361) consider innovation equally important for large enterprises as for small businesses.

Small businesses have been responsible for most of the innovation worldwide. According to Du Toit et al. (2012:49), many scientific breakthroughs in the USA originated with small organizations, and not in the big laboratories of large businesses. The authors cite the following as some examples of the new products created by entrepreneurs:

- Photocopiers
- Jet engines
- Insulin
- Helicopters
- Vacuum tubes
- Colour films
- Penicillin
- Ballpoint pens
- Zips
- Personal computers
- Videos

Technology related products and services recently created by entrepreneurs include:

- Cell phones

- The internet
- Search engines such as Google
- Microchips
- Mp3 players such as the iPod
- Internet safety software
- MXIT, cell phone-based chat rooms
- Drag and draw digital paint sets (Du Toit et al., 2012:50).

Buttressing the above points, Nkwe (2012: 29) stresses that small businesses offer linkage development to large industries and are essential for competitive and efficient markets.

2.7.4 SMMEs' CONTRIBUTION TO EMPLOYMENT

The job creation potential of SMMEs and entrepreneurship is recognized globally. As noted by Ayyagari et al. (2011), SMMEs tend to be more labour intensive and at macro level, therefore, provide a substantial contribution to employment. Ayyagari et al. (2011) point out that a World Bank survey of 99 countries showed that, out of 47, 745 businesses studied, firms with between 5 and 200 employees accounted for 67% of the total permanent, full-time employment.

Ever since the breakthrough work of Birch as far back as 1979 on small businesses and job creation, researchers have paid considerable attention to the role of small businesses in job creation. Birch's (1979) original study has had considerable influence in research on small businesses' contribution to job creation. The author's research was revolutionary and ignited controversy because it stood in sharp contrast to the traditional belief that large companies were the backbone of the US economy.

Birch (1979, 1981) provided the first evidence in support of the argument that small businesses are the primary engines of job growth, claiming that 66% of all net jobs in the United States during the period 1969-1976 were created by firms with 20 or fewer employees, and 81.5% were created by firms with 100 or fewer employees. Later, Birch (1987) argued that during the period 1981-1985, firms with fewer than 20 employees accounted for 82% of employment growth. In a recent study Natarajan and Wyrick (2011: 1) concluded that small businesses in the United States account for about 85% of employment creation and growth.

Similarly, a European Union (EU) (2012:13) report estimates that about 23 million SMMEs provide about 75 million jobs and represent 99% of all enterprises, in about 25 member countries. Furthermore, 99% of firms in the EU are SMMEs and they provide two-thirds of all private sector jobs. The same source states that SMEs are one of the primary reasons why employment is low in Europe. Large firms have been shedding jobs, while employment in the SMME sector has increased. Thus, Manyani et al. (2014:1) are justified in claiming that SMMEs are the seed-bed for economic development, and lifeblood for commerce and industry at large.

In Australia, small businesses accounted for almost half of all employment in the private non-financial sector in 2009-2010. Their contribution to employment is highest in agriculture, where they accounted for 85% of employment. Similar statistics also reflected in the construction and business services industries, where small businesses accounted for 86% of employment (Connolly et al., 2012:3).

Xiangfeng (2008:37) argues that much as SMMEs came about in the last three decades, with the opening up of the Chinese market to market economy in the 1980s, SMEs have been recognized as vital to the country’s economic development. Xiangfeng (2008), affirms that the development of SMMEs has increasingly contributed to China’s economic growth. They make up over 99% of all enterprises in the country, and generate more than 82% of employment opportunities.

Several studies from developing countries also acknowledge the contribution of small businesses, both through their importance in the economy and job creation. Job creation is particularly important for countries that are plagued by high unemployment rates, and in general for developing and emerging economies. SMMEs are therefore seen as a blessing to most developing countries, where unemployment and poverty are becoming increasingly severe. In India, as in other developing countries, the contribution of the small business sector to manufacturing output, employment and exports is significant. Pandya (2012:428) notes that the SMME sector in India employs around 42 million people in over 13 million units throughout the country. The same source states that SMEs in Indonesia employ 79 million of the work force, and the overall contribution of SMMEs in the country is 99.9% of total enterprise.

The contribution of small businesses to job creation in developed countries is no different from that in developing countries. The National Credit Regulator (NCR) (2011:13) in South Africa and Fjose et al. (2010:12) estimate that SMMEs represent over 90% of private business and contribute more than 50% of most employment in Africa. For example, in Nigeria, Oba and Onuoha (2013:3) emphasize the performance and effectiveness of SMMEs as instruments for economic growth and development, thereby reducing poverty incidence among the populace, is recognizable. SMEs provide 70% of industrial employment and 60% of agricultural employment in the country.

Abor and Quartey (2010:218) also point out that SMMEs in Ghana account for 97.5% of all businesses and provide about 85% of employment, while in Zimbabwe, Manyani (2014:10) reckons that SMEs account for 90% of the country’s employable population. Data from Botswana by Nkwe (2012:33) put SMMEs’ contribution to employment at 32%. The figure compares with 32% of large firms and 36% for government.

Small businesses play a key role in absorbing most of the unskilled labour force in both South Africa and Lesotho. They are seen as the vehicle to address unemployment problems in both countries. Abor and Quartey (2010:219) project that SMMEs in the country contribute even more to employment in South Africa, at about 61% of the total. According to Mazanai and Fatoki (2011:208), the South African Department of Trade and Industry (DTI) estimates that small businesses employ almost half of all formally employed persons.

In addition, Fatoki and Odeyemi (2010:128) quote a report by Ntsika Enterprise Promotion Agency (2002) that SMMEs in the country contribute 56% of private sector employment. Furthermore, a report by the Small Business Project (SBP) (2012) reveals that, over the past decade, a major change has taken place in the distribution of employment across the economy, and that data from Stats SA shows that firms employing fewer than 10 people provide the largest share of employment.

The Lesotho government also recognizes the significance of the small business sector as one of the key areas contributing towards employment creation and economic growth against the backdrop of rising unemployment (which is estimated around 40%) and poverty. The MTICM (2008) makes the point that SMMEs are an integral part of Lesotho's economy, as they constitute 85% of the country's private sector. Additionally, the National Strategic Development Plan 2012-2017 (2012:94) estimates that there are some 100, 000 SMMEs operating in Lesotho with employment of over 300, 000 people, including those in the informal sector and subsistence agriculture.

Table 2.1 below shows the median contribution of SMMEs to employment in different regions. When the data is arranged by country income groups, it appears that SMMEs in lower-income countries make a higher contribution to employment than those in higher-income countries (see Table 2.1).

Table 2.1: SMMEs' contribution to employment shares by region—median

Median across regions	SME 100	SME 150	SME 200	SME 250	SME 300	SME 500
Africa	57.77	63.79	68.15	76.85	80.56	85.11
East Asia and Pacific	56.79	61.58	67.42	65.70	71.34	71.34
Europe and Central Asia	44.71	53.08	59.46	66.52	62.48	75.43
Latin America	53.72	56.71	64.36	67.71	70.99	78.26
Middle East and North Africa	31.20	48.10	36.63	57.31	58.56	62.30
North America	41.73	39.34	41.99		59.27	56.58
South Asia Region	56.68	65.29	73.63	78.00	80.26	88.55

Source: Ayyagari et al. (2011)

In spite of the rosy picture painted above of SMMEs' contribution to employment creation, there is a perception that SMMEs are not contributing as expected in terms of job creation, hence the call to engage in business social and ER (Dzansi, 2011).

Table 2.2: SMME contribution to employment shares by income group—median

Median across income groups	SME 100	SME 150	SME 200	SME 250	SME 300	SME 500
Low	59.43	65.73	74.21	78.00	81.29	86.71
Lower Middle	52.58	59.16	64.70	66.19	71.34	77.80
Upper Middle	41.84	49.15	53.90	58.15	64.03	73.86
High	48.13	54.39	61.46	66.89	67.23	75.16

Source: Ayyagari et al. (2011)

2.7.5 SMMES' CONTRIBUTION TO POVERTY ALLEVIATION AND INCOME DISTRIBUTION

The examination of the relationship between small businesses, economic growth and poverty alleviation has become an expanding field of research. Despite conflicting evidence obtained in several studies, it is generally agreed that the development of small businesses is one means of fostering growth and alleviating poverty. People on low incomes can augment their incomes by engaging in small business activities. Small business ownership can also facilitate greater self-determination and empowerment of poor people as a consequence of ownership and control of resources.

Many developing counties suffer from high levels of poverty and income inequality. Therefore, it is vital that strategies be developed to arrest these problems. Ali et al. (2014: 70) are of the view that wider socio-economic objectives such as poverty alleviation can be achieved by developing SMMEs. The authors further argue that there is low cost associated with job creation in SMMEs, and these enterprises are more labour intensive than larger firms. Pro-SMMEs proponents also maintain that entrepreneurial and innovative ventures in SMMEs help to improve the growth of the economy and reduce the poverty levels in developing economies.

Several studies have supported the role of small businesses in not only economic growth and job creation but also poverty alleviation. Such studies include one by Ali et al. (2014) that demonstrated a positive relationship between SMMEs and poverty alleviation in Pakistan. The researchers also found a strong relationship between the incidence of poverty, small business and economic growth in GDP per capita. In Bangladesh, Chowdhury and Ahmed (2011:8) aver that the country's government has recognized SMMEs as a poverty alleviation tool. In addition, the authors assert that, along with poverty alleviation, SMMEs can reduce urban migration and increase cash flow to rural areas. As a result, they will enhance the standard of living in rural areas.

A report by the Small Business Project (SBP) (2013) indicates that small firms in South Africa employ people whose labour market characteristics make them most likely to be unemployed or marginalized. This information will be welcomed by policy makers because Rankhumise and Lehobye (2012:5599) had earlier made a worrying observation that unemployment is a serious concern to South Africa, taking into account its effects on economic welfare, erosion of human capital, social exclusion, crime and social instability.

In view of their poverty alleviation and income distribution propensity, the government of South Africa recognized the importance of SMMEs by providing strong support mechanisms for them (Rankhumise & Lehobye, 2012:5599). These support mechanisms, namely Khula Enterprise Financial Limited and Small Enterprise Development Agency (SEDA), fall under the Department of Trade and Industry. There are other support agencies such as the National Empowerment Fund (NEF) and Industrial Development Corporation (IDC). The core priority of these two agencies is to provide funding for business development. Thus, with such strong support mechanisms for SMME development, they will be better positioned to play their role in creating jobs, thereby assisting in alleviating poverty.

The government of Lesotho believes that SMMEs have great potential to contribute towards the country's economic growth, employment creation and poverty alleviation. Due to this, the government has proposed reforms and interventions expected to enhance the creativity of domestic entrepreneurs and improve the efficiency with which they produce goods and services. According to the National Strategic Development Plan 2012-2017 (2012:6), among the various support services for SMMEs is the development of entrepreneurship, business management capacity, and technical efficiency to increase their competitiveness.

Several support mechanisms are also in place to assist SMMEs in Lesotho. Prominent among them is the Basotho Enterprise Development Corporation (BEDCO) whose main objective is to contribute to the economic development of Lesotho by assisting small and medium-sized Basotho enterprises to develop entrepreneurship, business and management capabilities in an efficient way. BEDCO hopes to achieve this through the training of entrepreneurs in management and technical skills; assisting entrepreneurs with the preparation of bankable projects; assisting with preparation of business plans; offering counselling and administering credit-services, to mention but a few.

These support mechanisms are instituted in both South Africa and Lesotho with the view that they will play significant roles in providing enabling environments for SMMEs development. In this way, SMMEs will be able to grow, flourish and play their expected role of job creation, poverty alleviation, and also engage in social and environmental responsibilities, among others.

2.8 CHAPTER SUMMARY

The discussion in the previous section highlighted the socio-economic contribution of SMMEs. It emerged that employment in the private sector is mainly provided by SMMEs. Even though SMMEs tend to be the biggest employment creators, research suggests they have high failure rates and face numerous challenges that hinder their job creation. It was also discussed that, where formal employment markets do not provide enough job opportunities, people turn to entrepreneurial activities for economic survival. In order for these small businesses to not only survive but grow and become more profitable for shareholders, they need the so called 'license to operate'—a term that refers to the broad concept of BSR. Simply put, BSR compels businesses, regardless of size and type, to temper concern with shareholder value maximization alone with considerations of the interest of society at large in their business operations (Dzansi, 2011). A particular issue in the BSR domain that has direct implications for this study concerns the natural environment (environmentalism). The next chapter reviews the literature on BSR with a specific emphasis on environmentalism.

CHAPTER 3: SMME SOCIAL AND ENVIRONMENT RESPONSIBILITY

3.1 INTRODUCTION

As stated in Chapter 1, the current study investigates ER as a BSR issue for SMMEs. Based on this topic, the study was conceptualized to have three literature components, namely ER, BSR and SMMEs. Chapter 2 dwelt in-depth on SMMEs that also included the SMME/ entrepreneurship relation. This chapter covers the two remaining components, namely ER and BSR with an SMME emphasis.

Examination of both ER and BSR discourse shows that there is hardly a situation in which the concepts of stakeholders, stewardship and philanthropy or charity do not feature. For this reason, it is fair to assume that stakeholder, stewardship and philanthropy or charity principles are pivotal theoretical foundations on which BSR and ER are built. It must be mentioned that although ethical behaviour is a must for business today, the researcher agrees with Dzansi (2011) that ethical compliance should not be confused with socially or environmentally responsible behaviour. As a result, although business ethics is important, unlike Dzansi (2011), in this study, ethics does not feature in the conceptualization of the theoretical foundations of BSR.

The chapter is arranged as follows. The next section begins the theoretical foundation by examining stakeholder theory. This is followed by examination of the concept of BSR and its components. Following this, an in-depth discussion of the ER component of BSR is provided, with an emphasis on SMMEs. Following this, a review of the literature on environmentalism within the small scale manufacturing and service industries is conducted with a particular focus on South Africa and Lesotho. The chapter ends with the conceptual (theoretical) framework for the study.

3.2 THE STAKEHOLDER VERSUS SHAREHOLDER DEBATE

The purpose of the modern firm has become a bone of contention in today's business world. Some scholars and business practitioners are of the opinion that the sole purpose of business is the maximization of shareholder wealth (e.g. Friedman, 1970; Sternberg, 1999; Jensen, 2001). However, many broad-based constituency groups, among them customers, employees, institutional shareholders, environmental and social activists, academics, non-governmental organizations, and businesses themselves argue that businesses should behave responsibly not only towards their shareholders but also towards the environment and all people affected by business, for example the stakeholders (e.g. employees, customers, community, environment).

Thus, there are two competing and contrasting schools of thoughts (theories) about the purpose of the modern firm. The shareholder value theory emanates from an economic perspective, focusing solely on the firm's purpose of creating wealth for its owners, while the stakeholder theory, currently the dominant theory, stems from the field of BSR. Stakeholder theorists recognize the importance of wealth creation as well as the relationship of a business with multiple stakeholders. The following sections explore both theories, and examine how stakeholder management promotes healthy relations between business and its multiple stakeholders.

3.2.1 SHAREHOLDER VALUE THEORY

In examining the shareholder theory, perhaps the first question that should be asked is: *Why do individuals found firms?* Alternatively, one can formulate this as*, in whose interests are they governed?* This question is answered by Dolenc et al. (2011:1) that a firm is an association of stockholders formed for their private gains. They further explain that the function of a firm is determined from the perspective of the owners: thus a firm serves to enhance the possibilities of owners to realize their interests. Seen from this perspective, a firm should be run in the interests of its owners, for example their shareholders; therefore the sole purpose of business is to maximize profit for the shareholders. Capitalist economists hold this idea, and they also argue that maximizing shareholder wealth is enshrined in our laws, economic and financial theory, management practices and language.

Levy and Mitschow (2009:4) state that shareholder theorists see the company's owners as the locus of ethical duty. Stockholders have purchased the property, and they hire managers to act as their agents. Managers are empowered to manage the money advanced by the stockholders, and are bound to do so exclusively for the purposes delineated by the stockholder principals. Thus, while managers have substantial independence, they are not free to use company resources in a manner contrary to shareholder interests. Hence, shareholder theory recognizes the moral force of property rights (Levy and Mitschow, 2009).

The ideas shaping shareholder theory are more than 200 years old, and can be found in Adam Smith's (1776) *The Wealth of Nations.* Pfarrer (2010:86) states that shareholder theory typically encompasses the idea that the main purpose of business is to increase profits and shareholder wealth, and that modern proponents of shareholder theory espouse three tenets: (1) the importance of the "free market," (2) the "invisible hand of self-regulation," and (3) the importance of "enlightened self-interest."

Shareholder theorists argue that government and regulatory intervention in business should be limited, and that markets are best regulated through the mechanism of the "invisible hand." In other words, if all firms work in their self-interests by attempting to maximize profits, society at large will benefit. Pfarrer (2010:87) observes that some proponents of the shareholder view are even of the opinion that the invisible hand checks illegal activity, arguing that the market will punish, or weed out, firms that engage in illegal or unethical behaviour. In general, they conclude that excessive oversight and regulation of industry is unnecessary.

Prominent among the early proponents of the shareholder theory are Friedrich von Hayek, Israel Kirzner, Joseph Knight, and Joseph Schumpeter (Pfarrer, 2010) who advocated the idea of "laissez-faire": literally meaning "to leave alone," the doctrine implies that capitalist activity should be left as unimpeded by regulation or intervention as possible, with the "invisible hand of the market" ensuring the most beneficial outcomes possible. Laissez-faire economics focuses on the importance of self-regulation among firms, with limited government intervention. Levitt (1958, cited in Carroll & Shabana, 2010:88) thought that social concerns and general welfare were not the responsibility of business, but of government, and that business's job was to "take care of the more material aspects of welfare." Levitt (1958), according to Carroll and Shabana (2010:88) feared that attention to social responsibilities would detract from the profit motive that was so essential for business success.

The current form of shareholder theory is attributed to the Nobel laureate economist Milton Friedman, who in September 1970 ignited controversy with his article in *New York Times* entitled "The Social Responsibility of Business Is to Increase Its Profits." Friedman (1970) argued that the only social responsibility of business is to increase its resources and profits through legal means. Friedman further stated that *the business of business is business,* and is of the opinion that firms are created to make money, not oversee the social and moral development of society. Social and moral development, in the view of Friedman, is best handled by the government or (possibly) through voluntary organizations, for example non-governmental organizations. When firms become involved in social or public policy issues, wealth is diverted to issues outside the core expertise of their managers. This inefficient use of wealth, according to Friedman, will negatively affect society in the long run. Thus, Friedman's (1970) negative view of socially involved firms went so far as to proclaim that such actions usurped the role of democratically elect officials (Pfarrer, 2010:87).

Challenging the broader responsibility of business, Friedman (1970) built on a number of arguments:

- Managers represents business owners and are accountable to the owners rather than broader groups of stakeholders.
- Protection of stakeholders would occur at the expense of stockholders, and managers would in effect be taxing the latter.
- Stockholder theory promotes individual responsibility, which speaks in favour of this theory.

In effect, Friedman's (1970) purely neo-classical approach leaves no space for deliberate, arbitrary, and socially responsible spending, which may reduce rather than increase the gross profit.

Friedman's views on shareholder theory are supported by Sternberg (1999) and Jensen (2001). Sternberg (1999) labelled the stakeholder view a mistaken theorem, stating that the most popular use of the concept is "positively inimical" to responsible conduct on the part of managers and other stakeholders.

Sternberg's view on stakeholder theory can be summarized as follows:

- Stakeholder theory is incompatible with sustainable objectives, which are needed to run business effectively.
- Stakeholder objectives are unworkable, as the nature of benefits due and the appointment of benefits among stakeholders are not specific.
- Stakeholder theory is incompatible with corporate governance.
- The accountability doctrine suggested by the stakeholder theory—firms are accountable to the stakeholders, who are affected by or can affect the firm—is not justified.

Reiterating the views of Friedman (1970) and Sternberg (1999), Jensen (2001) opposes the stakeholder theory on the basis that the theory does not provide clear organizational objectives and does not specify how to make necessary trade-offs among the competing interests of the various stakeholders. Jensen (2001), however, accepts that a firm cannot maximize value if it ignores interests of stakeholders. He proposes what he calls "enlightened value maximization" or its identical twin, the "enlightened stakeholder theory." He believes that long-term value maximization is as specific as the firm's objectives. These objectives, according to him, can of course be satisfied only with the cooperation and support of all relevant stakeholders, and that management's role is critical in motivating all the stakeholders and ensuring this cooperation.

Jensen (2001) makes the following points with respect to conflict between the two theories:

- Purposeful behaviour on the part of managers requires a single-value objective function. This is provided by the finance paradigm, but not by the stakeholder theory.
- Value maximization improves society's prosperity.
- Stakeholder theory does not specify the trade-offs required to be made to satisfy all the stakeholders.
- The market system of exchange with prices and property rights has contributed to enormous increases in human welfare and freedom of action. Stakeholder theory fails to recognize this and perhaps threatens the system.

Donaldson and Preston (1995:67) explain that in the traditional view of the firm, the shareholders (stockholders) are the owners of the business/company, and the firm has a binding duty to prioritize their needs, for example increase value for them. In older input-output models, the inputs of investors, employees and suppliers are converted into usable outputs that customers buy, thereby returning some capital benefit to the business.

The conventional input-output perspective is shown in Figure 3.1 below. According to the model, the input-output firms are primarily economically driven, only addressing the needs of investors (although it recognizes the role that employees, suppliers and customers play in generating revenue for owners).

In conclusion, the discussion on the shareholder theory has revealed that the business of business is business (Friedman, 1970), and that the sole purpose of business is to maximize profits for its owners, the shareholders (Sternberg, 1999 and Jensen, 2001). Suffice to say that the proponents of the shareholder theory acknowledge the presence and influence of stakeholders. In that sense, therefore, it is appropriate for business to accommodate the interests of its diverse stakeholders in its decision making and formulation of strategies. This therefore leads to examination of the stakeholder theory in the next section.

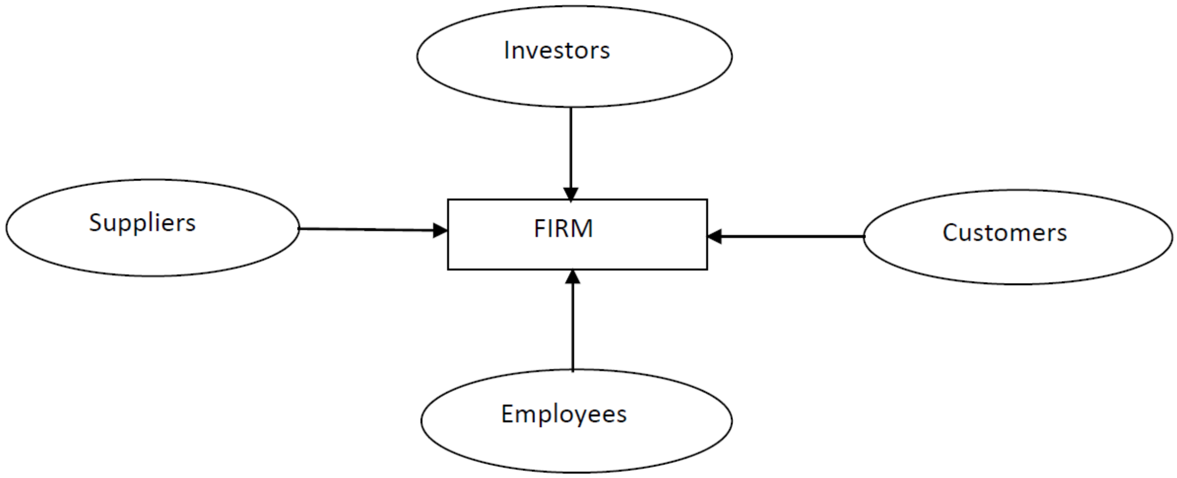

Figure 3.1: The input-output model of the firm

Source: Donaldson and Preston (1995:67)

3.2.2 STAKEHOLDER THEORY

Section 3.2.1 provided an overview of shareholder theory, where it emerged that the purpose of the firm is to maximize profit for the shareholders. This section examines stakeholder theory, by tracing its origin, definitions, and types of stakeholders it proposes, among other topics. Thereafter, the role of stakeholder management in promoting healthy relations between business and its multiple stakeholders is explored.

3.2.2.1 Overview of stakeholder theory

According to Freeman et al. (2004:364), the idea of a "stakeholder" first appeared in the work of the Stanford Research Institute (SRI) in the 1960s as they began to try to systematically give executives a way of understanding the changing business environment. The SRI defined stakeholders as "groups without whose support the organization would cease to exist." This definition, according to Sen (2011:29), is based on the traditional view of the firm, that limits its focus to shareholders as the owners whose needs are the only goals of the business. Parmar et al. (2010:4) state that the term "stakeholder" was meant to challenge the notion that stockholders are not the only group to whom management need be responsive. The concept of the stakeholder theory is acknowledged by Skritsovali (2013:3) who suggests that the fundamental assumption of the stakeholder argument is that firms should consider the interests in all stakeholders, not just shareholders.

By the early 1970s and 1980s scholars and practitioners were working to develop management theories to help explain management problems that involved high levels of uncertainty and change (Parmar et al., 2010:4). It was against this backdrop that Freeman (1984) suggested that managers apply a vocabulary based on the "stakeholder" concept. Throughout the 1980s and 1990s Freeman and other scholars shaped a vocabulary to address three interconnected problems relating to business (Parmar et al., 2010) namely:

- **The problem of value chain and trade:** In a rapidly changing and global business context, how is value created and traded?
- **The problems of the ethics of capitalism**: What are the connections between capitalism and ethics?
- **The problem of managerial mind-set**: How should managers think about management to - a) better create value and, - b) explicitly connect business to ethics?

Advocates of stakeholder theory ascribe the concept to Edward Freeman (1984), whose original idea was that managers have a moral obligation to consider (Drienkova & Sakal, 2012:167), and appropriately balance the interests of all stakeholders (Figar & Figar, 2011:2). In 1984, Freeman, in his seminal book *Strategic Management: A Stakeholder Approach*, integrated stakeholder concepts into a coherent construct and defined stakeholders as "a group or individuals who can affect or is affected by the achievements of the firm's objectives. The core idea underpinning this concept is that organizations are required to address a set of stakeholder expectations, and management choice is a function of stakeholder influence" (Sen, 2011:29).

Sen (2011:29) believes that since its introduction, the stakeholder concept has consistently been embedded in organizational life and is therefore difficult to discount in any management literature. Klein et al. (2012:2) state that stakeholder theory began as an alternative way to understand the firm, in sharp contrast to traditional models which either:

a) depicted the world of managers in more simplistic terms, for example dealing with employees, suppliers and customers only, or
b) which claimed the firm existed to make profits and serve the interests of one group (i.e. shareholders) only.

In the former case, Freeman argued that the world of managers had become much more complex, and that the traditional models of managerial activity tended to divert the attention and efforts of managers away from groups who were vital to the success (or failure) of a firm's initiatives. It was only by embracing a broader, "stakeholder" picture of the world that managers could adequately understand this more complex reality and undertake actions promoting the firm's success. In terms of the latter, stakeholder theorists claim that traditional models of the firm put too much emphasis on shareholders to the exclusion of other stakeholders who deserve consideration and to whom managers have obligations. Whilst stakeholder theorists reject neither the notion that firms need to make money, nor that managers have moral duties to shareholders, they claim that managers also have duties to these other groups.

Smudde and Courtright (2011:137) see the basic tenets of stakeholder theory as follows:

- The corporation has relationships with many constituent groups (stakeholders) that affect and are affected by its decisions.
- The theory is concerned with the nature of these relationships in terms of both processes and outcomes for the firm and its stakeholders.
- The interests of all (legitimate) stakeholders has intrinsic value, and no set of interests is assumed to dominate the others, and
- The theory focuses on managerial decision making.

Donaldson and Preston (1995) argue that the theory has multiple distinct aspects that are mutually supportive, and can be categorized as descriptive, instrumental, and normative. In summary, stakeholder theorists have argued for two basic premises: (i) to perform well, managers need to pay attention to a wide array of stakeholders (e.g. environmental lobbyists, the local community, competitors), and (ii) managers have obligations to stakeholders which include, but extend beyond, shareholders. Regardless of which of these two perspectives individual stakeholder theorists emphasize, almost all of them relate to the “hub and spoke” model depicted in Figure 3.2, which displays a range of firm-stakeholder relationships.

Figure 3.2: Hub and spoke stakeholder

Source: Sen (2011:30)

Parmar et al. (2010:6) observe that there has been a great deal of discussion about what kind of entity “stakeholder theory” really is. Miles (2011:286) states that some have argued that it is not a theory because theories are connected sets of testable propositions, while others have suggested that there is just too much ambiguity in the definition of the central term for it to qualify as a theory. However, Parmar et al. (2010:6) advise that stakeholder theory should be seen as a genre of management theory. That is, rather than being a specific theory used for one purpose (e.g. resource dependence theory in management), seeing stakeholder theory as a genre is to recognize the value of the variety of uses one can make of this set of ideas.

Stakeholder theorists argue that all persons or groups with legitimate interests participating in an enterprise do so to obtain benefits, and that there is no prima facie priority of one set of interests and benefits over another. This argument is shown in the stakeholder model in Figure 3.3, where the arrows between the firm and its stakeholder constituents run in both directions.

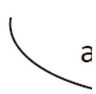

Figure 3.3: The stakeholder model of the firm

Source: Awotundum et al. (2011:110)

Grunert and Konig (2012:4) summarize the views of some prominent stakeholder theorists as follows in Table 3.1.

Table 3.1: Views of some stakeholder theorists

Theorist(s)	Savage et al. (1991)	Mitchell et al. (1997)	Freudenburg (1999)	Freeman (1999)	Johnson & Scholes (2002)
Focus	Consensus between company and influential stakeholders	Prioritization of stakeholders	Cooperation between company and influential stakeholders	Dependency between company and stakeholders	Prioritization of stakeholders to determine what effort should be made
Procedure	Arrangement of strategies from involvement to defence	Formation of groups with identical attributes	Arrangement of stakeholders from supporters to opponents, arrangement of strategies from involvement to defence	Examination of dependency between company and shareholders from both perspective	Arrangement of stakeholders according to their importance, arrangement of strategies from highest to lowest effort
Analysis criteria	Potential to corporate threat: Ability Willingness Possibility	Power Legitimacy Urgency	Knowledge Power Preferences	Resource dependency	Willingness and power to influence
Implications for an own analysis scheme	Potential to corporate threat expedient analysis criteria; Same attention to supporters as to opponents	Prioritization should precede the analysis scheme	Power and preferences expedient analysis criteria; Knowledge as a sub-criterion of power	Examination of dependency from the company's and from the stakeholders' perspective	Effort of the company should depend on the stakeholder's importance

Source: Grunert and Konig (2012:4)

In conclusion, the stakeholder theory relates to the need for business to actively deal with a multitude of constituent groups other than shareholders, and analyses what these relationships mean for contemporary business practices (Freeman, 1984). It also deals with the nature of the relationships between a firm and its stakeholders—especially in terms of the processes and outcomes for the firm and the stakeholders (Tomas et al., 2011:5). Drienikova and Sakal (2012:168) state that all stakeholders must be considered in decision making processes of the company. They further say that there are three reasons why this should be the case: (1) it is the morally and ethically correct way to behave; (2) doing so actually brings benefits to shareholders; and (3) it reflects what actually happens in a firm. Thus, the stakeholder perspective states that firms should consider the interests of any individuals or organizations who have a stake in the firm (Shao, 2010:9).

3.2.3 FUNCTIONS OF STAKEHOLDER THEORY

According to Yu et al. (2011:8716), there are three functions of stakeholder theory as proposed by Donaldson and Preston (1995), namely (i) descriptive/empirical; (ii) instrumental; and (iii) normative.

Descriptive/ empirical theory describes and explains specific-corporate characteristics and behaviours. As an example, stakeholder theory has been used to describe the nature of the firm, and the way in which managers think about managing. Thus, stakeholder theory presents a model of the firm as an amalgamation of cooperative and competitive interests, and shows how managers deal with stakeholders and how their interests are presented.

Instrumental theory identifies the connections between stakeholder management and the achievement of company objectives (such as profitability and growth). Instrumental justifications are therefore based on the link between stakeholder management and the firm’s performance.

Normative theory interprets the function of the firm including the identification of moral or philosophical guidelines for the operation and management of the organization. Normative theory asserts that all stakeholders are intrinsically valuable, and thus, all groups of stakeholders are worthy of consideration. Therefore, normative justifications are based on individual or group rights, and utilitarianism (Yu et al., 2011).

Nwanji and Howell (2010:3) assert the usefulness of a proposed framework by Freeman (1984) that defines three levels of stakeholder analysis: rational, process, and transactional levels.

At the **rational level,** an understanding of “who are the stakeholders of the organization” and “what their perceived stakes are” is necessary. Thus, this level involves an understanding of the processes used to manage the organization’s relationship with its stakeholders and determining whether these processes are suitable in relation to the stakeholder map of the organization.

At the **process level,** Freeman (1984) notes the importance of understanding of how firms implicitly or explicitly manage their relationships with stakeholders and whether these processes fit with the rational stakeholder map of the organizations. He also notes that existing functional strategic processes may be enriched through a concern for multiple stakeholders.

At the **transactional level,** we must understand the transactions or bargains between the firm and its stakeholders, and deduce whether these negotiations fit with the stakeholder map and the organizational processes for stakeholders. According to Freeman, successful transactions with the stakeholders are built on understanding the legitimacy of the stakeholders and having processes to routinely surface their concerns (Freeman, 1984, cited in Nwanji & Howell, 2010).

3.2.4 DEFINING THE STAKEHOLDER

The concept of the “stakeholder” has become central to business, yet there is no consensus on what the concept means, with hundreds of different published definitions suggested (Miles, 2011:285). This large body of literature on stakeholder theory is confusing and makes it difficult to determine what a stakeholder is. In spite of this, Mitchell et al. (1997:852) suggest little disagreement on stakeholder identity, noting that persons, groups, neighbourhoods, organizations, institutions, societies, and even the natural environment are generally thought to qualify as actual or potential stakeholders. An examination of some definitions by scholars is shown in Table 3.2.

Table 3.2: Definitions of the stakeholder

Source/year	Stakeholder definition
Stanford memo, 1963	Those groups without whose support the organization would cease to exist
Rhenman, 1964	Depend on the firm in order to achieve their goals and on whom the firm is depending for its existence
Ahistedt and Jahnukainen, 1971	Firm and stakeholders are mutually dependent
Freeman and Reed, 1983: 91	Wide: affects or is affected by achievement of organization's objectives Narrow: organization is dependent on it for its continued survival
Freeman, 1984: 46	Can affect or is affected by the achievement of the organization's objectives
Freeman and Gilbert, 1987: 397	Can affect or is affected by a business
Cornell and Shapiro, 1987: 5	Claimants who have contracts
Evan and Freeman, 1988: 75-76	Have a stake in or claim on the firm
Evan and Freeman: 1988: 79	Benefit from or are harmed by, and whose rights are violated or respected by corporate actions
Bowie, 1988: 79	Without whose support the organization would cease to exist
Alkhafaji, 1989: 36	Groups to whom the corporation is responsible
Carroll, 1989: 57	have one or more of stakes—ranging from legal or moral right to ownership or legal title to the company's assets or property
Freeman and Evan, 1990	Contractual holders
Thompson et al., 1991: 209	In relationship with an organization
Savage et al., 1991: 61	Have an interest in the actions of an organization and…the ability to influence it
Hills and Jones, 1992: 133	Constituents who have a legitimate claim on the firm…established through the existence of an exchange relationship who supply the firm with critical resources (contributions) and in exchange each expects its interests to be satisfied (by inducements)
Brenner, 1993: 205	Having some legitimate, non-trivial relationship with an organization or relationship with an organization (such as) exchange transaction, action impacts, and moral responsibilities
Carroll, 1993: 60	Those who have moral claim on the firm
Freeman, 1994: 415	Participants in the business process of joint venture creation
Wicks et al., 1994: 483	Interact with and give meaning and definition to the organization
Lantry, 1994: 90	The firm is significantly responsible for their well-being, or they hold a moral or legal claim on the firm
Starik, 1994: 90	Can and are making their actual stakes known—are or might be influenced by, or are or potentially are influencers of, some organization
Clarkson, 1994: 5	Bear some form of risk as a result of having invested capital, human or financial, in a firm or are placed at risk as a result of a firm's activities
Clarkson, 1995: 106	Have, or claim, ownership, rights, or interests in a corporation and its activities
Nasi, 1995: 19	Interact with the firm and thus make its operation possible
Brenner: 1995: 76	Are or could impact or be impacted by the firm/organization
Donaldson and Preston, 1995: 85	Persons or groups with legitimate interests in procedural and/or substantive aspects of corporate activity

Source: Mitchell et al. (1997:858)

The definitions in Table 3.2 show that Stanford Research Institute's (1963) view is based on power dependency, that the firm is dependent on the stakeholder, while Freeman (1984), Freeman and Gilbert (1987), Savage et al. (1991), Carroll (1993), Starik (1994) and Brenner (1995) define stakeholders on the basis that the stakeholder has power over the firm. Langtry (1994) is of the opinion that the stakeholder is dependent on the firm, but Freeman and Reed (1983), Freeman (1984), Freeman and Gilbert (1987) and Carroll (1993) assert that the firm has power over the stakeholder. Cornell and Shapiro (1987), Freeman and Evan (1990) and Hills and Jones (1992) attach importance to contractual relationship, thus the firm and stakeholder are in contractual relationship. Rhenman (1964) and Ahlstedt and Jahnukainen (1971) claim that the firm and stakeholder are mutually dependent, and Evan and Freeman (1988) and Carroll (1993) define stakeholders as those who have a moral claim on the firm.

For the purposes of this study, Freeman's (1984) definition is adopted. Freeman (1984) defines stakeholders as **"a group or individual who can affect or is affected by the achievement of the firm's objectives."** This is because it is one of the broadest definitions in the literature (Maignan et al., 2010:950; Oates, 2013:51), and also leaves the notion of stake and the field of possible stakeholders unambiguously open to include virtually anyone (Mitchell et al., 1997:874). This definition implies that customers, employees, investors, suppliers, communities, the natural environment, trade associations, NGOs, and government, among others, can be termed stakeholders.

3.2.5 TYPES OF STAKEHOLDERS

Stakeholders have been broadly defined as groups or individuals who can affect or are affected by the achievements of the firm's activities. Stakeholders can be classified into two different groups, namely primary stakeholders and secondary stakeholders. Figar and Figar (2011:3) define primary and secondary stakeholders as follows:

Primary stakeholders: These are groups without whose continual participation the business could not survive. They include shareholders and other investors, employees, suppliers, customers, community and the government. They make up the so called corporate stakeholder system, and if one of them leaves the system or is not satisfied, the business suffers considerable damage or is unable to function. It is reiterated by Maignan et al. (2010:959) that primary stakeholders are the ones whose continued engagement is essential for the thriving of the business, and that such stakeholders are indispensable to the business.

Figure 3.3 below shows the relations between a business and its primary stakeholders.

Figure 3.3: Business and its primary stakeholders

Source: Frederick et al. (1992:10)

Secondary stakeholders: They are those that influence and/or depend on the business, but are not involved in transactions with the business, and are not essential for its survival. Survival of the business does not depend directly on them; however, they can influence public opinion in such a way as to considerably damage the business. They include the media and special interest groups (e.g. environmental activists). Maignan et al. (2010:595) also opine that secondary stakeholders are not crucial for the survival of the business.

A firm's secondary involvements are the result of the impacts caused by the company's primary mission or function. They are the groups in society who are affected, directly or indirectly, by the company's secondary impacts and involvements.

Figure 3.4: Business and its secondary stakeholders

Source: Frederick et al. (1992:12)

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3.2.6 STAKEHOLDER IDENTIFICATION AND PRIORITIZATION

Greenwood and Freeman (2011:276) state that the issue of which groups or individuals are identified as organizational stakeholders is central to debate in stakeholder theory. Rigid identification of the precise persons who qualify as stakeholders may be misplaced, but identification of what counts as a stakeholder claim is vital because of its implied assumptions about the moral relationship, or lack thereof, between an organization and its stakeholders. The authors further contend that from a theoretical point of view, stakeholder identification is fundamental to any debate about the nature of the relationships between the organizations and stakeholders. From a practical point of view, it is an immediate and observable way of ascertaining the broader position of an organization regarding its stakeholder relationships.

Stakeholder theory offers a long list of “signals” on how the question of stakeholder identification can be addressed (Mitchell et al., 1997:853). These include the identification of stakeholders as primary or secondary; as owners and non-owners of the firm; as owners of capital or owners of less tangible assets; as actors or those acted upon; as those existing in a voluntary or involuntary relationship with the firm; as rights holders, contractors or moral claimants; as resource providers to dependents of the firm; as risk-takers or influencers; and as legal principals to whom agent managers bear a fiduciary duty.

The observations made by Greenwood and Freeman (2011) and Mitchell et al. (1997) above indicate that engaging all stakeholders at all times is practically impossible. Freeman (1984) suggests that organizations need to distinguish between important stakeholders and negligible stakeholders, for example stakeholder mapping, thereby identifying stakeholders and prioritizing them. Effective stakeholder mapping, according to Freeman (1984), should be in response to the following questions:

- Who are our current and potential stakeholders?
- What are their interests/rights?

- How does each stakeholder affect us?
- How do we affect each stakeholder?
- What assumption does our current strategy make about each important stakeholder?
- What are the "environmental variables" that affect us and our stakeholders?
- How do we measure each of these variables and their impact?
- How do we keep score with our stakeholders?

Freeman (1984) advises that in order to achieve the best strategy for each group of stakeholders, their behaviour and possible coalitions between them need to be analysed. This view is in contrast with Donaldson and Preston (1995) who assert that all stakeholders should be fairly treated irrespective of power.

Mitchell et al. (1997) also contributed to this concept by developing a stakeholder salience typology that categorizes the importance of stakeholders depending on their salience. They propose that classes of stakeholders can be identified by the possession of one or more attributes, namely power, legitimacy, and urgency. Sen (2011:35) contends that by including urgency as an attribute, a dynamic component mentioned by Freeman (1984) and Alkhafaji (1989) was added to the process whereby stakeholders attain salience in the minds of managers. Mitchell et al. (1997) developed the stakeholder typology by using a combination of these attributes.

An analysis of the stakeholder classes resulting from the combination of the three attributes (power, legitimacy, and urgency) is shown in Figure 3.5. According to Mitchell et al. (1997), if stakeholders possess only one of the three attributes, they are called latent stakeholders and have low stakeholder salience. Among these latent stakeholders, if the only attribute is power, then they are called dormant stakeholders (Area 1 in Figure 3.5). If their only attribute is legitimacy, they are termed discretionary stakeholders (Area 2 in

Figure 3.5), and if their only attribute is urgency, then they are called demanding stakeholders (Area 3 in Figure 3.5).

Stakeholder salience is moderate if two attributes are present, and such stakeholders are known as expectant stakeholders. Among the expectant stakeholders, those having power and legitimacy are dominant stakeholders (Area 4 in Figure 3.5). Those having legitimacy and urgency are dependent stakeholders (Area 6 in Figure 3.5), and those with power and urgency are dangerous stakeholders (Area 5 in Figure 3.5). If all three elements are apparent in a stakeholder relationship (Area 7 in Figure 3.5), then management have a clear and immediate mandate to attend and give priority to that stakeholder's claim.

Stakeholders that have none of the three attributes are identified as non-stakeholders (Area 8 in Figure 3.5). Additionally, the dynamic qualities are accommodated by explaining how stakeholders can shift between classes by attaining or losing one or more attributes.

Figure 3.5: Stakeholder salience model

Source: Mitchell et al. (1997:872)

Yu el al (2011: 8719) sum up the stakeholder salience discussion as follows:

- **Dormant:** Dormant stakeholders possess the attribute of power to impose their will on the firm; however, because they do not have a legitimate relationship or an urgent claim, their power remains unused.
- **Discretionary:** Discretionary stakeholders possess the attribute of legitimacy; however, they have no power to influence the firm and have no urgent claims.
- **Demanding:** Demanding stakeholders have urgent claims but possess neither the power nor the legitimacy to be significant. Although such stakeholders are irksome, they are not dangerous. As a consequence, they do not warrant more than passing management attention.
- **Dominant:** Because dominant stakeholders are both powerful and legitimate, their influence on the firm is assured. The combination of power and legitimacy enables these stakeholders to form the 'dominant coalition' in the enterprise.
- **Dangerous:** A stakeholder with urgency and power, but no legitimacy, is classed as 'dangerous' because such a stakeholder might be coercive (and possibly violent) in its dealings with the firm.
- **Dependent:** Stakeholders who lack power but have urgent legitimate claims are described as 'dependent' because these stakeholders depend upon others (other stakeholders or the firm's managers) for the power to carry out their will.
- **Definitive:** Stakeholder salience will be highest if a stakeholder possesses all three stakeholders' attributes of power, legitimacy and urgency.

In Section 3.2.4, it was mentioned that Freeman's (1984) explanation/definition of the stakeholder was adopted, since it is the widest of all stakeholder definitions in the literature, and also because this empirical work requires the researcher to keep an open mind. The stakeholder salience typology of Mitchell et al. (1997) is used to classify stakeholders of SMMEs in this empirical study according to their possession of the three attributes discussed above.

The discussion on stakeholder theory can thus be summarized as:

- Stakeholder theory is predominantly an organizational management and business ethics theory that focuses on managerial decision making.
- Stakeholders are groups (of people) on which the organization is dependent for its continued survival.
- To perform well, managers need to pay attention to a wide array of stakeholders that include, but extend beyond shareholders.
- Businesses are expected to cooperate with their closet members (e.g. employees, suppliers and customers) and to collaborate with others (secondary stakeholders).
- Stakeholders can be ranked on the basis of their possession of one or more of the three attributes power, legitimacy, and urgency. The higher the number of attributes possessed, the stronger is the influence of the stakeholder.
- Ultimately, normative assertions support the idea that stakeholder theory contributes to the performance of a firm. Therefore, the contention that businesses practicing stakeholder management will, other things being equal, be relatively successful in conventional terms (profitability, stability, growth, etc.) is justified (Dzansi, 2004:74).

3.3 THE CHARITY/ PHILANTHROPIC AND STEWARDSHIP PRINCIPLES

The previous section provided a discussion on stakeholder theory, and it emerged that stakeholder theory focuses on the relationship between a business and the groups and individuals who can affect or be affected by it (Smudde & Courtright, 2011:139); and that managers should focus beyond the traditional interest group of shareholders in order to understand the needs, expectations and values of groups previously perceived to be external to the company (Kim et al., 2010:218). For business owners/managers to understand and fulfil the needs, expectations and values of these many constituent groups, they need to apply certain theories. These theories—the charity (philanthropic) and stewardship principles—are the foundation on which business social and environmental responsibilities are built.

3.3.1 THE CHARITY/ PHILANTHROPIC PRINCIPLE

The concept of charity (philanthropic principle or corporate giving) has become increasingly important to business executives and scholars alike. The notion of business being charitable is embedded in the broader phenomenon of BSR. Some argue that business should steer clear of social issues altogether (Friedman, 1970), while others such as Dzansi (2011) and Ismail (2011) believe that businesses need to commit themselves as citizens of the broader society. Thus, businesses should engage in philanthropic or charitable activities that are aligned with the core competencies, thereby allowing them to make more efficient and sustainable contributions to social issues.

3.3.2 HISTORICAL OVERVIEW OF THE CHARITY/PHILANTHROPIC PRINCIPLE

Business philanthropy was one of the pioneering aspects of the business-society relationship. The charity (philanthropic) principle originates from the idea that richer members of society should be charitable to the less privileged. This is a very ancient notion and some aristocracies through the ages were seen to provide for the poor. Biblical passages bring to mind this most ancient principle, as do the sacred writings of other religions. According to Fredrick et al. (1992:34), when Andrew Carnegie, John Rockefeller and other wealthy business leaders contributed to public libraries, supported settlement houses for the poor, gave money to educational institutions, and contributed funds to community organizations, they were continuing this long tradition of being their “brother’s keeper,” as directed in the bible.

This kind of private aid to needy members of society was especially important because, at that time, there were no social security, medical aid, and insurance or unemployment benefits, among others. When wealthy business leaders reached out to others, they were accepting some measure of responsibility for improving the conditions of life in their communities. In doing so, their actions helped counteract critics who claimed that business leaders were uncaring, and interested only in profits. By the beginning of the 1920s, it was recognized that many community needs outpaced the riches of even the wealthiest persons and families, and much of the charitable load was hence taken on by the businesses themselves rather than by their owners alone. Businesses and their employees were urged to unite in their efforts to extend aid to the poor and the needy.

For some of today's businesses, social responsibility means participating in community affairs by making similar kinds of charitable contributions.

3.3.3 DEFINING THE CHARITY/ PHILANTHROPIC PRINCIPLE

Fioravante (2010:1) sees business philanthropy as a phenomenon that associates the business sector with the social sector, and that philanthropy provides an opportunity for businesses to establish an ethical and moral tone. This author defines business philanthropy as the role and responsibility of the firm to recognize its societal obligation and to execute initiatives to benefit its constituents—altruism capitalism.

Afshar (2012:21) deducing from the work of Wartick and Wood (1998) defines business philanthropy as a discretionary responsibility of a firm. This involves choosing how it will voluntarily allocate resources to charitable or social service activities that are not business related and for which there are no clear social expectations as to how the firm should perform.

Singh (2010:993) sees business philanthropy as the love of humankind, the act of improving the situation of others through charitable aids or donations.

Kakabadse et al (2005:283) also define this concept as the firm 'giving back' (financially) to society some of the wealth it has created through its interaction with society.

Common to these definitions is that business philanthropy assumes a certain degree of altruism and magnanimity, which Fioravante (2010) refers to as “generosity of spirit,” and which implies a social responsibility that is unconditional.

3.3.4 CLASSIFICATION OF BUSINESS PHILANTHROPY

Diener (2010:2) states that the literature on business philanthropy is diverse in its classification of philanthropic efforts, and suggests at least three approaches in classifying philanthropy, namely the business objectives classification, the business motivated classification, and the marketing utility classification.

Firstly, according to Diener (2010:2), many philanthropic models distinguish between non-strategic and strategic philanthropy, based on whether or not the philanthropy will promote business objectives. Non-strategic philanthropy, according to Maas and Liket (2011:449), also known as altruistic or benevolent philanthropy, involves supporting social welfare without concern for the financial profitability of a company. Strategic philanthropy, on the other hand, maintain the “dual objectives of benefiting social welfare and financial profit.” Maas and Liket (2011) believe that philanthropy, whether strategic or non-strategic, is generally perceived as a discretionary activity.

Secondly, in spite of the distinction between non-strategic and strategic, Maas and Liket (2011) quote Porter and Kramer (2002) who choose to classify philanthropy based on business motivations. Maas and Liket (2011) identify three categories of philanthropy: communal obligation philanthropy, goodwill building philanthropy, and strategic giving philanthropy.

- **Communal obligation philanthropy** is seen as support of civic welfare, and educational organizations, motivated by the company’s desire to be a good citizen.
- **Goodwill building philanthropy** is described as contributions to support causes favoured by employees, customers, or community leaders, often necessitated by the *quid pro quo* of business and the desire to improve the company’s relationship.

- **Strategic giving philanthropy** is focused on enhancing competitive content. (Maas & Liket, 2011).

These three categories are distinguished by the motivation of the business in their philanthropic efforts, for example the motivation for giving determines which category the philanthropy falls under.

Finally, philanthropy can also be examined in terms of marketing utility. This phenomenon, known as cause-related marketing, is defined as the process of formulating and implementing marketing activities with philanthropic causes, an approach that can achieve a broad range of both marketing and business objectives (Maas & Liket, 2011:3).

3.4.5 PHILANTHROPIC RESPONSIBILITIES

Grigore (2010:170) sees philanthropic responsibilities as the voluntary responsibility of the enterprise, reflecting the current expectations of the public towards the enterprise.

These volunteering activities are animated only by the desire of the enterprise to involve itself ethically in community activities that are not imposed or requested by law and that are generally not to be expected from an enterprise.

The public expects that an enterprise should involve itself in philanthropic actions and thus this category became a part of the social agreement between the enterprise and the society. Such activities can include donations of goods and services, volunteering or the involvement of the enterprise or of its employees and stakeholders in the community. Philanthropy includes those corporate actions that answer to the society's expectations according to which the enterprises are good corporate citizens. This includes the efficient actions or programs promoting welfare or goodwill. Table 3.3 below depicts the philanthropic responsibilities of the firm.

Table 3.3: Philanthropic responsibility of the firm

Philanthropic responsibilities
• It is important to act according to the philanthropic and charitable expectations of society.
• It is important that managers and employees participate voluntarily in charitable activities in the local community.
• It is important to participate in the activities of public or private educational institutions.
• It is important to participate voluntarily in projects improving the quality of community life.

Source: Grigore (2010: 171)

3.3.6 BUSINESS CASE FOR BUSINESS PHILANTHROPY

According to Henderson and Malani (2008:8), prominent scholars such as Porter and Kramer (2002) argue that business philanthropy helps the bottom line and can be a source of competitive advantage. The authors further add that numerous studies claim to support the link between giving and profit.

Business philanthropy also generates positive perceptions and attitudes on the part of customers, suppliers, or employees; reducing turnover of employees, or decreasing the risk of government or activist action.

Proponents of this concept assert that it engenders goodwill from shareholders, employees, consumers or regulators, and in doing so philanthropy lowers the firm's costs or raises the prices it can charge.

Philanthropy can also have a strong influence in creating a more productive and transparent environment for competition.

Business philanthropy can improve inputs other than labour, for example through enhancements in the quality of local research and development institutions.

Philanthropy can influence both the size and quality of local markets. For example, a company may increase demand by helping customers understand how its products are used. In doing so, it increases the size of its market.

In conclusion, charity (philanthropic) or business (corporate) philanthropy, is seen as an act of human kindness, the act of improving the situation of others through charitable aids and donations. Fioravante (2010) refers to it as “generosity of spirit,” implying that businesses should contribute to the less fortunate in society or to organizations that provide community services. Even though in the early 20th century, prior to the advent of welfare states, such discretionary philanthropy was important, and charitable in nature, today’s social and environmental responsibilities also contain the principle of stewardship.

3.4 THE STEWARDSHIP PRINCIPLE

Many of today’s business executives see themselves as stewards or trustees who act in the general public’s interest. Though the companies of business executives are privately owned and they try to make profits for the shareholders, business leaders who follow the stewardship principle believe that they have an obligation to see that everyone, particularly those in need and at risk, benefit from their companies’ actions.

According to the stewardship principle, business managers are in positions of public trust, and their control of resources can affect others. Due to the fact that they wield such influence, they incur a social and ER to act in ways that are good not just for the shareholders but for society in general. Business managers have, as a result, become stewards or trustees of society, as well as the natural environment. As such, they are expected to act with a special degree of responsibility in making business decisions.

Parmar at al. (2010) believe that this kind of thinking brought about the modern theory of stakeholder management, which was discussed in Section 3.2.2. According to this theory, business managers need to interact skilfully with all groups who have a 'stake' in what business does. If they do not do so, then business will not be fully effective, or fully accepted by the public as legitimate.

3.4.1 STEWARDSHIP PRINCIPLE DEFINED

In acknowledging the work of Davis et al. (1997), Wesley (2010:21) contends that the stewardship principle is seen as the way business managers behave as trustworthy stewards of the organization and of the collective good of the constituents of the firm regardless of the manager's self-interests. Wesley (2010:21) believes that there is no misalignment between the interests of managers and owners because steward managers believe that what is best for the organization is what is best for the constituents and themselves.

The stewardship principle implies that managers can better achieve their objectives by serving the multiple interests of the organization (Robin, 2008:336).

This contention is expanded by Batnaru and Balan (2011:302) who are of the view that rich companies and individuals should use their money as responsible administrators for the rest of the community, multiplying the social wealth through cautious investments.

Thus, the stewardship principle is used to urge managers to view themselves as trustees of the public interest. Accordingly, managers should act in the interest of all those who can influence or be influenced by the firm's actions, for example, not only the stockholders but also the employees, creditors, customers, suppliers, communities, competitors, government, the natural environment, and society in general. In short, the principle implies that managers can better achieve their objectives by serving the multiple interests of the organisation.

Table 3.4 below summarizes the foundational principles of BSR and their modern expressions.

To end the current discussion, in laying the theoretical foundations of BSR and ER the discussion in the above sections revealed two contrasting paradigms for business existence: (1) the classical shareholder wealth maximization; and (2) a contemporary stakeholder value centred paradigm, which requires business to be more than ethical and to promote good economic and social values, which implies BSR, and environmental governance, which implies ER. The following section examines the broad concept of BSR as well as the production and environmental practices of relevance to SMMEs. The discussion begins with the broad concept of BSR.

Table 3.4: Foundational principles of BSR and their modern expression

Item	Charity Principle	Stewardship Principle
Definition	Business should give voluntary aid to society's needy persons and groups.	Business acting as public trustee should consider the interests of all who are affected by business decisions and policies.
Modern Expression	Corporate philanthropy; Voluntary actions to promote social good.	Acknowledge business and society's interdependence; Balancing the interests and needs of many diverse groups in society
Examples	Corporate philanthropic foundations; Private initiatives to solve social problems; Social partnership with needy groups.	Stakeholder approach to corporate strategic planning; Optimum long-run profits, rather than maximum short-run profits; Attitude of enlightened self-interest.

Source: Frederick et al. (1992:36)

3.5 ON BSR

It is considered important to begin the review of the BSR literature by first defining it, because although the concept has been advocated for decades, and is employed by many businesses globally, agreement on how it should be defined and implemented remains a contentious debate among academics, businesses and society.

3.5.1 DEFINING BSR

The entirety of BSR can be discerned from the three words it contains*: business, social,* and *responsibility.* BSR covers the relationship between businesses and the societies with which they interact. BSR also includes the responsibilities that are inherent on both sides of these relationships. The concept defines society in its widest sense and on many levels to include all stakeholders and constituent groups that maintain an ongoing interest in the firm's operations. For the purpose of this study, a few extant definitions are reviewed, leading to an operational definition.

The United Nations Industrial Development Organization (UNIDO) (2001:5) postulates that BSR can best be understood in terms of the changing relationship between business and society. UNIDO (2001: 6) defines BSR as balancing the interests of a wider group of stakeholders and strategically managing the interconnected social, environmental and economic impacts of business activities.

UNIDO (2001:6) further argues that the definition does not necessarily mean that all stakeholders of a company have an equal say in its strategic direction but it does mean that they affect, and are affected by, that direction and therefore must be considered.

Barker (2008:2) emphasizes that BSR is a permanent pattern of business activities aimed at fulfilling and exceeding legal and governmental expectations, ensuring employee safety and health as well as improving the well-being of the local community. Thus, Barker (2008) encourages employee and community relations and voluntarism.

According to Ismail (2009:199), analyses by Secchi (2007) and Lee (2008) revealed that the definition of BSR has been changing in meaning and practice. Ismail argues that the classical view of BSR was narrowly limited to philanthropy and then shifted to the emphasis on business-society relations, particularly referring to the contribution that a firm provides for solving social problems.

The present day BSR (also called corporate responsibility, corporate citizenship, responsible business and corporate social opportunity, among others) is a concept whereby business organizations consider the interest of society by taking responsibility for the impact of activities on customers, suppliers, employees, shareholders, communities and other stakeholders as well as their environment (Ismail, 2009:200).

By this definition, Ismail (2009) argues that business organizations have to comply with legislation and voluntarily take the initiative to improve the well-being of their employees and their families, the local community and the society at large as well as the natural environment.

In agreement with this definition, Garay and Font (2011:1) contend that a firm's social responsibility should go beyond profit making and its relationship with customers to include such areas as the broader society and environmentalism. Garay and Font (2011) therefore define BSR as the active and (sometimes) voluntary contribution of an enterprise to environmental, social and economic improvement.

However, the authors advise that due to the constant change and the complex and dynamic nature of the enterprise-society relationship, it is better not to take a perspective and fixed approach but rather to take a principles approach that could maintain validity for various scenarios. Thus, Garay and Font (2011) imply that situations may define what BSR practices to adopt and therefore it is not advisable to stick to fixed practices. Therefore, a company should define the most suitable focus points and implementation methods for its business activities.

According to Parker et al. (2010:509), BSR is defined as firms voluntarily integrating the social and environmental expectations and concerns of their interactions with stakeholders.

The above definition sees voluntarism as a core element in a firm's social responsibility. Also, the concerns of stakeholders as well as environmentalism must be integrated into the mainstream business activity and (sometimes) voluntary contribution of enterprise to environment, social and economic improvement.

Sharma and Kiran (2013:18) share the views of Parker et al. (2010) and also believe BSR is a concept whereby companies integrate social, environmental and health concerns in their business strategy (policy) and operations in their interactions with stakeholders on voluntary basis.

BSR engagement is intended to improve the well-being of society, comply with ethical, moral and environmental norms, and foster relationships with stakeholders (Vaikevicius & Steatite, 2009) in Virvilaite and Daubaraite (2011:535). The definition implies that BSR is not founded only on ethics and stakeholder theory but that firms should also maintain some form of responsive relationship with the society and address environmental issues.

Dzansi (2011: 5711) sees BSR as a firm's commitment to operating a business in an economically sustainable manner while at the same time recognizing the interest of its other stakeholders (customers, employees, business partners, local communities, society at large) over and above what the law prescribes. Thus, Dzansi (2011) implies that social responsibility as practiced by firms usually takes the form of:

- Consumerism
- Employee relations
- Community relations

Even though there is a wide range of contrasting definitions, there seems to be common grounds that business must: operate in an economically sound environment; abide by the law; consider the interest of its stakeholders; reach out to the community and society at large; and respect and care for the natural environment. Thus, being a socially responsible business means to go beyond legal compliance and to invest in human resources and the environment.

Therefore, for the purpose of this study, BSR is defined as: "**A company's balancing commitment to its economic obligations, stakeholders (customers, employees, local community) and its environment that goes beyond legal compliance."**

The above examination of some BSR definitions has revealed the following characteristics of the concept:

- Actions that benefit employees, stakeholders and the environment.
- Voluntary actions exceeding the requirements of legislation and agreements.
- Openness and transparency of business activity.
- Consistent activities rather than ad hoc actions.
- Being part of a coherent business strategy, not separate actions.
- Taking account simultaneously of economic, social and ER.

3.5.2 DIMENSIONS/ELEMENTS OF BSR

The discussion in Section 3.5.1 has painted a clear picture of what constitutes BSR, and it emerged that BSR constitutes three main dimensions, namely economic, social and environment, also known as the triple bottom line. The first two dimensions will be discussed briefly, while the third, environmental dimension, the focus of this study, will be extensively discussed (in the context of SMMEs).

Review of the works of Uddin et al. (2008), Mishra and Suar (2010), Kanji and Chopra (2010), Virvilaite and Daubaraite (2011), Garay and Font (2011) and Brammer et al. (2012) also support the above assertion that the purpose of BSR is to make business activity sustainable in three interconnected areas of economic, social and environmental concerns.

3.5.2.1 Economic dimension of BSR

Uddin et al. (2008) report that the economic aspects of BSR consist of understanding the economic impacts of the company's operations. According to the authors, economic issues have long been overlooked in the discussion of BSR, and that for many years the aspect has been widely assumed to be well managed. However, it is actually the least understood by many of those shaping the business and public agendas, and underrepresented in the business responsibility agenda.

The economic aspect of BSR is often mistakenly considered to be synonymous with financial issues, which is why it has been assumed to be easier to implement than the other two pillars of BSR, However, Uddin et al. (2008:204) suggest that economic responsibility is not simply a matter of companies being financially accountable, recording employment figures and debts in the latest corporate responsibility report. The economic dimension of the sustainability agenda should consider the direct and indirect economic impacts that the organization's operations have on the surrounding community and on the company's stakeholders.

The above authors argue that the economic dimension of BSR consists of the multiplier effect; contribution through taxes; and avoidance of actions that damage trust.

The multiplier effect: The economic performance of a company has a direct and indirect impact on all stakeholders—including employees, local governments, non-profit organizations, customers, suppliers, and the community in which the company operates. For example, a good economic performance makes it possible to develop operations for the long term and to invest in development and the well-being of employees. The employees of the company get good salaries, from which they purchase goods and services as well as pay taxes. These activities fuel the local service industry, government programs and the community activities. The multiplier effect becomes all the more important if the company is one of the largest employers in the community.

Contribution through taxes: Companies are the major contributors to the well-being of the area surrounding their operations, for example through the local tax base. Therefore, the question arises: is it responsible for a business to see corporate taxes purely as cost to be avoided, rather than part of their social contract with society? Taxes have a significant impact on the creation of wealth; deliberate tax avoidance deprives the community in the area of the company's operation of certain benefits.

Avoidance of actions that damage trust: A company's license to operate depends upon the trust and support of the community in which it operates. The shift in power from the public to the private sector emphasizes the importance of this trust—and the obligations and responsibilities that come with it. Some activities of the company are potentially destructive to the trust earned from the community or otherwise cannot be regarded as economically responsible. These should be avoided or at least carefully considered. Examples of such harmful company behaviour include: bribery and corruption; and incentives of the company's performance to a few individuals only instead of fairer distribution among the workforce. The company should also stop to consider the economic effects of changes in locations and/or operations to the community.

3.5.2.2 Social dimension of BSR

Research evidence suggests that social responsibility is the newest of the three dimensions of BSR. BSR is gaining more attention than it previously had. Many organizations are becoming increasingly active in addressing social issues. Social responsibility means being accountable for the social effects the company has on people—even indirectly. This includes the people within the company, in the community in which the company operates and the customers of the company, which means the whole lot of stakeholders. It also refers to the management's obligation to make choices and take actions that will contribute to the welfare and interests of society as well as those of the organization. Uddin et al. (2008:205) cite the following as key social aspects of BSR for an organization.

Responsibility towards customers: The idea of treating customers with respect and attention is not new to business: being responsible to customers frequently has a direct positive effect on the company's profits. There are, however, broader social responsibilities including providing good value for money. These responsibilities may also include such issues as safety and durability of products or services; standard or after sale service; prompt and courteous attention to queries and complaints; adequate supply of products and services; fair standards of advertising and trading; and full and unambiguous information to potential customers.

Responsibility towards employees: Businesses are major contributors to the employment generation of the community. However, social responsibility to employees extends beyond terms and conditions of the formal contract of employment. Companies need to respond to wider expectations that today's employees have for the quality of their working life. Such expectations include taking care of the personnel's welfare at work and uplifting their skills and motivation for the work. Beyond these expectations, a socially responsible company secures a just treatment and equal opportunities for all its employees, regardless of gender, age, race, or religion.

Responsibility towards community: Companies depend on the health, stability and prosperity of the communities in which they operate. Often, the majority of the company's employees and customers come from the surrounding areas, and this is especially true for SMMEs. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competiveness. Many companies become involved in community causes, for example by providing additional vocational training places, recruiting socially excluded people, sponsoring local sports and cultural events, and through partnership with communities or donations to charitable activities.

3.6 ENVIRONMENTAL RESPONSIBILITY (ER)

The discussion of BSR in the previous section, culminating in the operational definition of the concept, revealed that environmental issues form one of the three legs of sustainable business practice. Broadly, this means that a business needs to balance its social and environmental concerns. However, research evidence reports that environmental issues rarely form an integral part of businesses' development plans, particularly in developing countries. This apathy towards environmental matters is even reflected in the works of renowned BSR authors such as Dzansi (2004, 2009, 2011) who claims that because of their small size, the environmental malpractices of small businesses are sufficiently negligible to allow for them simply to be ignored. This assertion seems to forget—or simply ignore—the undeniable fact that due to their sheer numbers, the cumulative environmental practices of small businesses eventually become significant and therefore cannot be ignored.

The realization that sustainable development can be achieved through an interdependence between economic growth and environmental quality has compelled some governments, businesses and academics to now regard the environment as a valued and integral part of economic growth. It is surprising therefore that environmental problems are now at the forefront of international and domestic as well as local governments' agendas.

Scientific evidence suggests that business activities have an impact on the ecosphere and that the negative consequences of current practices will be detrimental to the natural environment (Stern, 2007, cited in Spence et al. 2012:9). Lyon and Maxwell (2007:13) emphasize that numerous explanations have been advanced for the recent surge of ER. Pollution is symptomatic of broader production inefficiencies, and pollution reduction and cost reduction go hand-in-hand to create "win-win" opportunities in today's economy. Perhaps a new generation of "green" customers is willing to pay higher prices for clean products, and firms are simply responding to this shift. Or perhaps business has become savvier about the workings of the political system, taking proactive steps to avert political conflict rather than reacting to public pressure after the fact.

Much as environmental sustainability is increasingly regarded as an important part of the business environment, research on ER is largely focused on multinational enterprises. Some authors, among them Dzansi (2009, 2011), rather controversially do not see the relevance of ER to SMMEs. These authors argue that small businesses activities are so insignificant that the net effect on the environment may as well be insignificant hence could be ignored. This study differs with this stance simply because no matter how little impact one small business may have on the environment, their collective impact becomes significant.

The relative importance of SMMEs in advanced and developing countries has led to a reconsideration of the role of SMMEs in the economy of nations. Indeed, several studies suggest that SMMEs contribute significantly to economic growth in Africa too. Nieman and Nieuwenhuizen (2010:3) for instance estimate that SMMEs account for 97.5% of all businesses in South Africa, and they generate 35% of GDP. Similarly, data suggests that in Lesotho, SMMEs comprise at least 85% of the private sector and account for nearly 50% of the GDP (MTICM, 2008). The above data makes the SMME sector in Lesotho and South Africa very important to socio-economic development.

Therefore, the activities of SMMEs of Lesotho and South Africa need scrutiny lest they begin to have detrimental effects on society. Put differently, the development of SMMEs should not have a negative effect on the societies and natural environments of Lesotho and South Africa. Whilst standards and strong policies are there to regulate the SMME sector, it has become apparent that regulation alone may not be enough to make them environmentally responsible.

A cursory observation the researcher made of small motor vehicle mechanics, panel-beaters and small scale clothing manufacturers in South Africa and Lesotho raised some serious environmental concerns. In the two countries, the researcher observed how engine oil is spilt carelessly on the ground all over workshops after a vehicle has been serviced. Furthermore, panel-beaters are often seen throwing pieces of car body parts all over the place. This disregard for the environment is not limited only to small motor vehicle mechanics and panel-beaters but can also be found among other small firms such as small scale clothing manufacturers found in Lesotho. Considering these actions by these small businesses, one begins to wonder if small businesses in these countries are aware of the environmental damage they cause, and if they have any knowledge at all of their need to be environmentally responsible.

Given the considerable size of the SMME sector in Africa, there is the potential to compromise sustainable development on the continent (Parker et al., 2009). Thus, Revell et al. (2008:3) could not have said it better when they opined that the importance of research on SMMEs ER is justified by their sheer numbers. The European Commission (EC) (2009) made the observation that focus in the field of BSR has moved from large companies to SMMEs due to the great share of impacts from SMMEs on the environment, economy and society. Scholars have found engagement of SMMEs in BSR important (Reinhardt & Stavins, 2010; Carroll & Shabana, 2010; Kolk & Tulder, 2010; Brammer et al., 2012).

Many community members where businesses operate, businesses themselves, governments, academics and environmental activist groups see ER as the duty to negate the environmental implications of the company's operations, products and facilities; eliminate waste and emissions; and minimize the practices that might adversely affect the enjoyment of the country's resources by future generations. If, as it is argued, SMMEs represent more than 90% of global businesses and account, on average, for 50% of GDP of all countries and 60% of their employment (Lyon et al., 2012:9), then embracing ER is not an option but a necessity for their own survival, growth and competitiveness.

Thus, SMMEs must be encouraged to embrace the concept ER, not on ad hoc basis but as a mainstream business activity. On that note it is incumbent upon SMMEs to comprehend the concept ER. This therefore inspires the need to examine the definition of ER, which is done in the next section.

3.6.1 DEFINING ER

According to Huckle (1995:11), ER is defined as the obligation of decision makers to take actions that protect and improve the environment as a whole, along with other interests. The author recognizes the important role decision makers can play in firms engaging in environmental activities. This means that SMME owners/managers, who are the sole decision makers, must not only be concerned with the interests of employees, customers and the community but must also pay equal attention to respect and protect the environment.

Glasby (2002:334) on the other hand states that the now widely accepted general standard of environmental soundness is "sustainable development," which is defined by the World Commission on Environment and Development (WCED) (1998:43) as development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. Dasgupta (2007:6) says this definition calls for each generation passing down as much as what it inherits from its predecessor to its successor, therefore allowing the successor generation to own the same economic possibilities as before when receiving rich assets from its predecessor.

Mazurkiewicz (2008:7) defines ER as: “A duty to cover environmental implications of the company’s operations, products and facilities; and minimize waste and emissions; maximize the efficiency and productivity of its resources; and minimize practices that might adversely affect the enjoyment of the country’s resources by future generations.” Miller (2003:44) explains that the definition contains social progress, which recognizes the needs of everyone; effective protection of the environment; prudent use of natural resources; and maintenance of high and stable levels of economic growth and employment.

Miller’s (2003) explanation is echoed by Revell et al. (2008:12), who see environmental issues through the lens of business practice that is based on respect for the environment, designed to deliver sustainable value to stakeholders as well as to society at large.

Portney (2008:262) in line with Lyon and Maxwell (2008:1) define ER as environmentally friendly actions not required by law, which are also referred to as going beyond compliance, or voluntarily internalizing externalities. The authors stress the need for environmental activities exceeding those required for mere compliance. Thus, the authors argue that ER involves voluntary actions that internalize environmental externalities, and believe that such actions are socially responsible.

Parker et al. (2010:3) believe that for a firm to be classified as environmentally responsible it should engage in changes in technology and practices that reduce the current level of negative impact on the environment. This definition implies that environmentally friendly technology coupled with good business practices are key in engaging in business operations that respect the environment, and reduce negative impact on it.

Massimo et al. (2014:77) also see ER as actions a company can take to mitigate its negative impact on the environment, such as energy efficiency measures, a reduction in pollutants, water saving initiatives and a reduction in dangerous waste production.

From the above definitions, it is safe to conclude that ER means a company has to operate in ways that cares for and protects the environment. Therefore, for the purpose of this study, ER is defined as **"The obligation of business to embark on actions that protect and improve the natural environment so as to create sustainable development."**

3.7 ER IN SMMES

Much as large companies tend to occupy the spotlight in discussions of ER, the large number of SMMEs, both locally and globally, has made it impossible to overlook them. As far back as June 2003, at a meeting in Marrakech, Morocco, on the development of a ten-year "framework plan" for improving consumption and production patterns (as mandated at the Johannesburg Summit), the United Nations Environment Programme (UNEP) (2003:3) pointed out that SMMEs were cited as a target for awareness-raising efforts and information dissemination. The same source also notes that while many SMMEs are in the service sector, a reasonable number of them engage in manufacturing—producing a significant share in industrial waste. This demonstrates why SMMEs activities that may have the potential to compromise the natural environment need to be investigated. Moorthy et al. (2013 74) advise that greater attention should be devoted to the SMME sector in the social and environmental literature, as the collective impact of SMMEs is substantial.

Some authors, among them Zhengang et al. (2011) and Davis and Backhouse (2013) also suggest that another reason SMMEs have received considerable attention is that far too often they do much less (individually and as a group) than large companies in addressing their negative impacts on the environment, even if big firms are far from perfect in this regard. Nkoli (2013:189) attributes this to numerous reasons. For example, a vast majority of SMMEs are micro enterprises; many of them, especially in developing countries, suffer from lack of training, know-how, limited access to information, technology and money. In spite of the numerous challenges SMMEs face, Mojekeh (2011:480) points out that for any business to continue in existence, it must not only be profit-minded but also conscious of the environment and be accountable to the society for its actions and inactions. For this reason, SMMEs must embrace the concept of environmentalism or face the wrath of their stakeholders.

This section examines ER in small businesses in both developed and developing countries. Focus is placed on South Africa and Lesotho small businesses, particularly those in the small scale automotive industry, small scale panel-beaters, and small scale manufacturing firms.

3.7.1 ER IN SMMES IN DEVELOPED COUNTRIES

A decade ago, there was limited empirical information on the degree of involvement of SMMEs in environmental practices in the European Union (EU). In 2002 Observatory of European SMEs (2002:3) asserted that the little empirical evidence then suggested that European SMMEs' ER activities remained low, especially in comparison with their large counterparts. This assertion was consistent with Hillary's (2000) earlier report that research on environmental practices of SMMEs demonstrated that small firm owners/managers: lacked the tools and resources to tackle environmental problems; were resistant to voluntary action due to the perceived cost, time and resources required to reduce environmental impacts; were sceptical about the business benefits of sustainability; and proved difficult to engage in anything to do with reducing their environmental impact.

Similarly, Revell et al. (2008) reiterate that previous studies on environmental practices of SMMEs in the UK and beyond have portrayed owners/managers as laggards who underplay their firm's environmental impacts and resist environmental management due to its perceived cost. However, in a cross-sectional survey of 220 UK SMMEs, Revell et al. (2008) reported an improvement in ER awareness in SMMEs in the UK. The researchers found that owners/managers expressed highly positive attitudes towards taking action on the environment, with over 80% of owners/managers surveyed agreeing that environmental issues should be a very high management priority.

Their research also revealed that SMMEs were engaged in recycling and energy efficiency measures. Furthermore, many of the owners/managers were adopting sustainable office practice such as minimizing paper usage, and involved in responsible buying and selling, such as buying fair traded and locally produced products and/or developing products with environmental benefits. Davis and O'Halloran (2013:3) posit that in reality, many SMMEs in Ireland admit confusion over what sustainability is and how to introduce sustainable measures in their everyday business. For this reason SMME owners/managers are slow to allocate precious resources to ER initiatives they do not understand.

Williams and Schaefer (2013) conducted a study into the pro-environmental engagement of small businesses in the East of London, with particular respect to climate change. They observe that owners/managers have relatively good understanding of environmental issues in general and climate change in particular and had implemented a range of pro-environmental measures in their firms. The researchers conclude that while economic arguments and external pressures played a role in their pro-environmental engagement, perhaps the most notable motivation for managers to engage in environmental issues were personal values and beliefs.

In Spain Garay and Font (2011) report that SMMEs claim they are introducing environmental practices that go beyond initial assumptions that only simple operational eco-savings practices would take place. They note that while the widespread ER practices reported are waste recycling (88%) and energy and water savings (77%), between 30% and 45% of SMMEs report some other operational and organizational practices, as environmental accountability, use of alternative energy sources and ecological products, environmental initiatives among customers, and working with responsible suppliers.

Massimo et al. (2014) also conducted a comparative research of SMMEs in Italy and France, and note that ER is practiced by SMMEs in both countries. The authors observe that environmental tools, such as audits, monitoring systems or training, as well as the adoption of formal Environmental Management System (EMS) (tools intended to help firms meet environmental goals) tend to lead to an accumulation of know-how and increase the technical capacity within SMMEs.

According to the Commission for Environmental Cooperation (CEC) (2005:2), SMMEs in North America vary widely in their impact on the environment. In an investigation carried out in 2005, CEC reported that not all SMMEs, however, are effective in improving environmental performance. CEC (2005) noted that most SMMEs face few incentives and many difficulties in engaging in ER activities, with particular reference to SMMEs in Canada, the USA and Mexico. Meanwhile, Network for Business Sustainability (NBS) (2012:3) points out that the situation in Canada has not improved a great deal as discussion of social and ER has mostly focused on large enterprises. However, there are many institutions, among them Developing Sustainable Regions through Responsible SMEs (DESUR) and Network for Business Sustainability (NBS), championing campaigns in educating SMMEs on ER awareness.

In China, a study conducted by Walter et al. (2012) revealed that most SMMEs, out of the 54 surveyed, are able to solve multiple environmental problems as well as satisfying various environmental needs. Walter et al. (2012:35) observe that SMMEs' willingness to maximize the environmental contribution of their business models may become a trend in future development of green technologies, and will be prominent in differentiating the relative competitiveness of green SMMEs.

In a similar study carried out by Fu et al. (2014) on ER of 79 SMMEs in China's Jiangxi Province, they found that 58% of the surveyed SMMEs promote innovative activities in relation to environmentalism: 37% reduce energy consumption, 35% reduce waste, 29% reduce pollution energy consumption, and 19% reduce resource consumption. However, 27% of these companies do not take any measures in respect of environmental issues. The authors also state that there are various standards and certificates for managing the work of SMMEs with regards to sustainable business practice. Among these standards are ISO 9000 series, which is published by the International Organization of Standardization (ISO). ISO 14000 family standards, which is related to environmental management, helps organizations to minimize their negative impact on the environment.

Such examination of ER within SMMEs in developed countries reveals that the track record of businesses in developed countries with regards to ER activities has been mixed at best. While there is awareness of environmentalism in SMMEs in countries such as China, Canada, Italy and England inter alia, others, such as SMMEs in Ireland, are still grappling with the concept. Generally, it can be inferred from the review that there is more attention to environmentalism on large companies (with many discussions of the concept focused on large companies) than their smaller counterparts—SMMEs. The next sections examines ER activities in SMMEs in developing countries.

3.7.2 ER IN SMMEs IN DEVELOPING COUNTRIES

In developing countries, there is a myriad of examples of business malpractices leading to the exploitation of natural resources, environmental degradation and negative environmental externalities oftentimes including incidences of environmental injustice compromising the development potential of local communities (Honke et al., 2008:9). Such impacts derive from operations of both large companies and SMMEs. Sadly, studies reveal that discussions on, and to a large extent implementation of, ER are largely focused on large companies. This worrying trend disadvantages SMMEs with regards to ER awareness, especially if one also considers their huge numbers, both locally and globally, and their collective impact on the environment.

In Sri Lanka, Zhengang et al. (2011:2) assert that the amount of environmental impact of small firms in the country is not known either nationally or regionally. The authors note that measures undertaken so far to encourage SMMEs have not yielded impressive results. Therefore environmental performance of SMMEs remains weak in many parts of Sri Lanka, especially when compared to large companies. Zhengang et al. (2011) conclude that environmental damage caused by SMMEs will increase unless innovative strategies are devised.

In a developing country such as Malaysia, environmental sustainability in SMMEs is still at the early stage, Sidek and Backhouse (2014:65) report, although the government has taken a positive approach in promoting environmentally sound and sustainable development practices for industries and businesses. In a study carried out by the above authors on the ER of SMMEs in Malaysia, they observed that the number of employees plays a significant role in the level of environmental implementation. The SMMEs with more than 45 employees were more involved in quality improvement programs. Also, SMMEs are often characterized by limitation of people resources, and have different needs, goals and challenges than larger organizations. Their study also revealed that for SMMEs, additional tasks, such as ER activities, not directly related to the company’s core business were difficult to administer.

Nkoli (2013) examined owner-managers’ perceptions of environmental sustainability practices among Nigeria’s SMMEs with the case of the water sachet manufacturers in Anambra State, Nigeria. The results show that the perception of owners/managers towards their environment is negative. The study concludes that owner-managers’ perceptions have a significant effect on the maintenance of a hygienic environment within the area in which they operate.

3.7.3 ER IN SOUTH AFRICA AND LESOTHO SMMES

In South Africa and Lesotho, SMMEs consist of both manufacturing and service enterprises in a wide spectrum of industry disciplines. The activities of these SMMEs have great potential to compromise the natural environment. However, research on BSR in general in South Africa focuses mainly on the social and economic dimensions of the concept, with little or no emphasis on the roles that SMMEs play or can play with respect to environmental issues.

Understanding SMMEs' environmental impact and engagement, therefore, seems highly important. Unfortunately, attempts to get information on Lesotho SMMEs' engagement in BSR in general and ER in particular has proved futile. Google search revealed virtually nothing and a visit to various places such as the MTICM also produced negligible results. It can be concluded that this empirical study is the first to investigate BSR with regards to environmental issues in SMMEs in Lesotho. This section will attempt to review whatever literature there is regarding ER in SMMEs in both South Africa and Lesotho.

A study carried out by Jeppesen et al. (2012:136) on BSR and ER in SMMEs in the textile and garment industries in South Africa and Vietnam found that, overall, less than half of the textile and garment firms in Cape Town, South Africa, stated that the development of BSR and ER practices had led to an increase in efficiency (43%). Slightly fewer reported no impact (37%); while one-third stated some impact from the development of BSR and ER practices on sale, two-thirds did not experience any impact. The report concluded that the majority of the textile and garment firms stated that they had improved their formal BSR and ER practices in terms of the physical environment, while roughly half of them reported enhanced practices in the working environment, and slightly less than half in regard to working conditions.

3.8 DRIVERS AND BARRIERS TO SMMEs' ER

Section 3.7 examined ER in SMMEs, and among the various facts that emerged are factors that encourage or hinder SMMEs' engagement in ER. The business case for environmental responsibility has been at the forefront of much of today's literature as one of the means of encouraging or promoting ER in businesses. Moorthy et al. (2012:77) observe that drivers of environmental behaviour of SMMEs are under-researched, and Worthington and Patton (2005) advise that more needs to be done to assist SMME owners/managers to adopt environmental initiatives.

Authors such as Hoogendoorn et al. (2014) identify competitive advantage, satisfied customers and sales growth as some of the drivers that motivate SMMEs to engage in ER. However, Revell et al. (2009) and Hamann et al. (2009) argue that barriers, for example cost, time, and finance, to mention but a few, also hinder SMMEs' engagement in ER. This section reviews drivers that motivate SMMEs to engage in ER, and barriers that hinder their efforts.

3.8.1 DRIVERS OF ER IN SMMEs

Prior empirical evidence suggests that the implementation of ER is influenced by existing and potential stakeholder groups in the form of external pressure from legislators, environmental groups, financial institutions and suppliers (Delmas & Toffel, 2004), as well as internally by employees and owner-managers' attitudes (Moorthy et al., 2012:75). However, in the main, five key drivers of ER in SMMEs are identified in the literature: economic benefits (Network for Business Sustainability (NBS), 2012:8); stakeholder demands; legislation (Hoogendoorn et al., 2014:9); financial incentives (Moorthy et al., 2012:77); and owner-managers' personal values and beliefs (Parker et al., 2009).

Economic benefits

Moorthy et al. (2012:77) mention competitiveness as one of the major motivators for ER. Thus, SMMEs ER may be undertaken in the economic self-interest of owners/managers.

NBS (2012: 8) suggest that economic benefits of ER initiatives can be tangible, such as reducing waste management costs, and intangible, such as improving company image or strengthening a company's reputation with customers and suppliers. Acknowledging the findings of Naffziger et al. (2003), Moorthy et al. (2012) affirm that empirical studies have shown a correlation between the environmental effort of the owners/managers of SMMEs and organizational operating efficiency, profit and business image. Also, being able to demonstrate that the business is environmentally responsible may also be used as a marketing strategy to maintain or increase market shares and to differentiate the business from its competitors.

Stakeholder demands

Empirical evidence supports the claim that stakeholders have an important role to play in increasing SMMEs' engagement in ER practices. Primary and secondary stakeholders' (see Section 3.2.5) pressure appears to be one of the drivers with the greatest potential to encourage change, and Moorthy et al. (2012:78) state that this is particularly the case with regard to implementing technological innovation. Hoogendoorn et al. (2012:7) argue that the group of stakeholders that has the greatest impact on environmental performance of a firm is the primary stakeholder group. Primary stakeholders are directly relevant to the firm's survival, growth and profitability. For example, customers may require environmental attributes of the products purchased, employees call for safe workplace amenities, and investors apply environmental investment screens. On the other hand, secondary stakeholders can also secure and enhance the firm's social legitimacy and play a crucial role in moving the firm toward engaging in environmentally responsible activities.

Legislation

Hoogendoorn et al. (2012:9) contend that a sharp increase in environmental regulation in the past four decades points to a strong conviction that government interventions serve as an effective mechanism to curb environmental degradation. Nevertheless, Halme and

Laurila (2009:330) claim that whereas the effect of environmental legislation on firm performance has received considerable attention in literature, the impact on the extent and types of environmental practices has not. According to Moorthy et al. (2012:79), legislation is still considered as a driver of environmental action. The same source stipulates that evaluation studies have shown that changes in legislation can increase SMMEs' efforts to reduce the environmental impact from their operations (i.e. disposal of industrial waste and chemicals).

Financial incentives

Incentives related to finance are considered by SMMEs to be a very important driver in the context of environmental improvement. Moorthy et al. (2012:78) cite availability of public funding, programs dedicated to green initiatives and subsidy system as some of the financial incentives. Bradford and Fraser (2008) also reiterate that financial incentives to drive SMMEs in environmental improvement can come in the form of subsidies, grants, soft loans and tax concessions.

Personal values and beliefs

Engagement in environmentally responsible initiatives can also be driven by the personal values, beliefs and knowledge of SMME owners/managers. Parker et al. (2009:289) suggest that owners/managers who are innovative, opportunistic and proactive because they acquire and have environmental improvement capabilities and knowledge are driven by such qualities to engage in environmentally responsible initiatives. The authors further state that such owners/managers have a high degree of commitment because they see this commitment as their competitive advantage.

3.8.2 BARRIERS TO ER IN SMMEs

Much as there are benefits associated with ER practices, and environmental legislation committing small businesses to engaging in ER, there are barriers that also hinder their

ER efforts. Review of the literature revealed the following as some of the key barriers hindering SMMEs' engagement in ER: lack of available resources (financial resources, human resources, time and technical knowledge), and lack of information (low environmental literature, lack of awareness of benefits, and lack of awareness of their business impact).

Lack of available resources

There is no denying the fact that availability of adequate resources is paramount to SMMEs' implementation of ER initiatives. Fundamental to this is financial resources, since this will allow the adoption and implementation of any environmentally responsible activity. Parker et al. (2009:285) make the point that the typical SMME has limited cash flows, and concentrates on current performance rather than taking a strategic focus. Thus, SMMEs may not have the financial resources to fund environmental projects. The United Nations Industrial Development Organization (UNIDO) (2010: 7) further adds that SMMEs tend to have meagre managerial and financial resources to undertake activities beyond the immediate concerns of business survival and profitability. Also, lack of human resources is another hindrance to SMMEs' ER efforts. Brammer et al. (2012:428) mention that the few or limited employees of SMMEs are assigned to a set of duties that take up the full time of their weekly employment and leave no time for environmental initiatives. Pinkse and Dommisee (2009:524) are of the view that environmental programs often rely heavily on employee participation, and when they lack knowledge it can be difficult to motivate this.

Lack of information

Accessibility and provision of information with respect to environmental programs are seen as key barriers to SMMEs ER engagement. Literature reports that SMMEs' inability in finding, obtaining and understanding ER information relevant to their business hinders their engagement. For example, Parker et al. (2009:583) aver that many SMMEs are unaware of the environmental legislation that affects their business, and also there is no awareness created about the benefits associated with engagement in environmentally responsible initiatives. The same source claims that many empirical studies have found that there is lack of commitment by many SMME owners/managers to reduce their negative environmental impact. This is because there is lack of information that creates awareness on the part of SMMEs about their negative impact on the environment.

In summary, this section has reviewed ER in SMMEs in both developed and developing countries, and drivers and barriers that motivate or hinder their efforts in environmental responsibility. Some of the defining characteristics of the SMME sector that emerged in the review that contribute to poor levels of ER practices are:

- Poor business planning without following a suitable framework due to lack of guidance.
- Lack of understanding of environmental issues.
- Limited awareness of legal or regulatory issues.
- Poor environmental practices due to low awareness.
- Owners'/managers' lukewarm attitude towards ER.

On the other hand, review of the literature suggests the following as environmentally friendly actions SMMEs can follow:

- Taking systematic account of environmental issues in business activities.
- Planning innovative and environmentally friendly products and production processes.
- Taking account of environmental impacts of products and services.
- Favouring environmentally friendly products and services in all business dealings.

Now that the theory of SMMEs' ER in the context of BSR has been clearly presented, it is logical to introduce the conceptual framework of SMMEs' social and ER in the next section.

3.9 THE INSTRUMENT USED

The literature review in this section has shown that BSR is characterized by activities that focus on economic, social, and environmental facets: that a business must (i) fulfill its economic obligation to its shareholders; (ii) accommodate the interests of its stakeholders—customers, employees and local community; and (iii) care for and protect the environment.

For this study, three attitudinal scenarios are depicted for SMME environmentalism. The first is that an SMME can be described as *environmentally irresponsible* where environmental practices fall short of the minimum standards practiced by law. The second group are seen as *environmentally compliant*, insofar as the SMME meets only the minimum standards prescribed by law. Finally, one can think of a third group as *environmentally responsible*, when the SMME consciously and voluntarily ensures that environmental practices exceed standards prescribed by law.

This empirical study will be guided by the model in Fig 3.6 which is an adaptation of Dzansi's (2006) framework. Similar to Dzansi (2006), the researcher sees the economy, society and environment as the three main dimensions of BSR for all types of businesses including SMMEs. Thus, unlike Dzansi (2006), environmental issues are major responsibility concerns for SMMEs. In brief, the model shows that engaging in responsible activities (environmental, economic and social) benefits both business and society. This study focuses on the area shaded in green, which has to do with environmentalism.

Figure 3.6: Conceptual framework of SMMEs' societal responsibility

3.10 CHAPTER SUMMARY

This chapter has examined the various theoretical bases of business social and environmental responsibilities, namely the stakeholder theory, and the charity-philanthropic and stewardship principles. It became apparent that business does not operate in a vacuum but in the society and the natural environment. Therefore, business decisions must consider the interests of various stakeholders—both primary and secondary stakeholders. The chapter also reviewed the literature on the concept of BSR with specific focus on ER in SMMEs. This review eventually led to the development of a framework to measure ER in SMMEs. The next chapter presents the results of the data analysis.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 INTRODUCTION

The preceding chapters, 2 and 3, reviewed literature pertaining to environmental issues as a social responsibility concern for small businesses. This chapter describes the methodology and procedures employed in this empirical study. According to Bryman and Bell (2011), research methodology is a framework that guides the planning, gathering, analysis and interpretation of data. Also, experts on the subject agree that when one claims to be undertaking a research study to find answers to a question, one is implying that the process: (i) is being undertaken within a framework of a set of *philosophies/approaches*; (ii) uses procedures, methods and techniques that have been tested for their *validity and reliability*; and (iii) is designed to be *unbiased and objective.*

This chapter discusses the various research processes including, among others, research classification, elements of the research process, statement of the problem, primary and secondary objectives, research design, research population, sampling techniques, data collection, data processing, research analysis, ethical issues, and limitations.

4.2 RESEARCH CLASSIFICATION

Research can be classified in terms of its purpose. Accordingly, most are classified as exploratory, descriptive or explanatory (Saunders, Lewis & Thornhill, 2007). The first two, exploratory and descriptive, were applicable to this study. Therefore, sub-sections 4.2.1 and 4.2.2 below motivate the reasons why exploratory and descriptive were chosen.

4.2.1 EXPLORATORY RESEARCH

Exploratory research is undertaken to better comprehend a specific problem when not much is known about the situation. Saunders et al. (2007) concurring with Zikmund and Babin (2010) explain that exploratory research is useful when there is little theory available to guide predictions. In such a situation, Hair et al. (2003) speculate that exploratory research is used to develop a better understanding. In other words exploratory studies are a valuable means of finding out what is happening, to seek new insights, to ask questions and to access phenomena in a new light.

The lack of previous research on ER in SMMEs suggests that exploratory research is a feasible approach to this study. It is exploratory because it seeks to investigate a phenomenon (ER) that has not previously received much investigation among the identified groups of SMMEs in the African context. Experts on the subject suggest that there are three ways of conducting exploratory research: (i) a search of the literature; (ii) talking to experts in the subject; and (iii) conducting group focused interviews.

The first two ways were adopted for this empirical study, whereby the researcher did an extensive literature review (see Chapters 2 and 3); the expert opinion of the researcher's supervisor was solicited in order to come up with a model for measuring ER in SMMEs (see Figure 3.6 of Section 3.9 in Chapter 3), and to draft the measuring instrument (see Annexure A).

4.2.2 DESCRIPTIVE RESEARCH

As its name implies, descriptive research seeks to provide an accurate description of observations of a phenomenon. Thus, this type of research illustrates phenomena as they exist, for instance specific individuals, groups or social events. Therefore for the purpose of this study, the descriptions of ER, BSR, and SMMEs of South Africa and Lesotho can be classified as descriptive research.

According to Kothari (2004:2), descriptive studies usually have one or more guiding research questions but generally are not driven by structured hypotheses. Because this type of research frequently aims to describe characteristics of populations based on data collected from samples, it often requires the use of a probability sampling technique, such as simple random sampling. Data from descriptive research may be qualitative or quantitative, and quantitative data presentations are normally limited to frequency distributions and summary statistics, such as averages. Due to the dearth of research, and therefore scarcity of information on ER in SMMEs in both South Africa and Lesotho to inform the formulation of hypotheses, descriptive study was used to describe the phenomenon under investigation, and to guide the framing of research questions.

This research also informed the choice of simple random sampling adopted for this study, and the use of frequency distributions and summary statistics for presentation and discussions on data collected. Detailed discussion on sampling method is provided in Sections 4.7.2 to 4.7.4 of this chapter, and presentation and interpretation of data in Chapter 5.

The research classification of this study having been established, the next section will present elements of the research process.

4.3 ELEMENTS OF THE RESEARCH PROCESS

Bryman and Bell (2011) posit that taking a view of the entire research process is critical to the success of a research project. The research process adopted for this study is explained in the steps listed below, and illustrated in Figure 4.1.

Step 1

The research problem of the phenomenon to be investigated was formulated. This was followed by an introductory section that detailed the background to the problem.

Step 2

An extensive review of literature was done on environmental issues in the context of BSR. Thereafter, the expert opinion of the researcher's supervisor assisted in developing a model to measure ER in SMMEs.

Step 3

The problem statement and literature review informed the formulation of research questions and objectives for this study.

Step 4

The population for this study was identified and a sample size of 680 SMMEs was selected, of which 600 SMMEs were surveyed (300 from each country).

Step 5

A questionnaire was developed that consisted of structured questions. The questionnaire was tested on some doctoral students and on samples of SMMEs. Finally, the questionnaire was fine-tuned and a final one developed.

Step 6

The final questionnaire was administered to 600 respondents in both South Africa and Lesotho on a face-to-face basis.

Step 7

The gathered data from respondents were analysed and presented. Finally, conclusions were drawn from analysis and recommendations were made.

Figure 4.1: Elements of the research process of this study

4.4 THE PROBLEM

The primary problem the research sought to address is that it is difficult to tell what SMMEs, such as motor vehicle mechanics, panel-beaters and small scale clothing manufacturers, in South Africa and Lesotho are actually doing in terms of ER; the obstacles that hinder their environmental activities endeavours; and the support they need, among other factors.

Without such information, governments or policy makers cannot reasonably be expected to formulate appropriate support mechanisms to enhance the ER efforts of these types of SMMEs. In the end, local communities in Africa and in particular these research areas might lose out on the benefits that are usually associated with environmentally responsible activities of SMMEs.

4.4.1 RESEARCH QUESTIONS

The main research question is*: What is the status of ER in potential environment polluting businesses such as motor vehicle mechanics, panel-beaters, clothing manufacturing businesses and other similar SMMEs in South Africa and Lesotho?*

To answer the main research question, the following specific research questions were investigated:

1. What do SMMEs in South Africa and Lesotho understand the concept BSR to mean?
2. What do SMMEs in South Africa and Lesotho understand the concept ER to mean?
3. Do the SMMEs of South Africa and Lesotho regard voluntary engagement in environmental activities as a sound business philosophy/practice?

4. What are the SMMEs' main reasons for engaging or not engaging in environmental issues?
5. What is the general attitude of SMMEs towards environmental issues?
6. What major obstacles hinder environmentally responsible behaviour of SMMEs?
7. What are the main ER activities of SMMEs?

8. What commonalities and differences in ER engagement are there for SMMEs in South Africa and Lesotho?
9. What support do the SMMEs need in their ER endeavours?
10. What important practical lessons can be learnt from these two countries?

4.5 OBJECTIVES

4.5.1 MAIN OBJECTIVES

Based on the above problem statement, the main objective of this study is: *to compare environmental issues among potential environment polluting businesses such as motor vehicle mechanics, panel-beaters, small scale clothing manufacturing businesses and other similar SMMEs in South Africa and Lesotho.*

4.5.2 SUBSIDIARY OBJECTIVES

The subsidiary objectives are to determine:

1. SMMEs' understanding of the concept BSR.
2. SMMEs' understanding of the concept ER.
3. Whether or not SMMEs in South Africa and Lesotho regard environmental issues as a sound business philosophy/practice?
4. The main reason why SMMEs engage in environmental activities.
5. The general attitudes of SMMEs towards environmental issues.
6. The major obstacles hindering performance on environmental issues by SMMEs.
7. The main activities of SMMEs in environmental issues.
8. The similarities and differences in environmental issues of SMMEs in South Africa and Lesotho.
9. The support SMMEs need in their environmental issues endeavours.
10. Important practice lessons that can be learnt from these two countries.

4.6 THE RESEARCH PHILOSOPHY/ PARADIGM

Aliyu et al. (2014:79) contend that research paradigms inherently reflect our beliefs about the world we live in (and want to live in). Based on this belief, Bryman and Bell (2011:15) together with Creswell (2012) distinguish between positivistic (quantitative) and phenomenological research paradigms (qualitative, interpretivist, constructivist). This study rest primarily on a positivistic research paradigm. The next sub-sections elaborate on these two main research paradigms.

4.6.1 THE POSITIVISTIC RESEARCH PARADIGM

Positivists claim that observation and reason are the best means of understanding human behaviour, that true knowledge is based on sensory experience and can be obtained by observation and experiment. Burns (2008:130) and Bryman and Bell (2011:6) aver that, at the ontological level, positivists assume that reality is objectively given and is measurable using properties that are independent of the researcher and his or her instruments. In other words, knowledge is objective and quantifiable (Zikmund et al., 2010). Positivistic thinkers adopt methods and systematize the knowledge generation process with the help of quantification to enhance precision in the description of parameters and the relationships among them (Henning et al., 2014:17). Thus positivism is concerned with uncovering truth and presenting it by empirical means.

This implies that researchers adopting the positivistic paradigm focus on the quantification of constructs and emphasize that the measuring of phenomena occurs through quantitative measurement. O'Leary (2005:89) posit that quantitative data collection aims to obtain the largest sample possible. As stated earlier, this study aligns with the positivistic paradigm due to its method of data collection, which is quantitative, and its large sample size.

4.6.2 THE PHENOMENOLOGICAL RESEARCH

Phenomenological (also called anti-positivist) research is concerned with the understanding of human behaviour from the researcher's own standpoint and focuses on the meaning the individuals attach to actual experiences of phenomena (Aliyu et al., 2014). In other words, phenomenological researchers interact with the objects being investigated. McGregor and Murnane (2010) are of the view that researchers making use of this research paradigm rely on qualitative research methods, and often use small samples and yield subjective data as they formulate insights and theories as the research progresses. Flowers (2009), therefore, points out that given the subjective nature of the anti-positivist paradigm, and the emphasis on language, it is associated with a qualitative approach to data collection.

In summary, there are really two main research paradigms, the positivist and the phenomenological (anti-positivist) approaches. Some researchers refer to the phenomenological paradigm as the qualitative, subjectivist, humanistic or interpretive research, while the positivist paradigm is synonymous with quantitative, objectivist, scientific, experimental or traditional research (Collis and Hussey, 2009:54). This study rests mostly in the realm of the positivistic research paradigm.

Authors such as Zikmund et al. (2010), Aliyu et al. (2014) and Choy (2014) identify the characteristics presented in Table 4.1 as some of the striking differences between the positivistic and phenomenological research paradigms.

Table 4.1: Differences between positivistic and phenomenological paradigms

Positivistic paradigm	Phenomenological paradigm
There is a single reality that can be measured.	There are multiple realities that can be studied only holistically and cannot be predicted or controlled, although some level of understanding can be achieved.
The researcher and research participants can remain independent of one another and not influence one another.	The researcher and research participants cannot remain separate or independent. They interact and influence one another.
Findings of research can be generalized from the study sample to the larger target population.	Findings cannot be generalized beyond the study sample. Knowledge gleaned from the study is in the form of "working hypotheses."
Cause-and-effect relationships can be tested.	Cause-and-effect relationships cannot be tested since there are multiple realities that are continually changing, so it is impossible to distinguish causes from effects.
Research can be conducted objectively and in a value-free manner.	Research is subjective and value bound (i.e. the researcher's own values).

The above authors further argue that the notion of intellectual rigor is reconceptualised in anti-positivistic research. Rigor refers to whether the results are valid and/or trustworthy, legitimate and believable. Central to this issue, in the anti-positivistic paradigm, is the recording of how the study was accomplished (e.g. methodological decisions, theoretical notes, plans for data collection and analysis and frameworks used to interpret results). While positivism uses validity and reliability as tests of rigor, anti-positivistic research assumes a different stance. Anti-positivist thinkers strive for criteria pertaining to trustworthiness rather than absence of bias. They endeavour to achieve credibility (instead of internal validity), transferability (instead of external validity), dependability (instead of reliability) and conformability (instead of objectivity).

The discussion on research paradigms has revealed that quantitative research methods align with the positivistic paradigm and qualitative with the phenomenological paradigm. The next section examines both the quantitative and qualitative research methods. In accordance with positivism, the quantitative research method was used in this study.

4.6.3 THE RESEARCH METHOD

As alluded to in Section 4.6.1 above, quantitative research methods are aligned with the positivist paradigm, and are the methods employed for this study. This research method is especially useful when carrying out a large scale needs assessment. It is independent of the researcher and one should obtain similar results no matter who carries out the research. Choy (2014: 99) agrees that quantitative research is said to be *generalizable*, which means that its results can be applied to other contexts and situations through statistical or mathematical modelling. Also, this type of research method employs strategies of inquiry such as experiments and surveys and collects data on predetermined instruments that yield statistical data (McGregor & Murnane, 2010:422; Stroie, 2014:1109).

Bryman and Bell (2011:26) contend that quantitative methods can be construed as a research strategy that emphasizes quantification in the collection and analysis of data and that: (i) entails a deductive approach to the relationship between theory and research, in which the accent is placed on the testing of theories; (ii) has incorporated the practices and norms of the natural scientific model of positivism in particular; and (iii) embodies the views of social reality as an external, objective reality.

Qualitative research methods rely on a phenomenological approach to social science. Neuman (2006:15) aver that this type of approach does not narrowly focus on a specific question but ponders the theoretical philosophical paradigm in an inquisitive, open-ended manner as they adopt a perspective. Choy (2014:100) alleges that in qualitative research, unlike in quantitative research methods, information gathered is non-numerical and might include responses to an open-ended survey question, dialog from a focus group, the answers to an essay question or ideas brainstormed by a group.

Bryman and Bell (2011:27) add that qualitative research can be construed as a research strategy that usually emphasizes words rather than quantification in the collection and analysis of data and that: (i) predominantly emphasizes an inductive approach, in which the emphasis is placed on the generation of theories; (ii) has rejected the practices and norms of the natural scientific model of positivism in particular in preference for an emphasis on the way in which individuals interpret their social world; and (iii) embodies a view of social reality as a constantly shifting emergent property of an individual's own creation.

In conclusion, the discussion on research paradigms has revealed that there are basically two main types of research paradigms, the positivist and phenomenological (anti-positivist) approaches. Some researchers refer to the phenomenological paradigm as the qualitative, subjectivist, humanistic or interpretive research, while the positivist paradigm is synonymous with quantitative, objectivist, scientific, experimental or traditional research (Collis and Hussey, 2009:54). Table 4.2 below summarizes the differences between quantitative and qualitative research methods.

Table 4.2: Differences between quantitative and qualitative methods

Quantitative research	Qualitative research
Considered a hard science	Considered a soft science
Objective	Subjective
Deductive reasoning used to synthesize data	Inductive reasoning used to synthesize data
Focus—concise and narrow	Focus—complex and broad
Tests theory	Develops theory
Basis of knowing—cause and effects relationships	Basis of knowing—meaning, discovery
Basic elements of analysis—numbers and statistical analysis	Basic elements of analysis—words, narrative
Single reality that can be measured and generalized	Multiple realities that are continually changing with individual interpretation

As stated in Section 4.6, this empirical study derives mostly from the positivistic research paradigm. This is in consideration not only of the quantitative means of data collection but also the merits of the quantitative research method identified by Bryman and Bell (2011), Choy (2014) and Pradeep (2014). The merits are summarized as follows:

- Testing and validating already constructed theories about how and why phenomena occur.
- Can generalize research findings when the data are based on random samples of sufficient size.
- Can generalize a research finding when it has been replicated on many different populations and sub-populations.
- Useful for obtaining data that allow quantitative predictions to be made.
- The researcher may construct a situation that eliminates the confounding influence of many variables, allowing one to more credibly establish cause-and-effect relationships.
- Provides precise, quantitative and numerical data.
- Data analysis is relatively less time consuming (using statistical software).
- The research results are relatively independent of the researcher (e.g. statistical significance).
- It is useful for studying large numbers of people.

The above authors, however, list the following as some of the demerits of quantitative research:

- The researcher's categories that are used might not reflect local constituents' understanding.
- The researcher might miss out on phenomena occurring because of the focus on theory or hypothesis rather than on theory or hypothesis generation (called confirmation of bias).
- Knowledge produced might be too abstract and general for direct application to specific local situations, context, and individuals.

In spite of its demerits, many of the merits of this research method make it suitable to this empirical study, particularly in terms of the following (but not limited to these): (i) the study deals with a large number of participants comprising motor vehicle mechanics, panel-beaters and small scale clothing manufacturers; (ii) a predetermined instrument (structured questionnaire) was used to collect data; (iii) data collected was quantifiable; (iv) the results obtained can be generalized; (v) statistical software (SPSS) is used for data analysis.

4.7 RESEARCH DESIGN

As stated above, this study is exploratory. It is exploratory because it seeks to investigate a phenomenon (ER) that has not previously received much investigation among the identified groups of SMMEs in the African context. Consistent with the underlying positivist paradigm, the study was mainly quantitative in nature. However, some qualitative elements were incorporated in order to provide a deeper understanding of issues that emerged from the quantitative study.

4.7.1 DATA COLLECTION AND ANALYSIS

4.7.1.1 Population

A population or universe is the entire or complete collection, group or set of observations of interest to the researcher of a study (Russell and Purcell, 2009:174). The target population for this study comprised typical small businesses whose operations have the potential to pollute the environment. Specifically, the study targeted small-sized motor vehicle mechanic shops, small panel-beaters, and small scale clothing manufacturers in both rural and urban areas in the two countries covered in this study. The selection might not have been exhaustive but the study was limited by budgetary and time constraints, and it was hence impossible to widen the scope.

4.7.1.2 Sampling frame

According to Cooper and Schindler (2008), the sampling frame of a study is the list of elements from which the sample is drawn. Rootman (2011:244) contends that many South African researchers find it difficult to acquire sampling frames for their research because of the lack of available information and/or errors on available lists. This situation applies to this study, as the actual population size was difficult to determine.

The complete populations of small-sized motor vehicle mechanic shops, small panel-beaters, and small-sized clothing manufacturers in South Africa and Lesotho could not be established. This was because existing lists at the Departments of Trade and Industries of the two countries were outdated and grossly incomplete, especially given the high rate of emergence in the SMME sectors in the two countries. This means that (i) there was a large population size and (ii) obtaining a pre-existing sample frame was difficult. Because of this, a decision was taken to engage field workers to compile an original sample frame.

4.7.1.3 Sampling technique adopted

There are two main techniques available for selecting a sampling to be analysed, namely *probability sampling* and *non-probability sampling*. Fraenkel and Wallen (2006) advise that the purpose of the research must determine the type of sampling technique adopted. It was discussed in Section 4.2.2 that the adoption of descriptive research requires the use of probability sampling, and most preferably simple random sampling, especially in a situation where the sample is large. However, considering the different types of SMMEs in the sampling frame (motor vehicle mechanics, panel-beaters and small scale clothing manufacturers), a stratified sample was used.

Based on the above suggestion, the researcher decided to use simple random sampling and stratified sampling because of the use of exploratory and descriptive research. Fraenkel and Wallen (2006) define simple random sampling as that in which each member of the population has an equal and independent chance of being included in the sample. Although some authors have criticized this sampling technique, it remains most relevant. This is due to the fact that every member of the sampling frame has an equal chance of being selected, and the technique has high external validity.

Lohr (2009:26) say that in a stratified random sampling, the population is divided into subgroups called strata. Then a simple random sample is used to select each stratum. In other words, the population is divided into strata (groups) of similar characteristics and samples are drawn from each group.

This study employed two phases of sampling selection. In phase one, stratified sampling was employed, where the identified SMMEs in the sample frame were sub-divided according to their business interest areas. Thus, all motor vehicle mechanics were grouped together, followed by panel-beaters, then small scale clothing manufacturers.

In phase two, simple random sampling was used to select SMMEs for the survey. Research literature suggests the following steps when simple random sampling is used: (i) define the population; (ii) list all members of the population; and (iii) select the sample by employing a procedure whereby sheer chance determines which members on the list are drawn from the sample. In this study, the population was firstly defined (Section 4.7.2), then each SMME in the sampling frame was given a unique number. The numbers were written on pieces of papers, folded and placed in a bowl. Piece of paper were picked from the bowl one at a time, and the name of the SMME picked was recorded but that piece of paper was not returned to the bowl again. This was done to ensure that no SMME was picked more than once, so that each would have an equal chance of being selected. The process was repeated three times, to cover all three subgroups, until the desired number was reached.

4.7.1.4 Sample size

Fraenkel and Wallen (2006) contend that the determination of how large a sample should be is a difficult one. However, the authors suggest that the most important characteristic of a sample, therefore, is its representativeness, not its size. In spite of the inconsistencies in research literature in terms of actual sample size, Lohr (2009:46) recommend that a researcher consider at least the following factors in determining a sample size:

- The level of precision that is actually needed.
- The consequences of the survey results.
- The degree of error that is tolerable.
- The cost.

In consideration of the above suggestions, a decision was taken to secure a sample size of 680 SMMEs (comprising motor vehicle mechanics, panel-beaters, and small scale clothing manufacturers) in both South Africa and Lesotho, of which 600 (300 from each country) were surveyed. This number was arbitrary but considered sufficient to make statistical analysis possible

4.7.1.5 Primary data collection

As stated above, the study was primarily quantitative. As a result, the main measuring instrument was a structured questionnaire that was completed by the respondents.

4.7.1.6 Questionnaire design

According to Davis (2008:212), the determination of what is to be measured should flow naturally from the research problem and objectives of the study. In Chapter 3, Section 3.10, a conceptual framework was proposed. This framework was used to construct the questionnaire with the research problem, the main and subsidiary objectives, and the research questions in mind. This means that a custom-made questionnaire was developed. This inevitably raises questions regarding its validity and reliability. Section 4.8 below explains how these questions were addressed.

4.7.1.7 Sections in the questionnaire

The seven parts of the questionnaire are as follows:

Part A: In this part the respondents were asked about their understanding of BSR on a five-point Likert scale of strongly agree, agree, neutral, disagree and strongly disagree.

Part B: This part was based on how they (the respondents) understand ER. Respondents were to indicate on a five-point scale from strongly agree to strongly disagree.

Part C: Questions in this section were posed to identify respondents' understanding of ER as a sound business philosophy/practice. The five-point scale ranging from strongly agree to disagree was used.

Part D: On a five-point scale of strongly agree, agree, neutral, disagree and strongly disagree, respondents were quizzed on the reasons/motives for undertaking ER activities.

Part E: Respondents were asked in this part to indicate on a five-point scale from strongly agree to strongly disagree their ER attitude.

Part F: On a five-point scale of strongly agree, agree, neutral, disagree and strongly disagree, respondents were asked questions on the barriers to ER.

Part G: Respondents were asked to indicate on a five-point scale of strongly agree to strongly disagree the environmentally responsible activities of the business.

Part H: This part was on the demographic data of the respondents, and was divided into two sections. Section H1 contained questions on the personal details of respondents and H2 questions were on details of their business.

4.7.1.8 Pre-testing the questionnaire

After the design of the measurement scale (questionnaire), it is prudent to pre-test it before it is used. Davis (2005:219) posits that pre-testing often identifies problems in wording, questionnaire format, and other areas that have a profound impact on the validity of the findings. Blumberg et al. (2008:74) suggest the following as ways of pre-testing the questionnaire: (i) the researcher can use colleagues, respondent surrogates or actual respondents to refine a measuring instrument, and (ii) suggestions of respondents are used to identify and change confusing, awkward or offensive questions and techniques.

Once the questionnaire was finalized, the researcher selected some masters and doctoral students and distributed the questionnaires to them. After collecting the questionnaires, the researcher analysed the collected data with other doctorial students. This was the first level of pre-testing. The second level of pre-testing involved some selected SMMEs in Bloemfontein. Such two-level pre-testing of the questionnaire was in line with advice by Cooper and Schindler (2011:347).

From both types of pre-testing, it emerged that some respondents were apprehensive about the anonymity and confidentiality of both personal and organizational information. These concerns were addressed and reported in the appropriate section of this chapter. Also, language issues surfaced and this was addressed by translating the questionnaire into the respondents' mother tongue for those respondents who had difficulty with the English language version of the questionnaire.

4.7.1.9 Data analysis

Data collected was analysed using the latest version of the statistical package SPSS. Zikmund and Babin (2010:1) mention that there are two main types of data that result from analysis, *descriptive statistics* and *inferential statistics.*

Descriptive statistics

Descriptive statistics describe the characteristics of a population (Zikmund & Babin, 2010:325). Quyang (2010:1) further states that descriptive statistics include central tendency, variability relative position and relationship. The above descriptive statistics were produced, and used to summarize and describe the data collected.

Inferential statistics

Inferential statistics allow the researcher to make inferences, and hence draw conclusions about the population based on the data obtained (Collis & Hussey, 2009). Inferential statistics are generally classified under two main categories, parametric statistics and non-parametric statistics. Non-parametric analytic techniques were used to produce inferential statistics. This rather conservative approach was adopted because the rating scale (Likert scale) that was used produced data often considered to be at best ordinal, and hence amendable only to non-parametric analysis in accordance with the conventional rules of statistics. The specific parametric statistics was Chi-square test.

In this empirical study, the captured data were calculated and categorized into two sections, namely *raw data* and *transformed data.* Descriptive statistics were used to describe the raw data as captured from respondents, while inferential statistics were used for significance testing.

4.8 ENSURING CREDIBILITY OF THE STUDY

Every research endeavour must be credible, and the researcher has to ensure that the evidence and conclusions from the research can stand up to scrutiny. Davis (2008:189) point out that two key elements of the credibility of a study are for it to be valid and reliable.

4.8.1 ASSURING VALIDITY

Davis (2008:190) states that a measurement scale is valid if it does what it is supposed to do and measures what it is supposed to measure. There are three basic types of validity that most researchers are concerned with, namely content validity, construct validity and criterion-related validity. Only content validity and construct validity will be discussed since they are the ones directly related to this empirical study.

Content validity

Davis (2008:190) defines content validity as the degree to which the scale items represent the domain of the concept under the study. He further suggests the following procedures for ensuring content validity:

- construct an exhaustive search of the literature for all possible items to be included in the scale
- solicit expert opinion on the inclusion of items
- pre-test the scale on a set of respondents similar to the population to be studied
- modify as necessary

To ensure content validity of the study, a brief review of the related literature of this study was done (see Chapters 2 and 3). This helped in the formulation of an operational definition of BSR in general and environmental issues/responsibility in particular. Also, the expert opinion and guidance of the researcher’s supervisor was sought in order to finalize the development of a measurement scale.

Construct validity

Construct validity entails identifying the correct operational measures for the concepts being studied (Davis, 2008:192; Yin, 2009:41). This means that construct validity refers to how well operationalization in research measures the theoretical construct they are supposed to measure. In this sense, most of the processes that were used to ensure content validity also applied to construct validity.

In other words the exhaustive review of the related literature that was done resulted in an operational definition. For example, the exhaustive review of the related literature resulted in the operational definition of BSR as ***"a company's balancing commitment to its economic obligations, stakeholders (customers, employees, local community) and the environment that goes beyond legal compliance,"*** and ER as ***"the obligation of business to embark on actions that protect and improve the natural environment so as to create sustainable development."*** This definition guided the selection of questionnaire elements to ensure that the instrument measured what it intended to measure, in cognizance of stakeholder value. Therefore, the questionnaire was divided into sections to cover environmental issues and stakeholders' interests.

4.8.2 ASSURING RELIABILITY

Gaiser and Schreiner (2009:70) contend that reliability is concerned with the consistency, stability and credibility of the findings of a study. In short, a study is reliable if its findings can be reproduced by following the procedures it followed. Cooper and Schindler (2008:288) identify the following as sources of error that compromise instrument reliability

- the respondent
- situational factors
- the measurer
- the instrument

The respondent and situational factors

Cooper and Schindler (2008:288) contend that respondents may suffer from temporary factors such as fatigue, boredom, anxiety, hunger, impatience, or general variations in mood or other distractions and these limit the ability to respond accurately and fully. The researcher and his supervisor therefore ensured that the measurement scale was not too long and time consuming so as not to bore the respondents. During the pre-testing stage it was realized that the right times to administer the questionnaires were during the morning hours and immediately after lunch. During those periods the respondents looked fresh and cheerful. Also, questions touching on sensitive issues were phrased in a delicate manner and respondents were assured of the confidentiality of their participation in the study.

Any condition that places a strain on the interview or measurement session can have serious effects on the interviewer-respondent rapport (Cooper & Schindler, 2008:288). It was desired that all interviews be conducted with the interviewee alone, so that the respondent would feel relaxed and free from any intimidation or judgment from a colleague or any superior.

The measurer

An interviewer can distort responses by rewording, paraphrasing, or reordering questions. To avoid such risks, the questions were structured and standardized, so the respondents did not answer any of the questions in their own words. The wording of the questions and the instructions were straightforward and free of ambiguities. Finally, the field workers engaged to assist in administering the questionnaires were trained and therefore knew exactly what was required of them.

The instrument

Cooper and Schindler (2008:289) opine that a defective instrument can cause distortion, confusion and ambiguity. They state that these problems are the direct result of operational definitions that are insufficient, resulting in an inappropriate scale being chosen or developed. To reduce this possibility, clear operational definitions of BSR and ER that sufficiently addressed the demands of the study were adopted. Additionally, the structured questions were free from complex words that would hinder comprehension on the part of the respondents.

4.9 ETHICAL CONSIDERATIONS

Blumberg et al. (2008:154) postulate that ethics are moral principles, norms and standards of behaviour that guide choices about behaviour towards others. In research the views of other parties are solicited and their ideas are used. In the process of soliciting these views, the researcher needs to behave in a morally responsible manner so that no one feels embittered. Research ethics therefore means the proper moral conduct of the various parties involved in the research process (Davis, 2008:470).

Blumberg et al. (2008:156) are of the opinion that a research study must be designed such that a respondent does not suffer physical harm, discomfort, pain, embarrassment or loss of privacy. To safeguard against these possibilities, Blumberg et al. (2008) recommend the following three guidelines for the researcher: explain the benefit of the study; explain the participant’s rights and protection; and obtain informed consent.

In this empirical study, the following steps were taken to ensure that the research process adhered to the highest ethical standard possible:

- The purpose of the research was explained to the respondents and they were also informed that they were free to choose whether or not to participate in the research.

- Respondents were also informed of their rights of protection of anonymity, and thus their privacy was maintained and any information they shared has been and will be held in strictest confidence.
- Finally, the researcher adopted the teleology view point, whereby the benefits of what was being studied was measured against the costs of potential harm to the parties involved, and also made sure that no harm, whether physical or otherwise, occurred to any of the participants.

4.10 LIMITATIONS OF THE STUDY

No research is devoid of shortcomings and this research is no exception. The following limitations are foreseeable.

Even though there are many SMMEs across the length and breadth of South Africa and Lesotho, the study was limited to only the three groups listed above. Whilst the findings may therefore be generalizable to only those SMMEs, they nonetheless do give an indication of what to expect from others.

Because small businesses are known for their secrecy, it is difficult to guarantee that owners/managers provided truthful responses. However, the inclusion of employees in the survey helped balance these possible biases. Besides, it was assumed that owners/managers were honourable enough to provide truthful and honest responses.

Thus notwithstanding these possible drawbacks, the outcome of the research should be credible.

4.11 CHAPTER SUMMARY

This chapter provided an in-depth discussion on the research methodology and design of the study to determine social and ER of SMMEs in South Africa and Lesotho. Firstly, the problem statement, research questions and objectives of the study were stated.

Thereafter, the different research paradigms and methodology were covered, where it was stated that this study is aligned with the positivist paradigm.

In addition, data collection and analysis were discussed. The measuring instrument chosen for the study is a self-administered structured questionnaire. Also, various means of ensuring the credibility of the study were pointed out. Finally, issues concerning ethics in research and limitations were discussed.

Following the extensive discussion of research methodology in this chapter, the empirical results from the data analysis are discussed in the next chapter, Chapter 5.

CHAPTER 5: FINDINGS AND DISCUSSIONS

5.1 INTRODUCTION

The previous chapter examined the research design and methodology adopted for this study. This chapter aims to build on that, by presenting and discussing the major findings.

The study was conducted to investigate and compare ER, as a component of BSR, of SMMEs in South Africa and Lesotho. The study focused on motor vehicle mechanics, panel-beaters and clothing manufacturing businesses in the Free State of South Africa and Maseru District of Lesotho. This was a quantitative study that involved 600 owners/managers who had to complete self-administered structured (Likert scale type) questionnaires (see Appendix A).

The presentation and discussion of the findings begin with the demographic profile of the participants. This is followed by: (a) their understanding of business social responsibility—what BSR means to them; (b) their understanding of environmental responsibility—what ER means to them; (c) their views on whether or not ER is a sound business philosophy/practice; (d) their reasons/motives for engaging in ER (if they do so); (e) attitudes towards ER; (f) barriers to engaging in ER; and (g) their preferred ER activities.

5.2 RESPONSE RATE

In all, 680 SMMEs were targeted in both South Africa and Lesotho. However, 600 SMMEs participated in the survey, giving a response rate of 88.2%. Thus, there were 300 respondents from each country, which included motor vehicle mechanics, panel-beaters and small scale clothing manufacturers.

5.3 PROFILE OF RESPONDENTS

Table 5.1: Respondent details

Personal details	Category	Lesotho		South Africa	
		Frequency	Percentage	Frequency	Percentage
Gender	Male	230	76.7%	237	79.0%
	Female	70	23.3%	63	21.0%
Race	Black	232	77.3%	192	64.0%
	White	15	5.0%	26	8.7%
	Coloured	2	0.7%	33	11.0%
	Indian	30	10.0%	30	10.0%
	Other	21	7.0%	19	6.3%
Age	18-35 Years	88	29.3%	71	23.7%
	36-45 Years	139	46.3%	148	49.3%
	46-55 Years	65	21.7%	60	20.0%
	56-65 Years	7	2.3%	19	6.3%
	66 Years+	1	0.3%	2	0.7%
Highest Level of education	None	-	-	3	1.0%
	Grade 1-4	11	3.7%	3	1.0%
	Grade 5-9	62	20.7%	28	9.3%
	Grade 10-12	131	43.7%	143	47.7%
	Post Grade 12	96	32.0%	120	40.0%
	Post Graduate			3	1.0%
Type of Respondent	Owner	18	6.0%	14	4.7%
	Manager	53	17.7%	57	19.0%
	Owner/Manager	135	45.0%	166	55.3%
	Employee	94	31.3%	63	21.0%
Religious Denomination	Christian	275	91.7%	277	92.3%
	Muslim	18	6.0%	12	4.0%
	Hindu	1	0.3%	7	2.3%
	Other	6	2.0%	4	1.3%

Gender

For gender, the results in Table 5.1 as well as Figure 5.1 show that male respondents dominated the study, with 76.7% in Lesotho and 79% in South Africa. This trend of male domination will not please policy makers, especially in South Africa where ensuring equitable women participation in business, and particularly in the small business sector, has become a major target. However, considering that the motor vehicle mechanical and panel-beating businesses have traditionally been male dominated, this finding is not surprising. Rather, it is quite encouraging to find some women venturing into such a traditionally male dominated business.

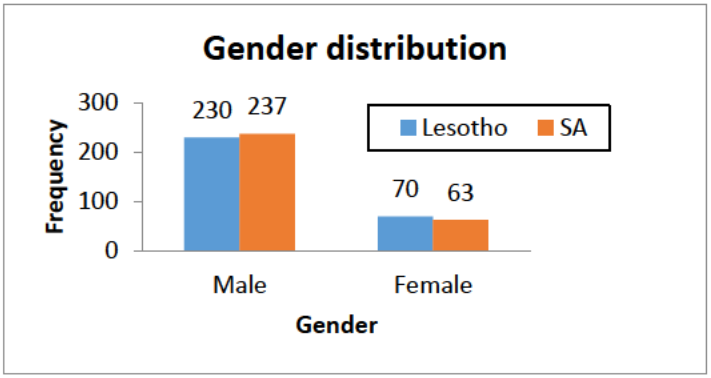

Figure 5.1: Gender distribution of respondents.

Race

Table 5.1 in conjunction with Figure 5.2 depict the racial distribution of respondents. The results indicate that the majority of the respondents were black (77.3% and 64%) for Lesotho and South Africa respectively. The second most represented racial group in Lesotho is Indians with 10% whereas in South Africa coloureds were second with 11%. Only 5% of the respondents were white in Lesotho as compared to 8.7% in South Africa. Policy makers will be pleased with the extensive apparent black participation in these SMMEs in South Africa, because efforts have been made to encourage more blacks into mainstream economic activities through a desire to address the imbalances created during the apartheid era. For Lesotho, this finding is not surprising since it is a predominantly black country.

Age

Table 5.1 and Figure 5.3 show that the 36-45 years age group is the most represented with 46.3% and 49.3% for Lesotho and South Africa respectively. This is followed by the 18-35 year group, with 29.3% for Lesotho and 23.7% for South Africa. Overall, the age distribution of respondents is interesting since the results reveal that the majority (75% for Lesotho and 73% for South Africa) of the respondents are youths, between the ages of 18-45 years. This finding augers well for youth employment. Statistics show that South African youth unemployment rate was 63% in 2013 (Oosthuizen & Cassim, 2014) and in

Lesotho youth unemployment was 38% in 2010 (Economic Review, 2012). With such high levels of youth unemployment in both countries, and efforts being made to arrest the situation, governments in Lesotho and South Africa will be pleased that the youth are getting involved in SMMEs.

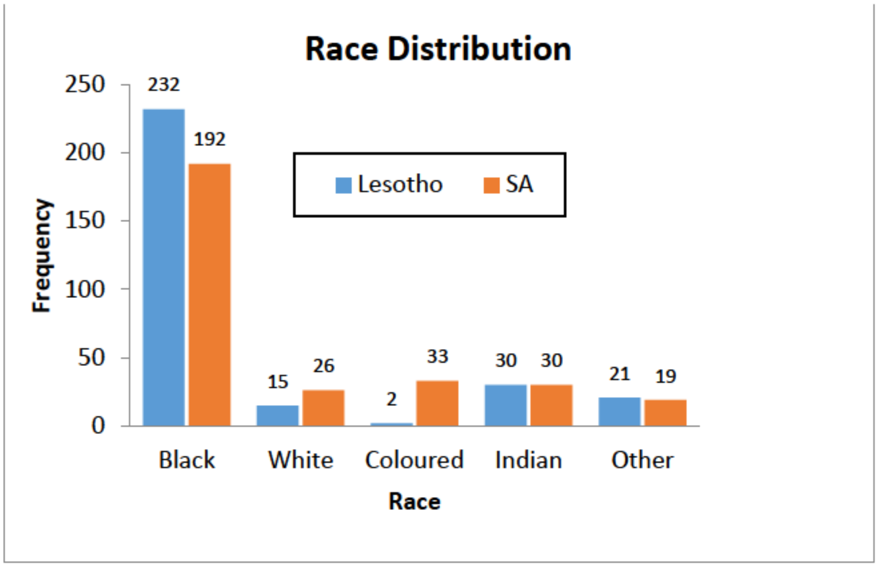

Figure 5.2: Race distribution of respondents

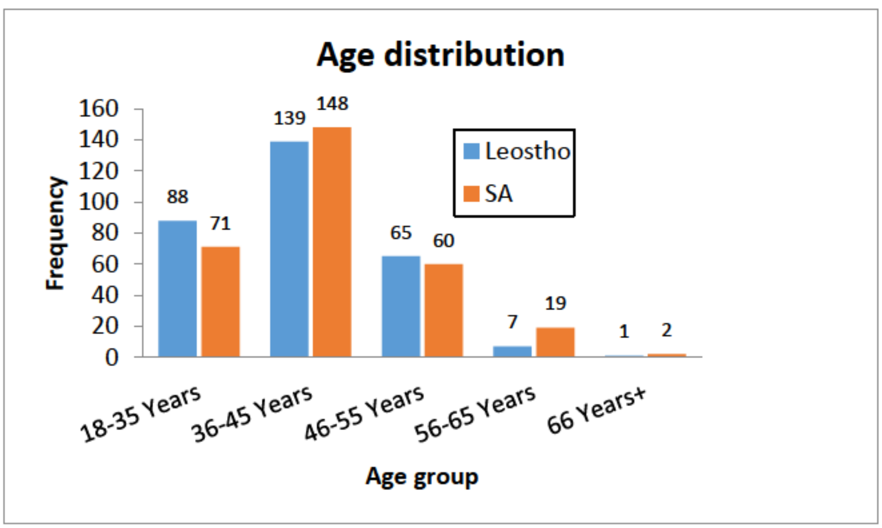

Figure 5.3: Age distribution of respondents

Level of education

Table 5.1 and Figure 5.4 show that in both South Africa and Lesotho, the majority of the respondents have Grade 10-12 as their highest level of education. Since education provides competencies, this finding is a positive sign for the future of small business management in both countries. Chiliya and Roberts-Lombard (2012:462) emphasize the importance of educated human capital by stating that the economic growth of a country is determined by its skilled and educated people. Wanigasekara and Surangi (2011:1) stress that many researchers have found a strong link between education and small business success. Thapa (2007) also found a positive correlation between education and small business success. Dzansi (2004:202) believes that a sound level of education should be a good omen for training providers who may not have too much difficulty in providing further training to owners/managers of SMMEs given their existing educational background.

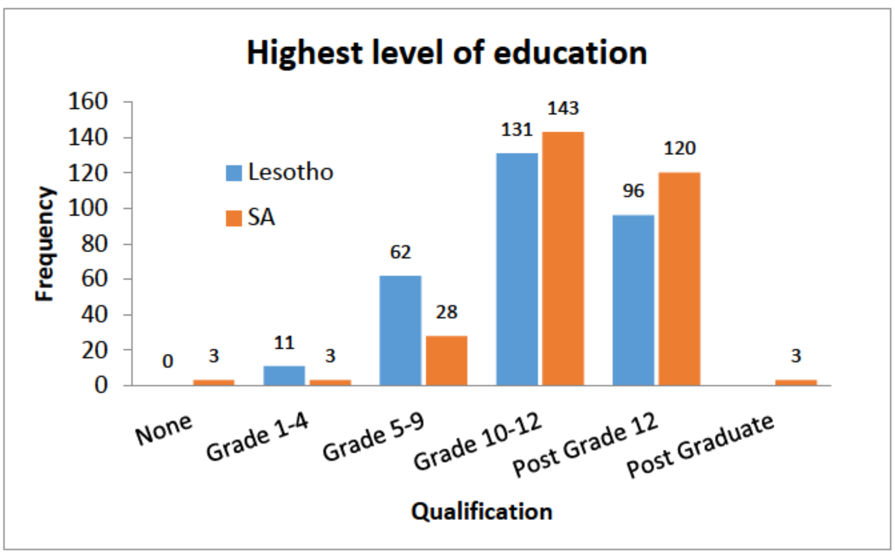

Figure 5.4: Qualifications of respondents

Type of respondent

The results in Table 5.1 and Figure 5.5 also show that for Lesotho 45% of the participants owned and managed their business entities, whereas for South Africa the percentage stood at 55.3%. The high involvement of owners in managing their businesses might be a good sign for SMMEs' engagement in ER initiatives. For instance, in the literature review in Chapter 3, Sections 3.8.1 and 3.9, it emerged that engagement in environmentally responsible initiatives can be driven by the personal values, beliefs and knowledge of SMME owners/managers (Parker et al., 2009; Williams & Scheafers, 2013). Thus, ER in SMMEs depends on the personal judgment and values of owners/managers, and Ma (2012) posit that in most cases the owners/managers are the sole decision makers.

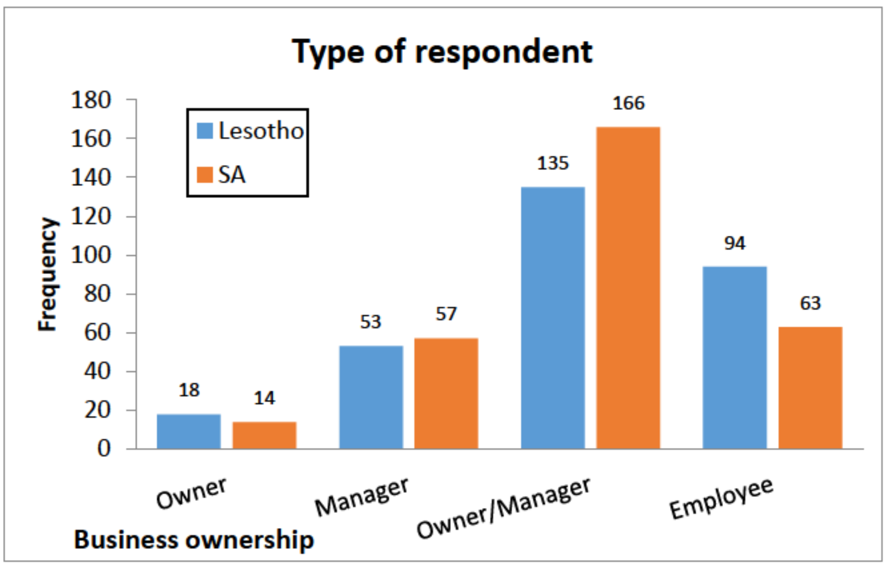

Figure 5.5: Type of respondent

Religious denomination

For religious denomination, Table 5.1 and Figure 5.6 reveal that most of the participants were Christians as reflected by the high percentages of 91.7% for Lesotho and 92.3% for South Africa. The high percentages of Christians in both countries contributed to the majority of respondents being Christians. Morality forms the basis of Christianity, and also serves as a foundation of BSR, with ER an integral part. It is therefore believed that owners/managers will be influenced by their Christian background to engage in ER.

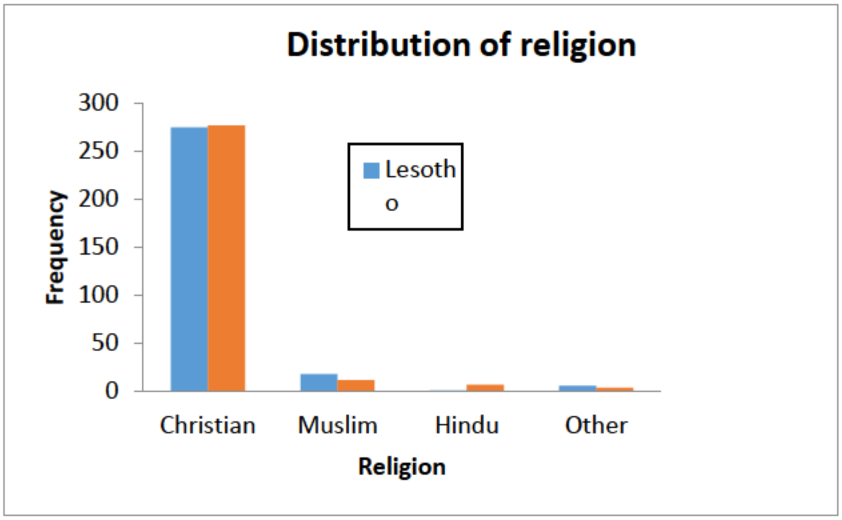

Figure 5.6: Religious denomination

5.4 COMPANY DETAILS

This section discusses the general distributions of the company variables of the survey participants in Lesotho and South Africa.

Type of business

In Lesotho, 39% were from the manufacturing sector, 30.7% motor vehicle mechanic and 30.3% panel-beating. In South Africa the highest number of participants were drawn from the manufacturing sector (37%), followed by motor vehicle mechanic (33%) and panel-beating (30%). The combined percentage of artisans (motor vehicle mechanics and panel-beaters) is 61 and 63 in Lesotho and South Africa respectively. Given that it is easier for artisans to establish a self-employment business than manufacturing ones, this finding is not surprising.

Table 5.2: Summary of company details

Company Details	Category	Lesotho		South Africa	
		Frequency	Percentage	Frequency	Percentage
Type of Business	Manufacturing	117	39.0%	111	37.0%
	Motor vehicle mechanic	92	30.7%	99	33.0%
	Panel-beater	91	30.3%	90	30.0%
Number of employees beside owner	1-5	85	28.3%	42	14.0%
	6-10	93	31.0%	125	41.7%
	11-20	49	16.3%	82	27.3%
	21-50	48	16.0%	44	14.7%
	51-200	25	8.3%	7	2.3%
Gross turnover per annum	Up to R500 000	149	49.7%	167	55.7%
	R500 000 to R2mil	118	39.3%	119	39.7%
	R2mil to R4mil	31	10.3%	14	4.7%
	R4mil to R6mil	2	0.7%	0	0.0%
Estimate of company's return on investment for the previous year	Loss making	42	14.0%	39	13.0%
	Breakeven	78	26.0%	108	36.0%
	Up to 2%	52	17.3%	71	23.7%
	3-5%	37	12.3%	33	11.0%
	6-10%	49	16.3%	33	11.0%
	11-15%	27	9.0%	12	4.0%
	16-20%	7	2.3%	4	1.3%
	More than 20%	8	2.7%	0	0.0%
Percentage pre-tax profit spend on social and ER yearly	1%	209	69.7%	204	68.0%
	2%	57	19.0%	73	24.3%
	3%	19	6.3%	22	7.3%
	4%	5	1.7%	1	0.3%
	5% or more	10	3.3%	0	0.0%
Age of Business	1-3 years	10	3.3%	1	0.3%
	4-6 years	44	14.7%	38	12.7%
	8-10 years	123	41.0%	121	40.3%
	11-15 years	76	25.3%	83	27.7%
	More than 15 years	47	15.7%	57	19.0%
Form of business	Sole proprietor	79	26.3%	50	16.7%
	Close corporation	7	2.3%	7	2.3%
	Pty Ltd	141	47.0%	167	55.7%
	Partnership	72	24.0%	76	25.3%
	Other	1	0.3%	0	0.0%

Number of employees

As shown in Table 5.2, 69.3% of the businesses studied in Lesotho and 55.7% in South Africa are micro, employing between 1-10 people. On the other hand, 32.3% and 42% are small businesses in Lesotho and South Africa respectively, employing between 11-50 people. The rest—8.3% in Lesotho and 2.3% in South Africa—are medium enterprises.

Gross turnover per annum

As indicated in the Table 5.2 above, most of the participants were from businesses with annual turnover of less than R2 million (88% in Lesotho and 95.4% in South Africa). This finding is not surprising considering that micro and small businesses also form the majority. According to Table 4.2, micro and small enterprises with gross turnover of less than R2 million spent between 1% and 3% of their pre-tax profit on ER activities, while the medium enterprises spent between 4% and 5%.

Estimated return on investment for the previous year

Table 5.2 indicates that 14% and 13% of the businesses in Lesotho and South Africa respectively are making losses. Those that break even in Lesotho accounted for 26% for Lesotho and 36% for South Africa. So in total, 40% of businesses in Lesotho and 49% in South Africa do not make any profit at all. Even though the data show that the majority are making profit, the figures of 40% in Lesotho and 49% in South Africa who are not making any profit are worrying since such businesses would find it difficult if not impossible to contribute towards ER.

Business longevity

According to Table 4.5, a relatively small proportion of businesses (3.3% in Lesotho and 0.3% in South Africa) are in the very early stage of existence (between 1 and 3 years); 14.7% and 12.7% are between 4 and 6 years in Lesotho and South Africa respectively; and the majority of the companies (66.3% in Lesotho and 68% in South Africa) are between 8 and 15 years old, while 15.7% in Lesotho and 19% in South Africa have been in operation for longer than 15 years. This means that the majority of them are quite stable and well-established.

5.5 RELIABILITY ANALYSIS

The questionnaire used had 41 items arranged on a five-point Likert scale. The reliability analysis of the questionnaire is presented in Table 5.3 below. Cronbach's alpha was used to evaluate internal consistency of the questionnaire items. For a construct to be deemed reliable in measuring what it is intended to measure, it must have a Cronbach's alpha of at least 0.700. The results in Table 5.3 show that the questionnaire can be deemed reliable as Cronbach's is above 0.700.

Table 5.3: Reliability statistics

	South Africa				Lesotho			
Section	N	No. of items	Cronbach's Alpha	Comment	N	No. of items	Cronbach's Alpha	Comment
BSR Questions: 1, 2, 3, 4	300	4	0.768	High internal consistency	300	4	0.791	High internal consistency
ER Questions: 5, 6, 7, 8	300	4	0.789	High internal consistency	300	4	0.822	High internal consistency
Env. Responsibility As A Sound Business Practice Questions: 9, 10, 11, 12, 13, 14	300	6	0.799	High internal consistency	300	6	0.892	High internal consistency
Reasons For Undertaking ER Questions: 15, 16, 17, 18,, 19, 20, 21, 22	300	8	0.801	High internal consistency	300	8	0.846	High internal consistency
ER Attitude Questions: 23, 24, 25, 26, 27,	300	5	0.722	High internal consistency	300	5	0.768	High internal consistency
Barriers To ER Questions: 28, 29, 30, 31, 32, 33	300	6	0.829	High internal consistency	300	6	0.843	High internal consistency
Environmentally Responsible Activities Of The Business Questions: 34, 35, 36, 37, 38, 39, 40, 41	300	8	0.852	High internal consistency	300	8	0.846	High internal consistency
All 7 constructs	300	41	0.796	High internal consistency	300	41	0.811	High internal consistency

5.6 ER IN THE SMMES

The following sections of the questionnaire addressed the research questions.

- Section A: SMMEs' understanding of BSR
- Section B: SMMEs' understanding of ER

- Section C: ER as a sound business philosophy/practice
- Section D: Reasons/motives for undertaking ER
- Section E: SMMEs' attitude towards ER
- Section F: Barriers to small businesses' ER
- Section G: ER activities of small businesses

The results of the findings are presented and discussed according to the above sections. The discussions are categorized into two sections: raw data and transformed data, as mentioned in Chapter 4, Section 4.7.7. Descriptive analysis was used, whereby percentage analysis summarized and described results. Inference analysis was also used for significance tests. Both are detailed in the next sections.

Decision criteria

According to Kulas et al. (2008) and Thompson et al. (2014), cited in Dzansi and Okyere (2015:473), in decision making, people only think in dichotomies, or in bipolar terms; for example, good versus evil, liberal versus conservative, masculine versus feminine. In line with this assertion, the researcher decided to reduce the original five-point Likert scale to a bipolar format for the purpose of decision making. The five points were converted to a bipolar format, where "don't know" is added to "strongly disagree" and "disagree" to indicate negative attitude towards BSR and ER, and "agree" is added with "strongly agree" as "agree." The reasoning behind combining "don't know" responses with the negative attitude, as opposed to the positive attitude, is somewhat "rule of thumb" in nature (Dzansi & Okyere, 2015:474). The reasoning behind this is that a person who has a positive disposition to an issue does not hesitate to say so (Dzansi & Okyere, 2015). Therefore, any deviation from outright support for BSR and ER means no support.

5.6.1 SMMES' UNDERSTANDING OF BSR

This section explored SMME's understanding of BSR—research question 1. The results in Tables 5.4a to 5.5b represent this understanding.

Table 5.4a: Understanding of BSR by SMMEs in South Africa (raw data)

Understanding of BSR (South Africa)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
1. Engaging in social and environmental actions for profit only	Count	117	85	9	29	60	29.7%
	%	39.0 %	28.3%	3.0%	9.7%	20.0%	
2. Do more than merely abiding by laws and regulations for business	Count	0	0	11	159	130	96.3%
	%	0.0%	0.0%	3.7%	53.0%	43.3%	
3. Abiding by what society regards as good or right for business conduct	Count	0	0	11	160	129	96.3%
	%	0.0%	0.0%	3.7%	53.3%	43.0%	
4. Voluntarily engaging in social and environmental actions in order to enhance society	Count	0	0	0	103	197	100.0%
	%	0.0%	0.0%	0.0%	34.3%	65.7%	

Table 5.4b: Understanding of BSR in South African SMMEs (transformed data)

Understanding of BSR (South Africa)		Frequency Distribution	
		% Disagree	% Agree
1. Engaging in social and environmental actions for profit only	Count	211	89
	%	70.3%	29.7%
2. Do more than merely abiding by laws and regulations for business	Count	11	289
	%	3.7%	96.3%
3. Abiding by what society regards as good or right for business conduct	Count	11	289
	%	3.7%	96.3%
4. Voluntarily engaging in social and environmental actions in order to enhance society	Count	0	300
	%	0.0%	100.0%
Average		19.4%	80.6%

Table 5.5a: Understanding of BSR in Lesotho (raw data)

Understanding of BSR (Lesotho)		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
		Frequency Distribution					
1. Engaging in social and environmental actions for profit only	Count	93	79	25	42	61	34.3%
	%	31.0%	26.3%	8.3%	14.0%	20.3%	
2. Do more than merely abiding by laws and regulations for business	Count	6	8	23	169	94	87.7%
	%	2.0%	2.7%	7.7%	56.3%	31.3%	
3. Abiding by what society regards as good or right for business conduct	Count	3	4	22	171	100	90.3%
	%	1.0%	1.3%	7.3%	57.0%	33.3%	
4. Voluntarily engaging in social and environmental actions in order to enhance society	Count	0	3	4	129	164	97.7%
	%	0.0%	1.0%	1.3%	43.0%	54.7%	

Table 5.5b: Understanding of BSR in Lesotho (transformed data)

Understanding of BSR (Lesotho)		Frequency Distribution	
		% Disagree	% Agree
1. Engaging in social and environmental actions for profit only	Count	179	103
	%	65.7%	34.3%
2. Do more than merely abiding by laws and regulations for business	Count	37	263
	%	12.3%	87.7%
3. Abiding by what society regards as good or right for business conduct	Count	29	271
	%	9.7%	90.3%
4. Voluntarily engaging in social and environmental actions in order to enhance society	Count	7	293
	%	2.3%	97.7%
Average		22.5%	77.5%

Table 5.4a presents the participants' raw data while Table 5.4b represents the understanding of BSR in the South African SMMEs. Using the decision criteria described in the previous paragraph, it is evident from Table 5.5b that a majority (80.6%) of the SMMEs from South Africa understand the concept of BSR very well. In fact, 67.3% think that businesses should engage in social and environmental actions whether or not they are making profit—which means for altruistic purposes. Also, Table 5.4a reveals that an overwhelming majority (96.3%) of the participants believe that businesses should do more than simply abide by laws and regulations set for businesses, which also signifies a clear understanding of BSR, and in fact general agreement with Dzansi (2004) that BSR implies

doing more than what the law prescribes. Finally, for SMMEs from South Africa, all the participants are in favour of businesses voluntarily engaging in social and environmental actions in order to enhance society.

Applying the same computational procedure to data on Lesotho SMMEs, Table 5.5b shows that a majority (77.5 %) of have a good understanding of BSR. In terms of doing more than the law prescribes, a larger percentage (87.7%) are in support of this statement. It is also worth noting that an overwhelming majority (90.3%) of the participants agree that businesses should abide by what the society regards as good or right for business conduct. Lastly, a good majority (97.7%) of respondents from Lesotho agree with the idea of voluntarily engaging in social and environmentally responsible actions to the benefit of society.

On the basis of data in Tables 5.4a to 5.5b, it is evident that BRS is well understood by SMMEs from both South Africa and Lesotho. This finding is in line with the views of Parker et al. (2010) and Sharma and Kiran (2013) who view voluntary engagement in BSR as imperative for businesses regardless of size.

5.6.2 SMMES' UNDERSTANDING OF ER

Section B of the questionnaire is about respondents' understanding of ER—research question 2. Tables 5.6a to 5.7b portray the results.

Table 5.6a: Understanding of ER by South African SMMEs (raw data)

Understanding of ER (South Africa)		Frequency Distribution: Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
5. Engaging in environmental actions only when profit allows	Count	132	71	9	28	60	29.3%
	%	44.0%	23.7%	3.0%	9.3%	20.0%	
6. Do more than merely abiding by laws and regulations for business	Count	0	0	11	163	126	96.3%
	%	0.0%	0.0%	3.7%	54.3%	42.0%	
7. Abiding by what society regards as good or right in business conduct	Count	0	0	11	156	133	96.3%
	%	0.0%	0.0%	3.7%	52.0%	44.3%	
8. Voluntarily engaging in environmental actions that exceed what owners, the law and society expect in order to enhance society	Count	0	0	0	68	232	100.0%
	%	0.0%	0.0%	0.0%	22.7%	77.3%	

Table 5.6b: Understanding of ER by South African SMMEs (transformed data)

Understanding of ER (South Africa)		Frequency Distribution: % Disagree	% Agree
1.Engaging in environmental actions for profit only	Count	212	88
	%	70.7%	29.3%
2. Do more than merely abiding by laws and regulations for business	Count	11	289
	%	3.7%	96.3%
3. Abiding by what society regards as good or right for business conduct	Count	11	289
	%	3.7%	96.3%
4. Voluntarily engaging in environmental actions in that exceed what owners, the law and society expect order to enhance society	Count	0	300
	%	0%	100%
Average		19.5.5%	80.5%

Table 5.7a: Understanding of ER by SMMEs in Lesotho (raw data)

Understanding of ER (Lesotho)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
5. Engaging in environmental actions only when profit allows	Count	93	74	23	54	56	36.7%
	%	31.0%	24.7%	7.7%	18.0%	18.7%	
6. Do more than merely abiding by laws and regulations for business	Count	2	5	17	187	89	92.0%
	%	0.7%	1.7%	5.7%	62.3%	29.7%	
7. Abiding by what society regards as good or right in business conduct	Count	4	4	7	189	96	95.0%
	%	1.3%	1.3%	2.3%	63.0%	32.0%	
8. Voluntarily engaging in environmental actions that exceed what owners, the law and society expect in order to enhance society	Count	0	0	4	130	166	98.7%
	%	0.0%	0.0%	1.3%	43.3%	55.3%	

Table 5.7b: Understanding of ER by SMMEs in Lesotho (transformed data)

Understanding of ER (Lesotho)		Frequency Distribution	
		% Disagree	% Agree
1.Engaging in environmental actions for profit only	Count	190	110
	%	63.4%	36.7%
2. Do more than merely abiding by laws and regulations for business	Count	24	276
	%	8.2%	92%
3. Abiding by what society regards as good or right for business conduct	Count	15	285
	%	4.5%	95%
4. Voluntarily engaging in environmental actions in that exceed what owners, the law and society expect order to enhance society	Count	4	296
	%	1.3%	98.7%
Average		19.5.5%	80.5%

The results above show that respondents from both countries have a good understanding of the concept of ER. Firstly, Table 5.6a contains the raw data for South African SMMEs while Table 5.6a shows the transformed data according to the specified procedure. It is clear from both tables that a majority (average percentage of 80.5%) of South African SMMEs have a good understanding of what constitutes ER.

The result for Lesotho is identical to the South African case. As can be seen from Table 5.7b, the average overall measure of respondents' understanding of ER in Lesotho reflects that an overwhelming majority (80.5%) has good knowledge of the ER concept.

To sum up, information in Tables 5.6a to 5.7b suggest that SMMEs in both countries understand the concept ER, and agree that engaging in ER should go beyond what owners, the law and society expect to enhance society. This finding is in line with Portney (2008) and Lyon and Maxwell (2008) who stress the need for ER actions that are beyond compliance or voluntary. Furthermore, it correlates with the finding of an investigation conducted by Williams and Schaefer (2013) on small businesses environmental engagement, which concluded that small businesses have a relatively good understanding of the concept of ER.

5.6.3 ER AS A SOUND BUSINESS PHILOSOPHY

Research question 3 was on whether SMMEs regard ER as a sound business philosophy, and question 4 was also on whether there is relationship between ER issues and economic performance. Section C of the questionnaire addressed these two research questions. The results are shown in Tables 5.8a to 5.9b.

Table 5.8a: ER as a sound business philosophy—South Africa (raw data)

ER as a sound business philosophy (South Africa)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
9. It enables business to improve its image in the community	Count	1	2	7	129	161	96.7%
	%	0.3%	0.7%	2.3%	43.0%	53.7%	
10. It contributes to employee satisfaction, commitment, motivation and productivity	Count	0	0	3	141	156	99.0%
	%	0.0%	0.0%	1.0%	47.0%	52.0%	
11. Good deeds help and attract customers	Count	0	0	0	84	216	100.0%
	%	0.0%	0.0%	0.0%	28.0%	72.0%	
12. It eventually leads to company profitability	Count	5	17	31	169	78	82.3%
	%	1.7%	5.7%	10.3%	56.3%	26.0%	
13. Creates a win-win situation for business and society at large	Count	0	2	0	132	166	99.3%
	%	0.0%	0.7%	0.0%	44.0%	55.3%	
14. It minimizes operating costs due to lower legal/litigation and non-compliance cost	Count	1	7	27	106	159	88.3%
	%	0.3%	2.3%	9.0%	35.3%	53.0%	

Table 5.8b: ER as a sound business philosophy—South Africa (transformed data)

ER as a sound business philosophy (South Africa)		Frequency Distribution	
		% Disagree	% Agree/
9. It enables business to improve its image in the community	Count	10	290
	%	3.3%	96.7%
10. It contributes to employee satisfaction, commitment, motivation and productivity	Count	3	297
	%	1.0%	99.0%
11. Good deeds help and attract customers	Count	0	300
	%	0.0%	100.0%
12. It eventually leads to company profitability	Count	53	247
	%	17.7%	82.3%
13. Creates a win-win situation for business and society at large	Count	2	298
	%	0.7%	99.3%
14. It minimizes operating costs due to lower legal/litigation and non-compliance cost	Count	35	265
	%	11.4%	88.3%
Average		5.7%	94.3%

Table 5.9a: ER as a sound business philosophy—Lesotho (raw data)

ER as a sound business philosophy (Lesotho)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
9. It enables business to improve its image in the community	Count	2	5	1	84	208	97.3%
	%	0.7%	1.7%	0.3%	28.0%	69.3%	
10. It contributes to employee satisfaction, commitment, motivation and productivity	Count	0	6	2	135	157	97.3%
	%	0.0%	2.0%	0.7%	45.0%	52.3%	
11. Good deeds help and attract customers	Count	0	5	5	133	157	96.6%
	%	0.0%	1.7%	1.7%	44.3%	52.3%	
12. It eventually leads to company profitability	Count	0	3	15	179	103	94.0%
	%	0.0%	1.0%	5.0%	59.7%	34.3%	
13. Creates a win-win situation for business and society at large	Count	0	3	18	115	164	93.0%
	%	0.0%	1.0%	6.0%	38.3%	54.7%	
14. It minimizes operating costs due to lower legal/litigation and non-compliance cost	Count	1	12	59	151	77	76.0%
	%	0.3%	4.0%	19.7%	50.3%	25.7%	

Table 5.9b: ER as a sound business philosophy—Lesotho (transformed data)

ER as a sound business philosophy (Lesotho)		Frequency Distribution	
		% Disagree	% Agree
9. It enables business to improve its image in the community	Count	8	292
	%	2.7%	97.3%
10. It contributes to employee satisfaction, commitment, motivation and productivity	Count	8	292
	%	2.7%	97.3%
11. Good deeds help and attract customers	Count	10	290
	%	2.4%	96.6%
12. It eventually lead to company profitability	Count	18	282
	%	6%	94%
13. Creates a win-win situation for business and society at large	Count	21	279
	%	7%	93%
14. It minimizes operating costs due to lower legal/litigation and non-compliance cost	Count	72	228
	%	24%	76%
Average		7.6%	92.4%

Table 5.8a indicates the perception of ER as a sound business philosophy in South Africa. In total, 96.7% of the participants think that ER as a sound business philosophy enables business to improve its image in the community, and 99% believe that it contributes to

employee satisfaction, commitment, motivation and productivity. The table also shows that all the participants (100%) believe that good deeds help and attract customers while the majority of the respondents (82.3%) are of the opinion that being environmentally responsible can lead to company profitability. A total of 99.3% agree that engagement in ER will create a win-win situation for business and society at large; while 88.3% are of the view that this will minimize operating costs due to lower legal/litigation and non-compliance cost.

The transformed data in Table 5.8a reports that six items measure respondents' views on ER as a sound business philosophy. An average of 94.3% of SMMEs in South Africa see the concept as a sound business philosophy or practice.

Results in Table 5.9a are those for Lesotho SMMEs' perception of ER as a sound business philosophy. In this table it can be seen that on all the questions asked the majority gave positive answers, with all the percentages of agree/strongly agree being very high.

Table 5.9b shows the average percentage of the six items that measure Lesotho SMMEs' opinions on ER as a sound business philosophy. The results indicate that 92.4% of the surveyed SMMEs agree that ER is a sound business philosophy.

The percentages of 94.3% and 92.4% in Table 5.8b and 5.9b respectively reflect that the SMMEs in both South Africa and Lesotho agree that ER as a sound business philosophy will enable business to improve its image in their communities as well as contributing to employee satisfaction, commitment, motivation and productivity. An overwhelming majority of respondents in both countries say good deeds help and attract customers. Furthermore, they think that this will eventually lead to company profitability, and believe this will create a win-win situation for business and society at large. Lastly, most of the respondents in both countries agree that this will minimize operating costs due to lower legal/litigation and non-compliance cost. Therefore, empirical results in Tables 5.8b and 5.9b confirm that SMMEs in South Africa and Lesotho strongly agree that ER is a sound business philosophy or practice, and that engagement in the concept can enhance economic performance.

This finding is contrary to that of Turyakira et al (2014) who concluded that environmentally oriented BSR activities do not have an influence on the increased competitiveness of small businesses. On the other hand, Jeppensen et al. (2012) reported that, overall, less than half of the respondents in Cape Town, South Africa, stated that the development of ER practices had led to an increase in efficiency.

5.6.4 REASONS FOR UNDERTAKING ER

This section summarizes the reasons that came up as important to the undertaking of ER in both South Africa and Lesotho. It also answers specific research question 5. Tables 5.10a to 5.111b below tabulate the reasons.

Table 5.10a: Reasons for undertaking ER in South Africa (raw data)

Reasons for Undertaking ER (South Africa)		Frequency Distribution					
		Strongly Disagree	Disagree	Do not know	Agree	Strongly Agree	% Agree/ Strongly Agree
15. To have a good business image (public relations exercise)	Count	0	1	1	116	182	99.4%
	%	0.0%	0.3%	0.3%	38.7%	60.7%	
16. To comply with the law	Count	0	0	8	187	105	97.3%
	%	0.0%	0.0%	2.7%	62.3%	35%	
17. To meet community demands	Count	0	0	13	189	98	95.7%
	%	0.0%	0.0%	4.3%	63.0%	32.7%	
18. To attract customers	Count	0	0	0	94	206	100.0%
	%	0.0%	0.0%	0.0%	31.3%	68.7%	
19. To increase employee satisfaction and motivation	Count	0	0	1	82	217	99.7%
	%	0.0%	0.0%	0.3%	27.3%	72.4%	
20. To comply with tender requirements	Count	32	22	58	159	29	62.7%
	%	10.7%	7.3%	19.3%	53.0%	9.7%	
21. To protect the environment for the future generation	Count	0	0	1	166	133	99.7%
	%	0.0%	0.0%	0.3%	55.4%	44.3%	
22. Because it is the right thing to do	Count	0	2	0	36	262	99.3%
	%	0.0%	0.7%	0.0%	12.0%	87.3%	

Table 5.10b: Reasons for undertaking ER in South Africa (transformed data)

Reasons for Undertaking ER (South Africa)		Frequency Distribution	
		Disagree	% Agree
15. To have a good business image (public relation exercise)	Count	2	298
	%	0.6%	99.4%
16. To comply with the law	Count	8	292
	%	2.7%	97.3%
17. To meet community demands	Count	13	287
	%	4.3%	95.7%
18. To attract customers	Count	0	300
	%	0.0%	100.0%
19. To increase employee satisfaction and motivation	Count	1	299
	%	0.3%	99.7%
20. To comply with tender requirements	Count	112	188
	%	37.3%	62.7%
21. To protect the environment for the future generation	Count	1	299
	%	0.3%	99.7%
22. Because it is the right thing to do	Count	2	298
	%	0.7%	99.3%
Average		5.8%	94.2%

Table 5.11a: Reasons for undertaking ER in Lesotho (raw data)

Reasons for Undertaking ER (Lesotho)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
15. To have a good business image (public relation exercise)	Count	0	0	0	72	228	100.0%
	%	0.0%	)%	0.0%	24.0%	76.0%	
16. To comply with the law	Count	3	1	7	184	105	96.3%
	%	1.0%	0.3%	2.3%	61.3%	35.0%	
17. To meet community demands	Count	1	2	12	183	102	95.0%
	%	0.3%	0.7%	4.0%	61.0%	34.0%	
18. To attract customers	Count	0	0	7	102	191	97.7%
	%	0.0%	0.0%	2.3%	34.0%	63.7%	
19. To increase employee satisfaction and motivation	Count	0	2	9	124	165	96.3%
	%	0.0%	0.7%	3.0%	41.3%	55.0%	
20. To comply with tender requirements	Count	8	20	92	120	60	60.0%
	%	2.7%	6.7%	30.7%	40.0%	20.0%	
21. To protect the environment for the future generation	Count	0	1	8	111	180	97.0%
	%	0.0%	0.3%	2.7%	37.0%	60.0%	
22. Because it is the right thing to do	Count	1	1	0	42	256	99.3%
	%	0.3%	0.3%	0.0%	14.0%	85.3%	

Table 5.11b: Reasons for undertaking ER in Lesotho (transformed data)

Reasons for Undertaking ER (Lesotho)		Frequency Distribution	
		% Disagree	% Agree
15. To have a good business image (public relation exercise)	Count %	0 0.0%	300 100%
16. To comply with the law	Count %	11 3.7%	289 96.3%
17. To meet community demands	Count %	15 5%	285 95%
18. To attract customers	Count %	7 2.3%	293 97.7%
19. To increase employee satisfaction and motivation	Count %	11 3.7%	289 96.3%
20. To comply with tender requirements	Count %	120 40%	180 60%
21. To protect the environment for the future generation	Count %	9 3%	291 97%
22. Because it is the right thing to do	Count %	2 0.7%	298 99.3%
Average		7.3%	92.7%

Table 5.10a indicates the reasons for undertaking ER in South Africa. An overwhelming majority of the respondents (99.4%) think that this is done in order to have a good business image (public relation exercise). Likewise, 97.3% are of the opinion that this is done to comply with the law, while only 2.7%% do not agree. Some 95.7% believe that it is to meet the community's demands. All the participants (100%) are of the opinion that the reason for undertaking ER in South Africa is to attract customers, while 99.7% think it is to increase employee satisfaction and motivation. A total of 62.7% agree that it is undertaken in order to comply with tender requirements, and 99.7% claim to engage in ER in order to protect the environment for future generations. Lastly, 99.3% believe that all this is done because it is the right thing to do.

The reasons for undertaking ER in South Africa can be summarized and ranked diagrammatically as shown in Figure 5.7.

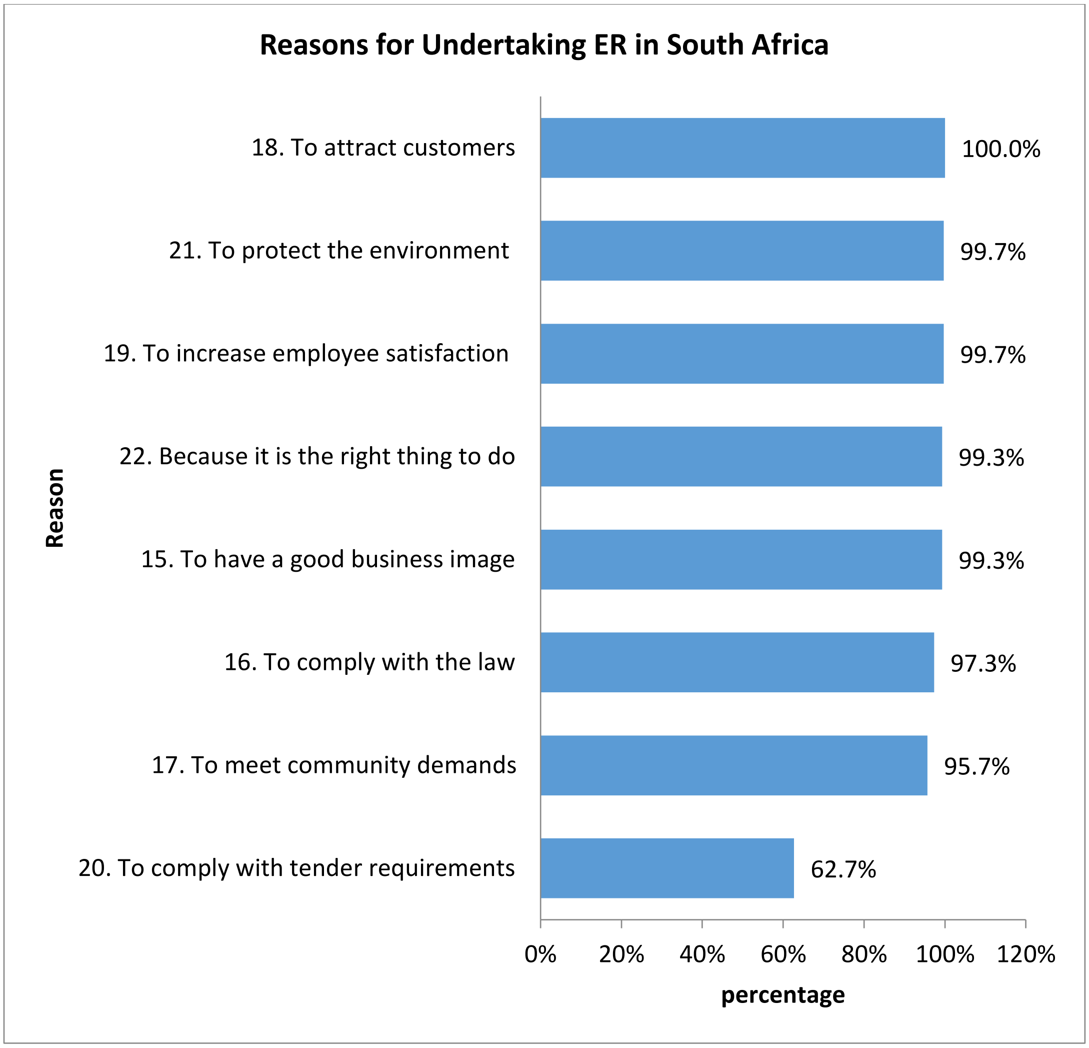

Figure 5.7: Reasons for undertaking ER in South Africa

Figure 5.7 shows that the need to comply with tender requirements is the least important reason for undertaking ER in South Africa. This might mean that the SMMEs do not primarily depend on such tenders.

Table 5.10b concludes the discussion on reasons why South African SMMEs undertake ER. The results in the above table indicate very high percentages of agreement to all eight items that examine their reasons of ER engagement.

Table 5.11a indicates the reasons for undertaking ER in Lesotho. All the participants (100%) believe that this is done in order to have a good business image (public relation exercise), 96.3% are of the view that this is done to comply with the law, while 95% think that it is to meet the community's demands.

An overwhelming majority of respondents (97.7%) are of the opinion that the reason for undertaking ER in Lesotho is to attract customers, while 96.3% say it is to increase employee satisfaction and motivation. Some 60% agree that it is for the sake of complying with tender requirements. Also, 97% claim that they engage in ER to protect the environment for future generations. Lastly, 99.3% think that all this is done because it is the right thing to do.

The reasons for undertaking ER in Lesotho are summarized and ranked in Figure 5.8 below.

According to Table 5.11b, the vast majority of respondents agreed with all eight items in the questionnaire quizzing them on the reasons why they undertake ER activities.

The empirical findings in this section support the claim by Khebila (2009) and Network for Business Sustainability (2012), in Chapter 3 Section 3.9.1, who concluded in their studies that compliance with the law and community/stakeholder demands, among others, are some of the reasons SMMEs engage in ER initiatives. However, it should be noted that information in Figures 5.7 and 5.8 show that the need to comply with tender requirements is the least important reason for undertaking ER in Lesotho, just as is the case with South Africa. This might mean that the SMMEs do not primarily depend on such tenders in Lesotho.

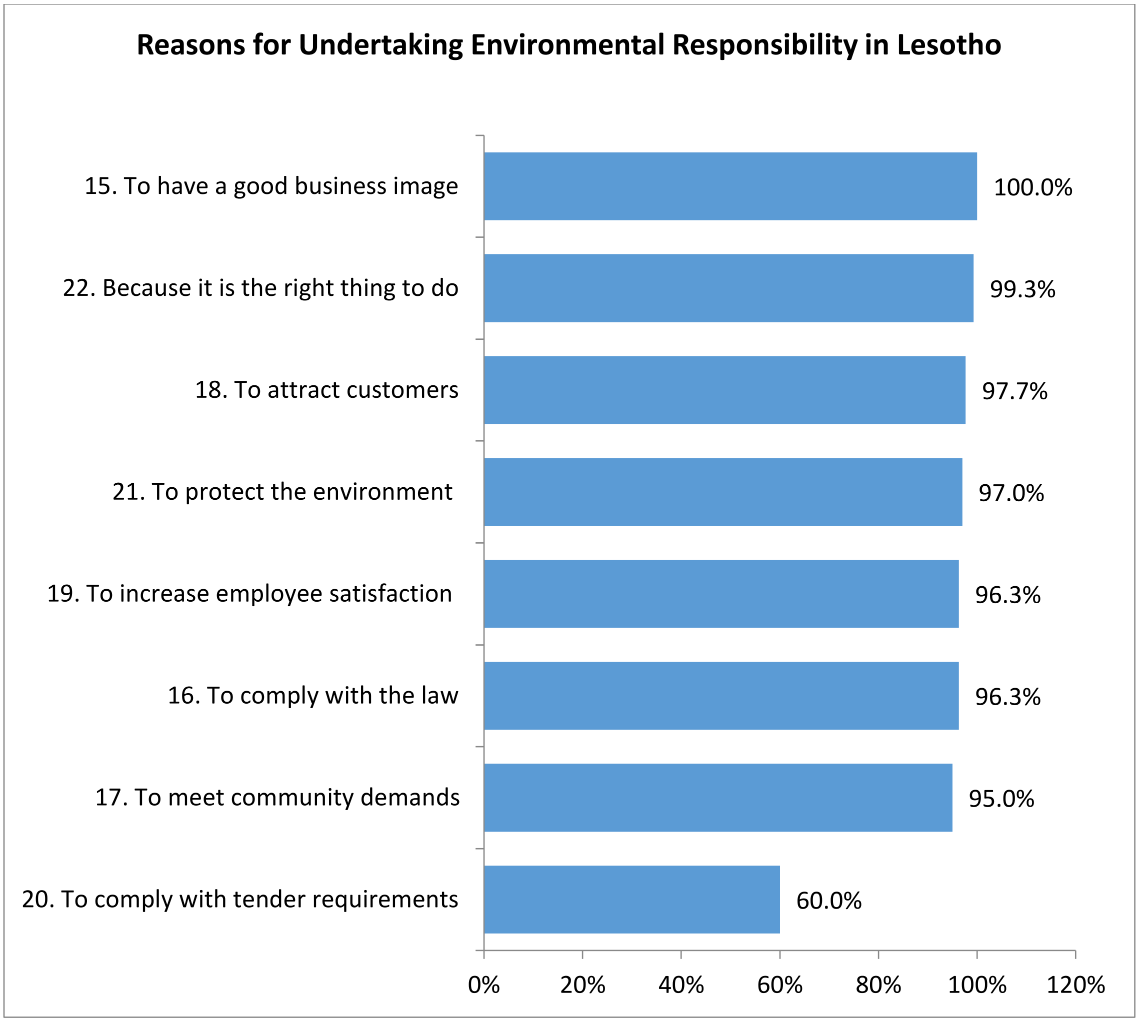

Figure 5.8: Reasons for undertaking ER in Lesotho

5.6.5 ER ATTITUDES

The attitudes of the respondents in the two countries towards ER are summarized in this section. The primary concern here is how stakeholder interests are measured against shareholder value. This also answered specific research question 5. Results obtained are presented below in Tables 5.12a to 5.13b.

Table 5.12a: ER attitudes in South Africa (raw data)

ER Attitude (South Africa)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
23. Every employee should be educated about ER	Count	1	8	12	132	147	93.0%
	%	0.3%	2.7%	4.0%	44.0%	49.0%	
24. The present generation should ensure that the next generation inherits a healthy community environment	Count	0	0	0	157	143	100.0%
	%	0.0%	0.0%	0.0%	52.3%	47.7%	
25. Concern for the environment is more important than company profitability	Count	2	0	3	100	195	98.3%
	%	0.7%	0.0%	1.0%	33.3%	65.0%	
26. There is no need for stricter laws and regulations to protect the environment	Count	97	83	69	37	14	17.0%
	%	32.3%	27.7%	23.0%	12.3%	4.7%	
27. I believe that the more environmentally responsible my company is the more likely we are to be profitable	Count	0	0	0	85	215	100.0%
	%	0.0%	0.0%	0.0%	28.3%	71.7%	

Table 5.12b: ER attitudes in South Africa (transformed data)

ER Attitude (South Africa)		Frequency Distribution	
		% Disagree	% Agree
23. Every employee should be educated about ER	Count	21	279
	%	7.0%	93.0%
24. The present generation should ensure that the next generation inherits a healthy community environment	Count	0	300
	%	0.0%	100.0%
25. Concern for the environment is more important than company profitability	Count	5	295
	%	1.7%	98.3%
26. There is no need for stricter laws and regulations to protect the environment	Count	549	51
	%	83%	17.0%
27. I believe that the more environmentally responsible my company is the more likely we are to be profitable	Count	0	300
	%	0.0%	100.0%
Average		18.3%	81.7%

Table 5.13a: ER attitudes in Lesotho (raw data)

ER Attitude (Lesotho)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
23. Every employee should be educated about ER	Count	1	5	15	127	152	93.0%
	%	0.3%	1.7%	5.0%	42.3%	50.7%	
24. The present generation should ensure that the next generation inherits a healthy community environment	Count	0	1	10	116	173	96.4%
	%	0.0%	0.3%	3.3%	38.7%	57.7%	
25. Concern for the environment is more important than company profitability	Count	5	7	8	121	159	93.3%
	%	1.7%	2.3%	2.7%	40.3%	53.0%	
26. There is no need for stricter laws and regulations to protect the environment	Count	19	45	48	109	79	62.6%
	%	6.3%	15.0%	16.0%	36.3%	26.3%	
27. I believe that the more environmentally responsible my company is the more likely we are to be profitable	Count	0	3	7	61	229	96.6%
	%	0.0%	1.0%	2.3%	20.3%	76.3%	

Table 5.13b: ER attitudes in Lesotho (transformed data)

Environmental Responsibility Attitude (Lesotho)		Frequency Distribution	
		% Disagree	% Agree
23. Every employee should be educated about ER	Count	21	279
	%	7.0%	93.0%
24. The present generation should ensure that the next generation inherits a healthy community environment	Count	11	289
	%	3.6%	96.4%
25. Concern for the environment is more important than company profitability	Count	20	280
	%	6.7%	93.3%
26. There is no need for stricter laws and regulations to protect the environment	Count	112	188
	%	37.4%	62.6%
27. I believe that the more environmentally responsible my company is the more likely we are to be profitable	Count	10	290
	%	3.3%	96.6%
Average		11.6%	88.4%

For the South African data presented in Table 5.12a, 93% of the respondents accept that every employee should be educated about ER, and all the participants (100%) support that the present generation should ensure that the next generation inherits a healthy community.

The results also show that 98.3% of the participants are more concerned about the environment than the company's profitability. Only 17.0% hold that there is no need for stricter laws and regulations to protect the environment, which means that most of the respondents (83%) feel that there is a need to legislate the issues around environmental protection. All the participants (100%) support the notion that the more environmentally responsible their companies are the more likely they are to be profitable.

Table 5.12b demonstrates that all the surveyed SMMEs are in agreement with the five items questioning them on their attitude towards ER, except one item (26), where a majority (83%) disagreed that there is no need for stricter laws and regulations to protect the environment. Thus while 17% agree that there is no need for stricter laws and regulations to protect the environment, 83% say that there is need for these. This probably means that SMMEs in South Africa do not see engagement in ER as necessary only on a voluntary basis but there is also a need to legislate the issues around environmental protection.

Table 5.13a presents the description of ER attitudes for participants in Lesotho. As presented in the table, 93% are in agreement that every employee should be educated about ER and 96.4% support the idea that the present generation should ensure that the next generation inherits a healthy community. A total of 93.3% of the participants are more concerned about the environment than the company's profitability; 62.6% think that there is no need for stricter laws and regulations to protect the environment, and 96.6% of participants believe that the more environmentally responsible the company is the more likely it is to be profitable.

The transformed data presented in Table 5.13b indicate that all the respondents agree to the five items in this section questioning them on their attitudes towards ER. The high percentages (>90) reflect that, expecting item 26: 62.2% of SMMEs in Lesotho are of the view that there is no need for stricter laws and regulations to protect the environment. This may mean that they are in support of voluntary undertaking of ER.

Data from both South Africa and Lesotho suggest that respondents in both countries agree on all the questions quizzing them on their ER attitudes with the exception of question 26. While South African small businesses are of the opinion that there is a need for stricter laws and regulations to protect the environment, their counterparts in Lesotho believe otherwise; thus, stricter laws and regulations to protect the environment are not necessary. However, the vast majority of respondents from both countries hold that employees need to have good knowledge of ER; the environment must be protected for future generations; a healthy environment is cherished over firm profitability; and being environmentally responsible may enhance profitability. The empirical results also show that the surveyed SMMEs are willing to spend some of their profits on ER courses, thereby creating a win-win situation for both business and society.

5.6.6 BARRIERS TO ER

The barriers to ER of both countries are outlined in this section, which details response to Section F on the questionnaire. This section addressed specific research question 6. Tables 5.14a to 5.15b show the outcome.

Table 5.14a: Barriers to ER in South Africa (raw data)

Barriers to ER (South Africa)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
28. Company does not have enough time to engage in ER	Count	3	4	3	109	181	96.6%
	%	1.0%	1.3%	1.0%	36.3%	60.3%	
29. Company is not profitable enough to allocate money to ER	Count	3	29	65	135	68	67.7%
	%	1.0%	9.7%	21.7%	45.0%	22.7%	
30. The benefit of doing ER is not clear to us	Count	62	103	14	61	60	40.3%
	%	20.7%	34.3%	4.7%	20.3%	20.0%	
31. Management does not think it is worth pursuing	Count	151	113	12	17	7	8.0%
	%	50.3%	37.7%	4.0%	5.7%	2.3%	
32. Employees do not have time to spare on environmentalism	Count	0	0	0	82	218	100.0%
	%	0.0%	0.0%	0.0%	27.3%	72.7%	
33. Employees are not equipped to deal with environmental issues	Count	0	0	3	199	98	99.0%
	%	0.0%	0.0%	1.0%	66.3%	32.7%	

Table 5.14b: Barriers to ER in South Africa (transformed data)

Barriers to ER (South Africa)		Frequency Distribution % Disagree	% Agree/
28. Company does not have enough time to engage in ER	Count %	10 3.4%	290 96.6%
29. Company is not profitable enough to allocate money to ER	Count %	32 32.3%	203 67.7%
30. The benefit of doing ER is not clear to us	Count %	179 59.7%	121 40.3%
31. Management does not think it is worth pursuing	Count %	276 92.0%	27 8.0%
32. Employees do not have time to spare on environmentalism	Count %	0 0.0%	300 100.0%
33. Employees are not equipped to deal with environmental issues	Count %	3 0.0%	297 99.0%
Average		31.2%	68.8%

Table 5.15a: Barriers to ER in Lesotho (raw data)

Barriers ER (Lesotho)		Frequency Distribution Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
28. Company does not have enough time to engage in ER	Count %	19 6.3%	22 7.3%	12 4.0%	119 39.7%	128 42.7%	82.4%
29. Company is not profitable enough to allocate money to ER	Count %	11 3.7%	41 13.7%	24 8.0%	131 43.7%	93 31.0%	74.7%
30. The benefit of doing ER is not clear to US	Count %	6 2.0%	59 19.7%	27 9.0%	97 32.3%	111 37.0%	69.3%
31. Management does not think it is worth pursuing	Count %	85 28.3%	137 45.7%	18 6.0%	33 11.0%	27 9.0%	20.0%
32. Employees do not have time to spare on environmentalism	Count %	5 1.7%	10 3.3%	21 7.0%	127 42.3%	137 45.7%	88.0%
33. Employees are not equipped to deal with environmental issues	Count %	6 2.0%	11 3.7%	11 3.7%	132 44.0%	140 46.7%	90.7%

Table 5.15b: Barriers to ER in Lesotho (transformed data)

Barriers to ER (Lesotho)		Frequency Distribution % Disagree	% Agree
28. Company does not have enough time to engage in ER	Count %	53 17.6%	247 82.4%
29. Company is not profitable enough to allocate money to ER	Count %	76 25.3%	224 74.7%
30. The benefit of doing ER is not clear to us	Count %	92 30.7%	208 69.3%
31. Management does not think it is worth pursuing	Count %	240 80.0%	60 20.0%
32. Employees do not have time to spare on environmentalism	Count %	36 12.0%	264 88.0%
33. Employees are not equipped to deal with environmental issues	Count %	28 9.3%	272 90.7%
Average		29.1%	70.9%

From the South African data, as shown in Table 5.14a, it is evident that the respondents are very enthusiastic about participating in environmental protection activities but encounter certain barriers. A majority of the respondents (59.7%) recognize the benefits of partaking in environmental protection as indicated by the response to question 30 ("The benefit of doing ER is not clear to us"), which indicates that only 40.3% are not clear about such benefits.

Table 5.14a further shows the barriers to ER in South Africa. An overwhelming majority (96.6%) of the participants suggest that the company does not have enough time to engage in ER, while 67.7% contend that the company is not profitable enough to allocate money to ER. Again, about 40.3% of them agree that the benefit of doing ER is not clearly outlined to them, but more than 50% seem to have understood the benefit of doing ER. Some 8% of the respondents feel that management does not think it is worth pursuing, while 92% feel that the management does think it is worth pursuing. All (100%) of the participants subscribe to the idea that employees do not have time to spare on environmental initiatives. Lastly, an overwhelming majority (99%) seems to think that employees are not equipped to deal with environmental issues.

Information in Table 5.14b suggests that, as much as the SMMEs in South Africa acknowledge that the benefit of engaging in ER is clear to them, and believe it is worth pursuing, their efforts meet with some barriers. Prominent among them is time, as 96.6% say the company in general has no time to engage in ER, while all the employees see time also as a major hindrance. In total, 99% of employees acknowledge that they are not equipped to deal with environmental issues.

Table 5.15a shows the barriers to ER in Lesotho. The results show that 82.4% of the participants suggest that their companies do not have enough time to engage in ER, 74.7% say that their companies are not profitable enough to allocate money to ER, and about 69.3% agree that the benefit of doing ER is not clearly outlined to them. Some 20% feel that the management does not think it is worth pursuing, while 80% feel that the management does think it is worth pursuing. In addition, 88% of the participants are of the view that employees do not have time to spare on environmentalism. Lastly, an overwhelming majority (90.7%) believe that employees are not equipped to deal with environmental issues.

Figure 5.9 shows the rankings of the barriers to ER in the two countries. Time is a major concern in both countries as shown by the percentages of those who say that employees do not have time to spare on environmentally responsible activities (question 32). In South Africa 100% of the respondents agree to time being a major barrier while in Lesotho 88% identify with this barrier. The majority in both countries believe that management think it is worth being responsible for the environment, as shown by about only 8% in South Africa who think management does not think it is work pursuing and 20% in Lesotho. Also, while SMMEs in South Africa affirm that the benefits of engaging in ER are outlined to them, those in Lesotho hold the opposite view.

Table 5.15b reports that 69.3% of SMMEs in Lesotho say the benefit of engaging in environmental responsibility is not known to them, though they believe ER is worth pursuing. The vast majority mention time and financial constraints as barriers to their ER endeavours. Again, 90.7% of employees are of the view that they are not equipped to deal with ER activities.

The findings in this section are consistent with those that emerged in the literature review, detailed in Sections 3.8 and 3.9. For instance, Pinkse and Dommisee (2009) and Massimo et al. (2014) reported that SMMEs are not equipped, in terms of tools and training, to deal with ER issues. Parker et al. (2009) and UNIDO (2010) identify lack of financial resources as a factor that hinders small businesses' ER endeavours. Brammer et al. (2012) also concluded in their study that the few or limited employees of SMMEs are assigned to a set of duties that take up the full time of their weekly employment and leave them no time for environmental initiatives. Parker (2009) aver that many SMME owners/managers lack commitment to reduce their negative environmental impact because the benefits of engaging in ER are not known to them.

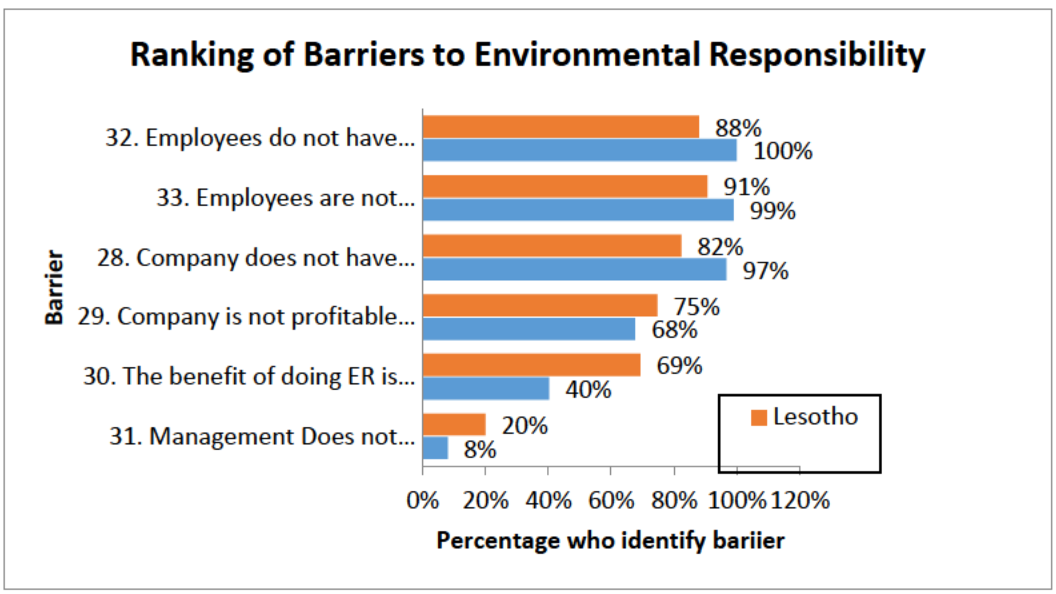

Figure 5.9: Barriers to ER

5.6.7 ER ACTIVITIES OF THE BUSINESS

Section G in the questionnaire presents the environmentally responsible activities of the business for SMMEs in South Africa and Lesotho. This also helped to address specific research questions 7. Tables 5.16a to 5.17b present the data of the responses.

Table 5.16a: ER activities of the business in South Africa (raw data)

ER Activities of the Business (South Africa)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
34. The company frowns on environmental littering	Count	0	0	0	75	225	100.0%
	%	0.0%	0.0%	0.0%	25.0%	75.0%	
35. The company encourages recycling	Count	10	19	43	179	49	76.0%
	%	3.3%	6.3%	14.3%	59.7%	16.3%	
36. The company encourages recycling	Count	8	28	57	180	27	69.0%
	%	2.7%	9.3%	19.0%	60.0%	9.0%	
37. The company is always seeking ways to reduce noise pollution	Count	3	2	11	200	84	94.7%
	%	1.0%	0.7%	3.7%	66.7%	28.0%	
38. The company is constantly improving air pollution	Count	1	2	4	175	118	97.7%
	%	0.3%	0.7%	1.3%	58.3%	39.3%	
39. The company is always seeking ways to improve solid waste management	Count	0	0	0	169	131	100.0%
	%	0.0%	0.0%	0.0%	56.3%	43.7%	
40. The company is always seeking ways to reduce water usage	Count	0	0	0	64	236	100.0%
	%	0.0%	0.0%	0.0%	21.3%	78.7%	
41. The company is always seeking ways to reduce energy usage	Count	0	0	0	20	280	100.0%
	%	0.0%	0.0%	0.0%	6.7%	93.3%	

Table 5.16b: ER activities of the business in South Africa (transformed data)

ER Activities of the Business (South Africa)		Frequency Distribution	
		% Disagree	% Agree/
34. The company frowns on environmental littering	Count %	0 0.0%	300 100.0%
35. The company encourages recycling	Count %	72 23.0%	228 76.0%
36. The company encourages recycling	Count %	93 31%	207 69.0%
37. The company is always seeking ways to reduce noise pollution	Count %	16 5.3%	284 94.7%
38. The company is constantly improving air pollution	Count %	7 2.3%	293 97.7%
39. The company is always seeking ways to improve solid waste management	Count %	0 0.0%	300 100.0%
40. The company is always seeking ways to reduce water usage	Count %	0 0.0%	300 100.0%
41. The Company is always seeking ways to reduce energy usage	Count %	0 0.0%	300 100.0%
Average		7.7%	92.3%

Table 5.17a: ER activities of the business in Lesotho (raw data)

ER Activities of the Business (Lesotho)		Frequency Distribution					
		Strongly Disagree	Disagree	Don't know	Agree	Strongly Agree	% Agree/ Strongly Agree
34. The company frowns on environmental littering	Count	1	6	5	128	160	96.0%
	%	0.3%	2.0%	1.7%	42.7%	53.3%	
35. The company encourages recycling	Count	6	21	32	159	82	80.3%
	%	2.0%	7.0%	10.7%	53.0%	27.3%	
36. The company is always seeking ways to reduce land pollution	Count	1	24	19	164	92	85.3%
	%	0.3%	8.0%	6.3%	54.7%	30.7%	
37. The company is always seeking ways to reduce noise pollution	Count	0	11	7	172	110	94.0%
	%	0.0%	3.7%	2.3%	57.3%	36.7%	
38. The company is constantly improving air pollution	Count	0	7	6	174	113	95.7%
	%	0.0%	2.3%	2.0%	58.0%	37.7%	
39. The company is always seeking ways to improve solid waste management	Count	1	7	10	162	120	94.0%
	%	0.3%	2.3%	3.3%	54.0%	40.0%	
40. The company is always seeking ways to reduce water usage	Count	0	4	4	121	171	97.3%
	%	0.0%	1.3%	1.3%	40.3%	57.0%	
41. The company is always seeking ways to reduce energy usage	Count	1	3	1	70	225	98.3%
	%	0.3%	1.0%	0.3%	23.3%	75.0%	

Table 5.17b: ER activities of the business in Lesotho (transformed data)

ER Activities of the Business (Lesotho)		Frequency Distribution	
		%Disagree	% Agree
34. The company frowns on environmental littering	Count	12	288
	%	4.0%	96.0%
35. The company encourages recycling	Count	59	241
	%	19.7%	80.3%
36. The company encourages recycling	Count	44	256
	%	14.7%	85.3%
37. The company is always seeking ways to reduce noise pollution	Count	18	282
	%	6.0%	94.0%
38. The company is constantly improving air pollution	Count	13	287
	%	4.3%	95.7%
39. The company is always seeking ways to improve solid waste management	Count	18	282
	%	6.0%	94.0%
40. The company is always seeking ways to reduce water usage	Count	8	292
	%	2.7%	97.3%
41. The company is always seeking ways to reduce energy usage	Count	5	295
	%	1.7%	98.3%
Average		7.4%	92.6%

For South Africa, as is made evident in Table 5.16a, all the participants indicate that their companies frown on environmental littering. Some 76% believe that their companies encourage recycling, and 69% believe that their companies are always seeking ways to reduce land pollution. According to 94.7%, their companies are always seeking ways to reduce noise pollution. About 97.7% agree that their companies are constantly improving air pollution. All of the participants think that their companies are always seeking ways to improve solid waste management, and reduce water and energy usage.

Table 5.16b presents the eight items in the questionnaire that asked respondents on their ER activities. The majority of the SMMEs in South Africa demonstrated agreement with all the identified areas of ER activities.

Table 5.17a shows the environmentally responsible activities of the business for Lesotho SMMEs. A vast majority (96%) of the participants say their companies frown on environmental littering. Some 80.3% believe that their companies encourage recycling, and 85.3% accept that their companies are always seeking ways to reduce land pollution. According to 94%, their companies are always seeking ways to reduce noise pollution. Table 5.17 further shows that 95.7% agree that their companies are constantly improving air pollution. 94% of the participants concur that their companies are always seeking ways to improve solid waste management, while 97.3% agree that their companies are always seeking ways to reduce water usage. Lastly, 98.3% are of the opinion that their companies are always seeking ways to reduce energy usage.

Table 5.17b shows that the overwhelming majority of the surveyed SMMEs in Lesotho agreed with all eight items quizzing them on the identified ER activities.

Information from South Africa and Lesotho reveal that SMMEs in both countries are involved in ER activities. The above data also portrays that the small businesses in both countries are heavily involved in the ER identified areas. This is shown by the high percentages of responses by the SMMEs. This finding is in conformity with their earlier assertion, in Sections 5.6.2 and 5.6.3 respectively, that they have deep understanding of ER and see it as a sound business philosophy. In a similar research carried out by Garay and Font (2011) and Walter et al. (2012), the authors found that SMMEs are involved in waste recycling, and reduction of energy and water usage, and air and noise pollution.

5.7 CORRELATION ANALYSIS OF ER CONSTRUCTS

The correlations between the various constructs that address ER issues are analysed in this section. The Pearson's correlations in Table 5.18 show that the understanding of BSR in general is highly and significantly correlated with the understanding of ER in particular, for both South Africa (corr=0.919, p-value=0.000) and Lesotho (corr=0.706, p-value=0.000). This means that the understanding of ER is an integral part of the knowledge of BSR.

Table 5.18: Correlations of ER constructs

Correlations			Understanding Of BSR	Understanding Of Business ER (BER)	Environmental Responsibility As A Sound Business Philosophy/ Practice (ERBP)	Environmental Responsibility Attitude (ERA)	Barriers To Environmental Responsibility (BAER)
South Africa	Understanding Of Business ER (BER)	Corr.	0.919^{**}	-			
		p-value	0.000				
		N	300				
	Environmental Responsibility As A Sound Business Philosophy/Practice (ERBP)	Corr.	0.070	0.089	-		
		p-value	0.229	0.124			
		N	300	300			
	Environmental Responsibility Attitude (ERA)	Corr.	0.099	0.108	0.092	-	
		p-value	0.087	0.061	0.110		
		N	300	300	300		
	Barriers To ER (BAER)	Corr.	0.173^{**}	0.174^{**}	-0.172^{**}	-0.134^{*}	-
		p-value	0.003	0.003	0.003	0.020	
		N	300	300	300	300	
	Environmentally Responsible Activities Of The Business (ERAB)	Corr.	0.050	0.076	0.165^{**}	0.136^{*}	-0.178^{**}
		p-value	0.390	0.191	0.004	0.018	0.002
		N	300	300	300	300	300
Lesotho	Understanding Of Business ER (BER)	Corr.	0.706^{**}	-			
		p-value	0.000				
		N	300				
	Environmental Responsibility As A Sound Business Philosophy/Practice (ERBP)	Corr.	0.262^{**}	0.128^{*}	-		
		p-value	0.000	0.027			
		N	300	300			
	Environmental Responsibility Attitude (ERA)	Corr.	0.148^{*}	-0.018	0.313^{**}	-	
		p-value	0.010	0.751	0.000		
		N	300	300	300		
	Barriers To ER (BAER)	Corr.	0.330^{**}	0.243^{**}	0.087	-0.049	-
		p-value	0.000	0.000	0.132	0.398	
		N	300	300	300	300	
	Environmentally Responsible Activities Of The Business (ERAB)	Corr.	0.078	-0.014	0.154^{**}	0.325^{**}	-0.019
		p-value	0.180	0.803	0.008	0.000	0.744
		N	300	300	300	300	300

In general, barriers to ER are also correlated to the understanding of BSR in both South Africa (corr=0.173, p-value=0.003) and Lesotho (corr=0.330, p-value=0.000).

5.8 RELATIONSHIP BETWEEN DEMOGRAPHIC FACTORS AND ER

The seven BSR issues investigated—(1) understanding of BSR, (2) understanding of ER, (3) ER as a sound business philosophy/practice, (4) reasons for undertaking ER, (5) ER attitude, (6) barriers to ER, and (7) environmentally responsible activities of the business—were further analysed to determine if they are affected by personal or business variables. The issues were first tested for normality in order to determine whether to use parametric or non-parametric methods.

The results in Tables 5.19 and 5.20 show that all seven ER issues are not normally distributed as all Kolmogorov-Smirnov and Shapiro-Wilk tests had p-values=0.000. This means that non-parametric methods have to be used to test for the effects of the demographic/company variables on ER issues. The specific statistics deployed were the Kruskal-Wallis Chi-square test. The Chi-square test was used to determine whether or not statistically significant differences exist. In using Chi-square test, the p-value, which is a quantitative measure, was used in decision making. In this study, the significant level was set at 0.05 (Zikmund et al., 2013). Thus, a finding is considered statistically significant if the probability that the result could have occurred randomly is less than 5 out of 100.

Table 5.19: Test of normality for South Africa

Tests of Normality-South Africa						
	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	p-value	Statistic	df	p-value
Understanding of BSR	0.108	300	0.000	0.968	300	0.000
Understanding of ER	0.123	300	0.000	0.959	300	0.000
ER as a sound business philosophy/practice	0.204	300	0.000	0.878	300	0.000
Reasons for undertaking environmental responsibility	0.143	300	0.000	0.960	300	0.000
ER attitude	0.132	300	0.000	0.961	300	0.000
Barriers to ER	0.097	300	0.000	0.974	300	0.000
ER activities of the business	0.166	300	0.000	0.880	300	0.000

Table 5.20: Test of normality for Lesotho data

Tests of Normality-Lesotho						
	Kolmogorov-Smirnov[b]			Shapiro-Wilk		
	Statistic	df	p-value	Statistic	df	p-value
Understanding of BSR	0.102	300	0.000	0.966	300	0.000
Understanding of ER	0.141	300	0.000	0.963	300	0.000
ER as a sound business philosophy/practice	0.171	300	0.000	0.868	300	0.000
Reasons for undertaking ER	0.139	300	0.000	0.942	300	0.000
ER attitude	0.134	300	0.000	0.940	300	0.000
Barriers to ER	0.121	300	0.000	0.929	300	0.000
ER activities of the business	0.140	300	0.000	0.947	300	0.000

5.8.1 DEMOGRAPHIC FACTORS VERSUS UNDERSTANDING OF BSR

This section looks at the effect of each of the personal and company factors on the understanding of BSR. Responses are reported in Table 5.21 below.

Table 5.21: Effects of demographic factors versus the understanding of BSR

Understanding of BSR		Kruskal-Wallis Tests									
		South Africa					Lesotho				
		N	Mean Rank	Chi-square	df	p-value	N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of education	None	3	90.00	6.05	5	0.301	-	-	12.71	3	0.005*
	Grade 1-4	3	124.83				11	165.55			
	Grade 5-9	28	130.89				62	177.70			
	Grade 10-12	143	161.05				131	152.23			
	Post Grade 12	120	144.39				96	128.84			
	Post Graduate	3	161.17				-	-			
Type of Respondent	Owner	14	192.54	8.92	3	0.030*	18	132.81	26.76	3	0.000*
	Manager	57	141.10				53	108.59			
	Owner/ Manager	166	142.58				135	176.24			
	Employee	63	170.54				94	140.55			
Company Details											
Type of Business	Manufacturing	111	136.85	4.48	2	0.106	117	112.60	38.75	2	0.000*
	Motor Vehicle Mechanic	99	157.82				92	167.23			
	Panel-beater	90	159.28				91	182.32			
Number of employees beside owner	1-5	42	182.26	7.77	4	0.100	85	184.58	41.59	4	0.000*
	6-10	125	149.10				93	168.74			
	11-20	82	141.69				49	112.68			
	21-50	44	138.26				48	118.58			
	51-200	7	165.07				25	102.20			
Gross Turnover per annum	Up to R500 000	167	152.64	0.71	2	0.700	149	165.97	13.69	3	0.003*
	R500 000-R2mil	119	149.57				118	142.69			
	R2mil-R4mil	14	132.82				31	109.31			
	R4mil-R6mil	-	-				2	97.75			
Age of Business	1-3 years	1	157.00	2.61	4	0.626	10	167.10	19.90	4	0.001*
	4-6 years	38	159.11				44	185.02			
	8-10 years	121	147.56				123	161.60			
	11-15 years	83	159.30				76	123.64			
	More than 15 years	57	138.08				47	129.02			
Form of business	Sole proprietor	50	139.24	1.12	3	0.773	79	174.64	13.33	4	0.010*
	Close corporation	7	158.79				7	169.14			
	Pty Ltd	167	153.37				141	135.39			
	Partnership	76	150.84				72	153.60			
	other	-	-				1	20.00			

**Means significant difference*

Personal factors versus the understanding of BSR

Results in Table 5.21 show that for the South African sample there were no significant differences among the six categories of levels of education in the understanding of BSR (Kruskal-Wallis Chi-square=6.5, df=5, p-value=301). However, for the Lesotho sample there were significant differences among the six categories of educational levels that were captured (Kruskal-Wallis Chi-square=12.71, df=3, p-value=0.005). It would appear that those with lower educational levels have a higher understanding of BSR than those with higher levels of education (Grade 1-4: Mean rank=165.55, Grade 5-9: Mean rank=177.70, Grade 10-12: Mean rank=152.23, Post Grade 12: Mean rank=128.84). This finding in Lesotho is surprising because one would expect higher levels of education to correlate with better understandings of BSR. This finding is inconsistent with previous studies by Akintayo and Abu (2006) and Tuzuc (2014) who found significant positive effect of higher level of education on understanding BSR. However, this finding may mean that those with higher education have a lukewarm attitude towards BSR. For instance, they may feel they already know about BSR and therefore do not show any positive attitude towards it.

The type of respondent significantly affects the understanding of BSR in both South Africa (Kruskal-Wallis Chi-square=8.92, df=3, p-value=0.030) and Lesotho (Kruskal-Wallis Chi-square=26.76, df=3, p-value=0.000) as reflected in Table 5.21 below. In South Africa the owners have the highest understanding of BSR (mean rank=192.54), the employees have the second highest understating (mean rank=170.54), while the owner/managers (mean rank=142.58) and the managers (mean rank=141.10) are almost at par in their understanding of BSR. With the Lesotho sample the owner/managers showed the highest understanding of BSR (mean rank=176.24), followed by the employees (mean rank=140.55) and the owners (mean rank=132.81) with the managers coming last (mean rank=108.59). The findings in both countries reveal that owners and owners/managers show the highest understanding of BSR. This is not surprising, because owners in particular know the bad publicity associated with ignoring BSR, and it therefore makes logical sense for them to have higher understanding than employees. For instance, Spencer (2007) states that owner-managers' personal motivation and decision regarding what primarily constitute a BSR are some of the contributory factors that make them understand BSR better.

Company factors versus the understanding of BSR

While there were no significant differences in all the five factors among South African SMMEs, significant differences were observed among their Lesotho counterparts. The type of business significantly affects the understanding of BSR in Lesotho (Kruskal-Wallis Chi-square=38.75, df=2, p-value=0.000). Table 5.21 above shows that panel-beaters have higher understanding of BSR (mean rank=182.32) followed by motor vehicle mechanics (mean rank=167.23) and manufacturing firms (mean rank=112.60). Again, this is a surprising finding because manufacturing firms, particularly clothing manufactures, are expected to have a higher understanding of BSR than panel-beaters and motor vehicle mechanics. This is because by their nature, manufacturing firms have better formalized administrative structures and employ more people than panel-beaters and motor vehicle mechanics. However, previous studies by Akintayo and Abu (2006) and Seidu (2014) contradict the findings of this study. The researchers concluded that manufacturing SMMEs have a better understanding of BSR than SMMEs in other sectors.

The number of employees also significantly affects the understanding of BSR in Lesotho (Kruskal-Wallis Chi-square=41.59, df=4, p-value=0.000). The table above shows that smaller businesses have a better understanding than the medium ones, with those employing 1-5 people having a better understanding (mean rank=184.58), followed by companies those employing between 6-10 (mean rank=168.74), and the least are those employing between 51 and 200 (mean rank=102.20). While researchers like Anlesinya et al. (2014) and Tuzuc (2014) recognize medium-sized enterprises to have better understanding of BSR than smaller ones, the findings of this study showed otherwise. This finding may mean that the smaller businesses see BSR as a means of growing their business, therefore they may attach more seriousness to the concept than the already established medium-sized ones.

Gross turnover per annum also significantly affects the understanding of BSR (Kruskal-Wallis Chi-square=13.69, df=3, p-value=0.003). In Lesotho, those whose gross turnover per annum of up to R500, 000 seem to have a higher understanding of BSR (mean rank=165.97), followed by those with R500, 000 to R2ml (mean rank=142.69), then R2ml to 4ml (mean rank=109.31) and lastly R4ml to 5ml (mean rank=97.75). The analyses above have revealed that smaller businesses in Lesotho have a higher understanding of BSR than the medium ones, and the smaller companies are also the ones with a gross annual turnover of up to R500, 000 who spend more on BSR than the medium-sized ones. Dzansi (2015) and other researchers argue that because smaller businesses are closer to their stakeholders (especially customers) they have no choice but to engage in BSR, even if the practice is silent.

Table 5.21 above reveals that the age of the business significantly affects the understanding of BSR among SMMEs in Lesotho (Kruskal-Wallis Chi-square=19.90, df=4, p-value=0.001). The table shows that younger businesses have a higher understanding of BSR than the old ones, with the highest being 4-5 and 1-3 years (mean rank=185.02 and 167.10 respectively). Those in business between 11-15 years (Mean rank=123.64) and more than 15 years (Mean rank=129.02) have the least understanding of BSR. In contrast to this finding, Akintayo and Abu (2006) and Seidu (2014) reported in their studies that firms that have been in existence longer tend to have higher understanding of BSR than younger ones. It could be inferred that for Lesotho, smaller businesses are driven by the will to survive and grow, which provides greater motivation for them in understanding BSR than it does for medium enterprises.

Form of business also significantly affects the understanding of BSR in Lesotho (Kruskal-Wallis Chi-square=13.33, df=4, p-value=0.010). According to information in Table 5.21, sole proprietors (Mean rank=174) have the highest understanding of BSR, followed by close corporation (Mean rank=169.14), partnership (Mean rank=153) and Pty Ltd (Mean rank=135.39). It could be inferred that because a sole proprietor takes unilateral decisions for the business, in contrast for example to a partnership where the other partner(s) may have opposing views, he or she may decide to engage in BSR without any argument from anyone.

5.8.2 DEMOGRAPHIC FACTORS AND UNDERSTANDING OF ER

The discussion in this section will focus on the effects of each demographic and company factor on the understanding of ER among SMMEs in South Africa and Lesotho. Inferences will be drawn from Table 5.22.

Table 5.22: Effects of demographic factors on the understanding of ER

Understanding of ER (ER)		Kruskal-Wallis Tests									
		South Africa					Lesotho				
		N	Mean Rank	Chi-square	df	p-value	N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of Education	None	3	87.50	6.37	5	0.272	-	-	11.93	3	0.008
	Grade 1-4	3	160.00				11	155.32			
	Grade 5-9	28	133.04				62	178.25			
	Grade 10-12	143	161.63				131	151.82			
	Post Grade 12	120	143.30				96	130.22			
	Post Graduate	3	124.50				-	-			
Type of Respondent	Owner	14	191.61	11.56	3	0.009	18	137.00	31.37	3	0.000*
	Manager	57	133.93				53	111.12			
	Owner/ Manager	166	143.49				135	179.89			
	Employee	63	174.83				94	133.07			
Company Details											
Type of Business	Manufacturing	111	132.27	8.00	2	0.018*	117	107.67	49.01	2	0.000*
	Motor Vehicle Mechanic	99	162.05				92	184.66			
	Panel-Beater	90	160.27				91	171.03			
Number of Employees beside Owner	1-5	42	171.73	8.59	4	0.072	85	188.90	53.67	4	0.000*
	6-10	125	156.52				93	170.30			
	11-20	82	139.51				49	104.40			
	21-50	44	128.28				48	122.73			
	51-200	7	184.07				25	89.96			
Gross Turnover per annum	Up to R500 000	167	154.47	1.26	2	0.532	149	168.39	19.92	3	0.000*
	R500 000-R2mil	119	147.23				118	142.44			
	R2mil-R4mil	14	130.93				31	100.52			
	R4mil-R6mil	-	-				2	68.00			
Age of Business	1-3 years	1	107.00	1.49	4	0.828	10	155.60	7.72	4	0.102
	4-6 years	38	157.91				44	164.91			
	8-10 years	121	148.64				123	159.92			
	11-15 years	83	156.07				76	128.86			
	More than 15 years	57	142.16				47	146.28			
Form of business	Sole proprietor	50	148.21	0.69	3	0.877	79	169.59	14.69	4	0.005*
	Close corporation	7	128.21				7	148.29			
	Pty Ltd	167	152.97				141	132.52			
	Partnership	76	148.63				72	166.67			
	other	-	-				1	29.00			

**Means significant difference*

Personal factors versus the understanding of ER

Data in Table 5.22 suggest that for South Africa, there were no significant differences among the six categories of levels of education in the understanding of ER. However, there were significant differences observed in the Lesotho sample (Kruskal-Wallis Chi-square=11.93, df=3, p-value=0.008). The table shows that those with Grade 5-9 (Mean rank=178.25) have the highest understanding of ER, followed by Grade 1-4 (Mean rank=155.32), then those with higher levels of education, Grade 10-12 (Mean rank=151.82) and Post Grade 12 (Mean rank=130.22). This finding is the same as the earlier one in Section 5.8.1 where those with low level of education were found to have higher understanding of BSR than their counterparts with higher levels. Even though some authors, like Akintayo and Abu (2006), have argued that those with higher education seem to understand concepts better, this study's findings prove the opposite.

The type of respondent significantly affects the understanding of ER in both South Africa (Kruskal-Wallis Chi-square=11.56, df=3, p-value=0.009) and Lesotho (Kruskal-Wallis Chi-square=31.37, df=3, p-value=0.000) between the four categories of type of respondent. In South Africa the owners have the highest understanding of ER (Mean rank=191.61), employees the second highest (174.83), followed by owners/managers (Mean rank=143.49) and managers (Mean rank=133.93). In Lesotho owners/managers have the highest understanding of ER (Mean rank=179.89). In agreement to this finding is Murthy (2014) who concluded that owners and owners/managers show higher understanding of social and ER.

Company factors versus the understanding of ER

Table 5.22 displays that type of business significantly affects the understanding of ER in both South Africa (Kruskal-Wallis Chi-square=8.00, df=2, p-value=0.018) and Lesotho (Kruskal-Wallis Chi-square=49.01, df=2, p-value=0.000). For the South African sample, motor vehicle mechanics have the highest understanding of ER (Mean rank=162.05), panel-beaters the second (Mean rank=160.27), followed by manufacturing firms (Mean rank=132.27). A similar pattern is recorded in Lesotho where motor vehicle mechanics seem to have the highest understanding of ER (Mean rank=184.66), followed by panel-beaters (Mean rank=171.67) and manufacturing firms (Mean rank=107.67). Much as this finding is surprising, insofar as one would expect manufacturing firms to have the highest understanding of ER, for South Africa the finding supports that of Okyere (2013) who carried out an investigation of SMMEs in the Botshabelo industrial estate. Okyere (2013) reported that ER issues ranked the lowest of the four BSR activity areas (society, customers, employees and environment) investigated.

With regards to number of employees significantly affecting the understanding of ER, only the Lesotho sample demonstrated a significant effect (Kruskal-Wallis Chi-square=53.67, df=4, p-value=0.000). Table 5.22 demonstrates that smaller businesses, 1-5 employees (Mean rank=188.90) and 6-10 employees (Mean rank=170.30), have a higher understanding of ER than medium ones, 51-200 (Mean rank=88.96). This finding is similar to that reported in Section 5.8.1 on effects of number of employees on the understanding of BSR.

Gross turnover per annum significantly affects the understanding of ER in Lesotho (Kruskal-Wallis Chi-square=19.92, df=3, p-value=0.000) but for the South African sample there were no significant differences among the four categories of gross turnover per annum in the understanding of ER. For Lesotho, companies employing 1-5 (Mean rank=188.90) and 6-19 (Mean rank=170.30) have a higher understanding of ER than companies employing 51-200 (Mean rank=89.96). There is similarity between this finding and the one recorded in Section 5.8.1 on effects of number of employees in the understanding of BSR. By inference, one can conclude that survival and growth might be the key objects driving smaller businesses to have higher understanding of ER than their medium-sized counterparts. However, this finding contrasts with those of Alemagi (2006) and Nukpezah (2010) who report that medium-sized enterprises have higher understanding of social and ER.

Results in Table 5.22 suggest that there were no significant difference among the five categories of age of business in the understanding of ER in South Africa (Kruskal-Wallis Chi-square=1.49, df=4, p-value=0.828) or Lesotho (Kruskal-Wallis Chi-square=7.72, df=4, p-value=0.102). There were no significant differences of form of business in the understanding of ER in South Africa (Kruskal-Wallis Chi-square-0.69, df=3, p-value=0.877). However, for the Lesotho sample there were significant differences (Kruskal-Wallis Chi-square=14.69, df=4, p-value=0.005). For Lesotho, sole proprietors have highest understanding of ER (Mean rank=169.59), with partnership the second highest (Mean rank=166.57), followed by close company (Mean rank=148.29), and lastly Pty Ltd (Mean rank=132.52).

5.8.3 DEMOGRAPHICS VERSUS ER AS A SOUND BUSINESS PHILOSOPHY

The effect of each demographic and company factor on the understanding of ER as a sound business philosophy/practice among the surveyed SMMEs in South Africa and Lesotho is examined in this section. Table 5.23 provides the results on this topic.

Personal factors versus ER as a sound business philosophy

Data captured in Table 5.23 indicate that there were significant differences among the six categories of levels of education in ER as sound business philosophy/practice in South Africa (Kruskal-Wallis Chi-square=11.78, df=5, p-value=0.038) but not in Lesotho (Kruskal-Wallis Chi-square=7.49, df=3, p-value=0.058). According to Table 5.23, in South Africa those with post graduate education have the highest level of understanding of ER as a sound business philosophy (Mean rank=267.33), followed by Grade 1-4 (Mean rank=182.67), no formal academic qualifications (Mean rank=175.67), Post Grade 12 (Mean rank=162.29), Grade 10-12 (Mean rank=139.76) and Grade 5-9 (Mean rank=136.39). A study by the Federation on Small Business (2006) and Tuzuc (2014) concluded that higher level of education significantly impacts on social and ER as a sound business practice.

Table 5.23: Demographic factors versus ER as a sound business philosophy

ER as a Sound Business Philosophy/Practice		Kruskal-Wallis Tests									
		South Africa					Lesotho				
		N	Mean Rank	Chi-square	df	p-value	N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of Education	None	3	173.67	11.78	5	0.038*	-	-	7.49	3	0.058
	Grade 1-4	3	182.67				11	128.32			
	Grade 5-9	28	136.39				62	161.57			
	Grade 10-12	143	139.76				131	159.98			
	Post Grade 12	120	162.29				96	132.95			
	Post Graduate	3	267.33				-	-			
Type of Respondent	Owner	14	99.29	6.50	3	0.090	18	148.86	11.15	3	0.011*
	Manager	57	160.39				53	117.75			
	Owner/ Manager	166	148.54				135	163.84			
	Employee	63	158.10				94	150.12			
Company Details											
Type of Business	Manufacturing	111	138.63	3.47	2	0.177	117	138.09	10.19	2	0.006*
	Motor Vehicle Mechanic	99	157.27				92	173.93			
	Panel-beater	90	157.69				91	142.76			
Number of Employees beside Owner	1-5	42	149.14	16.59	4	0.002*	85	171.08	7.96	4	0.093
	6-10	125	158.90				93	146.67			
	11-20	82	123.41				49	143.13			
	21-50	44	166.61				48	141.09			
	51-200	7	224.57				25	127.26			
Gross Turnover per Annum	Up to R500 000	167	144.49	2.44	2	0.295	149	156.66	3.44	3	0.328
	R500 000- R2mil	119	156.20				118	149.39			
	R2mil-R4mil	14	173.79				31	127.61			
	R4mil-R6mil	-	-				2	112.00			
Age of Business	1-3 years	1	43.00	2.97	4	0.563	10	91.20	7.86	4	0.097
	4-6 years	38	148.39				44	149.69			
	8-10 years	121	144.76				123	159.34			
	11-15 years	83	156.83				76	139.48			
	More than 15 years	57	156.75				47	158.55			
Form of Business	Sole proprietor	50	158.34	4.89	3	0.180	79	158.55	3.33	4	0.180
	Close corporation	7	92.29				7	141.21			
	Pty Ltd	167	154.49				141	153.82			
	Partnership	76	141.94				72	135.63			
	other	-	-				1	182.00			

******Means significant difference*

With regards to type of respondents, there were no significant differences among the four categories in ER as a sound business philosophy in South Africa (Kruskal-Wallis Chi-square=6.50, df=3, p-value=0.177). However, for Lesotho, there were significant differences in ER as a sound business philosophy (Kruskal-Wallis Chi-square=11.15, df=2, p-value=0.11). Table 5.23 shows that owners/managers have the highest knowledge of ER as a sound business philosophy/practice (Mean rank=163.84), employees the second highest (Mean rank=150.12), then owners (Mean rank=148.86) and managers (Mean rank=117.75). This result is not surprising as owners who also manage their businesses see environmental issues as crucial to business success. Burgi (2014) and Murthy (2014) state that owners and managers see social and ER as important to business success.

Company factors versus ER as a sound business philosophy

Information in Table 5.23 reveals that for South Africa, there were no significant differences among the three categories of type of business in ER as a sound business philosophy/practice (Kruskal-Wallis Chi-square=3.47, df=2, p-value=0.177). However, for Lesotho there were significant differences (Kruskal-Wallis Chi-square=10.19, df=2, p-value=0.006). For Lesotho motor mechanics have the highest knowledge of ER as a sound business philosophy (Mean rank=173.93) followed by panel-beaters (Mean rank-142.76) and manufacturing (Mean rank=138.09). Again, one would have thought that manufacturing firms, who have the highest potential to compromise the natural environment due to their business operations, would be more likely to consider ER a sound business practice than would motor vehicle mechanics and panel-beaters.

Results in Table 5.23 show that for the Lesotho sample there were no significant differences among the five categories of number of employees in regarding ER as a sound business philosophy (Kruskal-Wallis Chi-square=7.96, df=4, p-value=0.093). However, for the South African sample there were significant differences in the five categories that were captured (Kruskal-Wallis Chi-square=16.59, df=4, p-value=0.002). The table reflects that companies with 51-200 employees have the highest regard for ER as a sound business philosophy (Mean rank=224.57), those with 21-50 employees the second highest (Mean rank-166.61), followed by 6-10 employees (Mean rank=158.90), 1-5 employees (Mean rank=149.14) and 11-20 (Mean rank=123.41). This finding indicates that for South Africa medium-sized enterprises are more likely to see ER as a sound business philosophy/practice than are small enterprises. In agreement with this finding, Okyere (2013) and Seidu (2014) concluded in their previous studies that SMMEs see ER as a sound business philosophy but they did not go further to indicate which one has a higher regard of ER as a sound philosophy than the other.

Information in Table 5.23 shows that there were no significant differences in gross turnover per annum, age of business and form of business in regard to ER as a sound business philosophy/practice.

5.8.4 DEMOGRAPHIC FACTORS VERSUS REASONS FOR UNDERTAKING ER

Demographic and company factors that have significant effects on reasons why SMMEs engage in ER are considered in this section.

Personal factors versus reasons for ER

Table 5.24 reveals that for the Lesotho sample there were no significant differences on reasons to engage in ER in all the two factors, while significant differences were observed among their South African counterparts. Type of business significantly affects reasons for engaging in ER in South Africa (Kruskal-Wallis Chi-square=13.554, df=3, p-value=0.000). The table shows that managers have the highest reasons for ER engagement (Mean rank=185.69) followed by owners/managers (Mean rank=144.22), owners (Mean rank=134.96) and employees (Mean rank=133.74). While there is a general notion that owners or owners/managers should have highest reasons for engaging in ER because they are the sole decision makers, this findings in South Africa suggest that it is rather managers who have the highest reasons for engaging in ER.

Table 5.24: Demographic factors versus reasons for undertaking ER

Reasons for Undertaking ER		Kruskal-Wallis Tests									
		South Africa					Lesotho				
		N	Mean Rank	Chi-square	df	p-value	N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of Education	None	3	133.17	9.888	5	0.078	-	-	4.785	3	0.188
	Grade 1-4	3	101.67				11	125.59			
	Grade 5-9	28	140.46				62	134.98			
	Grade 10-12	143	137.24				131	160.56			
	Post Grade 12	118	167.58				96	149.64			
	Post Graduate	3	170.83				-	-			
Type of Respondent	Owner	14	134.96	13.554	3	0.004*	18	177.19	3.387	3	0.336
	Manager	57	185.69				53	141.02			
	Owner/ Manager	164	144.22				135	155.29			
	Employee	63	133.74				94	143.86			
Company Details											
Type of Business	Manufacturing	109	179.01	20.793	2	0.000*	117	158.71	1.776	2	0.412
	Motor Vehicle Mechanic	99	131.06				92	145.92			
	Panel-beater	90	134.04				91	144.57			
Number of Employees beside Owner	1-5	42	129.19	21.289	4	0.000*	85	156.06	7.472	4	0.113
	6-10	125	137.47				93	143.68			
	11-20	80	150.08				49	161.00			
	21-50	44	188.27				48	162.72			
	51-200	7	235.79				25	112.94			
Gross Turnover per Annum	Up to R500 000	167	127.65	25.795	2	0.000*	149	148.24	0.672	3	0.880
	R500 000-R2mil	117	175.25				118	154.70			
	R2mil-R4mil	14	194.96				31	147.29			
	R4mil-R6mil	-	-				2	120.75			
Age of Business	1-3 years	1	36.50	7.494	4	0.112	10	60.90	14.249	4	0.112
	4-6 years	38	125.86				44	161.26			
	8-10 years	119	158.44				123	160.85			
	11-15 years	83	141.93				76	142.96			
	More than 15 years	57	159.61				47	144.61			
Form of Business	Sole proprietor	50	154.27	11.746	3	0.008	79	156.08	2.870	4	0.580
	Close corporation	7	130.57				7	171.00			
	Pty Ltd	167	161.27				141	147.12			
	Partnership	74	121.50				72	150.65			
	other	-	-				1	32.00			

**Means significant difference*

Company factors versus reasons for undertaking ER

While there were no significant differences among SMMEs in Lesotho on reasons for engaging in ER, significant differences exist among SMMEs in South Africa in respect of type of business (Kruskal-Wallis Chi-square=20.793, df=2, p-value=0.000), number of employees (Kruskal-Wallis Chi-square=21.289, df=4, p-value=0.000) and gross turnover per annum (Kruskal-Wallis Chi-square=25.795, df=2, p-value=0.000). For type of business, manufacturing firms have the highest reasons for engaging in ER (Mean rank=179.01) followed by panel-beaters (Mean rank=134.04) and motor vehicle mechanics (Mean rank=131.06). Also, medium-sized companies have higher reasons for engaging in ER than smaller ones with regards to number of employees and gross turnover per annum.

The above findings suggest that it is only logical for manufacturing firms, who have greater potential to compromise the environment than motor vehicle mechanics and panel-beaters, to show higher reasons for engaging in ER. This is supported by Nukpezah (2010) and Jeppensen et al. (2012) who show that manufacturing firms, by the nature of their activities, are more inclined to engage in ER than those in other sectors.

5.8.5 EFFECTS OF DEMOGRAPHIC FACTORS ON ER ATTITUDE

This section reviews demographic and company factors that affect ER attitude in the surveyed SMMEs in South Africa and Lesotho. Table 5.25 is used for the review.

Effects of personal factors on ER attitude

Table 5.25 demonstrates that there were no significant differences in ER attitude in respect of the level of education and type of respondent for both South Africa and Lesotho.

Table 5.25: Demographic factors versus ER attitude

ER ATTITUDE		Kruskal-Wallis Tests									
		South Africa					Lesotho				
		N	Mean Rank	Chi-square	df	p-value	N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of Education	None	3	143.50	1.133	5	0.951	-	-	4.107	3	0.250
	Grade 1-4	3	183.67				11	119.14			
	Grade 5-9	28	143.41				62	145.48			
	Grade 10-12	143	151.29				131	160.55			
	Post Grade 12	120	151.38				96	143.62			
	Post Graduate	3	117.67				-	-			
Type of Respondent	Owner	14	153.14	0.120	3	0.989	18	136.42	1.277	3	0.735
	Manager	57	147.46				53	157.59			
	Owner/ Manager	166	150.56				135	146.91			
	Employee	63	152.50				94	154.36			
Company Details											
Type of Business	Manufacturing	111	155.71	0.777	2	0.678	117	166.82	8.783	2	0.012*
	Motor Vehicle Mechanic	99	149.51				92	148.58			
	Panel-beater	90	145.16				91	131.46			
Number of Employees beside Owner	1-5	42	150.51	4.987	4	0.289	85	138.12	8.360	4	0.079
	6-10	125	147.01				93	142.80			
	11-20	82	156.13				49	154.31			
	21-50	44	139.95				48	179.67			
	51-200	7	213.07				25	157.78			
Gross Turnover per Annum	Up to R500 000	167	143.57	3.099	2	0.212	149	141.29	4.986	3	0.173
	R500 000-R2mil	119	161.21				118	155.64			
	R2mil-R4mil	14	142.11				31	171.23			
	R4mil-R6mil	-	-				2	212.00			
Age of Business	1-3 years	1	122.00	5.498	4	0.240	10	146.35	1.366	4	0.850
	4-6 years	38	176.17				44	162.94			
	8-10 years	121	148.12				123	150.84			
	11-15 years	83	138.61				76	147.77			
	More than 15 years	57	156.25				47	143.26			
											Cont.
Form of business	Sole proprietor	50	148.47	7.106	3	0.069	79	136.67	5.672	4	0.225
	Close corporation	7	135.43				7	173.50			
	Pty Ltd	167	141.68				141	161.27			
	Partnership	76	172.60				72	143.04			
	other	-	-				1	100.50			

*Means significant difference

Effects of company factors on ER attitude

For the South African sample, there were no significant differences among the four categories of attitude towards ER (Kruskal-Wallis Chi-square-0.777, df=2, p-value=0.678) as reflected in Table 5.25. However, for Lesotho there were significant differences (Kruskal-Wallis Chi-square=8.783, df=2, p-value=0.012. The results in Table 5.25 show that manufacturing companies have a better attitude towards ER (Mean rank=166.82) than motor vehicle mechanics (Mean rank=148.58) and panel-beaters (Mean rank=131.46). Tables 5.22 and 5.23 indicate that panel-beaters and motor vehicle mechanics have a better understanding of BSR and ER than manufacturing companies in Lesotho. However, when it comes to attitudes towards ER, manufacturing companies show a more positive attitude towards ER than the other two. This may mean that manufacturing companies realize the importance attached to environmental issues, since they have a greater potential to compromise the environment than panel-beaters and motor mechanics. This may be why they show a more positive attitude towards ER.

Data in Table 5.25 indicate that there were no significant differences in number of employees, gross turnover per annum, age of business and form of business on attitude towards ER in the surveyed SMMEs in South Africa and Lesotho. This finding is in agreement with that of Perks and Smith (2013) who reported that type of business impacts on ER, and that manufacturing SMMEs have a better attitude towards ER.

5.8.6 EFFECTS OF DEMOGRAPHIC FACTORS ON BARRIERS TO ER

This section looks at effects of demographic and company factors on barriers to ER among SMMEs in South Africa and Lesotho. Table 5.26 details the findings. In this section only the number of employees and gross turnover per annum will be examined, as the others are not seen as barriers to ER.

Table 5.26: Demographic factors versus Barriers to ER

Barriers to Environmental Responsibility		Kruskal-Wallis Tests									
		South Africa					Lesotho				
		N	Mean Rank	Chi-square	df	p-value	N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of education	None	3	137.83				-	-			
	Grade 1-4	3	128.50				11	186.36			
	Grade 5-9	28	159.20	14.46	5	0.013*	62	184.73	24.10	3	0.000*
	Grade 10-12	143	165.69				131	153.90			
	Post Grade 12	120	129.37				96	119.65			
	Post Graduate	3	225.50				-	-			
Type of Respondent	Owner	14	129.36				18	167.58			
	Manager	57	121.46				53	100.01			
	Owner/ Manager	166	152.69	12.79	3	0.005*	135	158.17	22.43	3	0.000*
	Employee	63	175.69				94	164.68			
Company Details											
Type of Business	Manufacturing	111	140.72				117	117.79			
	Motor Vehicle Mechanic	99	159.35	2.54	2	0.281	92	174.35	27.74	2	0.000*
	Panel-beater	90	152.83				91	168.44			
Number of employees beside owner	1-5	42	151.51				85	176.01			
	6-10	125	161.10				93	179.02			
	11-20	82	145.20	7.33	4	0.120	49	105.33	45.11	4	0.000*
	21-50	44	124.13				48	124.20			
	51-200	7	183.14				25	96.74			
Gross Turnover per annum	Up to R500 000	167	169.06				149	166.64			
	R500 000-R2mil	119	123.97	19.04	2	0.000*	118	139.94	15.13	3	0.002*
	R2mil-R4mil	14	154.64				31	121.63			
	R4mil-R6mil	-	-				2	18.25			
Age of Business	1-3 years	1	77.00				10	94.35			
	4-6 years	38	164.99				44	172.68			
	8-10 years	121	143.95	3.70	4	0.449	123	151.71	9.45	4	0.051
	11-15 years	83	159.10				76	137.38			
	More than 15 years	57	143.51				47	159.74			
Form of business	Sole proprietor	50	159.25				79	174.95			
	Close corporation	7	132.64	1.76	3	0.625	7	147.36	11.63	4	0.020*
	Pty Ltd	167	145.70				141	135.11			
	Partnership	76	156.93				72	155.06			
	other	-	-				1	83.50			

Effects of personal factors on barriers to ER

Table 5.26 reports that for South Africa there were no significant differences in the five categories of number of employees on barriers to ER (Kruskal-Wallis Chi-square=7.33, df=4, p-value=0.120), but for Lesotho there were significant difference on the five categories of number of employees (Kruskal-Wallis Chi-square=27.74, df=2, p-value=0.000). For Lesotho, the table shows that companies that employ 6-10 people experience the most barriers/challenges to ER (Mean rank=179.02) followed by those with 1-5 employees (Mean rank=176.01), 21-50 employees (Mean rank=124.20), 11-20 employees (Mean rank=105.33), and 51-200 (Mean rank=96.74). It can be concluded that small businesses in Lesotho see number of employees as a greater barrier to BSR than do medium-sized ones.

Gross turnover per annum significantly affects barriers to ER in South Africa (Kruskal-Wallis Chi-square=19.04, df=2, p-value=0.000) as well as Lesotho (Kruskal-Wallis Chi-square=15.13, df=3, p-value=0.002). In South Africa, companies with gross turnover per annum of up to R500, 000 encounter the most barriers to ER (Mean rank=169.06), followed by companies with gross turnover per annum between R2ml and R4ml (Mean rank=154.64) and those between R500, 000 and R2ml (Mean rank=123.97). In Lesotho, companies with up to R500, 000 gross turnover per annum encounter the most barriers (Mean rank=166.64) followed by those between R500, 000 and R2ml (Mean rank=139.94), R2ml and R4m (Mean rank=121.63) and R4ml and R6ml (Mean rank=18.25). It can be inferred that for both countries small businesses see their low gross turnover per annum as a barrier to ER. Previous work by Alemagi (2006) and Burgi (2014) suggest that age of business, number of employees and gross annual turnover have a significant effect on ER engagement. Thus, businesses that have been in existence longer, those with more employees and higher gross turnover per annum engage in ER more than the smaller ones.

5.8.7 EFFECTS OF DEMOGRAPHIC AND COMPANY FACTORS ON ER ACTIVITIES

Effects of demographic and company factors on ER activities are discussed in this section, as reported in Table 5.27.

Table 5.27: Demographic factors versus ER activities

Environmentally Responsible Activities of the Business		Kruskal-Wallis Tests: South Africa N	Mean Rank	Chi-square	df	p-value	Lesotho N	Mean Rank	Chi-square	df	p-value
Personal Details											
Highest Level of education	None	3	128.33	9.87	5	0.079	-	-	1.38	3	0.709
	Grade 1-4	3	240.00				11	148.73			
	Grade 5-9	28	152.48				62	146.61			
	Grade 10-12	143	150.74				131	157.04			
	Post Grade 12	120	151.18				96	144.29			
	Post Graduate	3	26.00				-	-			
Type of Respondent	Owner	14	198.61	10.98	3	0.012*	18	94.83	9.60	3	0.022*
	Manager	57	140.69				53	167.51			
	Owner/ Manager	166	158.38				135	151.26			
	Employee	63	127.93				94	150.48			
Company Details											
Type of Business	Manufacturing	111	160.28	11.80	2	0.003*	117	167.91	8.53	2	0.014*
	Motor Vehicle Mechanic	99	126.48				92	144.66			
	Panel-beater	90	164.86				91	134.03			
Number of employees beside owner	1-5	42	144.74	4.41	4	0.354	85	154.24	8.07	4	0.089
	6-10	125	160.40				93	133.25			
	11-20	82	140.80				49	150.94			
	21-50	44	140.95				48	175.89			
	51-200	7	181.79				25	152.34			
Gross Turnover per annum	Up to R500 000	167	156.72	3.36	2	0.187	149	140.75	6.64	3	0.084
	R500 000- R2mil	119	145.66				118	159.78			
	R2mil-R4mil	14	117.43				31	154.92			
	R4mil-R6mil	-	-				2	260.75			
Age of Business	1-3 years	1	26.00	8.00	4	0.092	10	123.40	5.60	4	0.232
	4-6 years	38	166.47				44	171.03			
	8-10 years	121	160.52				123	147.70			
	11-15 years	83	140.19				76	139.78			
	More than 15 years	57	135.78				47	161.70			
Form of business	Sole proprietor	50	150.74	4.56	3	0.207	79	144.40	4.10	4	0.393
	Close corporation	7	192.64				7	195.71			
	Pty Ltd	167	143.04				141	151.55			
	Partnership	76	162.85				72	152.31			
	other	-	-				1	37.50			

**Means significant difference*

Effects of personal factors on ER activities

Results in Table 5.27 show that the four categories of type of respondent significantly affect ER activities among the surveyed SMMEs in South Africa (Kruskal-Wallis Chi-square=10.94, df=3, p-value=0.012) and Lesotho (Kruskal-Wallis Chi-square=9.60, df=3, p-value=0.22). For the South African sample owners seem to show the highest involvement in ER activities (Mean rank=196.61), followed by owners/managers (Mean rank=158.38), managers (Mean rank=140.69) and employees (Mean rank=127.93). For the Lesotho sample managers seem to have the highest involvement in ER (Mean rank=167.51), then owners/managers (Mean rank=151.26), employees (Mean rank=150.48) and owners (Mean rank=94.83). It is evident in Table 5.27 that while owners show the highest involvement in ER activities in South Africa, the situation is different from Lesotho where managers are more involved in ER activities than the others. This finding is consistent with Mazurkiewicz (2004) and Salimzadeh et al. (2013) who concluded that owners and/or owners/managers are more involved in ER activities than employees.

5.9 SUMMARY OF COUNTRY COMPARISONS

Table 5.28: Summary of country comparisons

Item measured	South Africa	Lesotho
Understanding of BSR	High understanding	High understanding
Understanding of ER	High understanding	High understanding
ER as a sound business philosophy/practice	Positive responses	Positive responses
Reasons for undertaking ER	To have good company image Attract customers Increases employee satisfaction ER is the right thing to do	To have good company image Attract customers Increases employee satisfaction ER is the right thing to do
ER attitude	Positive attitude towards ER	Positive attitude towards ER
ER barriers	Lack of time Lack of financial resources Lack of ER equipment	Lack of time Lack of financial resources Lack of ER equipment ER benefits not known
ER activities	Positive involvement in ER activities	Positive involvement in ER activities

Table 5.28 gives a comparative summary of the seven variables that measured ER among SMMEs in South Africa and Lesotho. The table also addresses specific research question 8.

It should be noted specific research questions 9 and 10 are answered on the basis of inferences from the literature review and the results are presented in the next chapter.

5.10 CHAPTER SUMMARY

This chapter has explored and discussed in detail the empirical research outcomes. Frequency tables and bar charts were used to interpret data. Data were collected largely on demographic profiles and company details of respondents; respondents' understanding of BSR and ER; their views on environmental issues; reasons and attitudes towards ER; barriers they encounter; and environmental activities they engage in. It became apparent from the analysis and discussions that small businesses in South Africa and Lesotho show a good understanding of both BSR and ER. It was also confirmed that ER is an integral part of BSR. The next chapter sums-up the study by making conclusions and recommendations for policy practice and further research.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

As stated to in Chapter 1, this study investigated ER in potential environment polluting small scale businesses, namely motor vehicle mechanics, panel-beaters and clothing manufacturing businesses in South Africa and Lesotho, with the aim of identifying problems areas and best practices for the development of a framework that can be used to promote environmentally responsible practices among these types of businesses. The findings and discussions of this study were presented in Chapter 5. This chapter concludes the report by presenting conclusions and recommendations based on the literature review and empirical findings of the study.

6.2 CONCLUSIONS BASED ON THE LITERATURE REVIEW

In this section, the important conclusions arrived at on the basis of the literature study are discussed.

6.2.1 THEORETICAL PERSPECTIVE ON SMMEs AND ENTREPRENEURSHIP

There can be no discussion of small scale businesses without reference to entrepreneurship (Dzansi, 2004) and the reverse is also true. Besides, the study was carried out under the domain of responsible entrepreneurship. Therefore, the study began with a review of the literature on the concepts of entrepreneurship and SMMEs.

With respect to the entrepreneurship component, the review focused on the origin of entrepreneurship, definitions of entrepreneurship and the entrepreneur, the various approaches to entrepreneurship and the entrepreneurial schools of thought. The review resulted in an operational definition of the entrepreneur as *“A person who is creative and innovative, establishes a business because there is an opportunity, and manages the business while assuming its related risks and rewards.”*

With regard to SMMEs, the literature was examined at both international and local (South Africa and Lesotho) levels. Firstly, after a careful analysis of the definitions of SMMEs, the operational definition of SMME adopted for this study was a business that fulfils one or more of the following criteria*: (i) fewer than 200 employees; (ii) annual turnover of less than R5 million; (iii) capital assets of less than R2 million; (iv) independently owned; and (iv) direct involvement of owners in the management of the business.* Also, the relationship between SMMEs and entrepreneurship was examined to highlight their similarities and differences. Finally, the role of small businesses in socio-economic development was discussed.

The main conclusions that can therefore be drawn from the extensive literature review on the concepts of entrepreneurship and SMMEs are: (i) as much as SMMEs and entrepreneurship share some similarities, the two concepts are not the same and must not be used as synonymous to each other; (ii) just like most countries, in both South Africa and Lesotho, most of the employment is provided by SMMEs and entrepreneurs in spite of the numerous challenges they face that hinder their growth and job creation; (iii) due to lack of formal employment opportunities, citizens of both Lesotho and South Africa turn to entrepreneurial activities for economic survival.

6.2.2 THE ER AND BSR OF SMALL BUSINESSES

The need for small businesses to overcome the numerous challenges they face in order to sustain their business operations and contribute to social and environmental development led to examination of ER in the context of BSR. The chapter discussed, inter alia, the theoretical foundation of BSR and explored its various dimensions, with particular emphasis on environmental issues. The following conclusions were arrived at.

Firstly, in order for small businesses to not only survive but grow and become more profitable for shareholders, they need the so called “license to operate”—a term that refers to the broad concept of BSR. In addition, ER is a means by which small businesses can enhance their contribution to sustainable development. The review also showed that business should be mindful that previous economic success is not a guarantee of future success, and that the social and environmental actions of a business, whether large or small, is a key determinant of remaining a going concern. Further, the literature is in agreement that the stakeholder approach is the foundation for understanding and addressing small businesses ER. Also, there are tangible benefits associated with engaging in ER, therefore SMMEs will do well to include ER in their core business activities.

6.3 CONCLUSIONS BASED ON THE EMPIRICAL RESULTS

The following conclusions are drawn on the various sections in the questionnaire that addressed the research questions investigated and presented in the previous chapter.

6.3.1 SMMES' UNDERSTANDING OF BSR

Section A on the questionnaire was on respondents' understanding of BSR. This section addressed research question 1: What do small businesses in South Africa and Lesotho understand the umbrella term BSR to mean? The analysis in Tables 5.4a to 5.5b showed that an overwhelming majority of the respondents in both countries are of the opinion that business should not engage in BSR only when profit allows; must abide by laws and regulations of business; abide by what society regards as good or right for business conduct; and engage in BSR activities voluntarily. **This leads one to conclude that small businesses in South Africa and Lesotho have a good understanding of the concept BSR.**

6.3.2 SMMES' UNDERSTANDING OF ER

Section B quizzed respondents on their understanding of ER. The section related to research question 2. Tables 5.6a to 5.7b indicated that the majority of respondents are of the opinion that they need to engage in environmental responsibility even when the business is not making profit, and above all must voluntarily engage in ER so as to enhance society. **Therefore, it is concluded that SMMEs in both South Africa and Lesotho have a very sound knowledge of the ER concept.**

6.3.3 ER AS A SOUND BUSINESS PHILOSOPHY

This section examined the extent to which small businesses in South Africa and Lesotho see ER as a sound business philosophy/practice. It addressed research questions 3—do the SMMEs in South Africa and Lesotho regard ER as a sound business philosophy/practice? Information in Tables 5.8a to 5.9b showed that all the respondents in South Africa and Lesotho agree that ER improves the image of the business in the community; contributes to employee satisfaction and motivation; helps and attracts customers; and leads to company profitability. **Based on the results, it is concluded that SMMEs in both countries see ER as a sound business philosophy/practice.**

6.3.4 REASONS/MOTIVES FOR ENGAGING IN ER

This section investigated the reasons/motives for SMMEs' engagement in ER practices, which relates to research questions 4. The results in Tables 5.10a to 5.11b revealed the following as reasons why SMMEs engage in ER: **to have a good business image; (ii) to comply with the law; (iii) to meet community demands; (iv) to attract customers; (v) to increase employee satisfaction and motivation; (vi) to comply with tender requirements; (vi) to protect the environment for future generations; and (vii) because it is the right thing to do.**

6.3.5 SMMES ATTITUDE TOWARDS ER

This section addressed research question 5. The overwhelming majority of respondents displayed a positive attitude towards ER as reflected in transformed data Tables 5.12b (81.7% average) and 5.13b (88.4% average) for South Africa and Lesotho respectively. **Therefore, it is concluded that SMMEs in South Africa and Lesotho have a positive attitude towards ER.**

6.3.6 BARRIERS TO SMALL BUSINESSES' ER

Section F in the questionnaire investigated barriers that hinder SMMEs' engagement in ER activities. Results in Tables 14a to 15.15b revealed barriers to SMMEs' ER endeavours. The following are concluded as SMMEs' ER barriers:

1. **Time:** Both management and employees share the same sentiment that there is not enough time for ER activities. This makes it difficult for South African and Lesotho SMMEs to engage in ER as much as they would have liked.

2. **Financial resources:** The surveyed SMMEs complain that their ER efforts are thwarted by lack of financial resources. Thus, their companies are not profitable enough to engage in ER. This probably contradicts their earlier claims (Tables 5a and 5b) where majority of them (SMMEs in South Africa and Lesotho) agreed that engagement in ER actions should not be influenced by profitability.
3. **Training and equipment:** It emerged from the data analysis that small businesses in South Africa and Lesotho lack the necessary training and equipment/tools to engage in environmentally responsible activities, in spite of their understanding of the concept.

4. **Lack of information:** Tables 5a and 5b reported that SMMEs in Lesotho do not have access to information on the benefits of carrying out ER. Even for South African SMMEs, a high proportion (40%) indicating that they do not know the benefits of doing ER should be a worrying concern.

6.3.7 ER ACTIVITIES OF SMMES

Research question 7 was on the main ER activities of SMMEs in South Africa and Lesotho, and Section G of the questionnaire investigated that. Data in Tables 4.16a to 4.17b reported that SMMEs in both South Africa and Lesotho engage in the following ER activities**: (i) frown upon environmental littering; (ii) recycling; (iii) reduction of land pollution; (iv) reduction of noise pollution; (v) improvement of air pollution; (vi) solid waste management; (vii) reduction of water usage; and (viii) reduction of energy usage.**

6.4 COMMONALITIES AND DIFFERENCES IN ER

This part addresses the eighth research objective: commonalities and differences in ER engagement of SMMEs between South Africa and Lesotho. The discussion is based on all seven ER issues investigated, and on certain demographic factors.

Understanding of BSR

Information in Section 5.8.1 reveals that for Lesotho all demographic and company factors have a significant effect on understanding BSR, while in South Africa only type of respondent has a significant effect on understanding BSR.

Understanding of ER

Data in Table 5.22 in Section 5.8.2 suggest that apart from highest level of education and age of business, all other demographic and company factors significantly influence the understanding of ER in Lesotho. However, for South Africa, only type of business has significant effect on understanding of ER.

ER as a sound business philosophy

Analysis in Section 5.8.3 shows that demographic and company factors that significantly affect the notion of ER as a sound business philosophy in South Africa are highest level of education and number of employees beside owner, while type of respondents and type of business are the factors that have a significant effect on ER as a sound business philosophy.

Reasons for undertaking ER

It is observed in Table 5.24 that there were no significant differences on demographic factors that affect reasons for ER engagement in Lesotho, while only type of respondent has a significant effect on reasons to engage in ER in South Africa. For the Lesotho sample, no significant differences were observed on company factors that affect reasons for engaging in ER. However, type of business, number of employees beside owner and gross turnover per annum were the factors that have a significant effect on reasons for engaging in ER in South Africa.

Attitude towards ER

In South Africa a respondent's status, be it demographic or company factors, has no significant effect on attitude towards ER. For Lesotho, only type of business has a significant effect on attitude towards ER.

Barriers to ER

For both South Africa and Lesotho, all the two demographic factors have a significant effect on barriers to ER as depicted in Section 5.8.6. Of company factors that significantly influence barriers to ER, only gross annual turnover has a significant effect on barriers to ER in South Africa. In Lesotho, type of business, number of employees beside owner, gross annual turnover per annum and form of business were identified as company factors that have a significant effect on barriers to ER.

ER activities

In both countries, type of respondent and type of business, and demographic and company factors have a significant effect on ER activities.

6.5 IMPORTANT PRACTICAL LESSONS

This section provides an overview of important lessons learnt from the surveyed SMMEs in South Africa and Lesotho. These important ER practices by the surveyed SMMEs provide good food for thought for small businesses in Africa. It also addresses research question 9: What important practical lessons can be learnt from South Africa and Lesotho?

To begin with, one of the outstanding practices that needs commendation and encouragement is the SMMEs' voluntary engagement in sustainable business practice. This is especially the case as most of them are not driven by any commercial or monetary benefits to engage in ER but consider these activities to be good and responsible business practice.

Even though reasons for adopting sustainability may vary from company to company among the surveyed small businesses in both countries, they have found that emphasizing sustainability improves their profitability, generates greater loyalty, satisfaction and commitment from employees, and cements relationship with customers and the society at large.

Furthermore, evidence from the surveyed small businesses suggests that they are waking up to ER in spite of the numerous challenges they encounter, since they consider ER to be a sound business philosophy/practice

6.6 RECOMMENDATIONS

This empirical study, investigating and comparing environmental issues as a BSR concern of SMMEs in South Africa and Lesotho, has uncovered several key issues that influence SMMEs' ER endeavours. This section draws recommendations not only for policy and SMMEs themselves but also for further research. Even though the findings and recommendations are relevant to small businesses in South Africa and Lesotho, they can be applicable to other small businesses in developing countries.

One important thing that has been revealed in this study is that South Africa and Lesotho SMMEs are not completely unaware of the importance of protecting the environment, in spite of the numerous challenges they encounter. Hence, there is the need to institute tailor-made policies to support their efforts. The recommendations also address the tenth research question, which was on support for SMMEs.

6.6.1 POLICY RECOMMENDATIONS

Firstly, evidence from the empirical analysis of this study suggests that SMMEs have good understanding of ER and its 'mother' concept BSR. However, SMME owners/managers should be made aware of the key role other stakeholders, particularly employees, play in the successful formulation and implementation of business strategies. For a company's ER program to be successful, owners/managers must be encouraged to involve employees in the initial formulation and implementation stages. They should also make efforts (by investing some of their profits) to train and equip employees in order for them to deal effectively with ER issues.

Also, the high percentages of male domination of the surveyed SMMEs (76.7% and 79% in Lesotho and South Africa respectively) is an indication that efforts by both countries' governments of encouraging entrepreneurship among women still face challenges. It is therefore recommended that many women should be encouraged into entrepreneurial ventures, particularly motor vehicle mechanical work and panel-beating.

One interesting finding is the high involvement of the youth in entrepreneurship in both South Africa and Lesotho (see Table 1). It is suggested that entrepreneurship education at pre-tertiary level be considered by the Departments of Education of both countries. This may give many school leavers the opportunity to create jobs for themselves (and possibly others), thus reducing the overly dependence on government for employment.

This study revealed that SMMEs in South Africa and Lesotho have good reasons for undertaking ER activities, as shown in Tables 10a and 10b. While it is good to do so, it is worrying that the SMMEs ranked compliance with tender requirements as the least compelling of the eight proposed reasons for undertaking ER. This may mean that some SMMEs do not bid for tenders because many tenders need the business to attach ER initiative reports. Therefore, it is recommended that the surveyed SMMEs must vigorously engage in ER in order to have the courage to bid for tenders.

Another area of concern is SMME owners/managers' and employees' lack of time. Due to the fact that both parties are pressed for time, ER initiatives are relegated to the background. Policy makers need to address this, by coming up with appropriate strategies to assist SMMEs to manage their time well. This will enable SMMEs to pay equal attention to ER programs.

Again, access to information on ER and appropriate training and equipment seem to be a hindrance to SMMEs. It is thus suggested that policy makers should find means of making information (especially of implementation and benefits of engaging in ER) available to SMMEs. They should also provide training on environmental system management, and support SMMEs in acquiring appropriate and affordable equipment.

It is recommended that small businesses should also make efforts to identify and approach appropriate institutions that can assist them in their ER efforts rather than always claiming ignorance on the subject.

Research evidence suggests that SMME owners/managers and employees with prior education about environmentally sustainable practices are more likely to be proactive in implementing such practices in their companies (Ben-ziv-Assaraf & Ayal, 2010). It is recommended that tertiary institutions offering entrepreneurship courses should integrate environmentally sustainable practices in their programs.

Lastly, tailor-made environmental responsibility programs must be designed for SMMEs rather than the wholesale importation of big business ER programs for small businesses.

6.6.2 RECOMMENDATIONS ON ENGAGING SMMES IN ER INITIATIVES

It is necessary to engage SMMEs in environmental initiatives in order for them to be conversant with issues pertaining to ER. Many of the surveyed SMMEs showed sound knowledge and interest in environmental issues but were reluctant to be formally interviewed. Some saw the interview as a calculated means by their government to identify their inability to engage in ER and a means thereby to harass them for it, while others were of the opinion that policy makers would want to know their business status (registered or not) so that they might be witch-hunted in future. Therefore, there should be a way to engage SMMEs in order for dissemination of information on ER be easier and possible. The following are some suggested ways to engage SMMEs:

- SMMEs should be encouraged to form support groups where they will be able to share their ideas and experiences on ER as a way of motivating one another. Some might also need advice on ER from the more experienced companies, and a platform of this sort would be beneficial. It is also easier for NGOs, donor agencies to reach many of them if they have associations.

- A very high number of the surveyed SMMEs mentioned finance as one of the obstacles to their ER endeavours. This probably contributes to their inability or reluctance to buy ER equipment or train their employees. These SMMEs can better engage financial institutions for loans if they are united. It will also be easier to solicit support/assistance from government, NGOs or donor agencies through the association leaders.

- Many of the interviewed SMMEs in South Africa and Lesotho said they lack support from their respective governments to embark on ER. The governments in both countries can promote ER among small businesses by funding educational programs. The various media organisations can also create platforms for SMMEs to engage in ER debates and exchange views. Also, award ceremonies can be organised so that best ER performers can be awarded. This will serve as a motivation for other SMMEs to improve their ER initiatives.

- SMMEs should be aware that ER is not a concept that should be developed on an ad hoc basis or outside mainstream business practices, but instead of something that needs to be integrated with the daily management and operation of business.

6.6.3 A MODEL FOR PROMOTING ER IN SMMES

As part of the recommendations based on the findings in this study, a conceptual model for SMMEs' ER is offered in Figure 6.1. The model below shows that engaging in societal responsibility activities (environmental, economic and social) benefits both business and society. This study focuses on the green shaded area, which has to do with ER.

Figure 6.1: Conceptual framework of SMMEs' ER

6.6.4 IMPLEMENTATION GUIDELINES

The model in Figure 6.1 assisted in theoretical understanding of ER in the context of BSR. However, it has become necessary to further develop a framework for promotion and implementation of ER among small businesses in the African context. This framework was influenced by both the theoretical and empirical findings of this study in order to assist small businesses in their ER endeavours and to promote responsible entrepreneurship.

Figure 6.2 shows a framework for SMMEs' ER implementation. This framework, which seeks to promote environmental compliance and performance among SMMEs, proposes two broad categories, namely **internal initiatives** and **external initiatives.**

Figure 6.2: SMMEs ER implementation framework

Figure 6.2 above shows the implementation guidelines that SMMEs, governments and NGOs should follow for ER performance and the expected benefits. The implementation is grouped into internal initiatives and external initiatives.

Internal initiatives

These initiatives should be driven by SMMEs themselves by focusing on the following:

- **ER agenda into core business activities:** SMMEs need to integrate ER into the core business agenda, not on a temporary basis. They should understand key sustainability drivers, risks and opportunities for their business so as to find innovative ways in which ER can be part of business objectives.

- **Training/workshops:** They need to liaise with governmental bodies and NGOs that deal with environmental issues in order to keep abreast of their programs. This will help them to be aware of training/workshops schedules.

- **Devote time and engage stakeholders:** Time is one of the main barriers to ER by SMMEs. Time needs to be devoted by both management and employees so as to effectively engage in ER. They should also communicate with other stakeholders (customers, employees, investors, suppliers) so that their voices can be heard in the ER debate. In this manner, strategies developed will be able to address their needs.

- **Measure, monitor and review:** Tracking the progress made towards sustainability goals is crucial. SMMEs need to develop clear metrics, and review them regularly to assess whether they are tracking the level of progress. Finally, they need to keep records/reports on ER initiatives.

External initiatives

These initiatives are driven by governmental bodies and NGOs dealing with environmental issues. Such bodies and donor agencies should focus on the following:

- **Provide training/workshops:** Lack of SMME environmental management technical skills is one of the main factors identified in this study as a barrier to ER engagement. Governments and NGOs should provide technical experts to organize training/workshops in order to equip SMMEs with effective ER management skills and techniques.

- **Accessible ER information:** Governments and NGOs should come up with a more structured approach to SMMEs' involvement in ER since they need clear examples and accessible guidelines. Lack of information on ER is a barrier to SMMEs' ER efforts. ER can be promoted by assisting SMMEs to know and interpret ER information, as well as to be aware of the benefits associated with ER initiatives.

- **Disposable sites:** Special waste disposable sites should be created and communicated to SMMEs for them to know where to dispose waste.

- **Regular inspections:** Regular follow-ups or inspections on ER will go a long way toward promoting ER among SMMEs. Such visits will not only keep SMMEs on their toes but inspectors will also have first-hand information on the level of progress SMMEs are making.

- **Subsidies on ER equipment/tools:** SMMEs are constrained by financial resources and therefore find it difficult to purchase ER equipment/tools. Promotion of ER through incentives such as subsidies on equipment/tools will ease the financial burden on SMMEs and in this way assist them to afford such equipment/tools.

6.6.5 FURTHER RESEARCH

This empirical study has identified the following issues for further research:

- An extensive research is needed to develop a tailor-made ER guidelines for small businesses.

- Research should be undertaken to identify the reasons why SMMEs are pressed for time to engage in ER initiatives.
- The research revealed that SMMEs see ER as a sound business philosophy and that engaging in it can enhance business image and increase profitability. However, this research fell short of investigating how much profit (percentage-wise) that is, and the level at which a company's image is enhanced.

- Research is also required to ascertain why there are no ER management skills training programs for SMMEs.

- This study also did not attempt to identify whether ER forms part of the mainstream business programs. Further studies are needed to identify this.

6.7 SUMMARY

This chapter has provided conclusions to the study derived from both the literature review and the empirical analysis. Generally, it emerged that the surveyed SMMEs have a good understanding of ER concept, and also regard it as a sound business philosophy/practice. In spite of their sound knowledge of the ER concept, the SMMEs acknowledged that their ER efforts are met with challenges, prominent among which are time, finance, equipment and training. The discussions in this chapter ended with recommendations for policy makers and SMMEs themselves. Also, means of engaging SMMEs in ER initiatives were identified, and recommendations for further studies were proposed.

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