

## Business Owners' Perspective on Corporate Social Investment

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**ABSTRACT** The purpose of this paper is to give an account of the concept of corporate social responsibility as implemented by small business owners in the Northern townships of Pretoria, South Africa. The research used a cross-sectional design where a quantitative approach was employed to investigate the practice of corporate social responsibility of small and medium enterprises in the northern townships of Pretoria. The findings indicate that businesses in the surveyed areas practice Corporate Social Responsibility (CSR). It was found that small, medium enterprises (SMEs) believed that practising CSR is likely to promote the business image. Corporate social responsibility also brings new opportunities for the business in the terms of support from the community that they are operating in. The findings provide valuable insight on how small; medium enterprise owners and managers perceive the Corporate Social Responsibility practices within their businesses. In the end SMEs owners believed that it is imperative to contribute towards Corporate Social Investment for sustainable profitability whilst caring for the customers as well the broad community. It can be deduced that practising social responsibility is likely to contribute to a favourable image of the enterprise.

### INTRODUCTION

Corporations engaging in Corporate Social Responsibility (CSR) are challenged to strike the balance between making profit and serving the community in which they operate (Schmetz 2014: 184). Since most of these businesses have fewer resources to implement CSR, they see this as a luxury and as such they concentrate on the core business activities which is profit making. Importantly, CSR relates to an organisation's total responsibility towards the business environment in which it operates. This is broad and elusive concept which essentially describes the broader solution to triple bottom-line matters inter alia with profit, people and planet. Essentially, CSR has some components namely, corporate social invest, business ethics and corporate governance. This study focused mainly on corporate social investment (CSI). This essentially encompasses for instance projects that are outside the normal business activities of a business and are not directly related to the increasing of business profitability. In this instance, business resources are mobilised to benefit and uplift communities where the business is operating. In light of the socio-economic problems faced by the South African population, the business sector is anticipated to contribute towards corporate

social investment (CSI) in order to solve social problems faced by communities (Wang et al. 2012: 6183). In the past CSR used to be the responsibility of the government to take care of the social welfare of its society. This role has gradually changed; the expectations of society have forced businesses and government to partner and to take note of their social responsibilities and act on them (Skinner and Mersham 2008). Pour et al. (2014: 229) indicate that the more the customer associate with the business, there is likelihood that such a customer will display both role and extra-role behaviours that will benefit the business in question.

Soshanguve, Mabopane and Ga-Rankuwa are areas situated in the north of Pretoria. Pretoria is the Capital city of South Africa. These areas are characterised by high rates of unemployment. This situation has led to the emergence of small, micro and medium businesses in the townships where people are trying to make a living and improve their social well-being. The proliferation of small businesses is a positive initiative, since the development of Small, Medium and Micro Enterprises (SMMEs) will contribute to job creation, social stability and economic welfare of the community.

Different types of entrepreneurs are found in these areas, and they range from taxi operators, street barbers, home-based enterprises such

as day care centres, catering enterprises and funeral parlours, shebeens, garage workshops/repair centres, hairdressers and formalised businesses located at fixed business premises, such as small-scale manufacturers.

Corporate Social Responsibility is defined as a voluntary corporate commitment to exceed the explicit and implicit obligations imposed on a company by society's expectations of conventional corporate behaviour (Falk and Heblch 2007: 247). Notably, there is a scholarly debate about the impact of business CSR activities and the enhancement of competitiveness and economic performance (Wanget al. 2012: 6184). The debate is a result of spectrum of interpretations that are available on the concept of CSR. Importantly, some view CSR as a moral concept that is integrated with a value-based understanding of what business is all about that is a responsible corporate citizen that incorporates its impact on the environment, society and all stakeholder relations into its core business model and decision-making process. For others, CSR is an instrumental concept that is something that gets done as a result of profitability, something that stands in the service of reputation and brand visibility, which could essentially be, something that, can be driven through project-based mind-set and that manifest in all sorts of special activities. A key issue for business is how to respond to wider expectations by government and the community of the business in both wealth creation and social cohesion while maintaining their core purpose of the business, which is profit making. SMEs are regarded as a source of employment in their respective communities as well as their contribution towards economic growth and their success depends mostly on their involvement in community programmes such as the welfare of the aged, sports and the arts (Cellier and Esteban 2007). There is a notion that the survival of a business is dependent upon its being seen as socially accountable which essentially means that they take triple bottom line seriously (Mershan et al. 1995: 265). The business owners should view their businesses as part of the community since its success depends on the community's support. Contrary to this; small business owners are narrowly focused on profit and remain less socially insensitive. The simple rule for small and medium business owners is survival of the business to ensure sustainability. Beyond this

phenomenon, business owners may see CSR as a luxury on their agenda (Petty et al. 2012: 46). This view correlates with what Wang et al. (2011) articulated that, when companies have fewer resources to engage in corporate social responsibility activities it is when their profit is weak. In taking large businesses into account, they focus more on the long-term impression when contributing to CSI. In this regard they look at the bigger picture in which they could benefit in the long run. Businesses should make a profit but should also consider the social impact of their activities on society (Abdul and Ibrahim 2002) and obey the law, be ethical and be a good citizen (Shareef et al. 2014: 87).

### Objectives

The primary objective of the study was to provide insight into the meaning of CSR within which it is practised in the Northern Township of Pretoria. To address this primary objective, the following secondary objectives were formulated:

1. To assess whether education plays a role in the corporate social investment.
2. To identify social responsibilities practised by SMEs in the Northern Township of Pretoria.
3. To determine whether the social responsibility action activities can assist to build a favourable business image.

### Problem Investigated

The inability of governments to protect individuals from economic insecurity has led to a renewed interest and public expectation that businesses have social responsibilities towards its customers and community (Vettori 2005). SMEs do not seem to assume social responsibility towards the community they are serving. This could essentially lead to continual loss of employment and weak social networking among the community (Ciuchete et al. 2012: 1661). Most of the businesses operating in the underdeveloped areas seem to concentrate more on profit making without contribution to the communities they serve. Without business contribution towards CSI and philanthropic initiatives, the well-being of the society will not improve. The above articulations can thus be hypothesised

as: does the practice of corporate social investment improve the livelihood of the communities? The purpose of this paper is therefore to give an account of the concept of corporate social investment as implemented by small business owners.

### **Theoretical Perspective on Corporate Social Responsibility**

Researchers have postulated that a focus on the role of businesses towards CSI has become imperative in the survival strategy of the modern businesses. SME's may find it difficult to have discretionary money available to spend on CSI (Jenkins 2006). SMEs focus mostly on the economic imperatives rather than social goals because of their survival strategy and their relatively limited financial positions. For decades, CSR has been a major debate among scholars and focus has been on the role of businesses in the society in which they operate (Galbreath 2008: 109). According to the World Business Council for Sustainable Development (WBCSD) (2000), business is an inseparable part of society and to survive and prosper business need to accommodate changes in the public expectations of business. Businesses cannot consider social issues as if they were separate from core business activities and practices. The community is the basis of all economic activity and essentially if there is no community, there could be no business. This notion emanates from the fact that for a business to be operational, they need to satisfy the customers and also contribute to the communities where they operate. CSI is an influential way of making sustainable profit and achieving lasting value for the stakeholders, in particular shareholders, employees and community (Sharma and Kiran 2012: 6696).

WBCSD (1998) regard CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and the local community and society at large. CSR is a difficult concept to define, primarily because the theory is constantly evolving, and activities are so broad in scope. Holme and Watts (2000) define CSR as the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at

large. Consistent with Sharma and Kiran (2012: 6696), CSR is viewed as an ethical commitment towards business operations in an economical and environmentally manner recognising the interest of the stakeholders and shareholders.

Based on the definitions above, three dimensions of CSR practices emerged which entail (i) ethical, (ii) discretionary and (iii) relational practices. These practices entail hiring diverse employees, contributing to the community and building long-term relations with customers. Discretionary and relational practices involve the quality of the existing relationships between the business and the community. The businesses should maintain the relations so that the customers and the community perceive the businesses as a responsible steward of the environment and society that provide for it the means to operate and do business. There are various reasons why business should take decisions on social responsibility. The business exists within certain communities and all services, products and money coming from the business influences the environment (Lindgreen et al. 2009: 305).

Some of the major reasons of doing business in underserved communities can enhance brand image, increase market share, reach new customers, access niche markets and contribute to the creation of a healthier economy (Ciuchete et al. 2012: 1661). Businesses that engage in CSR practices foster economic sustainability within the community through job creation and the promotion of business activity among locally owned enterprises (Jenkins 2006; Ahmad 2009; Barret 2009). It can also increase sales, develop the workforce, boost enthusiasm and innovation, and increase a company's reputation and standing. Pursuing responsible business practices make businesses more competitive and acceptable to the community (Hidayati 2011: 108).

In summary, taking part in CSI programmes does not necessarily mean spending heavily on such programmes. Small and medium businesses can utilize the resources that they have to take part in CSR and they may identify social groups that are vulnerable and manage such a relationship sustainably.

### **METHODOLOGY**

In this section, a discussion will be made on the design, population and sampling, data collection and data management and analysis.

### Design, Population and Sampling

The study used a cross-sectional design where a quantitative approach was employed. With this design, the researchers selected a sample of subjects and administered a questionnaire which is a data collection mechanism (McMillan and Schumacher 2006: 25). The study population consisted of 2325 SME owners in the Northern townships of Pretoria, namely Mabopane, Ga-Rankuwa and Soshanguve. Of this population, only 200 hundred were deemed adequate to take part in the study and stratified random sampling was used to select them. This sampling technique was used in order to ensure that different groups or segments of population acquire adequate representation in the sample (de Vos et al. 2011: 230). The participants were from diverse sectors/ industries: (i) the majority (110; 79.71%) were in the service sector. (ii) 16 (11.59%) were in retail sector. (iii) 7 (5.07%) were in manufacturing sector. (iv) 3 (2.17%) in the transport sector and 2 (1.45%) were in the construction.

### Data Collection and Validity Tests

Data were collected through a structured questionnaire where the researchers personally visited the businesses. The questionnaire consisted of three sections, namely: demographics of the respondents, the second section focused on the participants' perceptions about CSI and the last section focused on practices as implemented by different businesses.

The questionnaires were distributed to the target population and they were completed within a fixed session. This method allowed respondents to clarify any possible doubts and ask questions on the spot. This further provided an opportunity for the researcher to first explain the research purpose and objectives and this motivated respondents to participate in the survey. Meanwhile, the researcher was mindful of interviewer-effect.

### Data Management and Analysis

Data were collected using a validated instrument or questionnaire. The data encoding was performed using Epi-Info V6. StatTransfer was used to convert the data from Epi-format to Stata V10 where in statistical analysis was performed, and Excel was used for graphing. The

statistical results are presented in tabular and graphical formats. Descriptive statistics were generated for all categorical variables of interest. The Pearson chi-square test was used to test for association between any two categorical variables. The interpretation was performed at 0.05 error rate. Thus, association between two categorical variables is declared significant if p-value is less than 0.05. Cronbach's alpha, with a cut-off point of 0.7, was used to test for internal consistency. Where Cronbach's alpha was less than 0.70; factor analysis was used for data reduction (Brown 2006).

## RESULTS AND DISCUSSION

### Sample Realisation

The participants were identified from a list provided by the Tshwane metropolitan municipality. A total of 200 questionnaires were issued to small and medium business owners and managers in Soshanguve, Mabopane and Ga-Rankuwa, and the response rate was 75% (150 respondents of 200 possible respondents). This high response rate could be associated with the fact that the researcher physically distributed and collected the questionnaires from the participants. Males and females in the study sample were 66% (99/150) and 34% (51/150), respectively. The majority of the respondents ( $n = 110$ ; 79.71%) were in the service sector, while 16 (11.59%) participants were from the retail sector, 7 (5.07%) participants were in the manufacturing sector, 3 (2.17%) participants were in the transport sector, and only 2 (1.45%) participants were in building and construction sector.

### Measure of Internal Consistency

Section 2 of the instrument dealt with the issues relating to corporate social investment. This section consisted of subsections A, B and C, where A addressed the attitude towards CSI, B addressed the CSI beneficial to business, and C addressed CSI practices by SMEs business.

Table 1 indicates that the measuring instrument had 11, 6 and 19 items under subsections A, B and C, respectively. The items under subsections A and C were reliably testing the envisaged latent constructs since their corresponding Cronbach's  $\alpha$  are 0.7207 and 0.8403, respectively.

**Table 1: Measure of internal consistency**

<i>Subsection</i>	<i>Number of items</i>	<i>Latent</i>	<i>Cronbaeh's <math>\alpha</math></i>
A	11	Attitude towards CSI	0.7207
B	6	CSI beneficial to business	0.4273
C	19	CSI practices by SMEs business	0.8403

The Cronbach's alpha for items of subsection B is 0.4273 which suggests that the items might be measuring at least two latent constructs.

Utilization of factor analysis on items of subsection B, as indicated by Table 2, suggests that items 4 and 5 constitutes a latent construct which is trust, while item 2 forms another factor associated with accountability. Items 1, 3 and 6 are dropped from factor analysis as they are "weakly" associated with any of the items under this subsection (Brown 2006). Therefore their respective loadings on the two latent constructs, Accountability and Trust, are less of equal to 0.33. The loading of item 2 on Accountability is 2.43 while loadings of items 4 and 5 on Trust are 0.62 and 0.80, respectively. These loadings are substantial and good as they are above 0.33 (Costello and Osborne 2005).

**Table 2: Factor analysis – items of subsection B**

<i>Item</i>	<i>Accountability</i>	<i>Trust</i>	<i>Uniqueness</i>
secb1			0.9304
secb2	2.4314		-4.9094
secb3			0.9039
secb4	0.6163		0.6205
secb5	0.8033		0.3556
secb6			0.9920

(blanks represent  $\text{abs}(\text{loading}) < 0.33$ )

### Discussion of the Findings at Descriptive Level

The majority of participants (n=144; 96%) agree that social responsibility action programmes can help to build a favourable image for a business. CSI and corporate image arouse customers' emotional perception about the business. In a highly competitive market environment, many businesses have used CSI as a strategic tool to respond to the expectations of var-

ious stakeholders to create a favourable corporate image.

Most of the respondents (n = 103; 68.66%) agreed that being socially responsible leads to new opportunities. CSI is more about seizing the opportunities as avoiding risk; drawing feedback from diverse stakeholders can be a source of ideas for new products, process and market, resulting in competitive advantages for the business (Jenkins 2006).

As regards to business using its resources to ensure better service to society, the majority of the participants (n =143; 95.34%) agree that business should use its resources to ensure better service to society. While 130 (86.58%) respondents agree that social responsible behaviour can be in the interest of the business; 130 (86.66%) of respondents agree that business can improve quality of life of society through participation in CSI.

These findings show that SMEs contribute financially to education in the community; employ handicapped individuals and also engage in environmental initiatives. However, this study did not establish if indeed there is improved development in the community due to CSI programmes practiced by SMEs and also there is no evidence that the living conditions of the communities have improved.

Communities in many countries are making it clear that corporations should meet the same high standards of social and environmental care, no matter where they operate. Businesses can help build a sense of community and shared approach to common problems. Community welfare can be improved if business takes into account the social and environmental aspects (Hidayati 2011: 108). The results of this study showed that most of the participants (n = 106; 70.67%) agreed that business should give first preference to the local community for employment. Generally, 38 (25.33%) participants believed that business should sometimes give first preference to locals, while 6 (4%) participants disagreed.

The business exists within certain communities and all services, products and money coming from business influences the environment, and this concept is called the effect-modifier (Hosmer and Lemeshow 2000: 70). SMEs depend on licenses to operate in their local community and this is in line with what Lindgreen et al. (2009: 305) found that businesses are an integral part

of society, and their activities have an impact on many lives of the people in the societies. In this study the majority, 130 (86.66%) of the respondents, agreed that business could improve the quality of life of society. About 20 (13.34%) respondents were of the opinion that business involvement in CSI could sometimes improve the quality of life of society. Most of the participants ( $n = 114$ ; 76%) agreed that irrespective of size, businesses had a responsibility to contribute to social issues, compared with three (2%) who disagreed with the statement. Only 33 (22%) participants were of the view that sometimes business should contribute to CSI irrespective of the size of the business. It further emerged that most respondents (60%) with grade 12 do not sponsor community events in contrast with those who are in possession of degree and diploma that essentially sponsor community.

The survey findings revealed that the SMEs in contribute positively to the philanthropic activities. The majority of the participants ( $n = 148$ ; 99%) agreed that they donate to welfare organisations and this shows a good sign that they businesses have a duty of care in the areas they are operating. They (97%) further posit that they sponsor community events and also provide financial support to education in the community.

The survey revealed that 142 (94.66%) of the participants agreed that business has the necessary money to engage in social programmes, irrespective of the size. This supports the view of other studies that irrespective of the size, the society and other stakeholders expect business to behave socially responsible. Business has a responsibility to contribute to philanthropy or CSI. Broadly speaking, all businesses have economic, legal and ethical responsibilities. They also have stakeholders and therefore needs to act in a legitimate way. Málovics (2009: 223) argued that the size of the organisation does not determine the level of participation in social responsibility initiatives. This argument is contrary to what Perreni et al. (2007: 285) argued that CSR could be affected by the size of the enterprise. Although, in this study most respondents, ( $n = 90$ ; 60%), attested that SMEs were struggling for survival and they did not have the resources to spend on CSI and they see the practising of CSR as a luxury budget item, and this confirms what Petty et al. (2012) posited that most businesses concentrate on profit mak-

ing without taking care of the communities they are operating in. Over and above this notion, a socially responsible SME is not seen only as giving money, but recognised by the way in which its business is conducted in an ethically reputable manner. Only 11 (7.34%) participants disagreed that they were struggling for survival. This, however, gives an indication that most of the businesses practice CSR. The remaining 49 (32.66%) of respondents pointed out that sometimes they were struggling to survive. But from their previous response they still thought that CSI was important for their business. The reason for slower adaptation of CSI activities in SMEs could be from the daily pressure to succeed in the marketplace to the limited amount of resources that SMEs have.

SMEs are content to survive, as long as they are making a decent living; there is little need to reduce the bottom-line with a CSR related scheme. This view confirms the arguments by Jenkins (2006: 243) that SMEs have no surplus resources, no time to take additional actions beyond their actual core business, which is to provide goods and service. They are dependent on economic and financial resources and this prevents them from allocating funds to CSI (Iturrioz et al. 2009). Lange and Fenwick (2008: 42) concur with the aforementioned authors that small businesses struggle with little resources, and therefore they may not be able provide support to CSR programmes.

It emerged from the study that 90 (56.66%) participants agreed that SMEs lack knowledge about CSI. SMEs that participated in this study are not familiar with the concepts CSI (Iturrioz et al. 2009; Laudal 2011). SMEs may be deterred from engaging, or may be unable to engage in CSI due to a lack of knowledge and monitoring capacity of their market environment. It is argued that SMEs cannot exploit the advantages of CSR due to insufficient knowledge. They are preoccupied with running day-to-day business activities (Santos 2011: 491).

### Discussion of the Findings at Inferential Level

In order to understand different views, inferential statistics were generated to find out whether any significant difference or association exist among variables. A discussion in this regard will be made in accordance with status in business, sectoral classification and level of education of participants.

**a) Relationship Between Status in Business and Financial Means**

There is sufficient evidence that business status and financial means are not independent. To be precise: Business status and financial means are significantly associated ( $p=0.03$ ). Thus, proportions of owners to the proportions of managers are statistically different in the levels of financial means. The proportion of managers is marginally higher than the proportion of owners in the categories agree and strongly agree, while the proportion of owners was marginally higher than that of the managers only in the category of disagree. Figure 1 makes this information more explicit.

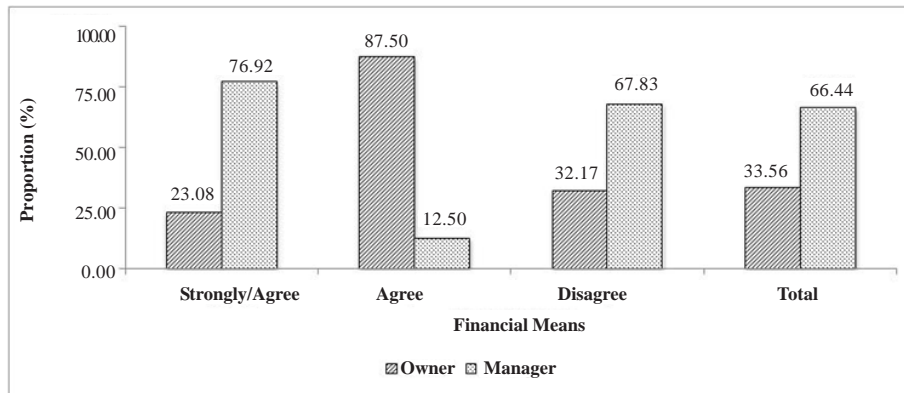
The differences could be as a result of the fact that managers who have been put in charge of a business have no right to give away the owners' money. Managers are employed to gen-

erate wealth for the shareholders – not give it away. Due to the fact that the managers are hands-on, they feel that businesses have financial means to practice CSI.

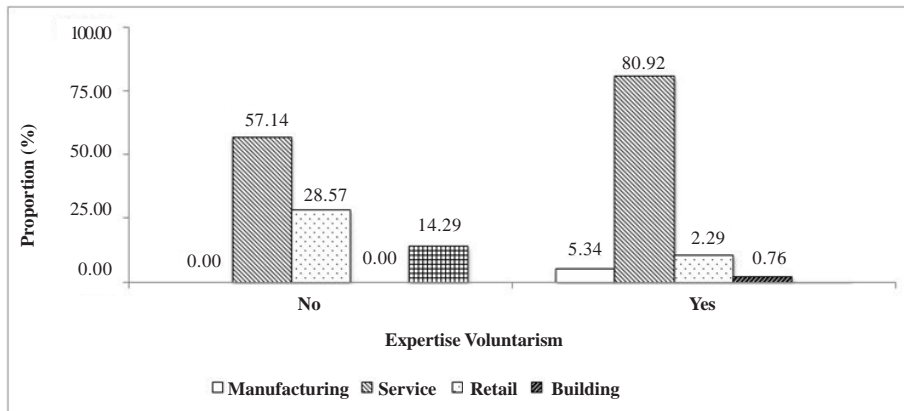
**b) Relationship Between Sector Classification and Expertise Voluntarism**

The proportions of participants who were of the opinion that SMEs allow employees to volunteer their expertise were marginally higher than those who were not of this opinion in the sectors manufacturing, service, and transport. Otherwise, the proportions of those who were not of this opinion were higher than those who were of this opinion in retail and building sectors. Figure 2 summarizes this information as it gives the actual proportions.

There is sufficient evidence that sector classification is not independent of expertise volun-



**Fig. 1. Business status versus financial means**



**Fig. 2. Sector classification versus expertise voluntarism**

tarism. In other words, sector classification and expertise voluntarism are significantly associated ( $p = 0.024$ ). Thus, responses from different sectors differed significantly in the levels of 'expertise voluntarism'.

It is notable that when employees are allowed to volunteer their expertise it is seen as good corporate citizenship and this shows a caring sentiment by business owners and managers towards the community they operate in. In this regard, it is likely that the communities will support the businesses through acquisition of their offerings.

### c) Level of Education Versus Sponsorship

Figure 3 presents the results of the crosstabulation of education categories and sponsorship. The proportion of participants who are of the opinion that SMEs businesses should sponsor community events are marginally higher than those who are not of this opinion in the categories of being in possession of a degree and diploma. Otherwise, the proportions of those who are in possession of Grade 12 or post-matric are marginally higher in the level of opinion that SMEs businesses should not sponsor community events.

Education attainment and whether one is of the opinion that SMEs should sponsor community events are significantly associated ( $p = 0.016$ ). Thus, proportions of respondents in the levels of education differed significantly in lev-

els of community events' sponsorship. Interestingly, respondents in possession of degrees and diplomas hold the same sentiments towards sponsorship of the community events. This notion could stem from the fact that tertiary education has an effect on how one interprets the business world.

## CONCLUSION

The paper investigated the intuition of business owners and managers towards the concept of CSI as implemented in their respective businesses. The study provides an important assessment of the practice of CSI among SMEs. The findings show that SMEs in the Northern townships of Pretoria are engaged in the CSR activities. It emerged from the study that SMEs are engaged in a variety of philanthropic activities, such as, donating to welfare organisations, sponsoring community events, crime prevention programmes, and educational or cultural projects. In the study SMEs contribute to crime prevention programmes in the community. This will provide a safe environment to operate in and also reduce violence in the community. The majority of business owners agreed that they should use their resources to ensure better service to society.

The small and medium businesses allow employees to volunteer their expertise to the community and this creates an atmosphere of a good corporate citizen. Volunteering programmes im-

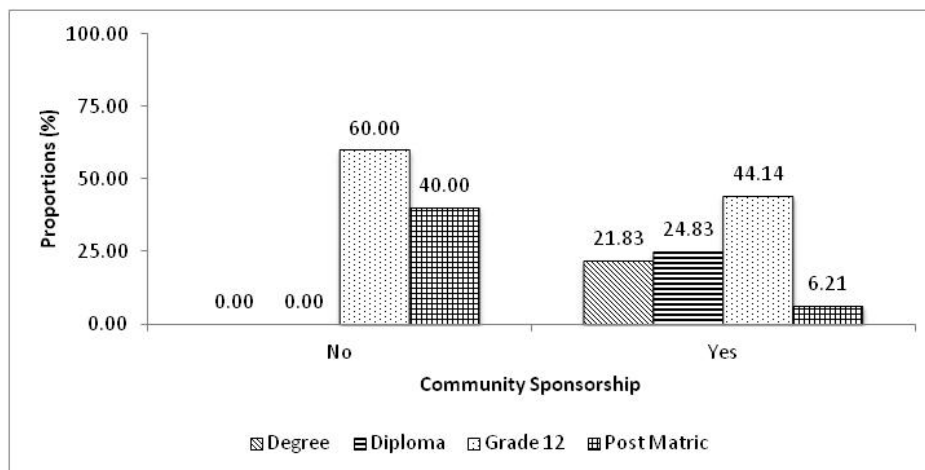


Fig. 3. Education versus sponsorship



proves the reputations of the enterprise and as such there is likelihood that the current clientele base could either remain constant or increase.

Further, an assertion can be made that SMEs' perceptions in respect to CSI as socially responsible can bring a favourable image to the enterprises. CSI also brings a new opportunity for the business and will assist organisations to develop new competencies, resources and capabilities. CSI practices can improve the life of workers and communities. It also emerged that some of the SMEs are struggling for survival; as such they do not have the necessary resources to spend on CSI. Also, they do not see the benefits of CSI since they believe in focusing on their core business. The size of enterprises does not play a role in CSI practices of SMEs in the Northern townships of Pretoria. It could, however, be concluded that SMEs practice CSI in their respective locus

### RECOMMENDATIONS

There is a need from the government to conduct road shows with the view of making SMEs aware of the importance of practising CSI in their respective communities. It is further recommended that the government introduce incentive scheme for businesses practising CSR over and above tax deductions that are currently in place for donations. It is recommended that SMES should participate in social responsibility programmes in order to sell their image as well as their product offerings.

### LIMITATIONS OF THE STUDY

The work that is reflected in this article is just a part of the bigger study that we envisage to carry out. The bigger study should include both qualitative and quantitative arms. As such the design issues may be altered so as to accommodate all related issues such as inter-cluster correlation coefficient. Therefore, we attempt to briefly highlight some other limitations. Participation in this study was voluntary and as such researchers had no way of tapping into the opinions of subjects who did not return the questionnaire. The findings are also limited to the Northern townships of Pretoria; and as such generalization (or inference) can only be extended to the situation similar to the Northern townships of Pretoria. Thus, no claim can be

made on generalisability throughout the Gauteng province.

### FUTURE RESEARCH DIRECTION

The objective is to conduct a bigger study to allow inference to the entire Gauteng province.

The methods of analysis are based on the assumption that all respondents are independent. In reality, the practices and experiences of the participants may be correlated in one way or the other as they share the same geographical area. It may be of value if another study is performed in which the issues of inter-cluster correlation are addressed in the design stage.

It will also be important to include community members in the study so that a determination can be made regarding spin-offs of the CSI.

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