Watson Ladzani & Solly Seeletse

The status of business social responsibility among SMMEs in the built environment of Gauteng Province, South Africa

Peer reviewed

Abstract

Many small, micro- and medium-sized enterprises (SMMEs) of South Africa in the built environment do not use business social responsibility as a necessary management performance function to market and sustain their businesses. It appears that the implementation of this important management performance function is hampered by a lack of knowledge regarding the important role that business social responsibility plays. Another challenge that is faced is limited financial and human resources. A study was undertaken to investigate and establish the status of SMMEs' business social responsibility in order to promote an awareness of this management performance function in the community, and on SMMEs' growth, continuous performance improvement and sustainability. A quantitative comparative design was used to collect primary data from 326 respondents. These respondents were from 64 randomly selected SMMEs in the study area. Structured interviews were used for this purpose. The main findings revealed an underperformance of business social responsibility among the sampled SMMEs. More than a third (39%) of SMMEs had not yet started implementing social responsibility activities in their businesses as opposed to only 7.2% who had high scores of involvement with business social responsibility activities. This low performance confirms the findings of other studies on SMMEs reported in the literature. It is recommended that government policies be designed to support business social responsibility and that all stakeholders promote social responsibility awareness. In addition, it is recommended that reward systems be implemented to recognise SMMEs that implement businesses social responsibility in their communities.

Keywords: Built environment, business social responsibility, economic growth, job creation, small business

Prof. Watson Ladzani Department of Business Management University of South Africa PO Box 6225 Halfway House 1685 South Africa. Phone: 083 777 0716 email: <wladzani@unisa.ac za>

Dr Solly Seeletse Department of Statistics and Operations Research University of Limpopo PO Box 107 Medunsa 0204 South Africa. Phone: 072 912 3941 email: <Solly.Seeletse@ul.ac.za>

Abstrak

Heelwat klein, medium- en mikro-ondernemings (KMMO's) in die boubedryf gebruik nie die bestuur se sosiale verantwoordelikheid as 'n noodsaaklike prestasiefunksie in die bestuur om hul bedrywe te bemark en te ondersteun nie. Min kennis van die belangrike rol wat 'n bestuur se sosiale verantwoordelikheid vervul, asook beperkte finansiële en menslike hulpbronne is skynbaar die onderliggende uitdagings om hierdie belangrike bestuursprestasiefunksie te implementeer. Hierdie studie ondersoek en vestig die status van KMMO's se sosiale verantwoordelikheid ten einde die bewustheid en trefkrag van hierdie bestuursprestasiefunksie in die gemeenskap te verhoog en ook die KMMO se vordering, voortgesette prestasieverbetering en uithouvermoë te bevorder. 'n Kwantitatiewe vergelykende ontwerp is gebruik om primêre data van 326 respondente in te samel. Hierdie respondente is geselekteer by wyse van 'n ewekansige steekproef wat 64 KMMO's verteenwoordig. Strukturele onderhoude is vir hierdie doel gebruik. Die hoofbevindings toon 'n onderliggende prestasie van sosiale verantwoordelikheid in die bestuur by die KMMO's wat ondersoek is. Meer as 'n derde (39%) van die KMMO's het nog nie begin om sosiale verantwoordelikheidsaktiwiteite in hul besighede te implementeer nie teenoor slegs 7.2% wat hoë tellings van betrokkenheid met sosiale verantwoordelikheidsaktiwiteite in die bestuur het. Hierdie lae prestasie bevestig die bevindings van ander studies oor KMMO's wat in die literatuur gerapporteer word. Daar word aanbeveel dat regeringsbeleide ontwerp word om die sosiale verantwoordelikhede van bestuur te ondersteun, dat alle aandeelhouers met sosiale verantwoordelikhede bevorder word en beloningstelsels geïmplementeer word om KMMO's te identifiseer wat die sosiale bestuursverantwoordelikhede in hul gemeenskappe implementeer.

Sleutelwoorde: Boubedryf, sosiale verantwoordelikheid in bestuur, ekonomiese groei, werkskepping, klein sake-ondernemings

1.   Introduction

Business social responsibility (BSR) is used to describe businesses that are involved in impacting positively on society in their operations (Dzansi, 2004: 82). For the purpose of the study, BSR refers to operating SMMEs in such a way that they positively affect their local communities and are responsive to their views and feelings. As such, BSR has the potential to increase the marketing and sustainability of small, micro- and medium-sized enterprises (SMMEs). Yet, it appears that in South Africa these businesses do not consider BSR important. This situation may be due to SMME owner-managers' lack of knowledge, and limited financial and human resources. Such a situation is a disadvantage for SMMEs since all management performance functions (from operational to strategic) are needed for business performance and sustainability. Management performance functions that do not seem to generate instant cash are consequently the most neglected (Lepoutre & Heene, 2006: 262).

Scholtz (2009: 2, 7, 12) informs that the formats of social responsibility include sustainable development, corporate citizenship and Corporate Social Responsibility (CSR), and Corporate Social Investment (CSI). Sustainable development recapitulates a consensus for global development. According to Dovers & Handmer (1995: 93), it refers to the ability to meet the needs of the present generation without compromising the ability of future generations to meet their needs. Corporate citizenship and CSR are terms that refer to a value system which a company adopts in order to be responsible to broader society (Executive Research Associates, 2009: 6). In the same breath, CSI is just one small, but influential, element of corporate citizenship or corporate social responsibility (Executive Research Associates, 2009: 8). It is an element that can provide much-needed development expertise to a company's other transformation activities such as enterprise development and preferential procurement. SMMEs should also embrace these concepts in order to be sustainable in a competitive market.

Among the management performance functions such as leadership, people management and customer satisfaction, BSR hardly seems to feature in the agendas of the majority of these businesses for growing their businesses. SMMEs tend to perceive BSR and charity support as unprofitable and revenue-reducing activities. The value of linking these activities with marketing is virtually unknown. There are various reasons for the lack of social responsibility application, as well as for the dearth of knowledge and awareness of the potential impact on the success and sustainability of SMMEs. Some studies state that the concept of social responsibility was originally formulated and applied in large firms (Narbaiza, Ibañez, Aragón & Iturrioz, 2009: 62; Niehm, Swinney & Miller, 2008: 333). Other studies (Perrini, 2006: 308; Lepoutre & Heene, 2006: 257) indicate that the knowledge of BSR of SMMEs is still fragmented and has not yet developed into a coherent theory. In addition, since Small Business Social Responsibility (SBSR) has received relatively little attention, very few empirical studies have been done on the subject. Current small businesses need to be aware of and understand the role of social responsibility activities in enhancing continuous improvement in their businesses.

This article reports on research conducted to establish the status of BSR among role players in the building construction industry SMMEs in Gauteng. The investigation started with establishing the profile of the sampled SMMEs. The impact of BSR on management performance of the responding SMMEs was then measured to determine the BSR status, and to identify their strengths and areas that needed

improvement. The purpose of this article is to create an awareness of the status of SBSR and to make recommendations for corrective actions to address those areas that need improvement.

This article first states the objectives of the study and then defines the fundamental concepts of business social responsibility, small business, built environment and performance management. The contributions and benefits of SMMEs' BSR are then reviewed. This is followed by a review of global and South African status on SBSR, the research methodology, sample and responses. The conclusions and recommendations are preceded by the results and discussions of the findings of the study.

2.   Objectives of the study

The primary objective of the study was to establish the status of business social responsibility of SMMEs in Gauteng in order to enhance continuous improvement in management performance. Secondary objectives were to profile the sampled SMMEs in the construction industry, measure the impact of BSR on management performance factors, and identify the strengths and areas for improvement of BSR, in order to recommend action plans on areas for improvement.

3.   Definition of key terms

Key terms such as 'business social responsibility', 'small businesses' and 'management performance' that are used in this article are defined. The Business for Social Responsibility, a US-based global business organisation, defines corporate social responsibility (CSR) as "operating a business enterprise in a manner that consistently meets or exceeds the ethical, legal, commercial, and public expectations society has of business" (Perrini, 2006: 307). It is therefore necessary that the SMMEs in South Africa strive to be familiar with these requirements in the areas they serve. Lepoutre & Heene (2006: 257) refer to small businesses that are involved with business social responsibility activities as small business social responsibility (SBSR) while Perrini (2006: 308) refers to them as SMEs with corporate social responsibility.

The *South African National Small Business Amendment Act, 2004, Act No. 29 of 2004*, (South Africa, 2004: 2) defines a small business as:

> *a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches and*

subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy, and which can be classified as a micro-, a very small, a small or a medium enterprise.

Small businesses earmarked for this study were in the built environment. 'Built environment' (BE), in this article also referred to as the building construction industry, refers to part of the physical surroundings that is people-made or people-organised, such as buildings and other structures, roads, bridges and the like, down to lesser objects such as traffic lights, and telephone and pillar boxes (Ladzani, 2009:10; Bartuska, Young & McClure, 2007:5). The Gauteng Master Builders Association (GMBA) lists main role players and functions that are covered in the BE. According to the GMBA (2007: online), the built environment includes role players such as general contractors, home builders, property developers, painters, paving contractors, plumbers, and swimming pool contractors. The BE roles and functions include installing ceilings and partitioning, and doing additions, alterations and renovations. The role players and functions listed by the GMBA were the focus of SMMEs in this study.

Performance measurement is a process of assessing progress towards achieving predetermined goals and objectives. Performance management entails building on that progress, adding the relevant communication and action on the progress achieved against these predetermined goals and objectives (Bates, Botha, M., Botha, S., Goodman, Ladzani, De Vries, C., De Vries, L. November, Crafford, Moerdyk, Nel, O'Neill, Schlechter, & Southey, 2007: 273). Performance of the management of small and medium-sized enterprises was established in order to obtain the prevailing performance measures. Hence, the term 'management performance' is used.

4. Business social responsibility and corporate social responsibility

Business social responsibility (BSR) is a concept that refers to SMMEs' involvement in social responsibility (Dzansi, 2004: 82). That is, BSR is the role of SMMEs in social responsibility. Corporate social responsibility (CSR), on the other hand, is a concept popularly known to describe large businesses that behave in a socially responsible manner. SMMEs, however, are expected to be also involved in social responsibility, hence, the concept BSR.

There appears to be little literature written on BSR. This could be alluded to the fact that SMMEs were not perceived as role players in the social upliftment of local communities. Since both small and

large enterprises should be involved in social responsibility, their roles should be similar. In this study the two concepts are used interchangeably.

Corporate social responsibility (CSR), also known as corporate responsibility, corporate citizenship, responsible business, sustainable responsible business (SRB), or corporate social performance, is a form of corporate self-regulation integrated into a business model (Orlitzky, Schmidt & Rynes, 2003: 403). This would then imply that CSR policy would function as a built-in, self-regulating mechanism whereby business would monitor and ensure its support to law, ethical standards, and international norms. Consequently, indications of CSR would be that the business embraces responsibility for the impact of its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere. In addition, CSR-focused businesses would proactively promote the public interest by encouraging community growth and development, and voluntarily eliminating practices that harm the public sphere, regardless of legality. Essentially, CSR is the deliberate inclusion of public interest into corporate decision-making, and the honouring of people, planet, and profit.

Considering that a business cycle consists of four unique components (expansion, peak, recession and trough) (Korotayev & Tsirel, 2010: 4), the point at which CSR is possible needs to be identified. Each of these phases reflects differing levels of economic activity and the subsequent circumstances occurring during each respective stage. An expansion is where the economy is experiencing positive and increasing economic output. At this phase CSR can be incorporated to encourage marketing activity with the networks of people and the environment. Employment tends to increase (unemployment falls) during expansion, and there is upward pressure placed on prices (inflation rises) as output rises. A peak is reached when the economy has produced the greatest amount of output. At this point employment is generally at or near its highest level (unemployment is at its lowest level) and prices tend to rise more rapidly (inflation accelerates). This is another phase where CSR can be incorporated in a small business. Following the peak is a recession, or contraction. During this phase output in fact decreases (the rate of growth becomes negative); unemployment begins to rise and the inflationary pressure on prices fades. This is the point at which CSR cannot be maintained or introduced because the small business strives to survive. After recession, the low point of the cycle occurs next. In business cycle terms, this is known as a trough. This is a phase where unemployment tends to be at its peak while production

is at its low point. At this phase CSR will mainly be a burden for a small business. A small business that could have had good timing in introducing CSR (i.e. either at expansion or peak) might have served itself well because CSR has the potential to help sustain the business. In addition, managers of small businesses should be careful on how CSR might affect them at the development level. Some enterprises might collapse immediately while others may use CSR to find their grip.

5. Contributions of SMMEs' business social responsibility to global economies

SMMEs make a significant contribution to global economies. Geldenhuys (2009: 201) emphasises the important role of SMMEs, as well as their contribution to both the industrialised and the developing economies. SMMEs constitute 99% of all firms in both industrialised and developing countries. Approximately 50% of productive employment emanates from SMMEs and, more importantly, SMMEs are reported to contribute between 30% and 60% of the Gross Domestic Product (GDP).

Countries such as Vietnam, Indonesia, Thailand, Singapore and Malaysia owe their level of development to the SMMEs. Similarly, in most African countries the SMMEs are widely acknowledged as major contributors to national economies (Dzansi, 2004: 54-56). In the USA and Canada SMMEs have contributed significantly towards new job creation, resulting in employment growth (Dzansi, 2004: 58).

Half of European SMMEs are involved, in some way or another, in external social responsibility causes (Perrini, 2006: 309). In Italy, there is a limited degree of commitment among the majority of SMMEs to 'formalise' social responsibility. Lepoutre & Heene (2006) found that in Latin America only 5% of small businesses remained ideal with respect to internal SBSR, while inactivity with regard to external stakeholders and the environment was much higher, at 39% and 52%, respectively.

Global values in the business environment promote social responsibility for various reasons, two of which are marketing and sustainability. When businesses contribute money to the well-being of their communities, they are not only promoting themselves but also attracting potential customers to their businesses. Given the

importance of the SMME sector, social responsibility should be taken seriously, especially for the benefit of growing this sector in developing economies such as the South African economy.

Given the economic status of BSR among SMMEs in South Africa, it has become even more important to investigate its status. The economic status of South Africa's SMMEs is that prior to 2001, they accounted for 62.2% of all businesses, contributed 36.1% to the Gross Domestic Product (GDP) and 55.9% to the total private sector employment (Malagas, as quoted by Nieman, 2006: 13-14). However, GDP growth has declined from 5.1% in 2007 to 3.1% in 2008 (Gauteng Treasury, 2009: 3). Approximately 98% of all firms in South Africa are small or micro-enterprises, with more than 70% micro-enterprises (Turner, Varghese & Walker, 2008: 15). These contributions, however small compared to their counterparts in the developing economies such as Brazil, India and Mexico, need to be nurtured and grown.

6.   Benefits of SMMEs' business social responsibility

SMMEs' social benefits range from job creation, inducing economic growth, and introducing innovations to attracting clients and employees in the local community (Lepoutre & Heene, 2006: 258). Job creation helps solve some of the many pressing socio-economic problems such as unemployment, poverty and crime (Ladzani & Netswera, 2009: 225; Dzansi, 2004: 5-6).

Literature reveals that there are positive relationships between social responsibility and business opportunities in terms of market opportunities, productivity, human competence and improvement of the competitive context, that is, the quality of the business environment where companies operate (Perrini, 2006: 307). Some empirical studies reported the positive effect of BSR on business economic performance. One study showed a positive correlation between environmental responsibility and the performance of companies listed in South Africa; that is, the higher the environmental responsibility of a company, the higher the financial performance of that company (Dzansi, 2004: 5). Dzansi (2004: 5) also reported on another study conducted at Harvard University where it was found that 'stakeholder-based' companies showed four times the growth rate and eight times the employment growth when compared to companies that are focused on shareholders only. This proves that job creation and economic growth curb unemployment in any community. However, Perrini (2006: 307) reported that SMMEs' BSR

has received relatively little attention and there is limited literature on SMME experiences in industrialised countries and even less in developing countries.

7. Status of SMMEs' business social responsibility in South Africa

In South Africa, BSR is often viewed as an unnecessary burden for small enterprises. Difficulties in attaining access to finance, a lack of time and expertise, and the associated additional administrative burdens create a barrier to launching any programmes that do not contribute directly to their core functions (Geldenhuys, 2009: 211). Efforts of SMMEs that started with CSR projects receive neither recognition nor market rewards (Raynard & Forstater, 2002: 6). Among the SMMEs, there are Exempt Micro Enterprises (EMEs) with less than R5 million turnover (Levenstein, 2008: 12). These EMEs are exempted from any form of BSR rewards. Only corporate businesses receive recognition of their involvement scores whereas SMMEs do not.

It appears that SMMEs have remained non-committed to BSR involvement for many years. Visagie (1997: 666) reported that individual managers and the SMMEs in which they work are often neutral to social change even though they cannot afford to be. Competitiveness and growth require a supportive social and political climate. The policy implications of an environment characterised by heightened uncertainty, economic stagnation and political upheaval create profound challenges. Economic growth and the creation of employment require a climate of confidence, hope and steady economic progress. SMMEs have a vital role to play in all of these. Societal changes have become commonplace, but the uncertainty and lack of direction accompanying such change is problematic for SMMEs. Strategic and visionary leadership is required during these times. Currently, the SMMEs do not show this trend.

South Africa's SMME sector is expected to contribute to poverty alleviation, employment creation and international competitiveness (Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam & van Seventer, 2002: 1). These are complementary policy objectives. The policy instruments introduced to meet these objectives, however, are different, ranging from literacy training to technological advice.

It has become urgent to determine clear priority groups in the targeting of more efficient promotion activities towards the more productive SMMEs. One difficulty in confronting policymakers (at political or regulatory level) is how best to develop an approach to SMMEs that would achieve a sufficient degree of co-ordination between supply-side effort and demand potential. There is the risk of investing resources in improving supply potential where demand constraints are high. The question arises as to whether supply-side incentives have frequently been ineffective because of such demand problems or whether ambiguous supply policies and deficient service delivery are the real causes of lack of success. Ultimately, however, it is the generation of detailed information about the functioning and working of the SMME sector that decides, first and foremost, the success or failure of a redesigned SMME policy framework.

Consequently, South African SMMEs are not productive enough in terms of BSR. Moreover, policies are deficient and there is a lack of political will to design useful policy and to ensure desirable practice.

8. Research methodology

This section presents the research methods used in the research on which this article is based. The 'research instrument', the 'research approach' and the 'sample and responses' are discussed. Table 1 is used to explain the research approach. In the sample and responses subsection, two explanatory calculations and Table 2 are used to clarify the discussion.

8.1 Research instrument

Primary data were collected by means of face-to-face structured interviews using the validated and standardised Performance Excellence Self-assessment Questionnaire (PESQ). PESQ is a computer-aided matrix questionnaire research tool. This tool was based on the South African Excellence Model which deals with the 11 management performance functions, including social responsibility. The advantage of PESQ lies in the immediate availability of preliminary results. These quantitative data were used to investigate the impact of social responsibility on the management performance of the province's SMMEs in the construction industry, as well as to identify the strengths and areas for improvement and to recommend action plans for areas for improvement.

8.2   Research approach

A quantitative comparative research design was used for data analysis (Hofstee, 2006: 124-126; Neuman, 2006: 33-35). The researcher described and compared the scores of management performance functions with world-class and SADC best practices. A social responsibility management performance function was also ranked.

In line with the approach of the Southern African Initiative of German Business (SAFRI, 2004: 5), the management performance of SMMEs was scored on a five-point Likert scale of zero to four. SMMEs that scored zero and one in management performance were regarded as being weak in management performance; those that scored two were regarded as having made good progress; those that scored three were considered best in SADC (substantial progress), and those that scored four were considered world-class best on practice (fully achieved).

Table 1 summarises the representation and interpretation of the scale code of scores and their corresponding percentages as explained above.

Table 1:   Representation and interpretation of scale code

SCALE CODE					
Scores	0	1	2	3	4
Percentages	0	≤ 25	≤ 50	≤ 75	≤ 100
Interpretation	Not started	Some progress	Good progress	Substantial progress	Fully achieved

The data analyses were done using the Statistical Package for the Social Sciences (SPSS package) and an electronic self-assessment programme (Batlisisa[1]).

8.3   Sample and responses

Two sub-populations of building construction SMMEs in Gauteng were used for the study, namely the Gauteng Master Builders Association (GMBA) and the Construction Industry Development Board (CIDB). Sampling was done from the GMBA and the CIDB populations because these organisations contain registers of leading

---

1   Batlisisa" is a South African electronic self-assessment programme developed in 2003 by Ideas Management Southern Africa cc (now operating as the Centre for Excellence). This programme was based on the SAEM and the management performance excellence criteria.

role players in the industry. Thus, the GMBA and the CIDB formed the strata for sampling purposes. The population size of the GMBA was 557 SMMEs, while that of the CIDB was 532 SMMEs. The study population was, therefore, based on 1 089 SMMEs. The GMBA and the CIDB have only registered SMMEs in their databases. Nieman (2006: 9) pointed out that the survivalists and the informal enterprises are not recognised by the mainstream business enterprises. These enterprises were, therefore, not part of the sampled businesses.

Proportional, stratified random sampling was used to select a representative sample of these SMMEs. The sampling method was used to ensure that the different strata were represented in the sample to obtain a representative sample. The study followed a sampling ratio of 10% as guided by Neuman (2006: 241). The population and the sampling size were, therefore, calculated as follows:

The total population is (N) = 557 + 532

$$= 1\ 089$$

The sample size is (n) = N x 0.10

$$n = N \text{ x } sampling\ ration$$

$$= 1089 \text{ x } 0.1$$

$$\approx 109$$

Table 2 summarises the population, sample, response and employees interviewed in the GMBA and the CIDB.

Table 2:   SMMEs population, sample, response and employees interviewed

Study area	Population size	Sample population		Response rate		No. of employees interviewed
	N	n	%	No.	%	
GMBA	557	56	10	30	54	229
CIDB	532	53	10	34	64	97
TOTAL	1 089	109	10	64	59	326

Source: GMBA 2007: online CIDB 2007: online

A stratified random sample of 64 SMMEs responded from a possible 109. This amounts to an average response rate of 59%. The distribution was 54% from the GMBA and 64% from the CIDB. A total of 326 employees were interviewed to answer questions relating to

the sampled SMMEs. These employees were purposively selected, based on the total number of employees in a business and their availability at the time of the interview. They represented staff at all levels, namely top management, middle management, lower management and labourers. The number of employees interviewed per business varied from 1 to 21 employees. The reason for this variation was that some businesses employ fewer employees than others.

Equality of variance tests were conducted to determine the variations in responses where only one respondent represented an SMME compared to where the SMMEs were represented by several respondents. Levene's test of variances (Field, 2000: 6) was used for this purpose. Levene's test revealed that the requirement of homogeneity was met on the basis of standard deviations in samples as small as one employee to several employees.

9. Results and discussions

The results of the sampled SMMEs and the social responsibility performance measurement were discussed with the aid of relevant tables and figures.

9.1 Profiles of the sampled SMMEs

This article reports on a study in which 64 sampled SMMEs were profiled according to age groups of the owner-managers, their educational qualification, age of the business, types of ownership and management performance-measuring instruments used by these businesses.

9.1.1 Age groups of owner-managers

The age profile ranges of the sampled SMMEs' owner-managers interviewed were the following: 22 (34.4%) were 40 to 49 years old; 15 (23.4%) were 30 to 39; 13 (20.3%) were 50 to 59; 11 (17.2%) were 20 to 29; two (3.1%) were 60 and older, and one (1.6%) was younger than 20 years old.

9.1.2 Educational qualification of owner-managers

The educational qualifications of the owner-managers were as follows: 21 (32.8%) held a first degree/diploma; 20 (31.3%) had completed Grade 12 (N3); nine (14.1%) held a B Tech/Honours degree; six (9.4%) had completed Grade 8 to 11; five (7.8%) held the

Master's/M Tech; one (1.6%) had Grade 1 to 7 (Further Education and Training) (FET); General Education and Training (GET); and one (1.6%) had no formal qualification.

9.1.3   Duration in business of sampled SMMEs

Of the 64 sampled businesses, 16 (25.0%) had existed for three to five years; 15 (23.4%) had existed for more than 11 years; 12 (18.8%) had existed for 7 to 9 years; 10 (15.6%) had existed for 5 to 7 years; five (7.7%) had existed for 9 to 11 years; four (6.3%) had existed for 1 to 3 years, and two (3.1%) had existed for less than a year.

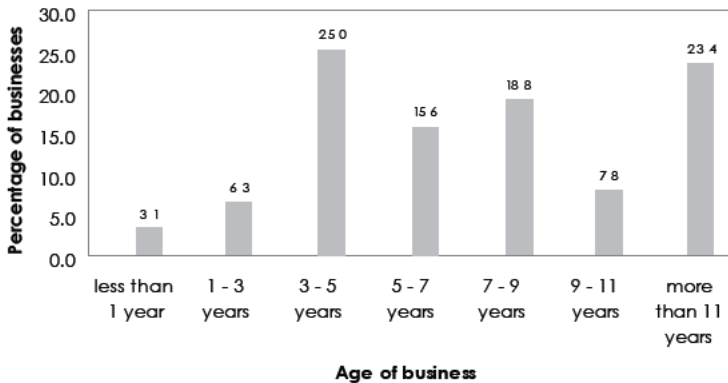Figure 1 summarises the duration in business of the sampled businesses.

Figure 1:   Duration in business

The age of business should, however, be supplemented by the total full-time equivalent of paid employees, total annual turnover and the total gross asset value of the business to describe their classification. These classifications, as described by the *National Small Business Amendment Act of 2004* assist to categorise the SMMEs. That is, this applies regardless of whether they are medium, small, very small or micro-enterprises. The classifications should, however, not be taken individually to determine their classification as one business could have more full-time employees, a high total annual turnover and a low total gross asset value. The reverse could also be true.

Tables 3 and 4 summarise the total annual turnover and the total gross asset in rand value of the sampled SMMEs.

Table 3: Responding SMMEs' total annual turnover in rand value

Annual turnover	Frequency	Percent	Valid percent	Cumulative percent
less than R150 000	6	9.4	9.4	9.4
R0.15m < R2.00m	14	21.9	21.9	31.3
R2.00m < R5.00m	19	29.7	29.7	60.9
R5.00m < R20 00m	20	31.3	31.3	92.2
More than R20.00m	5	7.8	7.8	100.0
Total	64	100.00	100.0	

Of the respondents, 31.3% had a turnover of between R5.0 million and R20.0 million; 29.7% had a turnover of between R2.0 million and R5.0 million, and 7.8% had a turnover of more than R20.0 million. The rest of the respondents had a turnover of less than R2.0 million.

This analysis indicated that of the respondents, 68.8% could be classified as small and medium-sized enterprises. Very small enterprises fall in the interval R0.15 to R2.0 million. Only 9.4% of the respondents were micro-enterprises (turnover of less than R150 000). This is when the analysis is based on total annual turnover alone.

Table 4: Responding SMMEs' total asset in rand value

Gross asset value	No of SMMEs	Percent	Valid percent	Cumulative percent
less than R100 000	12	18.8	19.4	19.4
R0.10m < R0.40m	18	28.1	29.0	48.4
R0.40m < R1.00m	8	12.5	12.9	61.3
R1.00m < R4.00m	19	29.7	30.6	91.9
More than R4.00m	5	7.8	8.1	100.0
Total	62	96.9	100	
Missing system	2	3.1		
Total	64	100		

According to Table 4, approximately 29.7% of the responding SMMEs had assets worth between R1 million and R4 million and 28.1% had assets worth between R0.10 million and R0.40 million. Only 7.8% of the respondents had assets worth more than R4.0 million. According to the South African *National Small Business Act* (1996: 20), and based on the total gross asset value alone, the sampled medium-sized businesses were approximately 8% and approximately 30% were small businesses. The rest were very small and micro-enterprises.

9.1.4   Type of ownership

The types of ownership of the respondents' businesses were as follows: 50 (78.1%) were close corporations; followed by nine (14.1%) private companies, two (3.1%) public companies, two (3.1%) sole traders, and one (1.6%) partnership.

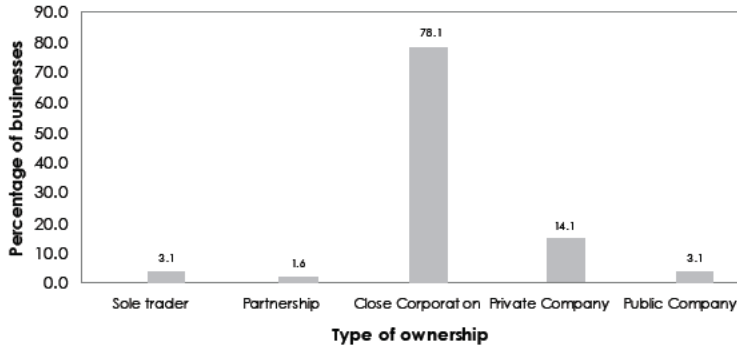Figure 2 summarises the type of ownership of the sampled businesses.

Figure 2:   Types of ownership

9.1.5   Measuring instruments of SMME management performance

The responding owner-managers of the sampled SMMEs were asked to indicate the management performance measurement instruments used in their businesses. A total of 53 SMMEs responded to this question. Of those SMMEs that responded to this question, 31 (58.5%) used financial statements; 12 (22.6%) used quality management; five (9.4%) used balance scorecards; two (3.8%) used value chain management; two (3.8%) used other (unspecified) performance management instruments, and only one (1.9%) used ISO 9000. None of the respondents used the South African Excellence Model.

9.1.5.1   Recapitulation

The profiles can be summarised as follows:

- **Ages of SMMEs' owner-managers** - In descending order, the majority of the owner-managers were 40 to 49 years old, followed by those who were 30 to 39 years old, and then those who were 50 to 59 years old. The fewest, in ascending order, were those who were younger than 20 years, and then those who were older than 60 years.

- **Educational qualifications of SMMEs' owner-managers** – The majority (≈55%) of the owner-managers had university degrees (including postgraduate up to Master's degrees). A few others had other qualifications below a degree. Only very few (<2%) had no formal qualifications.

- **Duration in business of SMMEs** – According to Mtshali (2007: 11), a business is said to have passed the critical stage for survival if it survives the first three years of its inception. Figure 2 indicates that approximately 91% of the sampled SMMEs had been in existence for three years or more.

- **Types of businesses** – Most of the sampled SMMEs were close corporations, followed by private and then public companies. The fewest were the sole traders and partnerships. Survivalists and the informal enterprises were not part of the sample.

- **Management performance measures used** – A total of 11 out of the 64 sampled SMMEs (i.e. 17%) did not participate in this question. The majority (59%) of the 53 who responded indicated that they used financial statements, followed by those (23%) who used quality management, and then by those (2%) who used ISO9000. None of them was using the SAEM.

10.   Social responsibility performance measurement

The South African Construction Excellence Model (SACEM), which is a self-assessment management performance tool, was used to measure the social responsibility performance scores. Ten questions were asked in the social responsibility performance measurement criterion. Using the representation and interpretation of scale code (see Table 1), the respondents' scores for the different questions/focus areas and their corresponding consolidated scores were as follows: 39% of the responding SMMEs had not yet started to address the 10 focus areas; 19.9% had made some noticeable progress of less than 25% achievement; 20.5% had made good progress of 25% to 50% achievement; 13.4% had made substantial progress of 50% to 75% achievement, and 7.2% had made most of what was required in the criterion.

Table 5 shows the 10 questions/related focus areas and their corresponding consolidated scores.

Table 5: Impact on society performance measurement

Questions/Focus areas	SCORE OBTAINED												
	0		1		2		3		4			
	Not started		Some progress		Good progress		Substantial progress		Fully achieved		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
1. Views of local society are proactively canvassed. Results are fed back into the organisation's policies.	133	40.9	63	19.4	72	22.2	32	9.8	25	7.7	325	100.0
2. Benchmarking has started for 25% of the impact on society targets.	136	41.8	64	19.7	70	21.5	35	10 8	20	6.2	325	100.0
3. 50% of impact on society targets are being met.	134	41.2	60	18.5	64	19.7	46	14 2	21	6.5	325	100.0
4. Results are linked to environmental and social policy. Policy is reviewed.	130	40.0	60	18.5	76	23.4	44	13 5	15	4.6	325	100.0
5. There is an increased public awareness of policies.	136	41.8	68	20.9	59	18.2	44	13 5	18	5.5	325	100.0

Questions/Focus areas	SCORE OBTAINED												
	0		1		2		3		4				
	Not started		Some progress		Good progress		Substantial progress		Fully achieved		Total	
	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
6. There are consistently improving trends in relevant result areas.	115	35.4	69	21.2	66	20.3	53	16 3	22	6.8	325	100.0
7. Local community perceptions and needs are set for improvement.	120	36.9	65	20.0	59	18.2	44	13 5	37	11.4	325	100.0
8. Employees' awareness of relevant result areas is measured.	126	38.8	68	20.9	61	18.8	50	15.4	20	6.2	325	100.0
9. Trends are established and a process is in place to track progress.	124	38.2	58	17.8	73	22.5	46	14 2	24	7.4	325	100.0
10. Result areas have been identified.	112	34.6	73	22.5	67	20.7	41	12.7	31	9.6	324	100.0
Consolidated scores	1 266	39.0	648	19.9	667	20.5	435	13.4	233	7.2	3 249	100.0

11.   Business social responsibility gaps

Business social responsibility management performance yielded wide gaps among the sampled SMMEs investigated. Compared to the idle management performance scores, SMMEs in the Gauteng Province had very low scores.
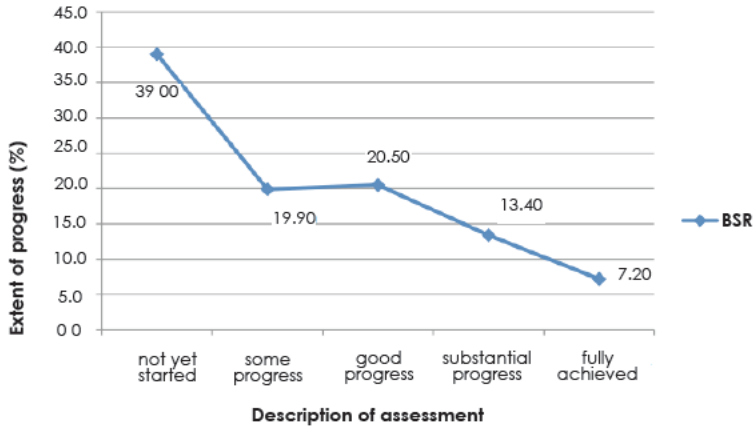

Figure 3:   BSR management performance scores

It can be concluded that there was underperformance of business social responsibility among the SMMEs interviewed. The percentage of those that had not yet started implementing their social responsibility duties in the sampled area was high (39.0%).

12.   Conclusion

The primary objective of the research reported in this article was to evaluate the extent to which the sampled SMMEs utilised BSR to enhance continuous improvement in management performance. The main findings of this study revealed that there was an underperformance of BSR among the sampled SMMEs. Of the 326 respondents used to evaluate 64 sampled SMMEs, only 7.2% had done what is required in terms of BSR activities. The percentage of those who had not yet started implementing BSR activities was as high as 39%. These businesses neither had an appropriate BSR measurement instrument nor did they measure their BSR performance.

This study confirms the literature reviewed, showing that South African SMMEs view SBSR as unnecessary. Government policies too, do not support SBSR since they recognise only the corporate sector

for their involvement with CSR projects. The literature on SBSR in some international countries is, however, different. SMMEs have started with BSR involvement in, for example, Europe and Latin America.

13.   Recommendations

The results of the empirical data and the literature analyses suggest that policy initiatives to promote SBSR should be formulated. In addition, all SMMEs that are involved in BSR projects should be appropriately recognised and rewarded. For example, role players such as the government and business associations could set up processes and systems to reward sustainable social responsible SMMEs. There should also be continuous measuring of SBSR using standardised measuring instruments. Since international SMMEs have started with BSR involvement, SMMEs should benchmark their BSR involvement with international players in order to gain world-class best practice.

In conclusion: the study provided evidence that SBSR in the sampled area is almost non-existent. For SMMEs to increase their marketability and sustainability, BSR should be prioritised in their management performance. The government and all SMMEs' stakeholders should re-think aligning policies that support SBSR. Awareness campaigns, introduction and implementation of BSR could also see SMMEs increase their profitability and sustainability. The study excluded survivalists and the informal enterprises because they were not in the databases of the sub-populations selected for the study. Many of these enterprises are not registered and make it difficult to select a representative sample. These sub-sectors of the SMMEs, however, contribute very little to the GDP of the economy.

References

Bartuska, T.J., Young, G.L. & McClure, W.R (eds.). 2007. *The built environment: A collaborative inquiry into design and planning.* 2nd ed. New York: Wiley, John & Sons, Inc.

Bates, B., Botha, M., Botha, S., Goodman, S., Ladzani, W., De Vries, C., De Vries, L. November, M., Crafford, A., Moerdyk, A., Nel, P., O'Neill, C., Schlechter, A. & Southey, L. 2007. *Managing people: Fresh perspectives.* Cape Town: Maskew Miller Longman.

Berry, A., Von Blottnitz, A-B.M., Cassim, R., Kesper, A., Rajaratnam, B. & van Seventer, D.E. 2002. *The economics of SMMES in South Africa.* Johannesburg: Trade and Industrial Policy Strategies.

CIDB (Construction Industry Development Board). 2007. Construction Registers Services – Active Contractors Listing. [Online]. Available from: <http://registers.cidb.org.za/reports> [Accessed: 12 July 2007].

Dovers, S. & Handmer, J. 1995. Ignorance, the precautionary principle, and sustainability. *Ambio*, 24(2), pp. 92-97.

Dzansi, D.Y. 2004. Social responsibility of SMMEs in rural communities. Unpublished doctoral thesis. South Africa: University of Pretoria.

Executive Research Associates. 2009. Corporate Social Responsibility: An African case study. JETRO (Japan External Trade Organization). [Online]. Available from: <http://www.ide.go.jp/English/Data/ Africa_file/Manualreport/pdf/csr_all.pdf> [Accessed: 22 October 2010].

Field, A. 2000. Contrasts and post hoc tests for one-way independent ANOVA using SPSS. C8057 (Research Methods 2). [Online]. Available from: <http://www.psychology.nottingham.ac.uk/staff/pal/stats/ C82MST/contrasts.pdf> [Accessed: 3 November 2008].

Gauteng Treasury. 2009. *Provincial economic review and outlook*. Marshalltown, Johannesburg: Gauteng Provincial Government.

GMBA (Gauteng Master Builders Association). 2007. Welcome to GMBA. [Online]. Available from: <http://www.gmba.org.za> [Accessed: 2 August 2007].

Geldenhuys, J. 2009. Corporate social responsibility in small business and medium enterprises in South Africa. In: Aras, G., Crowther, D & Vettori, S (eds.). 2009. *Corporate social responsibility in SMEs. Research series: Issues in corporate behavior and sustainability*. UK: Social Responsibility Networks.

Hofstee, E. 2006. *Constructing a good dissertation: A practical guide in finishing a Masters, MBA or PhD on schedule*. Johannesburg: EPE.

Korotayev, A.V. & Tsirel, S.V. 2010. A spectral analysis of World GDP Dynamics: Kondratieff waves, Kuznets swings, Juglar and Kitchin cycles in global economic development, and the 2008-2009 economic crisis. *Structure and Dynamics*, 4(1), pp. 3-57.

Ladzani, M.W. 2009. Evaluation of small and medium-sized enterprises' performance in the built environment. Unpublished doctoral thesis. South Africa: University of Johannesburg.

Ladzani, W. & Netswera, G. 2009. Support for rural small business in Limpopo Province, South Africa. *Development Southern Africa,* 26(2), pp. 225-239.

Lepoutre, J. & Heene, A. 2006. Investigating the impact of firm size on small business social responsibility: A critical review. *Journal of Business Ethics*, 67(3), pp. 257-273.

Levenstein, K. 2008. Overview of the BEE codes and scorecards. Preferential Procurement and Enterprise Development Conference held in Johannesburg, 2nd September.

Mtshali, L.Z. 2007. Web-based toolkit for South African SMEs. *Daily Dispatch*, 10 September, p. 11.

Narbaiza, L., Ibañez, A., Aragón, C. & Iturrioz, C. 2009. A proposal for measuring social responsibility activities in SMEs. In: Aras, G., Crowther, D. & Vettori, S. (eds.). 2009. *Corporate social responsibility in SMEs. Research series: Issues in corporate behavior and sustainability.* UK: Social Responsibility Networks.

Neuman, W.L. 2006. *Social research methods: Qualitative and quantitative approaches*. 6th ed. Whitewater, Wisconsin: Pearson Education.

Niehm, L.S, Swinney, J. & Miller, N.J. 2008. Community social responsibility and its consequences for family business performance. *Journal of Small Business Management,* 46(3), pp. 331-350.

Nieman, G. (ed.). 2006. *Small business management: A South African approach*. Pretoria: Van Schaik.

Orlitzky, M., Schmidt, F.L. & Rynes, S.L. 2003. Corporate social and financial performance: A meta analysis. *Organization Studies,* 24(3), pp. 403-441.

Perrini, F. 2006. SMEs and CSR theory: Evidence and implications from an Italian perspective. *Journal of Business Ethics,* 67(3), pp. 305-316.

Raynard, P. & Forstater, M. 2002. Corporate social responsibility. Implications for small and medium enterprises in developing countries. United Nations Industrial Development Organization, Vienna, Austria.

Scholtz, L. 2009. A study to determine to what extent companies in South Africa are prepared to use corporate social responsibility as a developmental tool to alleviate poverty. MPhil dissertation. Stellenbosch: Stellenbosch University.

South Africa. Department of Trade and Industry. 1996. *National Small Business Act, Act No. 102 of 1996.* Cape Town: Government Printer.

SAFRI (Southern African Initiative of German Business). 2004. *In pursuit of entrepreneurial excellence in SADC self-assessment using the SADC Quality Model Questionnaire and Workbook*. Pretoria: DaimlerChrysler.

Turner, M.A., Varghese, R. & Walker, P. 2008. *Information sharing and SMME financing in South Africa: A survey of the landscape*. Chapel Hill, North Carolina. USA: Political & Economic Research Council (PERC) Press.

Visagie, J.C. 1997. SMMEs' challenges in reconstructing South Africa. *Management Decision*, 35(9), pp. 660-667.